

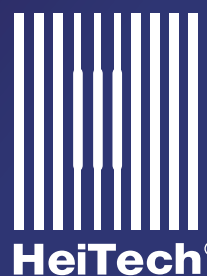
ANNUAL REPORT

HEITECH PADU BERHAD

199401024950 (310628-D)

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You can find this Annual Report and additional information about HeiTech Padu Berhad on our corporate website.

BASIS OF THIS REPORT ▾



INTRODUCTION TO THE HEITECH ANNUAL REPORT

Our Integrated Reporting constantly evolves to align with HeiTech Group's core values and strategic direction. It also provides a comprehensive overview of our financial, non-financial and material performance.

As we embark on our fifth year of Integrated Reporting, our main objective remains to offer a holistic perspective of the Group that reflects upon our commitment to serving our customers. Our report highlights our goals, hurdles and achievement in which all are viewed through the lens of our material issues.

SCOPE

This report provides information on the financial performance for the period of 1st January 2023 to 31st December 2023, as well as updates on business activities, governance and related matters for the period of 1st January 2023 to 31st March 2023.

REPORTING PRINCIPLES

HeiTech adheres to the governance and reporting standards as outlined in the Bursa Malaysia Main Market Listing Requirements and aligns our reporting with the International Integrated Reporting Council's <IR> Framework developed by the Value Reporting Foundation. We also sought guidance from other relevant standards and regulations such as the Malaysian Code on Corporate Governance 2021, Companies Act 2016, Bursa Malaysia's Management Discussion and Analysis, Sustainability and Corporate Governance Guidelines. Our financial statements are prepared in accordance with both International Financial Reporting Standards (IFRS) and Malaysian Financial Reporting Standards (MFRS).

ASSURANCE AND APPROVAL

HeiTech's external auditor, Messrs. AlJafree Salihin Kuzaimi PLT, has provided assurance on the consolidated Annual Financial Statements and expressed an unmodified audit opinion.

FEEDBACK

We at HeiTech always look for ways to improve our reporting disclosures to keep our stakeholders better informed on our value creation journey. We welcome all questions or suggestions.



+603-8026 8888

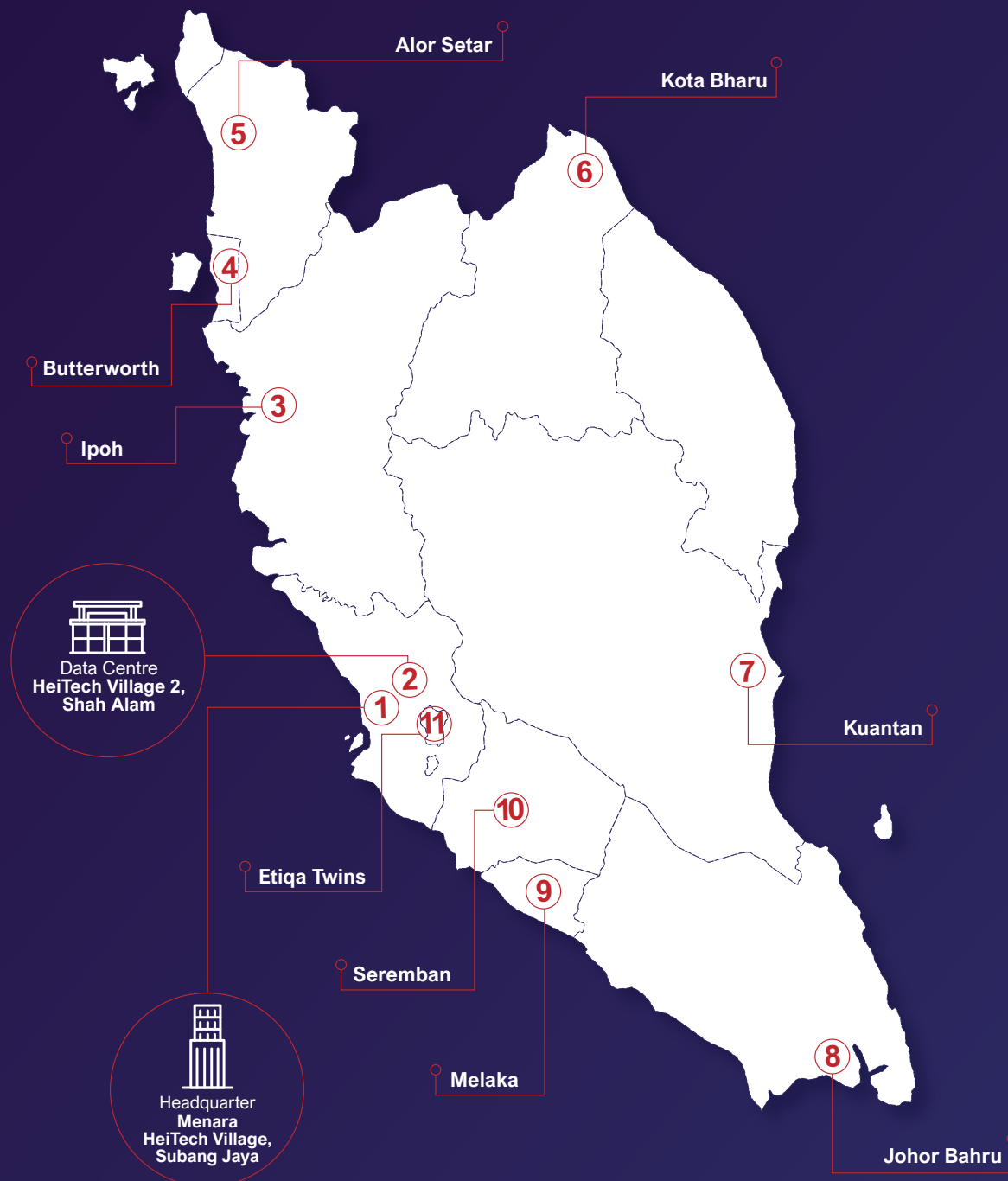


+603-8024 7997



corpcomm@heitech.com.my

FACTS AT A GLANCE



Paid-up Capital
RM117.8
 million



Revenue of
RM277.8
 million

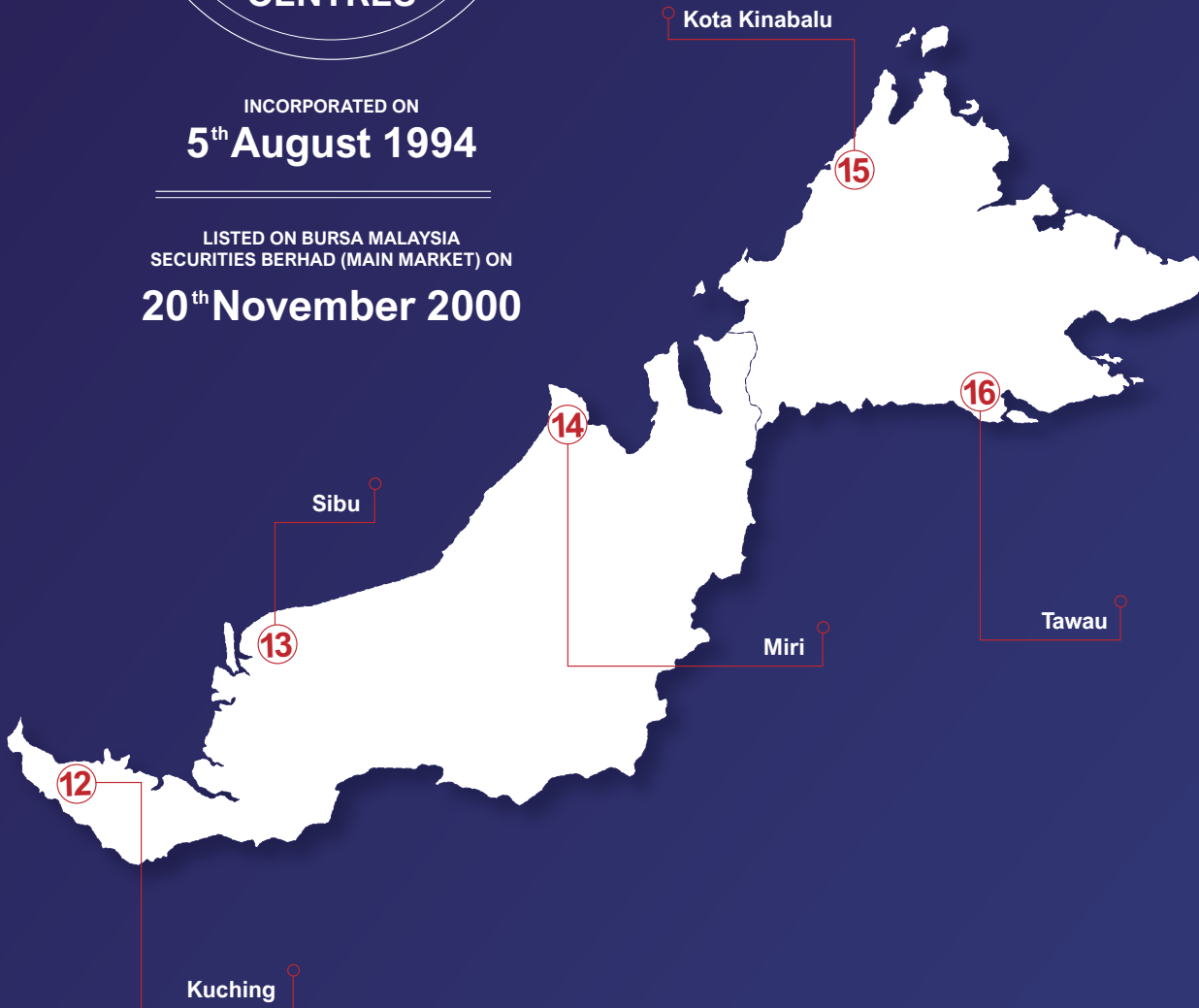


Total Assets of
RM433.0
 million



INCORPORATED ON
5th August 1994

LISTED ON BURSA MALAYSIA
SECURITIES BERHAD (MAIN MARKET) ON
20th November 2000




EBITDA of
RM28.2
million


957
Staff Strength


192
Certified IT
Professionals

WHO WE ARE

HeiTech Padu Berhad is Malaysia's homegrown market leader in the ICT industry providing innovative solutions spanning from system integration, managed infrastructure services to niche and digital solutions across all market segments.

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

PASSION FOR EXCELLENCE

- Service Beyond Expectation
- Role Model
- Responsiveness

DYNAMISM

- Stay Ahead
- Professionalism
- Versatility

PEOPLE CENTRIC

- Customer Centric
- Developing Talent
- Respect

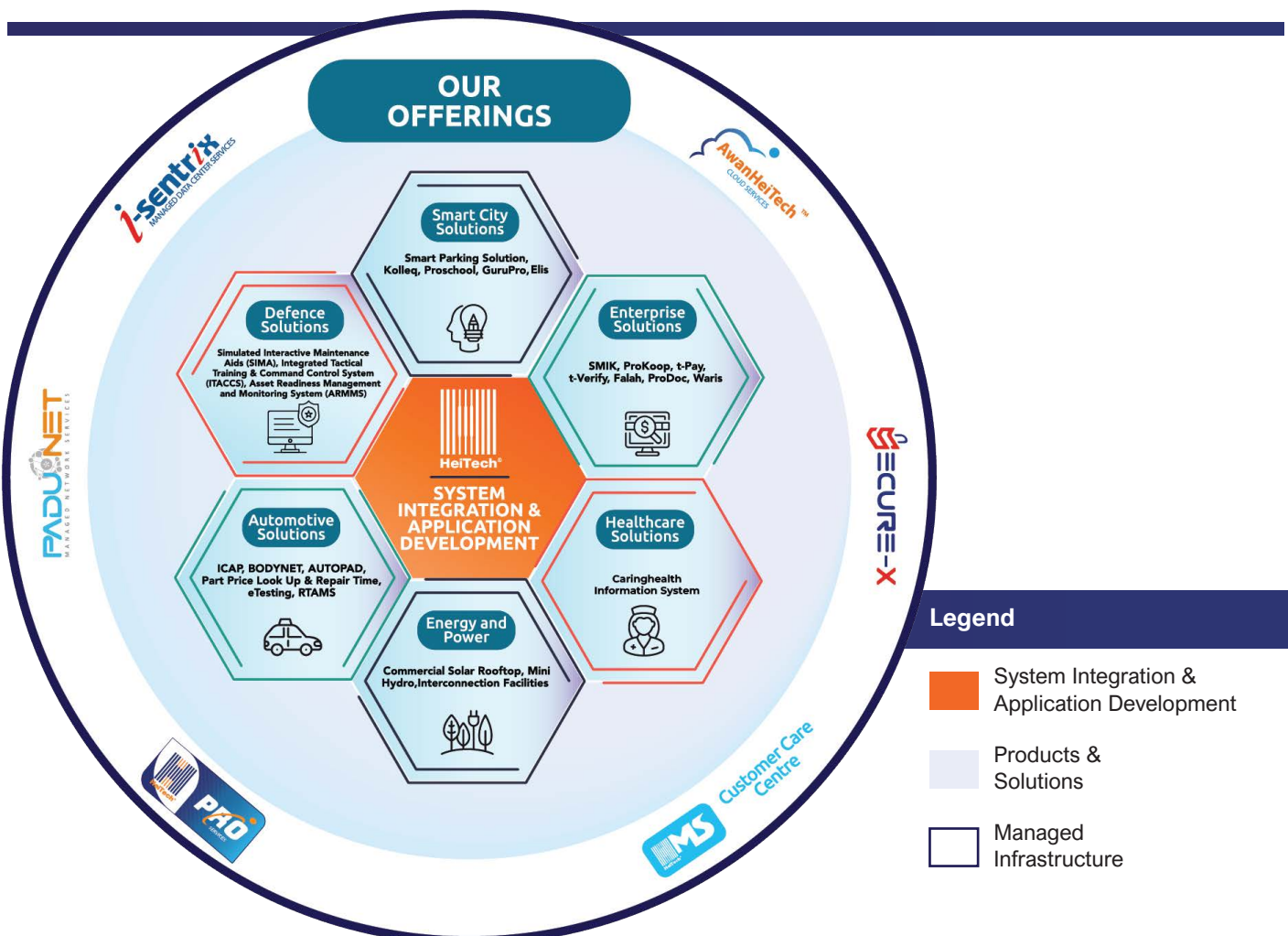
WHO IS HEITECH PADU BERHAD

HeiTech Padu Berhad (“HeiTech”) a front runner in Malaysia’s information technology sector, stands as a beacon of innovation and excellence. With a comprehensive suite of services encompassing system integration, customised application development, managed infrastructure solutions, niche and digital solutions, we cater to diverse industries, driving digital transformation and fostering technological advancement across multiple sectors.

As a prominent global player in the realm of ICT systems and technology services, our influence extends far and wide, enriching the lives of Malaysians and individuals worldwide. Through our commitment to embracing the latest technologies, we have spearheaded transformative initiatives that reshape our customers’ business operations, through comprehensive digitisation and digitalisation strategies.

Our strong focus to innovation, coupled with strategic collaboration with stakeholders, has led to the successful execution of numerous large-scale IT endeavours which includes the development of the Malaysian Electronic Government (e-government) initiatives, as a testament to our expertise.

We humanise IT systems by prioritising user experience and incorporating user-centric design principles into our products and solutions. Aligned with our vision, we aspire to be more than just a technology provider; we aim to be the trusted technology partner to enable our customers’ vision. Through our commitment to understanding and fulfilling the needs of those we serve, we gain loyalty built on trust, reliability, and mutual success.



SYSTEM INTEGRATION AND APPLICATION DEVELOPMENT

System Integration is HeiTech's core business where we provide customised application development and maintenance services to serve the specific needs of customers from different industries.

As a comprehensive end-to-end solutions provider, our commitment extends beyond product delivery. We offer a holistic approach encompassing complete project implementation services, ranging from project management and systems management to seamless deployment, comprehensive user training, and ongoing post-implementation support services. Our system integration & application development capabilities, adhere to industry standards such as CMMI and TMMI to ensure efficiency, quality, and reliability in all our deliverables. These core capabilities spanning over the last 30 years, has propelled us forward, driving innovation and excellence in the ever-evolving landscape of technology solutions.

Providing end-to-end solutions covering the entire life cycle of system.

END-TO-END SOLUTIONS

| Project Management Services | Post Implementation Support Services | User Training | Deployment Services | System Integration & Application Development Services |
|--|--|--|--|---|
| <ul style="list-style-type: none"> Project Planning, Execution, Monitoring & Control Project Management Office Change Management Services | <ul style="list-style-type: none"> Post Implementation Review Application System Support & Maintenance Hardware/ Software System Support & Maintenance Helpdesk Services | <ul style="list-style-type: none"> End-user Training Technical Training Management Training | <ul style="list-style-type: none"> Site/Infrastructure Readiness Hardware/ Software Installation, Testing and Commissioning System Deployment to Production Environment | <ul style="list-style-type: none"> Requirement Development System Analysis and Design System Development System Testing (Functional, Performance & Security) Business Process Re-engineering |

PRODUCTS AND SERVICES

HeiTech has developed multiple products and services that we had successfully marketed to cater for customers' needs across various industries.

1 2 3 4 5 6 SMART SOLUTIONS

Smart Parking Solution ("Park Smart Plus – PS+")

Park Smart Plus – PS+ is a seamless application for parking payment which upgrades the conventional way of parking using coupon. The smart parking application uses an IoT-based system that sends data on the availability of parking places via mobile device. Using state-of-the-art technology and fuelled by data, HeiTech's Smart Parking Solutions named Park Smart Plus aims to provide peace of mind by improving the quality of life of the rakyat.

PS+ is now being implemented in Majlis Bandaraya Seberang Prai ("MBSP"), Majlis Bandaraya Pulau Pinang ("MBPP") and Majlis Perbandaran Kulim ("MPKK").

Our Park Smart Plus Solution offerings include:

- Smart parking spot sensor
- Real time parking tracking
- Online platform with data analytics dashboard
- Reload eWallet, parking reservation, history tracking
- Public mobile application
- Park n Pay, purchase monthly passes, pay compound & eWallet
- Enforcement application issue compound, targeted enforcement & ANPR
- eCoupon agent application
- Park n Pay
- API integration to 3rd party custom platforms and mobile applications
- Gated and enclosed parking solution

Mobile Application Payment Solutions ("Kolleg")

Kolleg is a revenue collection ecosystem that helps to improve collection and resilience against credit losses. Kolleg is designed to help organisations to migrate into digital first collection thus modernising the way collections process is being done and debt is being managed.

Kolleg ecosystem comes with customisations, real time payment updates, marketing support, rewards and notifications. It puts the sustainability in the revenue collection strategy and it also comes with attractive commercial offerings.

Kolleg is now being used in Majlis Perbandaran Port Dickson ("MPPD"), Majlis Bandaraya Seberang Prai ("MBSP") and Majlis Bandaraya Kuantan ("MBK").

School Management Systems ("Proschoo")

Proschoo is a full-fledged school management systems that comprises of students and teachers management, learning management system (LMS), payment facilities, absentees management, online examinations and results as well as parents management. It is equipped with mobile application for online learning and homework management. Proschoo is currently marketed only in Indonesia.

Mobile Application for teachers and students ("GuruPro")

GuruPro is a mobile application that helps teachers and students to interact with each other and manage the day to day operations such as online learning, homework management, online examinations, private or group lessons and subject materials. GuruPro is currently marketed only in Indonesia.

Electronic Licensing (“eLis”)

eLis is electronic license issuance system where it helps organisations to manage the licenses issuance more effectively.

The features of the system includes:

- Manage licenses applications
- Payment of licenses
- Inspection management
- Secure digital certificates
- Manages enforcement
- Automatic reminders

Online Dashboard System (“ezBill”)

ezBill is a dashboard system to assist local council's operational activity in disseminating notice assessments, notification and distribution. EzBill helps to induce prompt payments from customers, track document trails, compile and analyse data through heat maps and deliver secured documents to thousands of people via email or short messaging service, with just a single click.

1 2 3 4 5 6 ENTERPRISE SOLUTIONS

Cooperative System (“Sistem Manajemen Informasi Koperasi - SMIK”)

SMIK is a core cooperative application system for the cooperatives. This platform provides seamless cross transaction service within multiple cooperatives and also with external parties. The SMIK apps is ready to be used and available for download in Google Play. SMIK offers a variety of features such as savings, financing, endowment, charity, merchant, and credit top-up. These features are also offered on a customised basis to cater the needs of members of cooperatives. SMIK is currently being implemented in Indonesia.

Payment Gateway Solutions (“t-Pay”)

t-Pay is a secured and reliable online payment solution that ensure payment acceptance from any channels; credit/debit card, on-line banking and e-wallet. One notable strength of t-Pay is it allows no code integration, hence Zero IT knowledge is required for businesses to start using t-Pay. t-Pay comes with a built-in check-out flow so customers can skip the hassle of creating websites to share products and services catalogue. It also provides sharable link so that customers can click, browse and make payment for purchase.

e-KYC Solutions (“t-Verify”)

t-Verify is the electronic Know Your Customer (e-KYC) application and is combination of t-VerifyID and t-VerifyFace. T-VerifyID digitally verify real customer identity anytime, anywhere in 30 seconds. During online onboarding process, t-VerifyID creates trusted user identity that allow user to identify himself/herself using a government issued ID such as MyKad. t-VerifyFace enable liveness to be added to e-KYC application to protect against stolen ID. This feature enables biometric technology to be used in the application to enhance security. Face matching algorithm is then used to confirm the owner of the ID is present at the time of the digital identity verification process.

Mobile Application for Islamic transactions (“Falah”)

Falah is a mobile application to help Islamic organisation to digitalise its operations, management of sadaqah and others such as khairat kematian, wasiat and hibah.

The application is equipped with learning management system for authorised religious speakers to promote knowledge and engage with students digitally and in a personalise manner. Donations are process in real time and the spreading of Islam has never been so personalise through Falah.

CORPORATE PROFILE

Document Management System (“ProDoc”)

ProDoc is a document management system that manages the entire document ecosystem of digitalisation right from the scanning process to creating digital assets till its destructions.

The system is equipped with physical document digitalisation process, document management system for retrieval and management. Dubbed as the Netflix of documents by the way the documents are displayed, it is a progressive system where digital assets are cared and treasured for future consumptions.

Will Management System (“Waris”)

Waris was designed to help people to create and manage their inheritance through wasiat. It is a web based system where creation of wasiat is easy and fast. The system comprises of wasiat and hibah creation.

The system follows the standard wasiat and hibah process for Majlis Agama Islam Selangor. The ultimate objective of the system is to manage the whole ecosystem of wasiat, faraid and wealth distribution digitally.

1 2 3 4 5 6 | HEALTHCARE SOLUTIONS

Hospital Information System (“Caringhealth”)

Caringhealth is a hospital information system with modules for clinical services, clinical support services, ancillary module and interoperability module. It enables doctors to assess patients’ electronic medical record anytime, anywhere.

Caringhealth’s interoperability module allows the integration with other third-party application systems and medical devices, enhancing the exchange of information between different healthcare providers and systems, thus improving patient outcomes. This module also supports real-time decision-making, enabling clinicians to make informed decisions that optimise the patient experience and health outcomes. Caringhealth provides essential modules such as billing and payment, medical record, diet and food services and staff management to ensure the efficiency of hospital operations. Caringhealth can be accessed via web and mobile app, providing easy and convenient access to patient data and healthcare providers, thus improving the overall patient experience.

1 2 3 4 5 6 | ENERGY AND POWER

HeiTech through our subsidiary company, HeiTech Eco Energy Sdn Bhd (“HECO”) offers three main services in the renewable energy sector:

Commercial Solar Rooftop

Involves the installation of solar panels on the rooftops. HeiTech offers 2 types of purchase mode to the clients; outright purchase or Zero Investment method whereby the client will pay the cost of the solar system with discounted tariff through Power Purchase Agreement (“PPA”). We provide consultation, design, installation, and maintenance services for solar rooftop systems to help clients to reduce their electricity costs and carbon footprint.

Mini Hydro

Provides feasibility studies, design, and installation as well as maintenance services for mini hydro systems. Through strategic collaboration with the state government of Terengganu, HeiTech has successfully won an e-bidding mini hydro project by Sustainable Energy Development Authority (“SEDA”).

Interconnection Facilities (“IF”)

The company designs and builds infrastructure that enables the transmission and distribution of electricity from renewable sources.

1 2 3 4 5 6 AUTOMOTIVE SOLUTIONS

HeiTech through our subsidiary company, Motordata Research Consortium Sdn Bhd (“MRC”), offers a range of services, in the automotive industry. The following are among MRC’s products and solutions in the market:

- **ICAP** - Integrated Claims and Automotive Portal is database for motor claims’ estimation and compensation.
- **BODYNET** - Web based system to manage vehicle repair bodyshops.
- **AUTOPAD** - Mobile estimating system for a handheld (tablet) devices and also PCs.
- **Part Price Look Up and Repair Time** - Extensive search for franchise parts price database and detailed vehicle repair methods to facilitate safe and effective repair.
- **Business Intelligence Reporting Tool** - Data analysis tools for the motor insurance stakeholders to allow analyse, benchmark and immediate claims performance monitoring.
- **Training via MRC Academy and e-Learning portal (eCademy)** - Training programs which includes technical courses, insurance managements as well as customised courses tailored specifically to automotive users.
- **JomCheck** is the first-of-its-kind portal that allows users to specifically check a vehicle insurance accidents history.

HeiTech has also developed other automotive solutions for the industry, which are:

PintarDrive (“eTesting”)

eTesting is the country’s first homegrown automatic and integrated circuit driving test. PintarDrive saves time, allows online monitoring for the test circuit outcome thus ensuring a faster and tamper-free information flow.

With eTesting, driving institutes will be able to automate and shorten the driving test process thus reducing the time to issue licenses from 3 days to 1 day. This also ensures that more students can be tested. PintarDrives employs GPS technologies which allows the test flow to be fully monitored and provide accurate results without bias to the candidates.

Road Transport Authority Management System (“RTAMS”)

RTAMS provides transport authority with a structure to manage the transportation industry efficiently and effectively. It ensures optimum execution in its operation where the system provides accurate records immediately. Complete with intuitive interface and user-friendly system, RTAMS also ensures ease of operations internally. RTAMS ensures to provide expediency and accuracy by managing the following procedures which are key to the transport industry:

- Registration Management
- Licensing Management
- Enforcement Management
- Revenue Management

| | | | | | | |
|---|---|---|---|---|---|-------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | DEFENCE SOLUTIONS |
|---|---|---|---|---|---|-------------------|

HeiTech through its subsidiary HeiTech Defence Sdn Bhd (“HDS”), has developed defence solutions that include:

Simulated Interactive Maintenance Aids (“SIMA”)

SIMA is a solution that provides operators with a state-of-the-art approach to practical training for maintenance or operation. It is designed to enhance the realism of computer-based training by providing a virtual training environment for trainees.

SIMA presents all components of training environment in digital format, which includes immersive environment, realistic 3D model and ‘easy to use’ training module. The system hardware is supported with readily available and ‘commercial off the shelf’ products. The design of the system and its database is locally developed. Currently, SIMA is deployed and used by Royal Malaysian Air Force (RMAF) at Gong Kedak Base.

Integrated Tactical Training & Command Control System (“ITACCS”)

ITACCS is an engine which provides Common Operating Picture (“COP”) function to Operations and Simulation needs of an organisation. Currently, ITACCS are ready for deployment with customization required.

Asset Readiness Management and Monitoring System (“ARMMS”)

ARMMS is a home-grown solution covering the end-to-end process of managing mission operation.

ARMMS provides a unique solution for the day-to-day management and long-term planning requirements of a mission, be it air or ground mission operations. It has a strong capability in training management by providing a suite of tools, status displays and reporting information for use by both the Unit/Squadron and higher-level Commands.




ARMMS targets to improve operating efficiencies by providing real-time graphic tools and digital interfaces for full visibility of all activity, assets and personnel. The suite facilitates flying and operations scheduling covering conflict resolution, currency and qualification information, student assessment and progress, controlled document management, executive reporting facilities and deployments.

MANAGED INFRASTRUCTURE SERVICES

| | |
|--|---|
|  | <p>Secure-X Managed Cyber Security Services</p> <p>As managed cyber security services provider, we combined key elements of people, processes and technology, offering 24 x 7 security operations and support. The combined experience of our technical expertise allows for deployment of multi-technology, either ‘on premise’ or hosted solution, handling of different security threat landscape, in accordance to the necessary compliance, regulatory or standards such as Information Security Management System (ISO/IEC 27001:2013) and Malaysian Personal Data Protection (“PDPA”). We are committed to ensure the safety and security of customer critical business data, providing security insight on their system.</p> <p>Secure-X is a product suite that provides leading-edge managed cyber security services solutions with the aim of helping clients achieve their digital transformation goals securely by unlocking value from the latest cyber security technologies. Secure-X product suite consist of the followings:</p> <ul style="list-style-type: none"> • prescribePod - Tailored organisation’s cybersecurity design landscape and deploy according to the best practice and proven technology. • practisePod - Manage policies, controls, risks, assessments, and deficiencies across your entire business. • curePod - Intelligence-driven and people-enhanced Security Operation Centre (“SOC”) with Risk-Based Vulnerability Management (“RBVM”) to increase the protection from cyber security threats. • cyberKnowledgePod - Bridge your organization’s cyber security skills gap with exclusive training courses, certifications and real-world exercises led by top experts in the field. |
|  | <p>AwanHeiTech Cloud Computing Services</p> <p>AwanHeiTech comes amidst a growing demand for cloud solutions driven by advancements in virtualisation technology, Internet of Things (“IoT”) and Artificial Intelligence (“AI”). With these in mind, we offer flexible cloud computing services, tailored to our customers’ specific business requirement—from building a private cloud, hosting cloud infrastructure to managing shared cloud services.</p> <p>AwanHeiTech now offers a comprehensive range of cloud infrastructure and services comprising of:</p> <ul style="list-style-type: none"> • Virtual Private Data Centre • Backup as a Service (“BaaS”) • Disaster Recovery as a Service (“DRaaS”) • Platform as a Service (“PaaS”) • Software as a Service (“SaaS”) |
|  | <p>Padu*Net Managed Network Services</p> <p>As Malaysia’s largest non-telecommunications service provider, 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 excellent connectivity and availability to our customers.</p> <p>We are committed in providing up to 99.9% network service availability to our customers, at all times. This commitment is realised through our centralised monitoring and around-the-clock customer service. We also assist our customers to develop, build and managed network infrastructure and services. Our network services consists of the following technologies:</p> <ul style="list-style-type: none"> • Software Defined Wide Area Network (“SD-WAN”) • Managed Multi-Protocol Label Switching (“MPLS”) • Managed Internet Protocol Virtual Private Network (“IPVPN”) • Managed Metro Ethernet (“Metro-E”) • Managed Wired/Wireless Leased Line • LTE 4G / 5G • Very Small Aperture Terminal (“VSAT”) • Branch in a Bag • Performance Monitoring • High Speed Broadband |

CORPORATE PROFILE

HeiTech offers a complete range of Managed Infrastructure Services which is a horizontal services to support and complements the Group's products and services. The services include security services, cloud hosting, network management and data centre.

| | |
|--|---|
|  | <p>i-Sentrix Managed Data Centre Services</p> <p>We own and manage a Tier-IV ready Data Centre providing world class services of developing, building and managing data centre facilities for our clients. The combination of experience and technical certification such as Information Security Management System (ISO/IEC 27001:2013), Quality Management System (ISO/IEC 9001:2015) and Information Technology Service Management System (ISO/IEC 20000-1:2011) has enabled us to provide the high standard of qualities that meets the demand of many organisations in terms of service level, availability, data integrity and security. Our suite of Data Centre Services consists of:</p> <ul style="list-style-type: none"> • Data Centre Management Services • Infrastructure Development & Management Services • Business Recovery Management Services • Mainframe Technical Services |
|  | <p>Pro*Services ICT Maintenance & Deployment</p> <p>We offer ICT Maintenance and Deployment services nationwide, particularly to organisations that have multiple branches. Our dedicated on-site engineers provide 24x7x365 support to customers in attending to problems and rectifications. With the establishment of 16 Universal Service Centre ("USC") nationwide, we have extended our services to data recovery services, telco value-added services and ICT hardware repair services.</p> <p>Our suite of services consists of:</p> <ul style="list-style-type: none"> • ICT Maintenance Services • ICT Deployment Services • Desktop Management Services • Managed Endpoint Leasing Services |
|  | <p>Customer Care Centre: One-Stop Support Centre</p> <p>HeiTech, through our 24-Hour Helpdesk Services helps our customers to deliver precise, timely and efficient customer resolution and back-end support via a range of comprehensive solutions. Our service offering comprises of:</p> <p>Incident Management</p> <ul style="list-style-type: none"> • Incident Receiving, Logging and Prioritisation • Incident Assignment, Diagnosis and Escalation • Incident Resolution • Incident Reporting and Reviewing <p>Service Level Management and Reporting</p> <ul style="list-style-type: none"> • Benchmarking Analysis • Providing service level reporting and analysis at agreed intervals <p>Network Monitoring of Branch Connectivity</p> <ul style="list-style-type: none"> • Monitoring services for customer's branch online connectivity using Network Management system <p>Onsite Support Services</p> <ul style="list-style-type: none"> • Placement of dedicated personnel at customers' premises to focus on customers' IT operations |

HIGHLIGHTS AND ACHIEVEMENTS



Signed a **Memorandum of Understanding ("MoU")** with **Kulim Municipal Council ("MPKK")** for Kulim Smart Parking and Smart City initiative.



Launched of **Clique MPPD**, a one-stop mobile application for electronic payment for Port Dickson Municipal Council ("MPPD").

Secured **RM37 million** contract from Ministry of Health ("MoH") for HIS@KKM system at Hospital Sultan Ismail, Johor Bahru.



Awarded the **Public Sector Partner of The Year 2023** by Trend Micro.



Appointment of Salmi Nadia binti Mohd Hilmey as the **Group Managing Director ("GMD") / Group Chief Executive Officer ("GCEO")** of HeiTech Padu Berhad.

Awarded **RM29.7 million** contract from Ministry of Domestic Trade and Cost of Living ("KPDN") for Cybersecurity Services.



Participated in **Minggu Saham Amanah Malaysia ("MSAM") 2023** in Bertam, Kepala Batas, Pulau Pinang.

Signed a **Memorandum of Understanding ("MoU")** with **Universiti Tenaga Nasional ("UNITEN")** to develop and engage in the Cybersecurity Advanced Research for Energy Sector ("CARES") Program.



Hosted **Sembang Padu** event targeting IT professionals from various government agencies.



Unveiled HeiTech's latest communication initiative with the launched of **"Hello from HeiTech"** a monthly newsletter aimed at external stakeholders.

HIGHLIGHTS AND ACHIEVEMENTS



Awarded the **Local Champion in Data & Cloud Computing** by Malaysia Digital Economy Corporation ("MDEC").



Signed a **Memorandum of Understanding ("MoU")** with Malaysia Board of Technologists ("MBOT") to promote the growth of the IT Sector.



Signed a **Memorandum of Collaboration ("MoC")** with ACO Tech Sdn Bhd to integrate the Penang Smart Parking system with Proton's Infotainment Head Units.

Awarded **RM13.1 million** contract extension to provide maintenance services for Malaysian Immigration System, MyIMMs.

Awarded **RM27.3 million** contract from Road Transport Department of Malaysia ("JPJ") for the maintenance and technical support for mySIKAP.

Secured **RM40.9 million** contract from Ministry of Education, Malaysia ("MoE") for leasing of ICT equipment.

Launched of **GuruPro**, a new edutech mobile application product to help teachers in digitalising teaching methodology in Indonesia.



Soft Launched of **KPDAccess**, Koperasi Polis Diraja Malaysia ("KPDRM") cooperative integrated system.



Launched of **Tourism and Licensing Enforcement System ("TOURLIST")** for Ministry of Tourism, Arts and Culture ("Motac").



Participated in **CYDES 2023** at MITEC, Kuala Lumpur.

Awarded **RM58.9 million** contract from Lembaga Hasil Dalam Negeri Malaysia ("LHDN") for Next Generation Network Services.

HIGHLIGHTS AND ACHIEVEMENTS

HeiTech in the Media

5th May 2023

HeiTech Padu partners ACO Tech to integrate smart parking system in Proton cars



HeiTech Padu Bhd (HPB) and its joint venture partner ACO Tech Sdn Bhd (ATSB) are incorporating the Penang smart parking system with national automaker Proton Holdings Bhd (PHB).

KUALA LUMPUR: HeiTech Padu Bhd (HPB) and its joint venture partner ACO Tech Sdn Bhd (ATSB) are incorporating the Penang smart parking system with national automaker Proton Holdings Bhd (PHB).

The initiative is to incorporate the Penang smart parking system into Proton's infotainment head units (IHU), the first of its kind in Malaysia, enhancing the capabilities of the parking system integration.

6th July 2023

Heitech Padu secures two contract extensions from JPJ worth RM54 mil



KUALA LUMPUR (July 6): Technology services provider Heitech Padu Bhd announced that it has secured two contract extensions from the Road Transport Department (JPJ) amounting to an additional contract value of RM54.33 million.

In a Bursa Malaysia filing on Thursday (July 6), the group shared that both contracts have been extended for 12 months, commencing May 1, 2023 until April 30, 2024.

23rd July 2023

HeiTech lancar platform sistem pengurusan pembelajaran digital GuruPRO di Indonesia



KUALA LUMPUR 27 Julai - HeiTech Padu Berhad (HeiTech), melalui PT Desa Tech Nusantara (DesaTech) telah melancarkan platform sistem pengurusan pembelajaran digital, GuruPRO di Indonesia.

GuruPRO merupakan inisiatif terbaru HeiTech di Indonesia yang bertumpukan sektor pendidikan berikutan pelancaran sistem pengurusan dan pentadbiran sekolah, ProSchool awal tahun ini.

14th September 2023

HeiTech Padu, Theta Edge bag laptop contracts from MOE



KEMENTERIAN PENDIDIKAN

KUALA LUMPUR (Sept 14): Technology services provider HeiTech Padu Bhd has bagged a RM40.93 million contract from the Ministry of Education (MOE) for the rental of eco-friendly laptops that meet green requirements on a lease-to-own model for the use of school teachers and educational institutions located in Zone 7: Kelantan and Terengganu.

In a filing with Bursa Malaysia on Thursday, HeiTech Padu said it has accepted and signed the letter of acceptance (LoA) from MOE to provide the laptops on a lease-to-own model.

The contract is expected to contribute positively to the group's earnings and net assets per share for the financial year ending Dec 31, 2023, it added.

6th December 2023

HeiTech Padu bags RM37mil contract from MoH



KUALA LUMPUR: HeiTech Padu Bhd has secured a contract worth RM37.02mil from the Health Ministry (MoH).

In a filing with Bursa Malaysia, HeiTech said the contract was to supply, deliver, install, build, configure, integrate, migrate, test, and commission the use of HIS@KKM hardware, software and systems at Sultan Ismail Hospital, Johor.

1st November 2023

HeiTech Padu secures RM30 mil IT contract from ministry



KUALA LUMPUR (Nov 1): HeiTech Padu Bhd has accepted a RM29.68 million contract for strengthening the IT technology system for the Ministry of Domestic Trade and Cost of Living (KPDN).

In a filing with Bursa Malaysia on Wednesday, the group said the 36-month contract will commence from November 2023 till October 2026.

2nd January 2023

Heitech Padu secures RM58.88m network services contract from IRB



KUALA LUMPUR (Jan 2): Technology services provider Heitech Padu Bhd has secured a RM58.88 million contract to provide Next Generation Network services for the Inland Revenue Board (LHDN).

In a bourse filing on Tuesday, Heitech Padu said it had accepted and signed the letter of acceptance (LOA) from LHDN on Dec 29.

HIGHLIGHTS AND ACHIEVEMENTS

4th February 2024

MPKK, HTP collaboration to propel Kulim into a smart city



State Human Resources, Chinese, Indian, Siamese and Non-Governmental Organisation Committee chairman Wong Chia Zhen (third right) with the Chairman of the Kulim Sedah Municipal Council (MPKK), Datuk Elmi Yusoff (second right) being briefed on the system provided by Heitech Padu Berhad (HTP) after the signing ceremony of the Strategic Cooperation Agreement between MPKK and HTP in Kulim, February 4, 2024. — Bernama pic

4th March 2024

DNeX, HeiTech Padu, Theta Edge shortlisted for NISe project



This article first appeared in The Edge Malaysia Weekly on February 26, 2024 - March 3, 2024

THREE companies — Dagang NeXchange Bhd (DNeX), HeiTech Padu Bhd and Theta Edge Bhd — are understood to have been shortlisted for the National Integrated Immigration System (NISe) project, which is set to integrate the border management systems under the various agencies of the Ministry of Home Affairs.

It is understood that the three were called for a tender briefing mid-last week, indicating that they have been shortlisted from more than 10 companies that submitted proposals for the project, which should be valued at below the RM1 billion mark.

11th March 2024

MyEG's unit buys 14% stake in HeiTech Padu for RM31mil



MyEG Services has purchased 14.57 million shares, or 14.4% equity interest, in HeiTech Padu via the open market through its subsidiary MyEG Capital. (Facebook pic)

PETALING JAYA: MyEG Services Bhd's unit MyEG Capital Sdn Bhd has acquired 14.57 million shares, or 14.4% equity interest, in HeiTech Padu Bhd for RM31.24 million to explore potential collaboration in e-government.

11th March 2024

HeiTech Padu gets RM13.11mil contract extension from immigration dept



PETALING JAYA: Heitech Padu Bhd has received a contract extension worth RM13.11mil for the comprehensive maintenance and service contract for the Immigration Department's Malaysian Immigration System.

14th March 2024

New substantial shareholder emerges in HeiTech Padu



Farhash Wafa Salvador Rital Mubarak is also the chairman and director of companies such as 7-Eleven Malaysia Holdings Bhd and Apex Equity Holdings Bhd.

PETALING JAYA: Farhash Wafa Salvador Rital Mubarak has emerged as a substantial shareholder of HeiTech Padu Bhd after acquiring an indirect interest of 15.9% (16.1 million shares) in the technology services provider.

Farhash is the chairman and director of several companies, including 7-Eleven Malaysia Holdings Bhd and Apex Equity Holdings Bhd.

19th March 2024

Sultan Kelantan miliki 15.9% kepentingan HeiTech Padu, Farhash Wafa jelaskan isu saham



KUALA LUMPUR 19 Mac - Sultan Kelantan, Sultan Muhammad V muncul sebagai pemegang saham terbesar di dalam Heitech Padu Berhad iaitu sebanyak 15.9% kepentingan.

Dalam maklumat di Bursa Malaysia hari ini, kumpulan itu mengumumkan bahawa baginda telah membeli 16.1 juta saham yang diperoleh menerusi Rosetta Partners Sdn Bhd, anak syarikat Mfivesouthsea Sdn Bhd.

Sementara itu, ahli perniagaan, Datuk Farhash Wafa Salvador menjelaskan pegangan saham dalam HeiTech Padu Bhd melalui syarikat Rosetta Partners Sdn Bhd adalah milikan bersamanya dengan Sultan Kelantan, Sultan Muhammad V.

3rd April 2024

Heitech Padu Appoints Puan Salmi Nadia As Group Managing Director



In a statement, Heitech Padu announced that Puan Salmi Nadia Binti Mohd Hilmezy 42, the daughter of Executive Deputy Chairman Dato' Sri Mohd Hilmezy Bin Mohd Taib as the new Group Managing Director.

She joined Heitech in 2007 and was appointed as the Special Assistant to the CEO in 2011 and later as Director of Corporate Development and Risk Management in 2014. Within these years, she has been responsible for all

HIGHLIGHTS AND ACHIEVEMENTS

SIMPLIFIED SELECTED FIVE (5) YEARS GROUP REVIEW

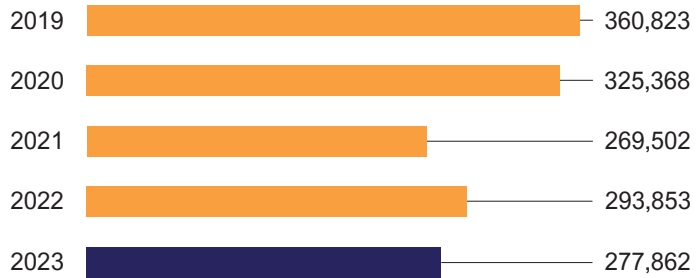
| | 2019 RM'000 | 2020 RM'000 | 2021 RM'000 | 2022 RM'000 | 2023 RM'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| REVENUE | | | | | |
| Network services fees | 56,601 | 51,028 | 54,259 | 52,671 | 42,331 |
| System application and development | 125,946 | 43,392 | 63,017 | 54,035 | 41,528 |
| Disaster recovery and facility management services | 35,406 | 55,722 | 23,857 | 20,097 | 14,097 |
| Maintenance of hardware, software and application | 94,115 | 113,222 | 79,353 | 96,669 | 67,635 |
| Managed security services | - | - | 20,078 | 31,571 | 24,429 |
| Mailing and document processing services | 11,681 | 13,389 | 1,680 | 1,994 | 14,204 |
| Engineering works | 10,725 | 10,574 | 1,581 | 1,629 | 9,850 |
| Database management services | 7,795 | 8,354 | 18,009 | 19,799 | 10,679 |
| Software support and licence fees | 2,996 | - | 653 | 653 | 858 |
| Mobile value added services | 2,761 | 1,429 | - | - | - |
| Smart parking services | - | - | - | 5,707 | 17,947 |
| Net gain on sublease | - | - | - | - | 24,299 |
| Others | 12,797 | 28,258 | 7,015 | 9,028 | 10,005 |
| | 360,823 | 325,368 | 269,502 | 293,853 | 277,862 |
| PROFITABILITY | | | | | |
| Profit/(loss) before tax (RM'000) | 6,636 | 13,321 | (16,128) | (9,322) | 8,567 |
| Profit/(loss) before tax margin (%) | 1.8% | 4.1% | -6.0% | -3.2% | 3.1% |
| Profit/(loss) after taxation (RM'000) | 6,219 | 13,127 | (16,381) | (10,039) | 7,168 |
| Profit/(loss) attributable to shareholders (RM'000) | 7,429 | 10,976 | (15,778) | (9,869) | 7,160 |
| Earnings per share (RM) | 0.0734* | 0.1084* | -0.1559* | -0.0975* | 0.0707* |
| * Based on the weighted average of 101,225,000 ordinary shares of RM1.00 each | | | | | |
| ASSETS EMPLOYED | | | | | |
| Total assets (RM'000) | 324,789 | 377,311 | 300,964 | 296,970 | 433,044 |
| Non-current assets (RM'000) | 80,509 | 87,065 | 110,111 | 109,657 | 191,633 |
| Net current assets (RM'000) | 40,203 | 47,519 | 26,383 | 7,994 | 14,257 |
| Current ratio | 1.22 | 1.20 | 1.16 | 1.04 | 1.06 |
| Gearing ratio | 56.9% | 59.2% | 54.2% | 62.3% | 50.9% |
| Debt/equity ratio (%) | 1.79 | 1.96 | 1.91 | 2.28 | 0.81 |
| Shareholders' fund (RM'000) | 113,215 | 123,634 | 97,291 | 87,768 | 144,853 |
| Net tangible assets per share (RM) | 0.99 | 0.88 | 0.94 | 0.73 | 1.33 |
| Share capital (RM'000) | 117,751 | 117,751 | 117,751 | 117,751 | 117,751 |
| Share capital units ('000) | 101,225 | 101,225 | 101,225 | 101,225 | 101,225 |

*+ Based on paid up capital of 117,751,000

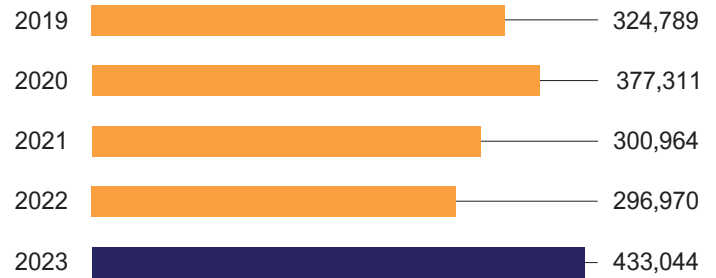
HIGHLIGHTS AND ACHIEVEMENTS

HIGHLIGHTS AND ACHIEVEMENTS

Revenue (RM'000)



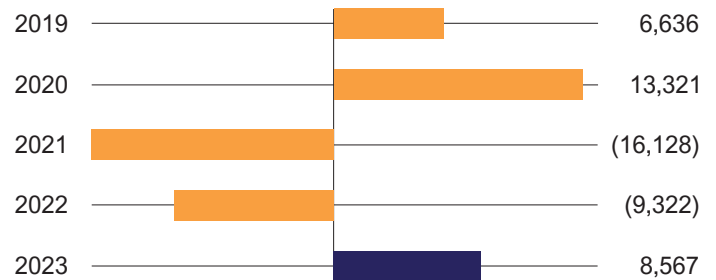
Total Assets (RM'000)



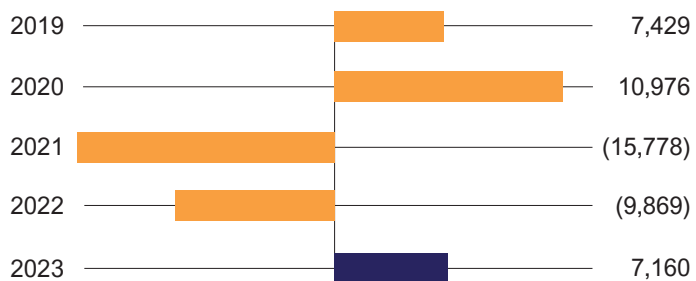
Shareholders' Fund (RM'000)



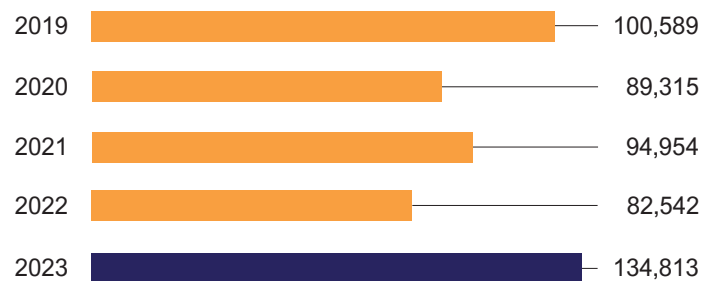
Profit/(Loss) before Taxation (RM'000)



Profit/(Loss) Attributable to Shareholders (RM'000)



Net Tangible Assets (RM'000)



FROM THE CHAIRMAN'S DESK ▾

Dear Shareholders,

Assalamualaikum w.b.t. and Salam Sejahtera,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of HeiTech Padu Berhad (HeiTech) for the financial year ended 31st December 2023. I will briefly address some highlights of the year 2023 and will share some insights on what we have done thus far to ensure we remain relevant and stay competitive.

Year 2023 was not without any significant challenges. Though there were contracts that we managed to secure, there were also some that we lost along the way. However, from financial perspective, I am delighted to inform that we are back in the black after two years of loss making. We have managed to bounce back from a loss of RM10.0 million in 2022 to RM7.2 million profit in 2023, representing a total turnaround of RM17.2 million. Let us all pray for the continuance of this positive performance, knowing that the future ahead lies with further challenges, perhaps more than before.

Talking about challenges, we have long anticipated that businesses within Information Technology (IT) industry will continuously evolve, due to among others rapid technological changes, global and domestic political climates and scarcity of resources that puts pressure on operating cost. As such, we have adopted strategies that would enable us to be more agile and adaptable to these everchanging and everlasting factors.

We have pivoted our business by adding new areas of focus on top of our core and fundamental IT business. This includes offering products and services that are beyond our normal system development, integration, maintenance, network and managed services. These products and services enable us to reach not just our traditional customers at federal level, but also allow us to tap into state and local government agencies. It also allows us to penetrate further into commercial areas. On top of that, we were able to expand our traditional contracting business model to encompass concessions and transactional-based models.

Apart from expanding further in the IT competencies, we are also building our capabilities within the renewable energy. Though we are still at an infancy stage, we know that renewable energy possessed great prospects, in line with the Malaysia Renewable Energy Roadmap (MyRER).

OUR ASPIRATIONS

We will remain committed to our vision and mission and our Core Values – Integrity, Passion for Excellence, Dynamism and People Centric. The focus now is to keep moving forward on our core IT business while continue to grow on the new offerings and markets. I am optimistic that we are on track to achieve what we have planned for under the new management and leadership.

ACKNOWLEDGEMENT

I want to express my heartfelt appreciation to our former Board member, En. Nik Mustapha Nik Mohamed, for his service and wisdom throughout his term with HeiTech. I would also like to take this opportunity to congratulate Puan Salmi Nadia Mohd Hilmey on her appointment as the new Group Managing Director / Group Chief Executive Officer. I believe HeiTech will continue to progress under her leadership. To all Warga HeiTech, thank you so much for all the dedications, hard work, endeavours, patience and perseverance.

I am deeply grateful to Dato' Sri Mohd Hilmey Mohd Taib and all our Board members for the valuable sharing and guidance in steering HeiTech through challenges all these years. My deepest appreciation also goes to our customers and business partners for the continuous support and belief in us. We hope and wish that these relationships will last for many years to come.

Finally, to all our valued shareholders, a profound gratitude for your endless support and understanding. We will always strive to ensure HeiTech continues to progress with more positive returns.

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



A MESSAGE FROM THE FOUNDER / EXECUTIVE DEPUTY CHAIRMAN ▾



Assalamualaikum w.b.t. and Salam Sejahtera,

It has been almost three decades ago since HeiTech Padu Berhad (HeiTech) was incorporated in 1994. As I reflect on HeiTech's journey, I am overwhelmed with pride and gratitude on the achievements that we have made together. Since our humble beginnings, HeiTech has climbed high to be at the forefront of Malaysia's technological transformation agent and nation building.

HeiTech has been instrumental in developing and maintaining the systems of major government agencies and ministries in Malaysia. However, the journey has not been easy. The business and technology landscapes have evolved significantly throughout the years. We have seen how technology shapes industries, revolutionised business models, and dramatically alters how we live and work. At HeiTech, we understand that to last in this ever-changing world of technology and business environment, the ability to adapt and to be agile is not an option, but a requirement.

In Malaysia, the IT sector is experiencing rapid growth, fueled by government initiatives, driven by young and tech-savvy population, that forces digitisation and digitalisation across the industries.

As businesses embrace digital transformation, there's a surge in demand for IT services, software development, cybersecurity solutions, and cloud computing services. With supportive government policies, such as the Digital Malaysia initiative and various incentives for tech startups, the prospects for IT business development in Malaysia are promising. Having said that, competition will be stiffer and the pressure to retain market shares and presence will be greater than before.

Hence, we have strategise for our moving forward direction to be beyond our existing contracting business areas and segments. We have expanded our offerings and market areas via creation of in-house products and offerings that fit transactional-base and mass market. We have also moved into other market areas such as state agencies where we offer smart parking solutions, e-know your customers, payment gateway, smart applications for both local councils and cooperatives. We also aimed to be the end-to-end service provider that able to address the significant components of business requirements, with the objective of helping businesses and government agencies meeting their needs seamlessly. With our capabilities, experience and resources, we believe that we are well positioned to achieve this. Other strategies including strategic partnerships and collaborations with other industry giants were also undertaken to ensure we are within the same speed of technological updates in our solutions and offerings.

Whilst the focus on IT areas as our core competencies grows, our other business areas like renewable energy and defence are also being nurtured to ensure our diversification plan stays on track and will also significantly contribute to the overall Group performance in the future.

Before I end my remarks, allow me to address and express my gratitude to everyone that has been pivotal in building HeiTech. My sincere appreciation to our Chairman, Tan Sri Dato' Sri Abi Musa Asa'ari bin Mohamed Nor and all the Board of Directors for the guidance throughout the years. Greatest gratitude to all our shareholders, customers, partners and vendors for your unwavering support and trust in us. Lastly, my heartfelt recognition to all Warga HeiTech, under the leadership of our new Group Managing Director / Group Chief Executive Officer, Puan Salmi Nadia Mohd Hilmey for the perseverance, loyalty and hard work in ensuring we continue to deliver quality services to our customer. Together, let us pave the way for a brighter tomorrow for HeiTech.

Dato' Sri Mohd Hilmey Mohd Taib
Founder / Executive Deputy Chairman

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

WHAT WE DO

HeiTech Padu Berhad (HeiTech) is a Malaysian Information Technology (IT) company that offers IT services and solutions to both public and private sector clients. Incorporated about 30 years ago, HeiTech has established itself as a prominent player in the nation's IT industry. HeiTech offers a comprehensive suite of IT services, consisting of system development and integration, maintenance, consultancy, managed services, cybersecurity, infrastructure solutions and various other IT related products and services. These services cater to various industries involving government agencies, financial institutions, telecommunications, healthcare and others. HeiTech also owns and operates a certified TIA-942 Rated 3 datacentre facility located in Bukit Jelutong, Selangor that offers wide range of datacentre related services.

We have been instrumental in driving technological transformation and advancement of our clients. Our good track record especially within the Malaysian public sector where we had involved and delivered numerous government projects, encompassing the development and implementation of e-government systems, digitalization initiatives, and cybersecurity solutions have been duly acknowledged by the industry.

Apart from IT services, HeiTech is also involved in other sectors such as defence, renewable energy, engineering, parts database for automotive and document data processing. These sectors play an important part in the overall diversification strategy of the Group.

“We are Customer Focused”

We take customers' satisfactions very seriously and always strive to provide high-quality tailored solutions and services to ensure a long-term relationship with them. Our processes are duly certified and meet the necessary standards for high-quality services, integrity and security. Among the certifications under our belt are as follows:

- ✓ **MS ISO 9001:2015 Quality Management System Certified** Since: 1997
- ✓ **MS ISO 37001:2016 Anti-bribery Management System Certified** Since: 2020
- ✓ **ISO/IEC 27001:2013 Information Security Management System Certified** Since: 2006
- ✓ **ISO/IEC 20000:2018 IT Service Management System Certified** Since: 2009
- ✓ **ISO/IEC 22301:2019 Business Continuity Management System Certified** Since: 2018
- ✓ **Test Maturity Model integration (TMMi) Level 3 Certified** Since: 2017
- ✓ **Capability Maturity Model integration (CMMi) under CMMi Institute Certified** Since: 2006
- ✓ **Payment Card Industry Data Security Standards (PCI DSS) Certified** Since: 2017
- ✓ **Threat Vulnerability Risk Assessment (TVRA)** Since: 2019
- ✓ **Network Resilience & Risk Assessment (NRA)** Since: 2022
- ✓ **ANSI/TIA-942-B:2017 Rated-3** Since : 2021



MANAGEMENT DISCUSSION & ANALYSIS



We also developed our own management and evaluation systems to ensure the standards of practices are further enhanced, namely:

HeiTech's Project Management
Information System
("PROMISE")

Application Development
Information System
("ADVISE")

Product Evaluation for
Compliance Information System
("PRECISE")

Our excellence performance were recognised via several awards and recognition by the industry players, among others:

- Malaysia Technology Excellence Award (MTEA) for SD-WAN Technology and Cybersecurity IT Services in 2021.
- Hewlett Packard Enterprise FY21 Strategic Value Partner for JPJ MySIKAP system in 2021.
- IBM Mainframe Excellence Award in 2021.
- SASE Partner of the Year in 2022.
- Award and Strategic Sales Partner Excellence of the Year in 2022.
- Award from Palo Alto Networks in 2022.
- HeiTech's subsidiary, Motordata Research Consortium (M) Sdn Bhd was awarded the Malaysian Best Automotive Training, Analysis and Data Centre from Malaysia Education & TVET in 2022.
- Public Sector Partner of The Year 2023 Award by Trend Micro.
- Local Champion in Data & Cloud Computing 2023 Award by Malaysia Digital Economy Corporation ("MDEC").

LANDSCAPE AND CHALLENGES

Landscape

Over the years, the nation's IT landscape remains challenging with rapid technological development and volatile political stage that shape the strategies, investments decisions and spending pattern from both businesses and public at large. Though the potentials and opportunities within the IT realm are huge, agility and adaptability coupled with financial endurance and operational excellence are important to face the challenges and ensure long-term sustainability.

Challenges

Issues pertaining to priority spending and budget limitations, increasing competition and talent development and retention are the constant variables that the Group must endure as time progresses. These challenges are summarised as follows:

COMPETITION

Malaysia's IT industry has been flourished with players from all sizes and with various technology offerings. It has translated into a continuous battle that put pressure on the solutions to be offered against what would be regarded as competitive prices. However, competition also pushes for continuous innovation, heightened efficiency, and strategic differentiation to capture market share and sustain growth.

COSTS AND BUDGET

Rising costs puts significant pressure on business spending. Faced with a pragmatism, capital restrictions and margin concerns, some agencies or businesses delay development programs for other significant matters. For example, in public sector, the yearly budget allocation for development expenditure range from only 19% to 24% (2020 to 2024) against operational spending. From commercial sector, increasing costs often manifests as hesitation to invest in new IT initiatives resulting in a portion of 2023's IT budget being pushed into 2024, a trend that is expected to continue into 2025.

TALENTS

Being a service-based technology company, access to skilled talents is critical for the Group to deliver quality services and to drive innovation. Skilled talents are easily pinched by competitors as the gap between industry demand and the available pool of IT professionals is still significant. Balancing the competitiveness in staff packages, development and training to retain talents while ensuring costs are optimised remain as a constant challenge that needs to be faced.

ACHIEVING STRATEGIC AND OPERATIONAL EXCELLENCE

The need to be agile and responsive is very important in order to remain relevant amidst the challenges. As such, the Group has redefined its target market and repackage the offerings, with the aim to strengthen the position, retain its market presence while exploring new offerings and market area. Among the guiding principles that were adopted are as follows:

1. Enhancing the core competencies;
2. Complementing contract-based revenue with product-based and transactional-based revenue streams;
3. Market expansion across geography and market demographic;
4. Innovative products and offerings; and
5. Moving towards data analytics capabilities.

MANAGEMENT DISCUSSION & ANALYSIS

The principles were then applied under the following approach:

| Strategic | Operational |
|---|--|
| Creating business focus via establishment of Core 1, Core 2 and Core 3. | Consist of 2 core pillars: |
| Core 1 carries the fundamental business that focuses on public sector and government-linked agencies | <ol style="list-style-type: none"> 1. Infrastructure Pillar which consist of data centre/disaster recovery/cybersecurity/network services 2. Support Pillar which consist of governance, innovation and corporate functions. |
| Core 2 focuses is on products and offerings to meet the transactional-based and mass market area via business-to-business-to-consumers (B2B2C) and business-to-consumers (B2C) area. It also operates within the document data processing, automotive, renewable energy and defence industries. | Infrastructure services are flattened throughout the Group to provide more efficient and cost-effective services to internal and external customers. |
| Core 3 is entrusted to expand the Group's presence in the transport and commercial sectors like financial institutions, insurance institutions and retails. | Support pillar provides the necessary operational, framework and compliance support which are important in having smooth business operations and staff retention. |

Operational Highlights

Despite a competitive landscape, the Group was successful in securing several service extensions and new ventures in 2023 to date, listed as follows:

| | |
|--------------------------|--|
| 6 July 2023 | <p>HeiTech secured an extension of maintenance contract for Jabatan Pengangkutan Jalan's ("JPJ") mySIKAP system amounting RM27.3 million.</p> <p>HeiTech has also secured an extension of maintenance contract on JPJ's mySIKAP mainframe system amounting RM27.0 million.</p> |
| 14 September 2023 | HeiTech secured a RM40.9 million contract from Ministry of Education for "Perkhidmatan Sewaan Komputer Riba Mesra Alam Yang Memenuhi Keperluan Hijau Secara Sewa Milik (Lease to Own) Untuk Keperluan Guru Di Sekolah dan Institusi Pendidikan Kementerian Pendidikan Malaysia Bagi Zon 7: Kelantan Dan Terengganu". |
| 1 November 2023 | HeiTech secured a RM29.7 million contract from Ministry of Domestic Trade and Cost of Living for "Pementapan Dan Pengukuhan Keselamatan ICT Bagi Kementerian Perdagangan Dalam Negeri Dan Kos Sara Hidup". |
| 6 December 2023 | HeiTech secured a RM37.0 million contract from Ministry of Health for "Tender untuk Membekal, Menghantar, Memasang, Membangun, Mengkonfigurasi, Mengintegrasikan, Migrasi, Menguji dan Mentauliah Guna Perkakasan, Perisian dan Sistem HIS@KKM di Hospital Sultan Ismail, Johor Bahru, Johor". |
| 2 January 2024 | HeiTech secured a RM58.9 million contract from Lembaga Hasil Dalam Negeri Malaysia ("LHDNM") for "Kontrak LHDNM IP (ICT) Bil. 31/2023: Perkhidmatan Next Generation Network di Lembaga Hasil Dalam Negeri Malaysia". |
| 11 March 2024 | HeiTech secured an extension of contract for Perkhidmatan Penyelenggaraan Sistem Aplikasi MYIMMS Secara Komprehensif di Jabatan Imigresen Malaysia amounting to RM13.1 million. |

FINANCIAL OVERVIEW

Financial Performance

| Group Revenue | Profit After Tax |
|---|--|
| RM277.9 million (2022: RM293.9 million) | RM7.2 million (2022: Loss after tax of RM10.0 million) |

The public sector has always been the Group's main revenue contributor. Despite growing competition which had resulted in revenue volatility, the Group still managed to defend its presence in public sector while moving to expand into other areas. New initiatives like smart parking solutions and digital collection platforms for local councils and other business area such as engineering works within the renewable energy, automotive and document data processing have also contributed significantly to the Group's revenue.

From geographical segment, the Group's revenue is dominantly contributed by the Malaysian market. The Indonesian market is still at infancy stage and yet to post significant results.

The Group's revenue stood a bit lower at RM277.9 million in 2023 as opposed to RM293.9 million in 2022. However, the net result had improved significantly from a loss of RM10.0 million in 2022 to profit after tax of RM7.2 million in 2023, which was mainly attributed to the improved margin following cost management measures undertaken by the Group.

The Group's earnings before interest, impairment, taxation, depreciation and amortization (EBITDA) stood at RM28.2 million in 2023 (RM7.9 million in 2022). The improvement reflects the resilience of the Group in facing the highly competitive and challenging business environment.

Financial Position

| | 2023 | 2022 |
|---|------|------|
| Net current assets (RM million) | 14.3 | 8.0 |
| Net tangible assets per share (RM) | 1.01 | 0.24 |
| Current ratio (times) | 1.06 | 1.04 |
| Gearing ratio (%) | 51% | 62% |

Some notable improvements can be noted in the Group's financial position in 2023. Net current assets were RM6.3 million higher than the previous year. The current ratio was slightly higher at 1.06 times in 2023 against 1.04 times in 2022, which is still within an acceptable range.

The gearing ratio has also improved from 62% to 51%. The Group always strived to keep its liabilities at a reasonable level. The Group used the combination of its internally generated funds and credit facilities to finance its operations.

MANAGEMENT DISCUSSION & ANALYSIS

MOVING FORWARD 2024

HeiTech believes that agility, adaptability, innovation and customer-centric are key focus areas, both at strategic and operational level to remain competitive and sustainable in the ever changing and challenging business environment. Agility would allow HeiTech to quickly adapt and pivot its strategies, business processes and resources to respond to these challenges.

At strategic level, HeiTech is embarking to be a full Digital Technology Service Provider that offers and serves end-to-end IT solutions to the customers. We believe we have the experience, capabilities, products, knowledge and resources to offer a holistic service that covers the entire lifecycle of IT offerings from concept and design up to implementation, maintenance and support. We understand in today's complicated IT environment where the volume of data being transacted are massive, customers require solutions that can streamline their business processes with reduce complexity but without compromising integrity and security of the data.

As such, HeiTech has taken steps to reorganise and restructure the business pillars to achieve the strategic direction and responding to customers' needs, market forces and technological development. The new structure is designed to:

1. Deep dive in the earlier segmentation of business pillars under Core 1, Core 2 and Core 3 by further streamlining the market acquisition process, customer or market category, service delivery and type of services, products and offerings.
2. Centralize the core functions to further improve process efficiency, monitoring activities and resource management.
3. Foster innovative culture by understanding the market needs.

Hence, moving into 2024, the business pillars of the Group will be segmentised into Technology Market Group, Investment Market Group and Niche Market Group. Technology Market Group is essentially the combination of Core 1 and Core 3's IT contracting business of the Group to refine the market acquisition and delivery processes and teams into a more streamline approach.

Investment Market Group is the re-clustered of business under Core 2. Under the new structure, this group is now focussing on the new market areas for IT products and offerings like commercials, small and medium enterprises, local councils and state governments. Sectors like defence and renewable energy which were previously under Core 2 together with health and eDriving, are now placed under the Niche Market Group due to the uniqueness of their business activities as opposed to the Group's IT related sectors and offerings. We believe that these strategic direction and operational approach will propel HeiTech into a better position in 2024.

GRATITUDE

As we move forward with our strategies, we humbly acknowledged that HeiTech's journey would not get this far without the confidence, trust and support from all our stakeholders.

To our Chairman, Tan Sri Dato' Sri Abi Musa Asa'ari Mohamed Nor, our Founder, Dato' Sri Mohd Hilmey Mohd Taib and the entire Board of Directors, our profound appreciation for all the invaluable advice, direction, and support that have been channelled to us.

Our deepest gratitude to all our customers, business partners, and financiers for the support and understanding. Your trust and confidence in our capabilities inspire us to always strive for excellence as we continually bring the relationships that we have built forward.

To all Warga HeiTech, thank you for staying with us through thick and thin, highs and lows. Your commitment and dedication are deeply appreciated.

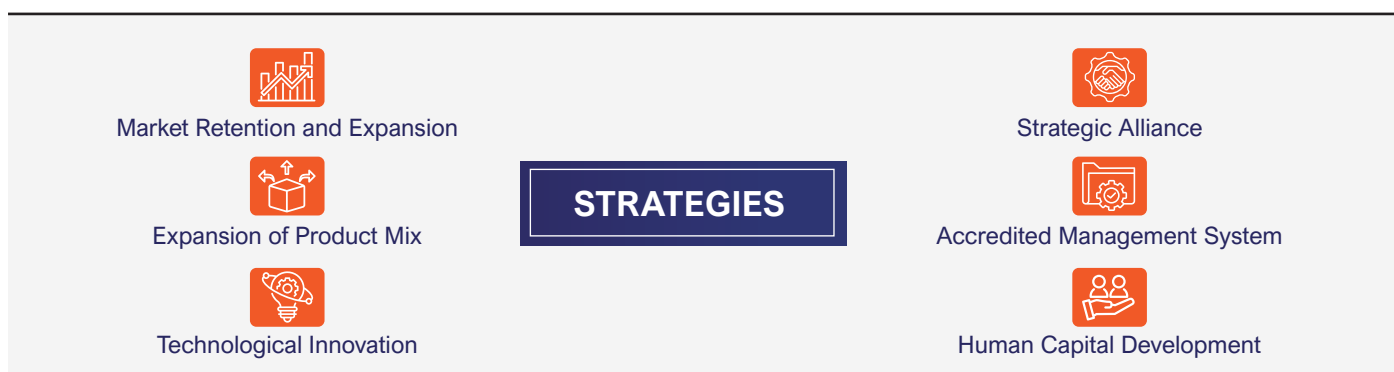
And last but not least, to our valued shareholders, thank you for the unwavering support. We remain committed to creating more success for the Group and to grow our business. We look forward to report on our progress in times to come.

Salmi Nadia Mohd Hilmey
Group Managing Director / Group Chief Executive Officer

BUSINESS STRENGTHS

Our value creation model is predicated on delivering services and solutions that leverage our thirty years of experience and competitive advantages in order to effectively address market trends and demands. HeiTech develops products and services that established a resilient ecosystem in providing value to our stakeholders by connecting society, businesses, and institutions. Our progress is guided by profound customer insights and the utilisation of cutting-edge technology.

HeiTech consistently assesses the competencies that have been progressively developed over time, in accordance with developments in technology and market dynamics. As the primary enabler of the digital economy, we maximize our competitive advantages while minimising our exposure to business and operational risks, which are critical to our approach and response to an environment that is dynamic and constantly altering.



EXPERIENCED INDUSTRY PLAYER WITH PROVEN TRACK RECORDS

[Link to Strategies](#)

HeiTech stands as an experienced industry player with a proven track record of success. With a rich history of accomplishments and expertise in the field, HeiTech has consistently demonstrated our ability to deliver high-quality solutions and services to our customers across the public and private sectors. Through our longstanding presence in the industry, HeiTech has earned a reputation for our reliability, innovation, and excellence, making us the trusted partner for organisations seeking reliable and effective solutions.



REVENUE MIX ACROSS SYSTEMS INTEGRATION AND APPLICATION DEVELOPMENT, MANAGED INFRASTRUCTURE SERVICES AND DIGITAL PRODUCTS

[Link to Strategies](#)

HeiTech's revenue is not excessively reliant on a single solution to serve various market needs. This revenue diversification reduces our dependencies on any single source of income, mitigating the risks associated with market fluctuations or changes in client demand. Our portfolio of solutions, comprises of system applications and application development, managed infrastructure services, niche solutions, and intelligent solutions all contribute to the Group's revenue diversity, offering stability and growth opportunities.



BUSINESS STRENGTHS

ROBUST REGIONAL PRESENCE

[Link to Strategies](#)

HeiTech has become the trusted technology partner to our customers due to our presence in numerous markets and our ability to provide a vast array of solutions. In order to strengthen our regional presence, we have collaborated with regional counterparts whose products and services can supplement our own in the target market. Coupled with our extensive products and services portfolio, knowledge and experience, this would expedite our expansion strategies.



INNOVATIVE SOLUTIONS AND SERVICES SUITED FOR ALL MARKETS

[Link to Strategies](#)

HeiTech continuously develops innovative products and services utilising the most recent technologies. These products and services are intended to assist our customers in achieving their objectives and goals while maintaining the highest standards of services. The product and services developed suits across all markets that makes us versatile and agile.



DYNAMIC STRATEGIC ALLIANCE WITH PARTNERS

[Link to Strategies](#)

HeiTech actively engages in dynamic strategic alliances with partners to enhance our capabilities and competitiveness in the market. These alliances enable HeiTech to leverage the strengths of our partners, foster innovation, access new markets, and jointly pursue business opportunities. By collaborating with our trusted partners, we can adapt to evolving industry trends, expand our service offerings, and deliver greater value to our customers.



PROCESS ACCREDITATION

[Link to Strategies](#)

Attestation and maintenance of accreditation by HeiTech from local and international certification authorities attest to our organisation's compliance with the stipulations of a widely recognised management system standard. The accreditation provides assurance to our customers that our deliverables comply with international standard and is trustworthy.



HUMAN AND INTELLECTUAL CAPITAL

[Link to Strategies](#)










The proficient and certified technical staff at HeiTech empowers us to deliver cutting-edge technology and comprehensive solutions to our customers. Our personnel includes industry experts in their respective technological fields. We create a strong foundation for continuous growth and remain competitive over the long term by investing in the development of human and intellectual capital.
















































































HOW WE ASSESS MATERIALITY

There are nine (9) essential material topics that have been selected by HeiTech for our value growth strategy. Materiality matters because it helps to determine what is important, relevant and significant and therefore what should be prioritised and addressed. The subject matter is classified according to its relevance to HeiTech's use of capital resources to achieve business objectives and provide services to our stakeholders.

HeiTech is dedicated to addressing long-standing materiality concerns, in which we have persistently endeavoured to achieve progress.

| MATERIAL TOPIC | DESCRIPTION |
|---|--|
|  Supply Chain | <p>HeiTech's ability to leverage on efficient and reliable partners/vendors is material to the Group's ability to achieve cost competitiveness, service reliability and customer satisfaction.</p> |
|  Innovation | <p>HeiTech fosters a culture of innovation amidst a diverse workforce that is committed to developing inventive solutions, to optimise tasks internally and to facilitate our customers' digitalisation journey.</p> |
|  Cyber Security and Privacy | <p>HeiTech places utmost importance on cybersecurity as a result of the potential risks that cyber threats pose to our businesses. The consequential effect from cyber-attacks, which apart from the actual monetary losses from service interruptions may adversely affect our credibility and reputation.</p> |
|  Human Capital Development | <p>HeiTech is known for its proficient and experienced workforce, crucial to support our existing and emerging sectors. The company prioritises employee development, investing in training programs and certifications. This strategy ensures our workforce remains competitive, boosting productivity and ultimately reflecting the organisation's performance.</p> |
|  Customer Experience | <p>Customer interactions are pivotal for HeiTech, facilitating a profound understanding of their needs and challenges while nurturing lasting relationships. Touchpoints span the entire customer lifecycle, from acquisition to post-delivery where this approach enables HeiTech to gauge and improve customer satisfaction levels.</p> |
|  Service Quality | <p>Maintaining service quality as a prominent entity in the IT industry is critical in order to guarantee the provision of exceptional offerings to our customers. Our adherence to international methodologies and standards signifies our dedication to delivering services that not only satisfy but also surpass the benchmarks set by the industry.</p> |
|  Strategic Social Contribution | <p>HeiTech recognises that genuine business sustainability hinges on fulfilling responsibilities as conscientious corporate citizens. The company supports initiatives that contribute to nation-building, talent cultivation, and employment generation, benefiting both the industry and the wider community. This commitment involves addressing social and environmental concerns that aligns with HeiTech's business strategy, ultimately contributing to societal welfare.</p> |
|  Governance, Ethics and Compliance | <p>Our ability to operate effectively is tied to strict adherence to standards and regulations set by the relevant authorities. HeiTech has established effective governance and a controlled structure to ensure a proper code of conduct is being carried out in our business.</p> |
|  Environment, Safety and Health | <p>HeiTech recognises environmental, health and safety factors as vital components of sustainable business practices. As an IT solutions and services provider, our carbon footprint primarily stems from our operational activities, including energy consumption, transportation, and water usage. HeiTech prioritises fostering a competitive and efficient workforce while ensuring a secured and healthy working environment across all our locations.</p> |

HOW WE ASSESS MATERIALITY

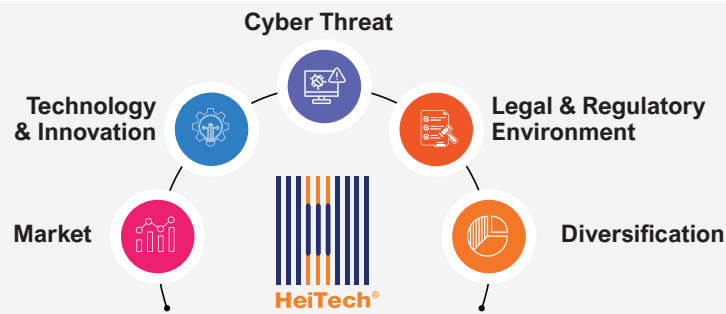
| CAPITAL | | | | | | | | |
|---|---|---|---|---|---|--|---|---|
|  |  |  |  |  |  | | | |
| Financial | Manufactured | Intellectual | Human | Natural | Social & Relationship | | | |
| STAKEHOLDER | | | | | | | | |
|  |  |  |  |  |  | | | |
| Employees | Customers | Shareholders | Partners/Vendors | Community | Government/Regulatory Body/Authority | | | |
| HEITECH RESPONSE TO THE MATTER | | | | | | | AFFECTED CAPITAL | STAKEHOLDER GROUPS AFFECTED |
| We continuously assess our suppliers and partners, to be assured on the quality of their products and services. This is to ensure their products and services meet our quality and service level and our output is not compromised. Managing end-to-end supply chain process is pivotal for HeiTech to maintain our credibility to our customers. | | | | | | |    |    |
| HeiTech's focus on innovation enables us to differentiate ourselves in the market, delivering value to our customers, and drive sustainable growth in an ever-changing business landscape. Our commitment to innovation across various aspects of our business has us investing in ongoing technology solutions and product development to lead the market with innovative solutions. | | | | | | |     |    |
| In order to safeguard our IT infrastructure from security intrusions, HeiTech has implemented a network of systems, policies, and best practices in an effort to be proactive in our cyber-defence. This is achieved through our Secure-X Managed Security Service, where we focus on digital resiliency and facilitate the convergence of security, efficiency and agility. | | | | | | |    |       |
| HeiTech prioritises sustainability through comprehensive human resource strategies encompassing recruitment, upskilling, engagement, rewards, and clear career development paths. These initiatives aim to optimise employee contributions while safeguarding our intellectual property. Additionally, HeiTech extends recruitment efforts to include young talents through internship programs, fostering a pipeline of future skilled professionals. | | | | | | |     |     |
| HeiTech is committed to delivering exceptional customer experiences, leveraging both technological advancements and exemplary customer service. The company focuses on efficiently acquiring, retaining, and expanding our customer base. Customer satisfaction surveys are conducted to identify areas for improvement, ensuring superior service delivery in the future. | | | | | | |    |    |
| HeiTech applies management processes and methodologies that have received local and international accreditation, including CMMI Level 3, TMMi Level 3, QMS, ISMS, SMS, BCMS, and ABMS. Our customers are assured by the accreditation that our IT services are in accordance with the most effective standards in the industry. This will increase their confidence level on the quality and consistency of our services, hence will increase loyalty to our brand. | | | | | | |     |    |
| HeiTech Cares, the corporate social responsibility division of HeiTech, endeavours to foster environmental, social, and educational progress by investing in community development initiatives and collaborating with government agencies or non-governmental organizations (NGOs). We take great pride in fulfilling our responsibility to elevate and refine the overall quality of life for the community. | | | | | | |    |       |
| HeiTech conducts frequent monitoring and review of all regulatory standards to ensure constant compliance in guiding our business behaviours and interactions with our stakeholders. We uphold zero tolerance on bribery and is protected by our whistleblowing policy. We have established safe platforms for our stakeholders to report any malpractices conducted by our employees. | | | | | | |   |     |
| HeiTech is committed in providing sustainable and responsible business practices in the area that we operate. We ensure that we operate in a safe working environment, utilise the usage of natural resources efficiently and comply to the environmental, safety and health regulation. | | | | | | |    |       |

THE RISKS WE CONSIDER

With the dynamic landscape of the technology industry, HeiTech faces external and internal factors that influence our value creation abilities. As a result, we adopt a proactive approach to risk management, which is a fundamental aspect of our governance, strategy and decision-making. We stay ahead of critical risks through our Enterprise Risk Management (“ERM”) Framework. This framework allows us to assess and respond to events that may impact our ability to create sustained value. The table below presents HeiTech’s principal risks for the year 2023. These principal risks are linked to our business strategies.

| RISK TYPE | BUSINESS CONTEXT | IMPLICATIONS |
|---|--|--|
|  Market | Market risk remain high due to the instability of the global and local economic conditions. HeiTech is affected through increased competitions due to low barrier of entry where there is an increase in the emergence of new IT players. | <ul style="list-style-type: none"> Loss of market share due to increased number of competitors. Negative impact to the company's revenue. Adverse impact on the company's market share. |
|  Technology & Innovation | Emerging digital technologies such as Artificial Intelligence (“AI”), Blockchain, and Internet of Things (“IoT”) have the potential to disrupt the established business practices and value chains. HeiTech is keeping abreast with all rapid technological advancements to produce new products and services in order to remain relevant in the industry. | <ul style="list-style-type: none"> Failure to meet customers’ requirements. Potential to be overtaken by competitors. Failure to monetise the new products. Adverse impact on the company's market share. |
|  Cyber Threat | The risk posed by cyber threats is substantial, tangible, and perpetually escalating in line with technological progress. Increasing global interconnectivity and dependence on network and cloud services will impact IT providers such as HeiTech to face a broader range of potential attacks which is more prevalent now than previous days. Cyber attacks can result to serious consequences and may have an adverse impact on our organisation if not addressed tactfully. | <ul style="list-style-type: none"> Reputational damage which may impact future business potential. Litigation and penalties associated with leakage of confidential information. |
|  Legal & Regulatory Environment | HeiTech operates within a heavily regulated industry, necessitating strict compliance with regulatory standards. Non-compliance to applicable regulations or negligence might affect the company via possible litigations which have dire consequences to HeiTech's reputation and will give an adverse effect financially. | <ul style="list-style-type: none"> Negative impact to the company's revenue. Financial losses due to damages and legal fees incurred. Reputational damage which may impact future business potential. |
|  Diversification | Amongst our pivot strategies is to spread our investment across other region and served the mass market by offering new products and services. This effort may pose market and financial risks, given our lack of familiarity with the new market and product dynamics that we ventured in. | <ul style="list-style-type: none"> Inability to achieve Return on Investment (“ROI”). Inability to source financing for new ventures. Unable to meet our commitments as per contract. Adverse reputational impact. |

THE RISKS WE CONSIDER



| MITIGATION MEASURES | STRATEGY | LINKS | MATERIAL TOPICS |
|---|--|-------|---|
| <p>HeiTech continues to deliver appealing solutions based on our understanding of customers' needs at a competitive price. We provide personalised solutions to satisfy our customers in order to differentiate ourselves with our competitors and to continue being a leading IT organisation in the market.</p> | <ul style="list-style-type: none"> Market Retention and Expansion Strategic Alliance Technological Innovation | | <ul style="list-style-type: none"> Supply Chain Innovation Customer Experience Service Quality |
| <p>We continue to innovate and develop new product offerings customised to our customers' needs, leveraging on our robust internal technological capabilities. Additionally, we have established strategic alliances with partners who specialised in niche technology areas that will complement our overall products and services.</p> | <ul style="list-style-type: none"> Technological Innovation Human Capital Development Strategic Alliance | | <ul style="list-style-type: none"> Innovation Human Capital Development Supply Chain |
| <p>We continuously monitor our security controls to be at its best to ensure business operations are running smoothly and data is protected through business continuity processes to prevent unexpected service downtime. This is established through our Secure-X Managed Security Services where we focus on digital resiliency and facilitate the convergence of security, efficiency and agility.</p> | <ul style="list-style-type: none"> Technological Innovation Accredited Management System | | <ul style="list-style-type: none"> Innovation Cybersecurity and Privacy Governance, Ethics and Compliance Human Capital Development |
| <p>We ensure that we comply with the requirements and regulations by the stakeholders in order to position our products and services in the market. The requirements of compliance are on top of the accreditation that HeiTech has already obtained to ensure we do not breach any statutory requirement and ultimately delivering quality services to our customer.</p> | <ul style="list-style-type: none"> Accredited Management System Human Capital Development | | <ul style="list-style-type: none"> Governance, Ethics and Compliance Service Quality Strategic Social Contribution |
| <p>HeiTech engages Subject Matter Experts ("SME") to provide insights on opportunities and potential threats on new business initiatives. We perform thorough due diligence using platforms such as the Investment Committee to assess any investments made by the company either to venture into new market or to develop new products. Periodical monitoring is conducted to evaluate the investment's viability and ensure it yields returns for stakeholders.</p> | <ul style="list-style-type: none"> Strategic Alliance Market Retention and Expansion Expansion of Product Mix Technological Innovation | | <ul style="list-style-type: none"> Innovation Supply Chain Human Capital Development |







OUR STRATEGIC PROGRESS

HeiTech's value creation is reinforced by harnessing six (6) capitals and addressing nine (9) material concerns. The successful interaction of capitals and their relationship to materiality enables HeiTech to provide outputs for the company as well as meaningful results for all stakeholders. These attributes evolve over time and are regularly assessed in light of technological and market shifts, ensuring continued relevance and value addition for stakeholders.







Materiality

- | | |
|---|---|
|  Supply Chain |  Service Quality |
|  Innovation |  Strategic Social Contribution |
|  Cybersecurity & Privacy |  Governance, Ethics & Compliance |
|  Human Capital Development |  Environment, Safety & Health |
|  Customer Experience | |

Capital

- | | |
|--|---|
|  Financial |  Human |
|  Manufactured |  Natural |
|  Intellectual |  Social & Relationship |

Strategies

- | | |
|--|--|
|  Market Retention & Expansion |  Strategic Alliance |
|  Expansion of Product Mix |  Accredited Management System |
|  Technological Innovation |  Human Capital Development |

BUSINESS STRENGTHS

Experienced Industry Player With Proven Track Records

LINKAGE TO MATERIALITY



RISKS

- Market
- Technology & Innovation

Revenue Mix Across Systems Integration & Application Development, Managed Infrastructure Services & Digital Products



- Market
- Technology & Innovation
- Diversification

Robust Regional Presence



- Market
- Legal and Regulatory Environment
- Diversification

Innovative Solutions & Services Suited For All Markets



- Market
- Technology & Innovation
- Cyber threat
- Diversification

Dynamic Strategic Alliance With Partners



- Market
- Legal and Regulatory Environment

Process Accreditation
















































- Legal and Regulatory Environment

Human & Intellectual Capital



- Technology & Innovation
- Legal and Regulatory Environment

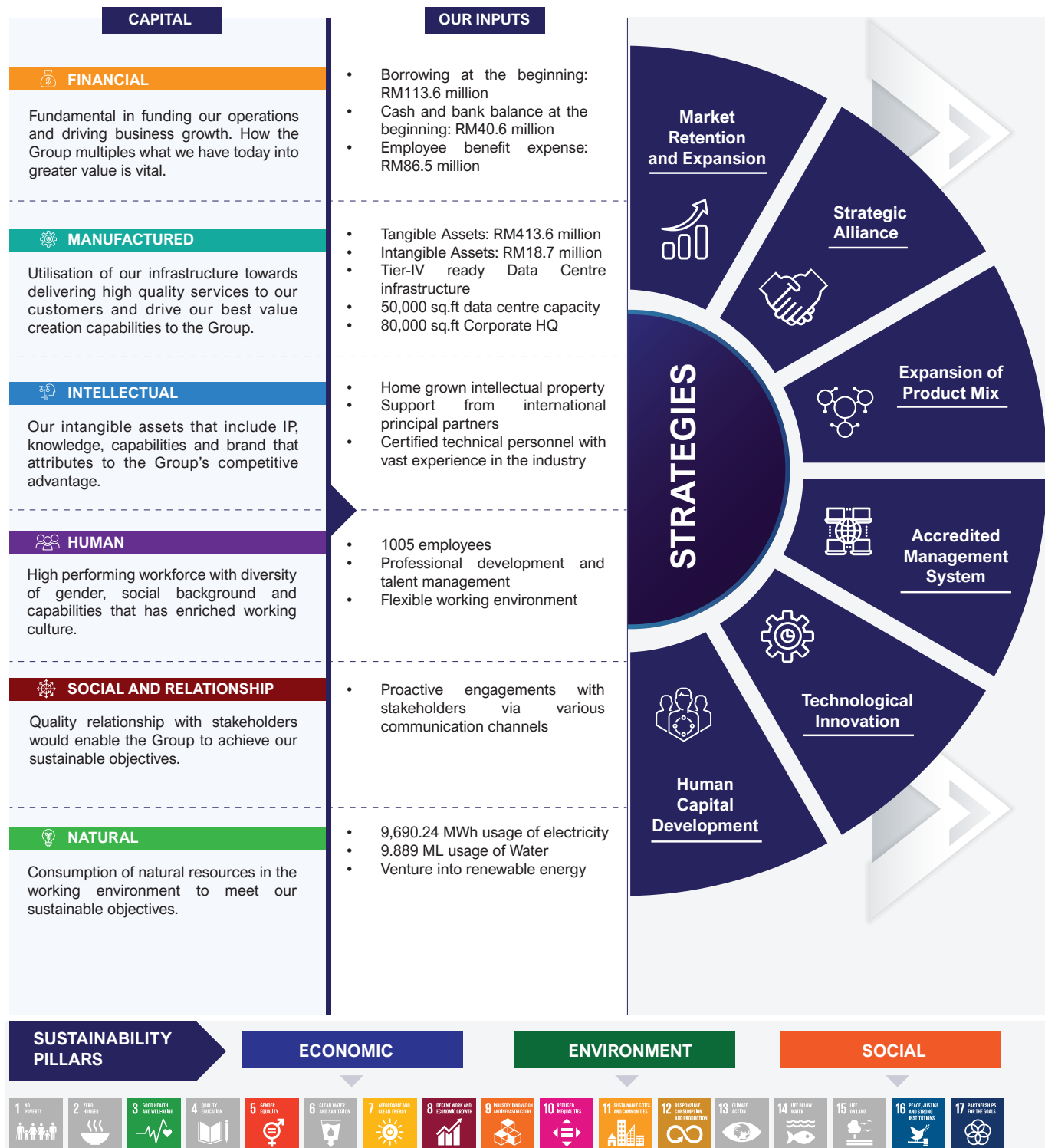
OUR STRATEGIC PROGRESS

| STRATEGIES | CAPITAL AFFECTED | OUTPUTS, PERFORMANCE HIGHLIGHTS & ACHIEVEMENTS |
|---|--|---|
|    |     | <p>HeiTech, by its merit has secured multiple project awards for 2023 in the Systems Integration and Application Development (“SI&AD”) as well as Managed Infrastructure Services. In 2023, HeiTech managed to deliver a successful migration for Hospital Port Dickson and Hospital Bera that marks a significant achievement in enhancing healthcare information systems. In addition, we have secured contracts from the Ministry of Domestic Trade and Cost of Living (“KPDN”), Inland Revenue Board (“LHDN”), Ministry of Education (“MOE”) and Ministry of Higher Education (“MOHE”).</p> |
|    |     | <p>The Group’s revenue is contributed from portfolios of products and services namely system integration and application development, managed infrastructure services, niche solutions, and digital solutions. The Group recorded a revenue of RM277.8 million in 2023. 40% of the revenue is contributed from system integration and application development, 30% from managed infrastructure services and the remaining is from niche and digital products.</p> |
|   |    | <p>HeiTech continues to expand our presence in the region, through the establishment of PT DesaTech Nusantara. Through this, we have implemented our homegrown cooperative system and school management system in Indonesia with positive take up rate progressively over the years.</p> |
|   |     | <p>HeiTech customised our offerings based on our customers’ needs and requirements by leveraging on the latest technology and applications. Our latest in-house products that we have successfully developed and marketed are ProSchool, CaringHealth and JomCheck which are now gaining traction in the market.</p> |
|    |      | <p>HeiTech has over the years maintain dynamic engagement with our strategic partners and vendors. Through the collaboration, HeiTech is honoured with the Local Champion Award in Data & Cloud Computing by the Malaysia Digital Economy Corporation (“MDEC”) and was awarded as Public Sector Partner of the Year in 2023 by Trend Micro Malaysia.</p> |
|  |     | <p>HeiTech adhered to internationally recognised management system standards and successfully maintained the attestations and accreditations from various certification from local and international bodies. These includes CMMI Level 3, TMMi Level 3, QMS, ISMS, SMS, BCMS and ABMS which recognises HeiTech’s commitment to delivering the highest quality services to our customers.</p> |
|   |      | <p>HeiTech has a total of 957 staffs in which 80% of the staff are technical and customer facing personnel and the remaining 20% are on the operational support. Our talent pool comprises industry’s top technology experts in their respective fields which provides us with an extensive knowledge base that enables us to serve in multiple platform of technologies.</p> |

OUR VALUE CREATION MODEL

HeiTech generates value by utilising six (6) capitals. Value creation is necessary for every firm to remain competitive, and it is an important component of business strategy. It entails continual efforts to innovate, develop, and optimise processes in order to produce the best potential outcomes for all stakeholders.

Despite the challenging operating environment of FY2023, HeiTech's value generation strategy remains intact.




OUR VALUE CREATION MODEL


BUSINESS STRENGTHS

 Experienced Industry Player with Proven Track Records


 Revenue Mix Across Systems Integration And Application Development, Managed Infrastructure Services And Digital Products

 Robust Regional Presence

 Innovative Solutions and Services suited for all Markets

 Dynamic Strategic Alliance with Partners

 Process Accreditation

 Human and Intellectual Capital

OUR OUTPUTS

- Revenue: RM277.8 million
- EBITDA: RM28.2 million
- Cash and bank balance: RM54.3 million
- Share Capital: RM117.8 million
- Borrowing: RM117.3 million

- Improved pipeline and funnel management
- Expansion of customer base
- Achieved the TIA-942 Rated-3 Data Centre for HTV2

- Adopted international standard and certification i.e. CMMI Level 3, TMMi Level 3, QMS, ISMS, SMS, BCMS and ABMS
- Internal knowledge-based repository
- Creation of new innovative products and solutions
- New market penetration

- 957 employees
- 80% technical and 20% non-technical workforce
- Certified technical personnel

- Community programs by HeiTech Cares
- Participation in industry roadshows and events
- Internships for more than 100 students
- University visits
- 3U1I program with UiTM
- Partner engagement programs
- Stakeholder engagement via events and social media platform

- 9,061.33 MWh usage of electricity
- 9,608 ML usage of water
- Develop capabilities in solar and small hydro power (SHP)

OUR OUTCOMES

- Paid Income Tax: RM1.4 million
- Wages and Benefits: RM87.8 million
- Paid to financiers: RM4.3 million

- Total Assets: RM433.0 million
- Excellent connectivity, availability, accessibility and seamless customer support via our 16 Universal Service Centre ("USC") across Malaysia

- Penetration into the mass-market – B2C initiatives such as Smart Parking Solutions and Kolleg
- Creation of new products - ProSchool, Caringhealth and JomCheck
- Secured new contracts from the Ministry of Domestic Trade and Cost of Living ("KPDN") and Inland Revenue Board ("LHDN") for Managed Infrastructure Services. We also secured Hospital Port Dickson and Hospital Bera in Systems Integration and Application Development that marks a significant achievement in enhancing healthcare information systems

- Introduced myRuang as co-working space for Flexible Working Arrangement ("FWA")
- Automation and digitalisation on in-house processes to improve efficiency and productivity via DVOC and HeiBot, our in-house virtual assistant
- 192 certified IT Professionals

- Stronger relationship with our stakeholders through engagement programmes such as Sembang Padu and Partner Connect Programme via our Partner Portal
- Creation of job opportunities for 41 fresh graduates through Protege engagement program
- Nurture talents of the younger generation in the IT industry via our internship program for 31 interns
- Conducted programs for donations' drive such as Tabung Kemanusiaan Palestine and programmes for orphanage
- Honoured with the Local Champion Award in Data & Cloud Computing by the Malaysia Digital Economy Corporation ("MDEC") and was awarded as Public Sector Partner of the Year in 2023 by Trend Micro Malaysia

- Saving of 0.281 ML of water consumption and 628.9 MWh of electricity consumption which resulted from our sustainability efforts
- Closed sales in renewable energy sector through LSS4 Pekan (Solar), Batang Kali and Sungai La projects (SHP)

CORPORATE GOVERNANCE

The roles and responsibilities of the Board of Directors are set out by our charter, in compliance with the Malaysian Code of Corporate Governance (MCCG) 2021, acting in the best interests of our stakeholders. This is to ensure we remain as the 'trusted technology partner to enable our customers' vision'.

SUSTAINABILITY STATEMENT

INTRODUCTION

HeiTech is dedicated to creating cutting-edge technology-based goods and services to serve target markets. As an established technology company, we prioritised sustainability in our operations. This aligns with our mission to “Touch Lives With Innovative Solutions” and support the nation’s development.

Integrating sustainable practices into our operations is our commitment to making a positive impact. Our ongoing attempts to utilise technology via innovation began with digitising and digitalising our customers’ processes and went on to include developing specialised and smart solutions. Our ongoing capacity to create novel solutions that benefit our stakeholders in the areas of the economy, environment, and society is the main goal of our work.

We strive to become a reliable technology partner for our stakeholders and seize new business prospects for future value generation in the interest of a sustainable nation, as demonstrated by our involvement in technological advancement and progress.

This sustainability statement should be read alongside Section 4: How We Create Value from this integrated report. Section 4 illustrates how we measure materiality using risk assessments and affected capital. We also discuss impacts on stakeholders, along with mitigation methods and action plans.

1.0 OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STATEMENT

HeiTech is a technology company that understands the value of Environmental, Social, and Governance (“ESG”). We are mindful of the challenges associated with operating in developing and emerging markets and seek to create communities that are equal, healthy, diverse and sustainable by combining cutting-edge IT solutions and digital transformation with outstanding ESG performance.

| ENVIRONMENTAL | SOCIAL | GOVERNANCE |
|---|---|---|
| We aim to embed environmental stewardship in all our business activities. We develop guidelines that define the principles, goals and focal areas for environment protection and safety. We have implemented waste management initiatives aimed at improving how we manage our waste and assisted our customers and partners in implementing advanced applications and technologies to reduce resource and energy consumption that have adverse environmental impacts. We are committed to reducing our energy and carbon impacts as we recognised the risks of climate change. | We aim to create safe and inspiring workplace where people feel valued and motivated. We foster personal and professional growth for all employees through annual performance reviews, role-specific training and professional development opportunities. Our Health and Safety policy aims to ensure safety in our work practices, improve working conditions and promote the occupational health, safety and wellbeing of employees. We embraced and value diversity in all forms with our recruitment process aims to develop a community of diverse talent. Our corporate social responsibility projects focus on helping underprivileged groups, including orphaned or disadvantaged children, the elderly and disabled individuals. | We believe that good governance is essential to creating and preserving value for our shareholders and stakeholders. We comply with all applicable laws, rules, regulations and policies, and embracing our corporate values and business principles. We have an effective, diverse and highly skilled Board of Directors that provides guidance and oversight for the company’s strategic direction. Our Board of Directors and employees conduct themselves in accordance with the highest moral and ethical standards and we have strict policies to protect against unlawful discrimination and harassment. |

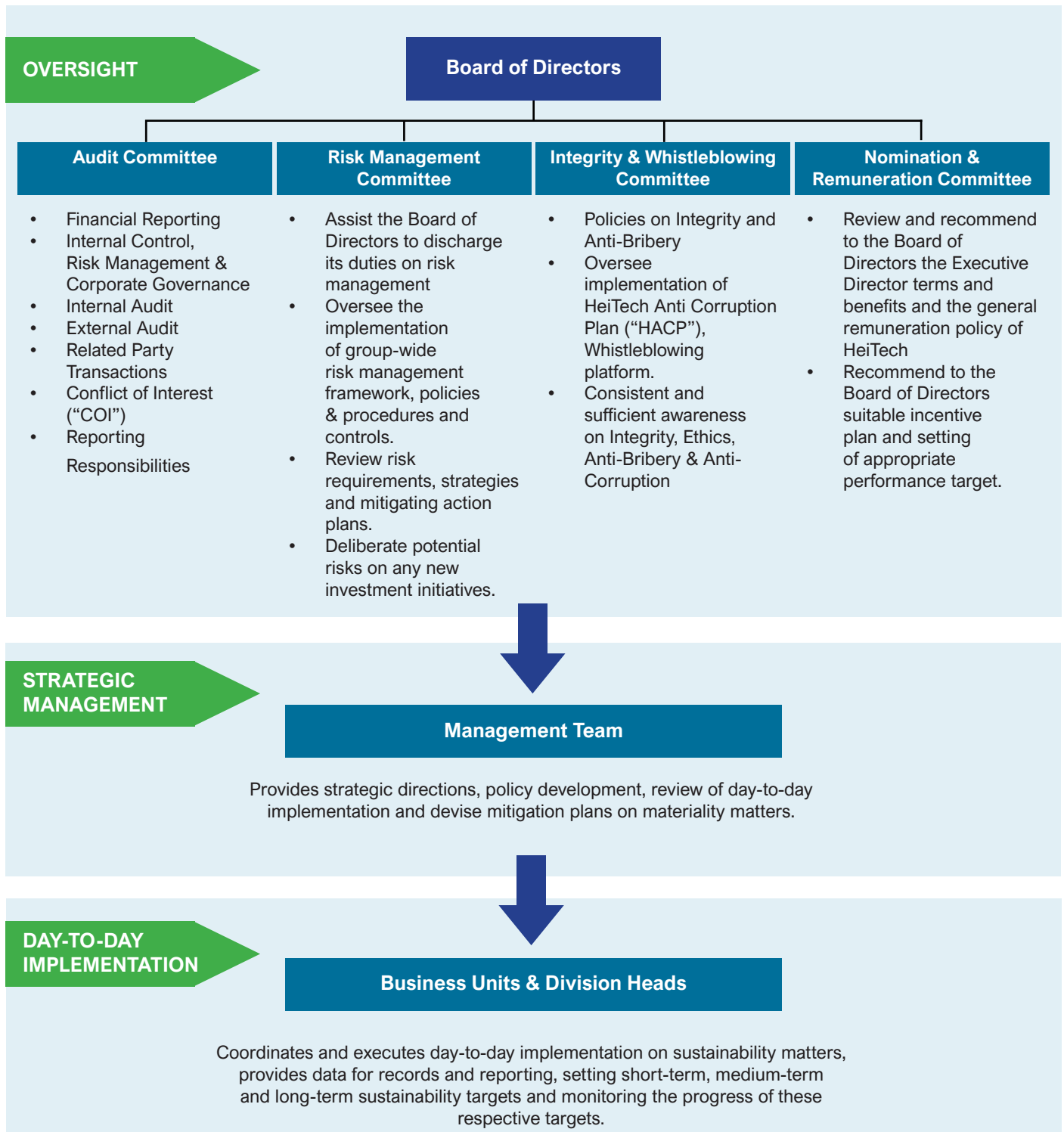
SUSTAINABILITY STATEMENT

WHY ESG MATTERS

We are confident that more value is generated through the application of ESG principles. Contemplating the multitude of worldwide issues that confront us—such as pollution, climate change, inequality, and poverty—conscientious enterprises such as ours must integrate ESG into our methodology. This ESG Statement emphasises the holistic nature of value creation for businesses and society at large by taking into account economic, environmental, and social factors in a manner that is consistent with their interdependence.

HeiTech utilises the existing corporate governance structure to promote the development of our sustainability strategies, and the effectiveness largely derives from the strong linkages between the different groups involved in the structure as below:

SUSTAINABILITY GOVERNANCE



SUSTAINABILITY STATEMENT

2.0 SUSTAINABILITY AGENDA

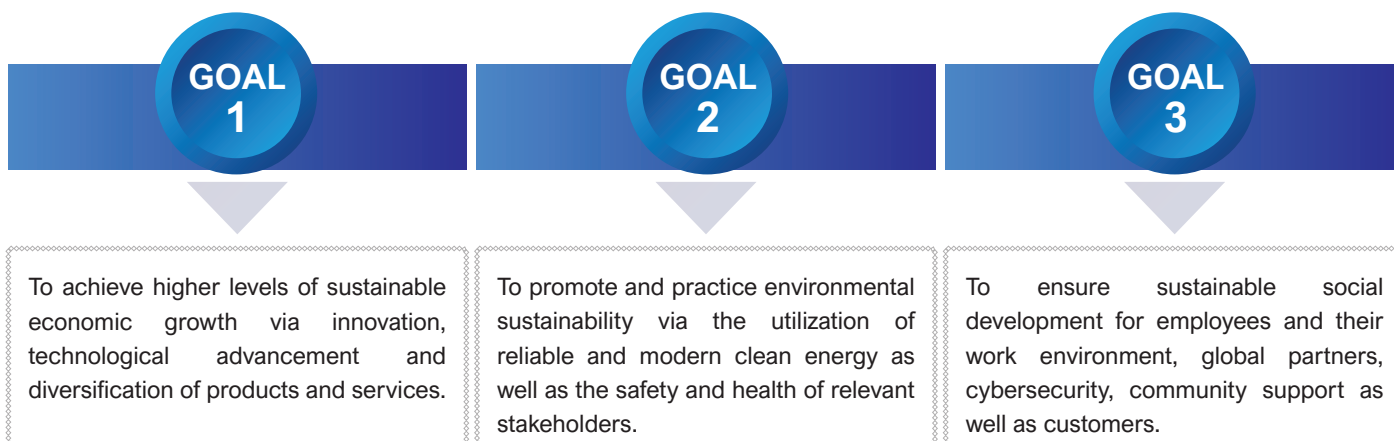
HeiTech's commitment to being a trusted technology partner extends to all stakeholders, including customers, clients, shareholders, employees, vendors and visitors to HeiTech and the community at large. To achieve this vision, the Company has identified the needs to create and provide value continuously, ensuring that it is meeting the needs and expectations of all its stakeholders. HeiTech's sustainability agenda is to pledge our commitment towards incorporating Economic, Environmental and Social ("EES") factors into our strategic decision-making. HeiTech aims to balance our business goals with the needs of our stakeholders and the impact in our operations to the environment and the community

3.0 SUSTAINABILITY GOALS

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals ("UN SDGs"), which are an urgent call for action by all countries in a global partnership. HeiTech strategises and plans sustainability initiatives based on these UN SDGs, with ten (10) of them significantly linked to our business operations. These areas are:



HEITECH SUSTAINABILITY GOALS



4.0 COMMITMENT TOWARDS SUSTAINABILITY

The United Nations Global Compact was created to encourage businesses around the world to report on the progress of their implementation of sustainable and socially responsible policies, in addition to promoting their adoption of such policies. A framework predicated on principles, it stipulates that businesses adhere to ten (10) principles pertaining to labour, environment, human rights, anti-corruption, and human resources.

As part of our commitment to sustainability, HeiTech believes that economic, social, and environmental considerations should be incorporated into our business operations. By means of innovation, digitization, and other technological advances in ICT, we actively contribute to the UN Global Compact and are devoted to the Sustainable Development Goals of the United Nations.

SUSTAINABILITY STATEMENT

Consistent with our sustainability objectives and agenda, our sustainability endeavours are centred on the following three (3) commitments:



5.0 SCOPE OF SUSTAINABILITY STATEMENT

Our Sustainability Statement covers the following:

- All 957 staff regardless of their location
- Consumption of energy and water at Menara HeiTech Village and HeiTech Village 2. Other operating offices including regional offices, nationwide service centres and project sites are not included.

We will strive to include all significant geographical areas that we operate in within the next three years.

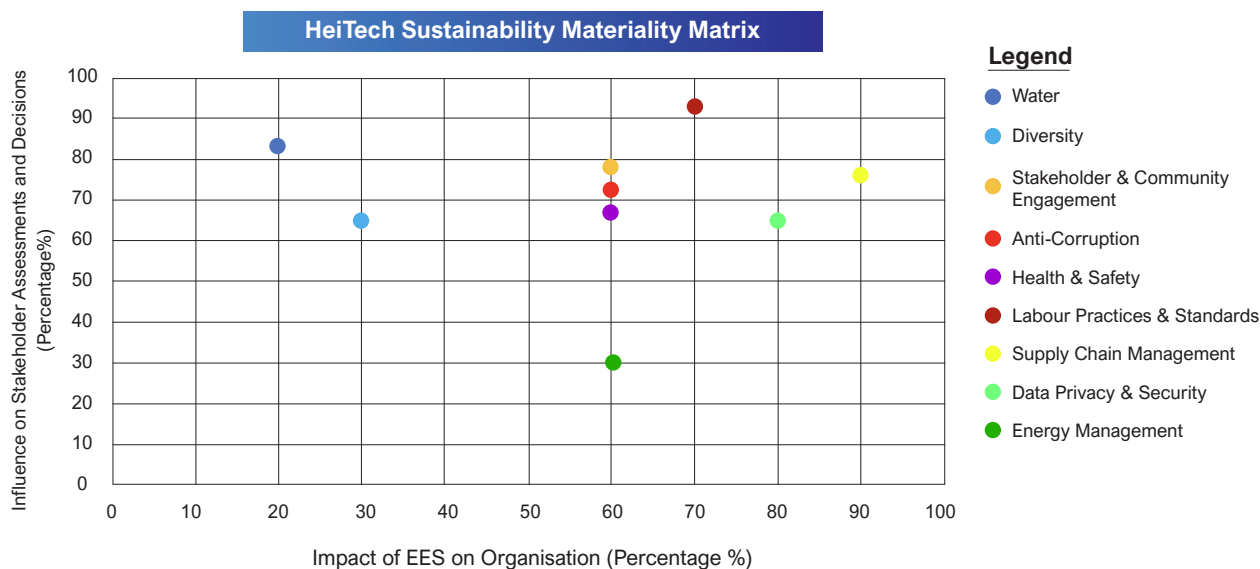
6.0 OUR MATERIALITY ASSESSMENT

Prioritising sustainability matters involves assessing their significance to business and stakeholders, taking into account factors such as the organization's medium and long-term business objectives, trends in the technology sector, enterprise risk management framework, and more.

We conducted a priority setting exercise based on evaluation of the impact of the EES matter on the organisation and its influence on stakeholder assessments and decisions. We then review and tabulate the data to develop the materiality matrix prioritisation. The matrix is then presented to the Board of Directors for approval.

6.0 OUR MATERIALITY ASSESSMENT (CONT'D)

HeiTech identifies material sustainability matters based on their importance to our company and stakeholders. The materiality matrix below illustrates the results of the materiality assessment.



This materiality matrix is to be read alongside the materiality assessment in Section 4: How We Create Value. The materiality matters and its data is reflected in the Bursa Malaysia ESG Reporting Platform for HeiTech Padu Berhad. The mapping of the materiality matters in this section with Section 4 is illustrated as follows:

| Materiality in Sustainability Statement | Materiality in Section 4 |
|---|---|
| Supply Chain Management | <ul style="list-style-type: none"> Supply Chain Innovation |
| Anti-Corruption | <ul style="list-style-type: none"> Human Capital Development Governance, Ethics and Compliance |
| Data Privacy and Security | <ul style="list-style-type: none"> Cybersecurity and Privacy |
| Energy Management | <ul style="list-style-type: none"> Environment, Safety and Health |
| Water | <ul style="list-style-type: none"> Environment, Safety and Health |
| Stakeholder and Community Engagement | <ul style="list-style-type: none"> Customer Experience Service Quality Strategic Social Contribution Innovation |
| Diversity | <ul style="list-style-type: none"> Human Capital Development |
| Health and Safety | <ul style="list-style-type: none"> Environment, Safety and Health |
| Labour Practices and Standards | <ul style="list-style-type: none"> Human Capital Development Governance, Ethics and Compliance |

SUSTAINABILITY STATEMENT

BURSA MALAYSIA ESG REPORTING PLATFORM

Bursa Malaysia Securities Berhad (“Bursa Malaysia” or the “Exchange”) has unveiled the Bursa Malaysia ESG Reporting Platform (“ESG Reporting Platform”) on 4 December 2023. The performance table include indicators and data pertinent to material sustainability matters as illustrated below:

| Indicator | Measurement Unit | 2023 |
|---|------------------|------------|
| Bursa (Anti-corruption) | | |
| Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category | | |
| Management | Percentage | 18.00 |
| Executive | Percentage | 15.00 |
| Non-executive | Percentage | 6.00 |
| Bursa C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 100.00 |
| Bursa C1(c) Confirmed incidents of corruption and action taken | Number | 0 |
| Bursa (Community/Society) | | |
| Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 104,000.00 |
| Bursa C2(b) Total number of beneficiaries of the investment in communities | Number | 15 |
| Annual General Meeting: Number of days between the date of notice and date of meeting | Number | 65 |
| Bursa (Diversity) | | |
| Bursa C3(a) Percentage of employees by gender and age group, for each employee category | | |
| Age Group by Employee Category | | |
| Management Under 30 | Percentage | 0.00 |
| Management Between 30-39 | Percentage | 4.60 |
| Management Between 40-49 | Percentage | 32.18 |
| Management Between 50-59 | Percentage | 58.62 |
| Management 60 and Above | Percentage | 4.60 |
| Executive Under 30 | Percentage | 27.66 |
| Executive Between 30-39 | Percentage | 33.90 |
| Executive Between 40-49 | Percentage | 24.36 |
| Executive Between 50-59 | Percentage | 13.34 |
| Executive 60 and Above | Percentage | 0.73 |
| Non-executive Under 30 | Percentage | 15.09 |
| Non-executive Between 30-39 | Percentage | 41.51 |
| Non-executive Between 40-49 | Percentage | 30.19 |
| Non-executive Between 50-59 | Percentage | 11.32 |
| Non-executive 60 and Above | Percentage | 1.89 |
| Gender Group by Employee Category | | |
| Management Male | Percentage | 75.00 |
| Management Female | Percentage | 25.00 |
| Executive Male | Percentage | 61.00 |
| Executive Female | Percentage | 39.00 |
| Non-executive Male | Percentage | 91.00 |
| Non-executive Female | Percentage | 9.00 |
| Bursa C3(b) Percentage of directors by gender and age group | | |
| Male | Percentage | 87.50 |
| Female | Percentage | 12.50 |
| Between 60 - 69 | Percentage | 37.50 |
| Above 70 | Percentage | 62.50 |
| Number of Board Directors | Number | 8 |
| Number of independent Directors on the board | Number | 6 |
| Number of women on the board | Number | 1 |

Internal assurance External assurance No assurance

(*) Restated

BURSA MALAYSIA ESG REPORTING PLATFORM (CONT'D)

| Indicator | Measurement Unit | 2023 |
|--|------------------|----------|
| Bursa (Energy management) | | |
| Bursa C4(a) Total energy consumption | Megawatt | 9,061.33 |
| Bursa (Health and safety) | | |
| Bursa C5(a) Number of work-related fatalities | Number | 0 |
| Bursa C5(b) Lost time incident rate ("LTIR") | Rate | 0.31 |
| Bursa C5(c) Number of employees trained on health and safety standards | Number | 30 |
| Bursa (Labour practices and standards) | | |
| Bursa C6(a) Total hours of training by employee category | | |
| Management | Hours | 1,177 |
| Executive | Hours | 24,099 |
| Non-executive | Hours | 152 |
| Bursa C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 1.54 |
| Bursa C6(c) Total number of employee turnover by employee category | | |
| Management | Number | 10 |
| Executive | Number | 169 |
| Non-executive/Technical Staff | Number | 9 |
| Bursa C6(d) Number of substantiated complaints concerning human rights violations | Number | 0 |
| Bursa (Supply chain management) | | |
| Bursa C7(a) Proportion of spending on local suppliers | Percentage | 48.00 |
| Bursa (Data privacy and security) | | |
| Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 |
| Bursa (Water) | | |
| Bursa C9(a) Total volume of water used | Megalitres | 9.608000 |
| <div> <div>Internal assurance</div> <div>External assurance</div> <div>No assurance</div> </div> | | |
| (*)Restated | | |

7.0 MANAGEMENT APPROACHES AND ACTION PLANS

Our management approaches and strategies are based upon long term sustainability strategies that foster social development, reduced negative impact on the environment, improved safety and health, provides values to shareholders and contribute towards higher levels of economic growth.

This section is to be read alongside Section 4: How We Create Value through our strategic approach, risk assessments and action plans. Our strategies and disclosures are segmented into EES, where the following nine (9) focus areas are further defined:



ECONOMIC

- Supply Chain Management
- Anti-Corruption
- Data Privacy and Security



ENVIRONMENTAL

- Energy Management
- Water



SOCIAL

- Stakeholder and Community Engagement
- Diversity
- Health and Safety
- Labour Practices and Standards

SUSTAINABILITY STATEMENT

MEASURING OUR ECONOMIC MATTERS



Link to UN SDGs:



INTRODUCTION

The global corporate landscape has changed significantly. HeiTech is pleased to have joined the growing number of organisations that prioritise EES principles in our operations. We prioritised EES compliance as a commitment to sustainable, responsible, and future-proof business processes.

HeiTech prioritises sustainability in all economic activities, such as production, consumption, and capital development. We have taken steps to establish a sustainable supply chain, which is essential for accomplishing corporate objectives and resolving sustainability concerns.

1.0 SUPPLY CHAIN MANAGEMENT

HeiTech has undertaken a number of commitments in our effort to establish a sustainable supply chain. An example of such dedication is the enforcement of a comprehensive screening procedure that mandates all suppliers and vendors to meet a variety of sustainability criteria prior to being included in our Approved Vendor List ("AVL").

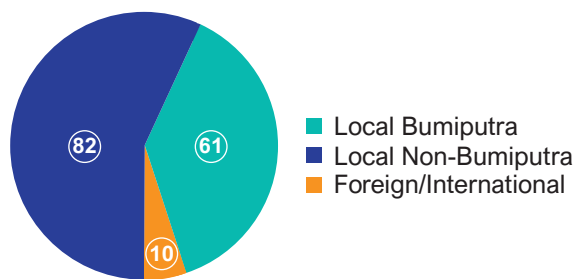
The following criteria are assessed as part of the evaluation procedure:

- Sustainability, financial stability and credit strength
- Proven track record and trade references and years in business
- Compliance to Quality control method and practises (MS ISO 9001:2015, MS ISO 37001:2016, CMMI or equivalent)
- Core competency in supplier's line of business
- Ability to provide niche or unique product offering and/or design concept
- Ability to supply all the products required or the complete solution
- Adequacy of distribution / warehouse facilities and resources
- Other criteria such as pre and post-sales support, location of vendor premise

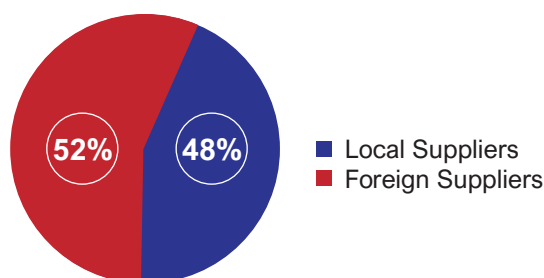
1.1 Supply Chain Composition

HeiTech is committed to transparent, fair, and efficient procurement processes that prioritise local suppliers for the benefit of national economic growth. Our supplier selection criteria are based on capabilities and merits, following thorough background checks to ensure their credibility. Upholding meritocracy in procurement aligns with our goal of being the preferred technology collaborator while delivering value to our clients. We maintain a diverse supplier base, ensuring fairness and non-discrimination in our dealings.

In 2023, our overall supplier count was 153, of which 143 were classified as local suppliers. 61 of the 143 vendors are local Bumiputra suppliers, 82 local non-Bumiputra suppliers and 10 foreign suppliers, demonstrating our effort in prioritising local suppliers. This is illustrated in the diagram below.



Nevertheless, 52% of our spending is on foreign suppliers as mainframe servers, network equipment and other high-cost IT hardware covers the bulk of our requirements for various project and product deliveries. The remaining 48% of the spending are on local suppliers, mainly on application and services, as illustrated in the diagram below.



2.0 ANTI-CORRUPTION

HeiTech is committed to promote good governance and ethical business conduct. HeiTech has a **Zero-Tolerance** policy towards bribery and corruption, a stance which was championed by HeiTech's Board of Directors and Management team. We emphasised adequate control measures through our policies and internal standard operating procedures, in order to protect organization from potential corporate liability, being the commercial organization as stipulated under Section 17A MACC Act 2009 (Act 694).

2.1 HeiTech Anti-Bribery and Corruption Policy ("ABCP")

HeiTech is mindful of the fact that adhering to ethical business practices would mitigate compliance, legal, and reputational hazards, thereby fostering enterprise sustainability and expanding business prospects. Our Anti-Bribery and Corruption Policy ("ABCP") demonstrates HeiTech's dedication to combating all types of corruption. To foster and sustain an ethical corporate environment, our policy is mandatory to be observed by all staff.

The ABCP was established by HeiTech in 2020 and was subsequently updated in 2022 to accommodate present-day business requirements. HeiTech's dedication to combat corruption and promoting ethical business conduct is exemplified in this ABCP. Each employee is duly informed of the ABCP and is required to provide written certification through an employee declaration document that they have perused, comprehended, and will abide by the ABCP.

Some of the controlled entities have implemented ABCP with the approval from their respective boards of directors.

2.2 HeiTech Whistleblowing Policy & Guideline

We encourage our employees and business associates to report fraudulent activities, unlawful conduct, and unethical behaviour through the appropriate and dedicated channel in accordance with our Whistleblowing Policy. The responsibility for preventing, detecting, and reporting bribery and other forms of corruption extends to all parties involved, including the entities HeiTech is servicing to and those who provide support and services to HeiTech.

Various reporting channels have been established including email, SMS, Whatsapp, verbal, online form, and physical complaint box. During the year, we received 4 complaints from whistleblowers. As to date, there are no cases that have been classified as confirmed incident of corruption.

SUSTAINABILITY STATEMENT

2.3 Anti-Bribery Management System ("ABMS")

HeiTech had obtained ISO 37001:2016 ABMS certification in year 2020 and successfully retain the certification until December 2026 after recertification audit by SIRIM QAS in December 2023. This demonstrates our commitment to have proper management system and combating bribery and corruption. Scope of certification covers sales acquisition and support services from corporate office.

Corruption risk assessment was performed on all (100%) core business operations including support functions which fall under ABMS scope of certification. Quarterly risk update being made to Management Integrity Committee ("MIC") and Integrity & Whistleblowing Board Committee ("IWBC").

2.4 Awareness and training

We leverage on our internal email and social media platform (Telegram) to broadcast awareness posters. During the year, 29 awareness posters were broadcasted which covers topic on integrity, anti-money laundering, gifting, due diligence, facilitation payment, whistleblowing and whistleblower protection.

There were 5 training internally organised in 2023 including training for Board Members and Top Management as follows:

- a) Risk Register Development Guidance for Process Owner
- b) ISO 37001:2016 ABMS Introduction Training for Project Delivery
- c) Bribery Risk Workshop for Sales Acquisition Team
- d) The Role of the Board and Top Management in relation to MACC Act Section 17A Adequate Procedures
- e) ABMS User Awareness Training (online training)

Below are the number of staff who attended trainings based on their respective categories:

| Employee category | No. of employee | No. of employee attended training | % by employee category |
|-------------------|-----------------|-----------------------------------|------------------------|
| Management | 87 | 16 | 18% |
| Executive | 817 | 120 | 15% |
| Non-executive | 53 | 3 | 6% |

3.0 DATA PRIVACY AND SECURITY

We at HeiTech understood the significance of implementing meaningful and effective privacy protections. We consistently maintain a proactive vigilance posture in order to avert cyber attacks that have the potential to result in data breaches and other undesirable occurrences. We endeavoured to instil confidence and digital trust in our clientele by implementing stringent information security and privacy policies, frameworks, and IT management.

3.1 Payment Card Industry Data Security Standard ("PCI DSS")

A stringent level of IT control and compliance was consistently upheld. In addition to establishing a transparent information a communication technology security policy, we have maintained Payment Card Industry Data Security Standard ("PCI DSS") certification since 2017. PCI DSS is a proprietary information security standard established by the major card issuers for organizations that process credit cards.

3.2 Information Security Management System ("ISMS")

HeiTech consistently allocates resources towards ICT security systems with the aim of safeguarding against cyber threats and ensuring uninterrupted service provision and business continuity. By implementing IT security controls and adhering to IT security best practices, such as MS ISO 27001:2013 – Information Security Management Systems ("ISMS"), we have successfully averted cyber attacks and maintained operations consistently over the course of the year. Furthermore, we are dedicated to fostering collaboration among different sectors, including academia, government, and non-governmental organizations, in order to safeguard enterprises and individuals on a global scale.

3.3 Substantiated Complaints on Data Breach

We are pleased to report that there has been no complaints on breachers of customer privacy and losses of customer data for 2023.

DOING OUR PART FOR THE ENVIRONMENT



Link to UN SDGs:



INTRODUCTION

HeiTech, being a socially responsible corporate entity, acknowledges the ecological consequences of our energy usage and is dedicated to reducing our carbon emissions. Our initial primary objective in our initial pursuit of environmental sustainability is to minimize our usage of water and electricity. This section presents a summary of the energy consumption patterns of the organisation, as well as the endeavours that have been undertaken to foster sustainable practices. We emphasise our advancements in pursuit of energy efficiency objectives, investments in renewable energy sources, and forthcoming sustainability endeavours. Our objective is to adhere to the United Nations Sustainable Development Goals, minimise carbon emissions, and contribute to environmental conservation through the prioritisation of sustainable water and electricity consumption practices.

1.0 ENERGY MANAGEMENT

Various aspects of an information technology company's environmental footprint encompass equipment varieties, office space dimensions, workforce magnitude, and energy provision. Prioritising environmental sustainability, HeiTech has implemented initiatives to decrease its ecological imprint. These encompass the utilisation of energy-efficient equipment, the optimisation of data centre efficiency, the adoption of renewable energy sources, the promotion of telecommuting and remote work, and the encouragement of employees to conserve energy.

SUSTAINABILITY STATEMENT



As a result of our energy reduction initiatives, we managed to reduce our electricity consumption by 9.31% or 605,881 kWh despite electricity consumption rising from 2021 to 2022. Overall, our data indicates a substantial decline in the environmental repercussions associated with water and electricity usage. This decrease serves as evidence of the efficacy of our previous endeavours to mitigate ecological repercussions.

The following table describes our electricity consumption for our headquarters in Menara HeiTech Village, Subang Jaya and HeiTech Village 2 Data Centre in Bukit Jelutong, Shah Alam.

| Year | HTV Electricity Consumption (kWh) | HTV2 Electricity Consumption (kWh) | Total Electricity Consumption (MWh) |
|------|-----------------------------------|------------------------------------|-------------------------------------|
| 2023 | 277,361 | 8,783,974 | 9,061.34 |
| 2022 | 300,387 | 9,389,855 | 9,690.24 |
| 2021 | 244,360 | 8,750,848 | 8,995.21 |
| 2020 | 283,948 | 9,126,931 | 9,410.88 |
| 2019 | 332,590 | 9,263,402 | 9,595.99 |

2.0 WATER

For Menara HeiTech Village, Subang Jaya, we source water from the municipal water supply. In 2019, HeiTech ceased the management of Menara HeiTech Village. Consequently, we do not possess comprehensive water consumption data subsequent to 2019, as there are no dedicated water meters for the floors we occupy. However, water consumption statistics are maintained at HeiTech Village 2 ("HTV2").

Over the past five years, our water consumption has exhibited a declining trajectory. This is the consequence of our policies regarding working arrangements, which have promoted remote working arrangement for our employees since the inception of the COVID-19 pandemic. Since October 2023, a substantial portion of our technical staff has been operating remotely in accordance with our Work-From-Anywhere policy, which has resulted in a reduction of water consumption at our location.

The table below depicts our water consumption at HTV2 over the last five years:

| Year | Water Consumption (MI) |
|------|------------------------|
| 2023 | 9.608 |
| 2022 | 9.889 |
| 2021 | 10.360 |
| 2020 | 32.692 |
| 2019 | 47.084 |



PROGRESSING SOCIETY



Link to UN SDGs:



INTRODUCTION

HeiTech believes that societal progress is critical to establishing a sustainable, prosperous, and healthy future for all. Sustainability encompasses not only environmental protection, but also the promotion of social equity and justice. We can address issues such as poverty, inequality, and social exclusion, which are all interconnected with sustainability, by advancing society.

Collaboration with the local community on sustainability initiatives can foster positive impacts and solidify relationships. Businesses can sponsor sustainability initiatives, support local sustainability activities, and collaborate with community organisations. By measuring and reporting progress toward sustainability to consumers, employees, and the community, accountability and transparency can be enhanced.

1.0 COMMUNITY AND STAKEHOLDER ENGAGEMENT

It is a tenet of our organization that sustainability and stakeholder engagement are intricately linked and must be approached simultaneously. Neglecting to do so may lead to an inadequate comprehension of the various needs and demands of every stakeholder, encompassing sustainability issues as well as economic concerns. Through proactive involvement with our stakeholders, we can enhance our comprehension of their sustainability-related expectations, concerns, and requirements.

1.1 Stakeholder Categories

Engagement of stakeholders can assist us in identifying opportunities and threats to sustainability and in developing initiatives and strategies to mitigate them. The tenets of accountability, trust, and transparency that we advocate for are vital to ensuring long-term viability.

Our stakeholders fall into the following categories:



SUSTAINABILITY STATEMENT

1.2 Employee Engagement

Employee engagement initiatives are frequently executed in conjunction with the staff club, known as Kelab Kakitangan HeiTech (“KKH”). A multitude of activities were undertaken in 2023, including those of a spiritual, educational, athletic, and unity-promoting nature. After deducting administrative costs for the club, a total of RM146,424.87 was spent on employee engagement activities. Listed below are the activities that were carried out in 2023:

| No. | Activity | Date |
|-----|---|-------------------------------|
| 1 | Fiesta Durian | 13 January 2023 |
| 2 | Majlis Bacaan Yassin dan Kuliah Jumaat | 27 January 2023 |
| 3 | KKH Bowling Tournament | 10 February 2023 |
| 4 | Majlis Bacaan Yassin dan Kuliah Jumaat | 27 January 2023 |
| 5 | Program Tadarus Al-Quran | 25 March – 15 April 2024 |
| 6 | Program Gotong Royong Memasak dan Agihan Bubur Lambuk Bersama HeiTech Cares | 29 March 2023 |
| 7 | Cenderahati Ramadhan dan Syawal | 10 April 2023 |
| 8 | Majlis Khatam Al-Quran, Bacaan Yassin dan Ceramah Perdana Ramadhan | 14 April 2023 |
| 9 | Movie Fever: Transformers | 10 June 2023 |
| 10 | Run Liga Malaysia 2023 | 11 August – 10 September 2023 |
| 11 | Padu Runners Road to KLSCM 2023 | 4 March – 24 December 2023 |
| 12 | Lunch Treat | 29 August 2023 |
| 13 | Lawatan ke Zoo Negara | 26 October 2023 |
| 14 | Ceramah Perdana Palestine | 2 November 2023 |
| 15 | Zumba | January – December 2023 |
| 16 | Lawatan ke Muzium Negara | 23 December 2023 |

1.3 Customer Engagement

HeiTech places a high value on customer engagement that surpasses transactional involvement. Our objective is to cultivate substantial relationships founded upon trust, collaboration, and shared prosperity. Consistently, we administer Customer Satisfaction Surveys (“CSS”) in order to collect insightful feedback that enables us to enhance our offerings, services, and the overall experience of our customers. By means of customised correspondence facilitated by devoted Account Directors or Managers, we guarantee that every customer obtains individualised assistance and direction, with due regard for their distinct requirements and obstacles.

In addition, our Customer Engagement Programme provide customers with experiential learning opportunities and pragmatic knowledge on the systems and products we develop for them, enabling them to optimise the benefits of our solutions and foster inventive thinking within their respective institutions.

Our Customer Call Operations (“CCO”) serves as a fundamental component of our customer engagement strategy, providing timely and proactive assistance to resolve concerns, address inquiries, and offer solutions whenever it is required.

1.3 Customer Engagement (CONT'D)

We also utilised thought leadership content disseminated via social media platforms and industry experts to impart innovative ideas, best practices, and valuable insights to our customers. This process enhances their understanding and empowers them to maintain a competitive advantage in the swiftly changing digital environment. By means of these integrated endeavours, we maintain our commitment to cultivating robust, cooperative alliances that propel reciprocal prosperity and generate enduring value for our customers.

The following are the types of customer engagement activities reported for 2023:

| No. | Activity | Frequency |
|-----|-------------------------------|--------------------|
| 1 | Customer Satisfaction Survey | Once every 2 years |
| 2 | Customer Call Operation | 24 x 7 |
| 3 | Customer Engagement Programme | Periodic |
| 4 | Personalized Engagement | Scheduled |
| 5 | Thought Leadership Content | Periodic |

1.4 Shareholder Engagement

Engagement with shareholders is fundamental to HeiTech's dedication to openness and responsibility. The main method of communication with shareholders is via Annual General Meeting ("AGM") and Extraordinary General Meetings ("EGM"). Through the organisation of AGM and EGM, HeiTech exhibits our dedication to transparency, accountability, and shareholder democracy, thereby cultivating an environment of confidence and reliance among our investor community.

a) Annual General Meeting

AGM is an annual gathering of a company to propose resolutions and seek for shareholders' approval. We endeavor to establish an atmosphere at our AGM that is both hospitable and inclusive, wherein shareholders are encouraged to express their opinions and feel appreciated. Therefore, we have provided a platform for our shareholders to enquire on our financial performance, direction of the Company and post any other enquiry related to our organisation.

b) Extraordinary General Meetings

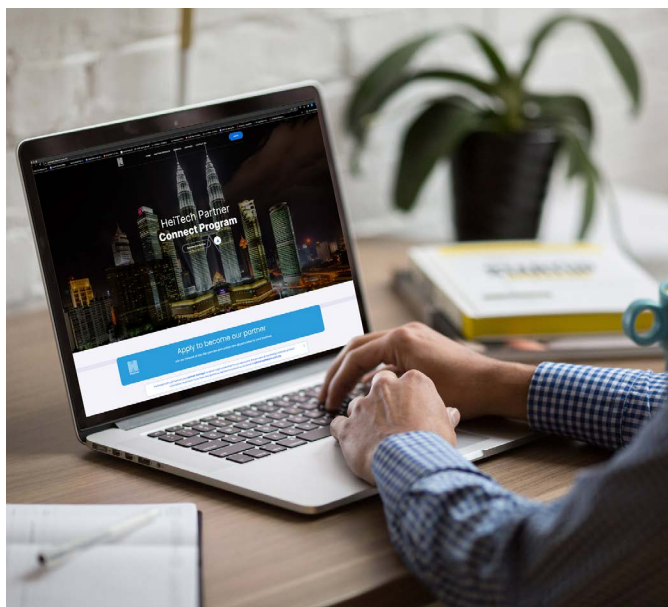
HeiTech convenes EGM on specific occasions, in addition to our AGM, when shareholder approval is required for urgent matters. The EGM functions as a forum for shareholders to engage in deliberations regarding substantial corporate undertakings, including mergers, acquisitions, and amendments to the organisation's constitution.

1.5 Partner Engagement

HeiTech demonstrates a comprehensive dedication to sustainability that transcends our internal operations and infiltrates partnerships. We acknowledged the value of fostering partnerships with businesses that share our commitment to promoting positive environmental and social outcomes.

As such, in 2023, we have introduced our Partner Connect programme that offers an extensive array of benefits designed to foster the development and achievement of our partners. We furnished our partners with the necessary resources and expertise to flourish in the current competitive market, including cutting-edge technology solutions, sales and marketing support, opportunities for training and certification, and dedicated account management.

Our Partner Connect programme is offered via our Partner Portal at partners.heitech.com.my



SUSTAINABILITY STATEMENT

1.6 Community Engagement

Our Corporate Social Responsibility (“CSR”) strategy is centred on enhancing our community engagement and making a positive contribution to human capital development. It is our firm conviction that education and social development play pivotal roles in fostering sustainable development and growth.

Consequently, our objective is to provide backing for efforts that boost the employability of individuals and improve the living conditions and quality of life of those requiring assistance. In order to uphold our corporate social responsibility stance, we collaborate with government agencies, non-profit organisations, and educational institutions in addition to other community engagement initiatives.

In addition, we have formed alliances with a number of local communities and social enterprises in an effort to promote their economic and social growth. As such, for 2023, we have spent RM69,000 on community engagement that includes donations, sponsorship and events targeted at NGOs, orphanages and other relevant bodies.

On top of that, we also contribute towards our own CSR programs amounting RM35,000. These are activities that were organised through our CSR arm, HeiTech Cares and covers the expenses of our own teams such as logistics, food and transportation when they volunteer to participate in CSR activities.

1.7 Government, Regulatory Bodies and Authority Engagement

Government engagement is an integral component of the operations in HeiTech, which is distinguished by principles of openness, responsibility, and productive discourse. By convening routine meetings with government agencies, we ensure that our operations remain in accordance with policy developments, industry standards, and regulatory obligations. These meetings provide invaluable occasions for the exchange of perspectives, resolution of issues, and promotion of cooperation on endeavours that further our mutual goals and objectives.

We actively engage in audits and site visits, when necessary, to facilitate comprehensive evaluations of our operations, practices, and adherence to regulatory frameworks, in addition to attending meetings. The government stakeholders gain direct access to our operations through these audits and visits, which allows them to evaluate our performance, pinpoint areas that require enhancement, and verify that we comply with all applicable legal and regulatory standards.



2.0 DIVERSITY

HeiTech is dedicated to fostering an equitable and inclusive work environment that provides equal opportunities for success to all individuals, irrespective of their marital status, gender, ethnicity, age, or religion. Our organisation's personnel consists of members hailing from various cultural, ethnic, and religious contexts. We believe that through the adoption of a diverse workforce, inequities can be diminished within our institution.

Promoting diversity and inclusion is regarded as a fundamental corporate strategy by HeiTech. We believe that by fostering an environment in which all employees feel valued and respected, we can increase employee engagement, promote innovation, and ultimately accomplish our business objectives.

The following table illustrates HeiTech's overall workforce:

| Employee Category | Number of Employee | % by Employee Category |
|--------------------|--------------------|------------------------|
| Management | 87 | 9% |
| Executive | 817 | 85% |
| Non-Executive | 53 | 6% |
| Grand Total | 957 | 100% |

2.1 Child Labour and Young Workers

We are committed to ensuring compliance with the Children and Young Persons (Employment) Act 1966, which explicitly forbids the coerced labour recruitment of children and young workers. In order to foster an environment of mutual regard and inclusiveness, the HeiTech Code of Business Conduct has been implemented. This document delineates explicit principles that govern the behaviour of our personnel. This code of conduct is universally pertinent to all personnel affiliated with the HeiTech Group, and we consistently promote the adherence of our staff to its tenets.

2.2 Gender Diversity

HeiTech acknowledges that gender diversity is a critical catalyst for organizational success and sustainability, in addition to being a fundamental human right. By supporting the growth and advancement of all employees, regardless of gender, through leadership development and networking opportunities, we ensure that all individuals have an equal opportunity for career progression and professional development. By cultivating an environment that promotes respect and inclusivity, we enable our staff members to flourish, offer their distinct viewpoints, and propel us towards innovation and excellence in all that we undertake.

We are setting a new baseline for the data on gender composition to include categories of job level groups. The following table describes the gender composition of our employees in 2023:

| Employee Category | Number of Employee By Gender | | Grand Total | % of Employee By Gender | | Grand Total |
|-------------------|------------------------------|--------|-------------|-------------------------|--------|-------------|
| | Male | Female | | Male | Female | |
| Management | 65 | 22 | 87 | 75% | 25% | 100% |
| Executive | 497 | 320 | 817 | 61% | 39% | 100% |
| Non-Executive | 48 | 5 | 53 | 91% | 9% | 100% |

For the composition of our board members, the numbers are presented as per following table:

| Number and Percentage of Directors by Gender | | | |
|--|-----------|-----------|-------|
| Year | Male | Female | Total |
| 2023 | 7 (87.5%) | 1 (12.5%) | 8 |

SUSTAINABILITY STATEMENT

2.3 Age Diversity

Our workforce and board members also exhibits age diversity. Our personnel aged 30-39 comprise the largest proportion of the age category, followed respectively by those aged group 40-49 and below 30. These three groups comprise over 80% of our personnel. As for our board members, they are represented by the age group of 6-69 and 70-79 respectively.

| Percentage of Employees by Age Group | | | | | | |
|--------------------------------------|----------|--------|--------|--------|--------------|-------------|
| Employee Category | Below 30 | 30-39 | 40-49 | 50-59 | 60 and above | Grand Total |
| Management | 0.00% | 4.60% | 32.18% | 58.62% | 4.60% | 100% |
| Executive | 27.66% | 33.90% | 24.36% | 13.34% | 0.73% | 100% |
| Non-Executive | 15.09% | 41.51% | 30.19% | 11.32% | 1.89% | 100% |

As for our board members, they are represented by the age group of 6-69 and 70-79 respectively.

| Number and Percentage of Directors by Age Group | | | |
|---|-----------|-----------|-------|
| Year | 60-69 | 70-79 | Total |
| 2023 | 3 (37.5%) | 5 (62.5%) | 8 |

3.0 HEALTH AND SAFETY

As part of our commitment to sustainability, occupational safety and health are of the utmost importance to HeiTech. We value the welfare of our employees and stakeholders in accordance with our adherence to the Triple Bottom Line ("TBL") framework, which assesses the impact of our operations on the environment, society, and economy.

It is our conviction that fostering a secure and conducive workplace could potentially enhance the financial sustainability of our institution. Our emphasis on occupational safety and health increases productivity, thereby enhancing the efficiency and effectiveness of the organisation. Moreover, safety and health investments in the workplace reduce expenses associated with accidents, ailments, and injuries.

We prioritise the welfare of our employees through the promotion of sustainable work practices. We also executed fire drills, conducted health and safety discussions at departmental and committee level, advise employees on how to disclose accidents and injuries and share health and safety recommendations to all our staff.

To ensure long-term success, we are dedicated to providing a secure and wholesome work environment. In order to contribute to a brighter future for all and enhance our economic, social, and environmental sustainability, we place utmost importance on the welfare of our stakeholders and employees. In order to achieve our Occupational, Health and Safety ("OSH") objectives, our Occupational Safety and Health Policy is in accordance with the Occupational Safety and Health Act of 1994.

Policy administration is supervised by our OSH Committee, which is comprised of a Chairman, Deputy Chairman, Secretariat, and representatives from various departments and business divisions. On each site, we are committed to providing all employees, contractors, clients, visitors, and stakeholders with a secure and wholesome working environment.

3.1 Work-Related Fatalities

We are pleased to report that there are no work-related fatalities recorded in 2023.

3.2 Lost Time Incident Rate ("LTIR")

For 2023, HeiTech recorded an LTIR of 0.31 from 3 reported lost time injuries against a total of 957 staff. HeiTech is dedicated to ensuring a secure working environment for our personnel in the technology sector, as evidenced by our LTIR. Achieving a low LTIR is especially desired for a technology company that frequently engage in diverse operations including software engineering, hardware configuration, and research and development. For reference, the national Rate of Occupational Injuries for 2022 as released by the Department of Occupational Safety and Health, Ministry of Human Resources stands at 2.22.

The LTIFR, which is comparatively low, signifies that HeiTech has effectively executed comprehensive safety protocols and measures to mitigate potential dangers in the workplace and avert incidents. By placing a high value on the safety of our employees, we are not only safeguarding our workforce against physical harm but also improve overall business performance, employee morale, and productivity.

In the future, HeiTech has the opportunity to expand upon this groundwork through the adoption of additional safety initiatives, the cultivation of a safety leadership culture throughout the organization, and the active engagement of personnel in safety-related decision-making procedures.

3.3 Number of Employees Trained on Health and Safety Standards

For 2023, a total of 30 staff were trained on health and safety standards.

4.0 LABOUR PRACTICES AND STANDARDS

HeiTech acknowledges the critical significance of maintaining proper labour practices and standards as essential elements of our commitment to sustainability. HeiTech places a high value on the welfare, security, and entitlements of our personnel, recognising the incalculable value of our labour in propelling the organisation forward.

Our dedication to Labour Practices and Standards incorporates the cultivation of an organisational climate characterised by inclusiveness, equity, and regard across all facets of our activities. HeiTech aims to establish a favourable workplace atmosphere by means of open and honest communication, fair treatment, and ongoing endeavours for enhancement. This atmosphere should foster an appreciation for diversity, ensure that employee rights are respected, and provide ample opportunities for professional development and advancement.

4.1 Employee Training

For 2023, HeiTech staff covered a grand total of 25,427 training hours in technical, functional and soft skills training. The following table describes the total training hours by HeiTech staff.

| Employee Category | Technical | Functional | Softskills | Grand Total |
|-------------------|-----------|------------|------------|-------------|
| Management | 360 | 686 | 132 | 1,177 |
| Executive | 9,978 | 9,668 | 4,453 | 24,099 |
| Non-Executive | - | 152 | - | 152 |
| Grand Total | 10,338 | 10,506 | 4,585 | 25,427 |
| Percentage | 41% | 41% | 18% | 100% |

Note: All numbers have been rounded up to the nearest whole number.

SUSTAINABILITY STATEMENT

4.2 Employment Status

For 2023, out of our 957 staff, 53% are Permanent Staff while the remaining are Contract of Service Staff. The following table describes our staff headcount by employment status.

| Employee Category | Permanent | Contract | Grand Total |
|--------------------|------------|------------|-------------|
| Management | 76 | 11 | 87 |
| Executive | 401 | 416 | 817 |
| Non-Executive | 32 | 21 | 53 |
| Grand Total | 509 | 448 | 957 |
| Percentage | 53% | 47% | 100% |

On top of 957 total employees, HeiTech also engaged 15 consultants under Contract for Service which is equivalent to 1.54% from the total employees as illustrated;

| | Permanent | Contract of Service | Contract for Service | Total Employees (including Contract for Service) |
|-------------------------|-----------|---------------------|----------------------|--|
| No. of employees | 509 | 448 | 15 | 972 |
| % | 53.19% | 46.81% | 1.54% | 100.00% |

4.3 Employee Turnover by Category

For 2023, the total number of resignation is 188, with the highest percentage coming from executive employees.

The following table describes HeiTech's employee's resignation by category:

| Employee Category | Total Resignation |
|--------------------|-------------------|
| Management | 10 |
| Executive | 169 |
| Non-Executive | 9 |
| Grand Total | 188 |

4.4 Substantiated Complaints Concerning Human Rights Violations

We are pleased to report that there have been no substantiated complaints concerning Human Rights violations.

5.0 MOVING FORWARD

As we contemplate our journey toward sustainability, we acknowledged both the advancements that have been achieved and the specific domains that require additional refinement. At the same time that we pursue economic expansion, HeiTech maintains a steadfast dedication to promoting sustainability by ensuring environmental guardianship and social accountability. We have delineated pivotal efforts and courses of action that will serve as a compass as we progress towards a more sustainable future.

To commence, we acknowledged the significance of institutionalizing our sustainability governance framework in order to guarantee transparency and accountability in our initiatives toward sustainability. Our objective is to fortify our dedication to sustainability throughout the entire organization by implementing well-defined reporting structures, roles, and tasks.

We are dedicated to improving our reporting on emissions and waste management in the forthcoming year. Our objective is to furnish stakeholders with thorough and transparent information regarding our environmental footprint. By means of meticulous data collection and analysis, we shall discern domains that require enhancement and execute tactics to curtail waste production and diminish our ecological impact.

In addition, HeiTech is committed to enhancing our sustainability initiatives in each of the areas of emphasis specified in our Sustainability Materiality Matrix. With a focus on health and safety, energy and water management, stakeholder engagement, and diversity and inclusion, we aim to face the most critical sustainability issues that our organization and society as a whole are encountering.

Ultimately, we are dedicated to the formulation of an all-encompassing sustainability road map that delineates our distant aspirations, objectives, and benchmarks. The proposed road map will function as a structural blueprint for our sustainability journey, furnishing us with a distinct trajectory and guaranteeing adherence to international benchmarks and optimal methodologies.

In summary, HeiTech maintains an unwavering dedication to sustainability, acknowledging the criticality of striking a harmonious equilibrium between economic advancement and accountability towards the environment and society. By means of improved governance, transparent reporting, heightened efforts, and a well-defined strategic plan, we possess faith in our capacity to effectuate constructive transformations and establish enduring value for our stakeholders and the communities we cater to.

SUSTAINABILITY STATEMENT

6.0 INDEPENDENT ASSURANCE OPINION STATEMENT

INDEPENDENT ASSURANCE OPINION STATEMENT

HeiTech Padu Berhad - Sustainability Statement 2023

To the Board of Directors of HeiTech Padu Berhad ("HeiTech"):

RC Compliance Sdn. Bhd. ("RC Compliance") has been engaged by HeiTech to conduct a limited Type 1 Moderate Level assurance engagement on the sustainability information in the Sustainability Statement 2023 of HeiTech, which covers the reporting period 1 January 2023 to 31 December 2023. Our assurance engagement does not extend to information relating to earlier periods or to any other information included in the Sustainability Statement.

Scope and Subject Matter

The scope of engagement agreed with HeiTech includes the following:

- i) The **scope** and boundary of the assurance engagement covers part of the Sustainability Statement with a focus on Malaysia operations for the year ended 31 December 2023, specifically information related to the **subject matter**.

The **subject matter** was limited to information and data related to the following specified common sustainability matters and common indicators disclosed in the Sustainability Statement:

| No | Common Sustainability Matters | Common Indicators |
|----|-------------------------------|--|
| 1 | Anti-Corruption | (a) Percentage of employees who have received training on anti-corruption by employee category (b) Percentage of operations assessed for corruption related risks (c) Confirmed incidents of corruption and actions taken |
| 2 | Diversity | (a) Percentage of employees by gender and age group, for each employee category (b) Percentage of Directors by gender and age group |
| 3 | Labour Practices & Standards | (a) Total hours of training by employee category (b) Percentage of employees that are contractors or temporary staff (c) Total number of employee turnover by employee category (d) Number of substantiated complaints concerning human rights violations |

- (ii) Type 1 Moderate Level of Assurance in accordance with the AA1000 Assurance Standard v3 ("AA1000AS v3") evaluates the nature and extent of HeiTech adherence to four principles: Inclusivity, Materiality, Responsiveness, Impact.

Criteria

The reporting criteria of the **subject matter** is Bursa Malaysia Main Market Listing Requirements' ("MMLR") enhanced sustainability reporting framework in respect to disclosure of common material sustainability matters and corresponding common indicators, more specifically described in Annexure PN9-A in Practice Note 9 of the MMLR, issued on 31 December 2023, and Sustainability Reporting Guide 3rd Edition 2022.

Opinion Statement

We conclude that the sustainability subject matter disclosed in the Sustainability Statement is fairly presented, in all material respects, in accordance with the reporting criteria.

We carried out the assurance engagement in accordance with the AA1000 Assurance Standard v3, AA1000AS v3. We planned and performed our work to obtain the necessary information, explanation and supporting evidence in relation to the subject matter.

Methodology

- Discussion and interviews with management team involved in sustainability management, report preparation and provision of report information;
- Document review of relevant systems, policies, and procedures where available;
- Review of supporting evidence, on sample basis, for claims made in the Sustainability Statement in relation to the subject matter;
- Assessed management reporting processes against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000 AccountAbility Principles 2018 Standard ("AA1000AP (2018)");
- Review at HeiTech corporate office to confirm the data collection processes, record management and practices in relation to the subject matter;
- Considered the disclosure and presentation of the subject matter.

Conclusions – AA1000 Principles

Our review against AA1000AP (2018) Principles of Inclusivity, Materiality, Responsiveness and Impact is set out below:

Inclusivity

HeiTech engages with all key stakeholder groups on an on-going basis through various channels and methods. In our professional opinion, HeiTech adheres to the principle of Inclusivity. Areas for enhancement of the Sustainability Statement were adopted by HeiTech before the issuance of this opinion statement.

Materiality

HeiTech identifies material sustainability matters through materiality assessment and analysis, and demonstrating material issues in a matrix form. In our professional opinion, the HeiTech adheres to the principle of Materiality. Areas for enhancement of the Sustainability Statement were adopted by HeiTech before the issuance of this opinion statement.

Responsiveness

HeiTech has implemented practices that respond to material sustainability matters and affected stakeholder groups through various channels. In our professional opinion, HeiTech adheres to the principle of Responsiveness. Areas for enhancement of the Sustainability Statement were adopted by HeiTech before the issuance of this opinion statement.

Impact

HeiTech's material sustainability matters are integrated into HeiTech's value creation strategies. We recommend that HeiTech should continue to explore opportunities to measure and evaluate sustainability impacts of its products and services in respect of stakeholders through a defined sustainability roadmap. In addition, we recommend that HeiTech's sustainability governance framework is further strengthened by implementing well-defined reporting structures, roles and tasks.

SUSTAINABILITY STATEMENT

Assurance Level

The Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this opinion statement.

Responsibility and Limitations

HeiTech is responsible to ensure that the information being presented in the Sustainability Statement is accurate and fairly presented. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Sustainability Statement and measurement of subject matter, which is free from material misstatement, whether due to fraud or error. The sustainability assurance is limited by information presented by HeiTech.

Our responsibility is for providing an independent assurance opinion statement to stakeholders of HeiTech, giving our professional opinion based on the scope and methodology described. In providing our opinion statement, we shall not accept or assume responsibility, legal or otherwise, or accept liability for or in connection with any other purpose for which it may be used, or towards any person by whom the independent assurance conclusion, or opinion statement, may be read. The Independent Assurance Opinion Statement is intended for the stakeholders of HeiTech.

Independence and Competency

RC Compliance is independent of HeiTech and has no financial interest in the operations of HeiTech other than for the assurance engagement.

We have complied with the independence requirements and acted in accordance with the Code of Practice of AA1000AS v3, as mandated for AA1000 assurance providers and certified sustainability assurance practitioners. We are committed to excellence in providing impartial and competent assurance services covering the relevant requirements.



AA1000
Licensed Report
000-847/V3-CQGYY

| | |
|--------------------|---------------------------|
| Name | Reinushini Chandrasegaram |
| Designation | Managing Director |
| Date | 4 April 2024 |
| Place | Kuala Lumpur, Malaysia |



AA1000
Licensed Assurance Provider
000-847

RC Compliance Sdn. Bhd. (202301027325 (1521248-X))

Suite 33-01, 33rd Floor, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

PROFILE OF DIRECTORS



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

Chairman / Non-Independent Non-Executive Director

DATE OF APPOINTMENT : 17th October 2006

QUALIFICATIONS:

- 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 (Honorary) in Economic Management, Sultan Idris Education University

EXPERIENCE:

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, Chairman of Swift Haulage Berhad and Pro Chancellor of Universiti Malaysia Pahang ("UMP").

He is also Chairman of HeiTech Next Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

Tan Sri Dato' Sri Abi Musa Asa'ari was appointed as Chairman of HeiTech Padu Berhad with effect from 1st January 2019.

MEMBERSHIP OF BOARD COMMITTEES

NONE

PROFILE OF DIRECTORS



DATO' SRI MOHD HILMEY BIN MOHD TAIB

Founder / Executive Deputy Chairman

DATE OF APPOINTMENT : 5th August 1994

QUALIFICATIONS:

- Bachelor of Economics (Hons) in Accounting, 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)

EXPERIENCE:

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.

Dato' Sri Mohd Hilmey was the Chairman of the Board of Directors of Universiti Malaysia Pahang ("UMP") for 11 years from 2006 until 2017. He was the instrumental figure in transforming it from a college university status into one of the top local university, specialising in engineering and technology courses.

He is also the Chairman of HeiTech Eco Energy Sdn Bhd, 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 1st January 2019. However, he later resigned from the position of President on 2nd October 2023, while continuing to serve as the Executive Deputy Chairman of the Company.

MEMBERSHIP OF BOARD COMMITTEES

NONE



SALMI NADIA BINTI MOHD HILMEY

Group Managing Director / Group Chief Executive Officer

DATE OF APPOINTMENT : 3rd April 2024

QUALIFICATIONS:

- 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

EXPERIENCE:

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.

In January 2016, she was appointed as Executive Vice President, Risk Management and Corporate Services. Subsequently, Salmi Nadia was appointed as the Head of Core 2, to lead more than ten (10) subsidiary companies in HeiTech Group in September 2018. She assumed the role of Group Chief Operating Officer on April 2021, before being appointed as the Group Chief Executive Officer of the Company on 2 October 2023, thereby taking on broader responsibilities within the Company.

Salmi Nadia is also the daughter of Dato' Sri Mohd Hilmei Bin Mohd Taib, the Founder / Executive Deputy Chairman and a major shareholder of the Company.

She holds a number of directorship within HeiTech Group.

MEMBERSHIP OF BOARD COMMITTEES

NONE



SANDRARUBEN A/L NEELAMAGHAM

Executive Director

DATE OF APPOINTMENT : 3rd April 2024

QUALIFICATIONS:

- Diploma in International Commercial Arbitration, The Chartered Institute of Arbitrators (CIArb)
- Bachelor of Laws (LL.B)(Hons), Universiti Kebangsaan Malaysia
- Fellow of The Chartered Institute of Arbitrators

EXPERIENCE:

Mr Sandraruben A/L Neelamagham read law at Universiti Kebangsaan Malaysia (UKM) and was admitted as an advocate and solicitor of the High Court of Malaya in 2011. Additionally, he was also awarded a Diploma in International Commercial Arbitration by The Chartered Institute of Arbitrators on 14th October 2018.

He is the Managing Partner of Messrs Ahmad Deniel, Ruben & Co., a legal practice which he established in 2012 which has now developed into a mid-sized law firm in Malaysia. Apart from being the Managing Partner, he heads the Corporate Department of the firm. He is well versed in a variety of legal practice which include Commercial Litigation, Corporate & Commercial Drafting, Trust & will, Intellectual Property and Construction Law.

He is also a Fellow with The Chartered Institute of Arbitrators (CIArb) and a Member of The Malaysian Institute of Arbitrators (MIArb). Additionally, he is also a registered Trademark Agent with the Intellectual Property Corporation of Malaysia (MyIPO) and a Certified Company Secretary in Malaysia. Along with his corporate advisory work for a number of public listed companies as well as international companies, he has appeared in all tiers of the Malaysia Courts, representing clients in various commercial and civil disputes ranging from tortious liabilities, shareholder disputes and corporate restructuring proceedings.

Mr Sandraruben A/L Neelamagham further holds the position as a Director in Selcare Pharmacy Sdn. Bhd., a subsidiary of SELGATE Corporation Sdn. Bhd., which manages and supplies pharmaceutical products to the network of Selcare Clinic, corporate clients and customers.

MEMBERSHIP OF BOARD COMMITTEES

NONE



DATUK MOHD RADZIF BIN MOHD YUNUS

Independent Non-Executive Director

DATE OF APPOINTMENT : 21st September 2018

QUALIFICATIONS:

- Diploma in Land Survey, University Technology Malaysia
- Bachelors in Applied Science Property Resource Management with Finance, University of South Australia
- Registered Valuer, Real Estate and Property Management Professional, Board of Valuers Malaysia
- Certified Risk Director by Institute Enterprise Risk Management
- Fellow, Institute of Corporate Directors Malaysia ("ICDM")

EXPERIENCE:

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 ("CEO") 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 2015 by the Association of Development Financial Institution Asia Pacific and in November 2023, he received an Honorary Doctorate in Management from Infrastructure University Kuala Lumpur ("IUKL").

He currently sits on the board of Duopharma Biotech Berhad, Amanah Raya Berhad, UM Holdings Sdn Bhd, Yayasan Pembangunan Ekonomi Islam Malaysia, Perbadanan Kampung Baru, and AmanahRaya Kenedix Sdn Bhd.

MEMBERSHIP OF BOARD COMMITTEES

Risk Management Committee
Chairman

Nomination & Remuneration Committee
Member

PROFILE OF DIRECTORS



SULAIMAN HEW BIN ABDULLAH

Independent Non-Executive Director

DATE OF APPOINTMENT : 30th July 2013

QUALIFICATIONS:

- Barrister-at-Law of the Honourable Society of Lincoln's Inn, London

EXPERIENCE:

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.

He is a Director of HeiTech Defence System Sdn Bhd, a subsidiary of HeiTech Padu Berhad.

MEMBERSHIP OF BOARD COMMITTEES

Nomination & Remuneration Committee
Chairman

Risk Management Committee
Member



WAN AINOL ZILAN BINTI ABDUL RAHIM

Independent Non-Executive Director

DATE OF APPOINTMENT : 6th August 2013

QUALIFICATIONS:

- 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")

EXPERIENCE:

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.

MEMBERSHIP OF BOARD COMMITTEES

Audit Committee

Chairman

Employee Share Option Scheme ("ESOS") Committee

Member

PROFILE OF DIRECTORS



HAMZAH BIN MAHMOOD

Independent Non-Executive Director

DATE OF APPOINTMENT : 12th March 2021

QUALIFICATIONS:

- Bachelor of Science (Mathematics), Illinois State University, USA
- Master in Business Administration (Finance), North Texas State University, USA

EXPERIENCE:

Hamzah started his career in banking with HSBC Malaysia and joined HSBC London from 1988 to 1989. He was seconded to Saudi British Bank (a subsidiary of HSBC Bank) in Riyadh until 1994 when he returned to HSBC Group, London.

He was appointed as Chief Executive Officer of Maybank Securities Sdn Bhd and Head of the Securities Group in 2001. He then joined Halifax Capital Berhad as Executive Director from 2005 until 2008. He has a vast experience in the financial sector, including in the fields of treasury, trading and securities.

Hamzah was the Commissioner of PT Mitra Keluarga Karyasehat Tbk. from May 2016 to June 2018 and as an advisor from June 2018 to present. He is currently the Principal and Managing Director of Dynamic Capital Holdings Sdn Bhd.

MEMBERSHIP OF BOARD COMMITTEES

Audit Committee
Member

Employee Share Option Scheme ("ESOS") Committee
Member



RAZALEE BIN AMIN

Independent Non-Executive Director

DATE OF APPOINTMENT : 1st January 2022

QUALIFICATIONS:

- Bachelor of Economics (Hons) in Accounting, University of Malaya, Malaysia
- Postgraduate Diploma in Accounting, University of Malaya, Malaysia
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Financial Planner, Financial Planning Association of Malaysia
- Certified Public Accountant, Malaysian Institute of Certified Public Accountants

EXPERIENCE:

Razalee is a licenced auditor and an approved liquidator, who has more than 46 years of experience in various management positions and directorships in public listed companies with areas of expertise in audit, corporate recovery, finance, banking and investment acquisition.

He started his career at Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountant firm. In 1983, he joined Sateras Resources (Malaysia) Berhad as a Group Financial Controller before being appointed as the Senior Vice President of the Investment and Acquisition Division at MBF Finance Berhad in 1987. He subsequently served Damansara Realty Berhad as Senior General Manager from 1994 until 1996, when he set up his own Chartered Accountants firm, Razalee & Co., where he is presently the Managing Partner.

MEMBERSHIP OF BOARD COMMITTEES

Integrity & Whistleblowing Board Committee
Chairman

Audit Committee
Member

PROFILE OF DIRECTORS



CHONG SEEP HON

Independent Non-Executive Director

DATE OF APPOINTMENT : 1st January 2022

QUALIFICATIONS:

- Bachelor of Electrical Engineering (Major in Computer Science, Systems & Controls), University of New South Wales, Australia

EXPERIENCE:

Chong started his career as Services Engineer at IBM in 1988. Throughout his career, he held various positions in IBM involving both technical, sales and management. He also assumed Senior Leadership positions and was involved in making strategic decisions for clients and the company.

Chong has thirty-two (32) years of experience in the IT industry and has vast experience in Artificial Intelligence (AI) and Big Data. He is currently the Consultant for AI & Big Data company located in Malaysia where he provides advisory and consultancy to company based on a need basis.

MEMBERSHIP OF BOARD COMMITTEES

Risk Management Committee
Member

Integrity & Whistleblowing Board Committee
Member



DATUK MOHD JIMMY WONG BIN ABDULLAH

Non-Independent Non-Executive Director

DATE OF APPOINTMENT : 3rd April 2024

QUALIFICATIONS:

- Diploma in Business Studies, Jinan University Guangzhou China

EXPERIENCE:

Datuk Mohd Jimmy Wong Bin Abdullah, a Malaysian aged 63, completed his secondary education in 1981. Subsequently in 1996, he completed his Diploma in Business Studies from Jinan University, Guangzhou, China.

He began his career with the Royal Malaysian Police starting off as a new recruit. In 1994, he was stationed on a 2-year Diplomatic Mission in Wisma Putra in Guangzhou, China until 1996. During his service with the Royal Malaysian Police, he was promoted several times and had risen from the ranks before retiring in 2002.

In 2006, he joined MY E.G. Services Berhad ("MYEG") as its Independent Non-Executive Director before he was re-designated to Non-Independent Non-Executive Director in 2021. Currently, Datuk Mohd Jimmy Wong is a member of the Audit Committee as well as the Nomination Committee of MYEG.

Apart from MYEG he does not hold any directorships in any other public or public listed company.

MEMBERSHIP OF BOARD COMMITTEES

NONE

Notes:-

1. Save as disclosed, none of the Directors has any family relationship with any Director and/or major shareholder of the Company.
2. None of the Directors has any conflicts of interest, including any interest in any competing business with the Company or its subsidiaries.
3. None of the Directors has been convicted of any offence within the past five (5) years (other than possible traffic offences, if any), nor public sanction or penalties imposed by the regulatory bodies during the financial year 2023.
4. The attendance of the Directors at Board Meetings held during the financial year 2023 is disclosed in the Corporate Governance Overview Statement.

PROFILE OF COMPANY SECRETARIES



ZAINAL AMIR BIN AHMAD

QUALIFICATIONS:

- Bachelor of Corporate Administration, MARA University of Technology
- Licensed Company Secretary by Companies Commission of Malaysia

EXPERIENCE:

Zainal Amir Bin Ahmad was appointed as the Group Company Secretary on 3 January 2023. He has more than ten (10) years of experience in corporate secretarial practice and governance matters, having worked in management consulting firms and public listed companies on Bursa Malaysia Securities Berhad. He was previously from Omesti Berhad, where he was given the responsibility of taking over multiple listed companies as part of its shared services. He has working knowledge across a diverse range of industries, including construction, property development, information technology and trading.



AMIR ZAHINI BIN SAHRIM

QUALIFICATIONS:

- Graduated from the Institute of Chartered Secretaries & Administration (UK)

EXPERIENCE:

Amir Zahini was appointed as Joint Company Secretary on 1st March 2016. He has over sixteen (16) years of experience in the private sector as company secretary, specialising in the areas of 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**

- Founder / Executive Deputy Chairman

Dato' Sri Mohd Hilmei's profile is contained in the "Profile of Directors" section as set out on page 63 of this Annual Report.



SALMI NADIA BINTI MOHD HILMEY

- Group Managing Director / Group Chief Executive Officer

Salmi Nadia's profile is contained in the "Profile of Directors" section as set out on page 64 of this Annual Report.



**AHMAD NASRUL HAKIM
BIN MOHD ZAINI**

- Group Chief Financial Officer
- Executive Vice President

QUALIFICATIONS:

- Bachelor of Commerce (Accounting), University of New South Wales, Sydney, Australia
- Chartered Accountant, Member of Malaysia Institute of Accountants (MIA)
- Fellow of CPA Australia (FCPA)

EXPERIENCE:

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 in January 2016.

He holds a number of directorship within HeiTech Group.

PROFILE OF EXECUTIVE COUNCIL COMMITTEE



AHMAD JEFRI BIN ABDUL RASHID

- Head of Investment Market Group
- Senior Vice President

QUALIFICATIONS:

- Bachelor of Commerce, University of Newcastle, Australia
- Chartered Accountant
- Member of Malaysia Institute of Accountants (MIA)
- Member of CPA Australia

EXPERIENCE:

Ahmad Jefri started his career as an Associate with KPMG Desa Megat in 2000 before moving to Ernst & Young in 2003. He left Ernst & Young as Senior Manager after serving the firm for 9 years to join HeiTech in 2013 as Senior Manager, Group Financial Services.

He was appointed as Vice President, Group Financial Services in 2019. He was appointed as Senior Vice President and Head of Core 2 in 2021, to oversee the subsidiary companies in HeiTech Group.

He holds a number of directorship within HeiTech Group.



Ts. WAN ZAILANI BIN WAN ISMAIL

- Chief Technology Officer Managed Infrastructure Services
- Senior Vice President

QUALIFICATIONS:

- Bachelor of Science (BSc) in Computer Science and Mathematics, University of Wisconsin, Oshkosh, Wisconsin, USA
- Professional Technologist (P. Tech), Malaysian Board of Technologist

EXPERIENCE:

Ts. Wan Zailani has more than thirty (30) years of experience in the ICT industry. He started his career with a US based company in 1989 as a Systems Analyst. He then left the company to join the largest local Bank, Malayan Banking Berhad ("Maybank") in February 1990 where he was the Head of Technical Services Unit responsible in managing the bank's mainframe system.

After ten (10) years working with Maybank, he left to join HeiTech in 1999. Wan Zailani has held various positions such as Technical Consultant, Project Manager, Product Manager, Head of Product, Sales & Marketing, Head of Managed Operations and Director of Enterprise Technology Services.

Wan Zailani was appointed as Chief Technology Officer, Managed Infrastructure Services on 1st January 2024.



SAZMAN REDZA BIN ABU BAKAR

- Chief Technology Officer System Integration & Application Development
- Vice President

QUALIFICATIONS:

- Bachelor of Science (BSc) in Information Systems, California State University, Fresno, California, USA
- Master of Science (Msc) in Information Management System, Universiti Teknologi Mara (UiTM), Malaysia.

EXPERIENCE:

Sazman Redza has more than twenty years of experience in the ICT industry. He joined HeiTech in 1999 as Analyst and since then was involved in several mission critical and multi-million projects, pre-sales, product development and consulting.

Sazman has held various positions such as Technical Consultant, Project Manager, Product Manager, Head of Product, Solution and Technology, Chief Operations Officer and Executive Officer of one of HeiTech Subsidiaries.

He was appointed as Vice President in April 2018.

Sazman was appointed as Chief Technology Officer, Systems Integration and Application Development on 1st January 2024.

PROFILE OF EXECUTIVE COUNCIL COMMITTEE



**Ts. DR. NOR HAZILAWATI
BINTI AWANG**

- Chief Information Officer
- Vice President

QUALIFICATIONS:

- Bachelor (BSc. Hons) in Computer Studies, Liverpool John Moores University, United Kingdom
- Master of Science (Msc) in Realtime Software Engineering, Universiti Teknologi Malaysia
- Doctor of Philosophy (PhD) in Computer Science, Universiti Teknologi Malaysia
- Professional Technologist (P. Tech), Malaysian Board of Technologist

EXPERIENCE:

Ts. Dr. Nor Hazilawati joined HeiTech in 1997 as Analyst Programmer and since then was involved in several mission critical and multi-million projects, pre-sales, product development, consulting and R&D.

Since 2011, Ts. 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, UNITEN, Universiti Putra Malaysia, Universiti Malaysia Sabah, UiTM and Universiti Islam Selangor.

She was appointed as Chief Information Officer in July 2022.



NORAZIMA BINTI HUSSAIN

- Group Head Corporate Planning & Corporate Services
- Vice President

QUALIFICATIONS:

- Bachelor's Degree in Business Administration, Majoring in Finance, International Islamic University, Malaysia.

EXPERIENCE:

Norazima began her career as PNB Trainee Executive in 1995 and grew significantly during her time at Managed Network & Communications Services Department ("MNCS") from 1999 to 2008. With over 20 years of experience, she has established herself as a strategic expert in corporate planning, human resources, and practices management.

Norazima, the Group Head of Corporate Planning and Corporate Services at HeiTech, has played a key role in setting the strategic direction of numerous divisions under HeiTech Padu Berhad. She serves as the Chairman, Management Review Meeting (MRM) since 2022.

She was appointed as Vice President of Corporate Planning and Corporate Services in July 2021.



MUHAMAD IZZUDIN BIN AZAHARI

- Group Head Finance Services
- Vice President

QUALIFICATIONS:

- Bachelor of Accounting (Honours), Multimedia University (MMU)
- Chartered Accountants, Member of Malaysia Institute of Accountants (MIA)
- Fellow of the Association of Chartered Certified Accountants (FCCA)

EXPERIENCE:

Muhamad Izzudin began his tenure at HeiTech in 2008 as an Assistant Finance Manager. By 2009, he assumed the position of Finance Manager and Senior Finance Manager in 2013.

Prior to joining HeiTech, Muhamad Izzudin honed his expertise at PricewaterhouseCoopers Malaysia, where he specialised in audit and assurance services. During his tenure, he worked with clients across various sectors, including manufacturing, farming, and telecommunications.

He was appointed as Vice President, Operations and Delivery in 2020 and subsequently in 2024, he assumed the role of Group Head, Finance Services.

Notes:-

Save as disclosed above, none of the Executive Council Committee has:-

1. any directorship in public companies and listed issuers;
2. any family relationship with any Directors and/or major shareholders of the Company, except for Salmi Nadia Binti Mohd Hilmey who is the daughter of Dato' Sri Mohd Hilmey Bin Mohd Taib, Founder / Executive Deputy Chairman and a major shareholder of the Company;
3. any conflict of interest with the Company;
4. any conviction for offences within the past five (5) years other than possible traffic offences, if any; and
5. any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors (“the Board”) is pleased to present HeiTech Padu Berhad’s (“Group”) Corporate Governance Overview Statement (“CG Overview Statement”) for 2023. This CG Overview Statement reaffirms HeiTech’s pledge in maintaining a high-level commitment in carrying out the oversight roles of overseeing the management affairs as we remain committed to promote sound corporate governance practices and a culture of integrity as well as transparency throughout the Group. The Board upholds that good corporate governance is vital for charting the Group’s strategic direction and guiding decision-making processes, and to continuously achieving sustainable long-term value for the stakeholders.

This statement is prepared in compliance with Paragraph 15.25(1) Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirement (“MMLR”), the Companies Act 2016, the revised Malaysia Code on Corporate Governance 2021 which was issued by the Securities Commission on 28 April 2021 (“MCCG 2021”) and Corporate Governance Guide (4th Edition) issued by Bursa Malaysia. It is to be read together with the Corporate Governance Report 2023 (“CG Report”) of the Company which is available on the corporate website at www.heitech.com.my.

Our corporate governance practices are guided by the following three (3) key
Corporate Governance Principles
as contained in the MCCG 2021:

PRINCIPLE A



Board Leadership and Effectiveness
Please refer on page 77.

PRINCIPLE B



Effective Audit and Risk Management
Please refer on page 83.

PRINCIPLE C



Integrity In Corporate Reporting & Meaningful Relationship With Stakeholders
Please refer on page 84.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board consists of experienced members with a wide range of expertise, who plays an important role in the stewardship of the Group. Each member of the Board has a duty to act in good faith as well as in the best interest of the Group. In discharging its duties and responsibilities, the Board is cognisant of their roles in charting the strategic direction and operation of the Group.

Chairman and President

There is clear division of responsibility between the Chairman and the President thus ensuring a balance of power and authority. This is to ensure the objectivity of the Chairman and the Board is not impaired during the deliberation on the recommendations by the Board Committees. 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.

As of 2 October 2023, Dato’ Sri Mohd Hilmey Bin Mohd Taib tendered his resignation from the position of President and Group Chief Executive Officer, though he continues to serve as the Executive Deputy Chairman of the Company. Following his departure, the Board appointed Puan Salmi Nadia Binti Mohd Hilmey, previously holding the role of Group Chief Operating Officer, as the new Group Chief Executive Officer (“GCEO”), effective from 2 October 2023. In her new capacity, Puan Salmi Nadia assumes full responsibility for both the commercial and operational aspects of the business, effectively succeeding the President’s role.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Roles and Responsibilities of the Board

The Board is committed to ensure the Company's purpose, values and high standards are set from the level of Chairman and all Non-Executive Directors, with the support of the management team, embedded throughout the Group. The Board is responsible for the effective leadership and long-term success of the Group.

The responsibilities of the Board include, inter-alia, the following:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the performance of the Management;
- Monitoring and managing principal risks in the business;
- Ensuring implementation of appropriate internal controls and mitigation measures;
- Ensuring the availability of succession planning for the Management;
- Overseeing the development and implementation of stakeholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Management and internal control system of the Group.

The Board Charter duly adopted by the Board clearly outlines the roles and responsibilities of the Board and those which it delegates to the various Board Committees. The Board Charter is available at the Company's website at www.heitech.com.my.

The Board is satisfied with the level of commitment given by the Directors in fulfilling their roles and responsibilities. Details of the Board members' attendance at the Board and Board Committee meetings for the financial year ended 31 December 2023 are as follows: -

| Director | Board of Directors Meeting | Audit Committee Meeting | Nomination & Remuneration Committee | Risk Committee Meeting | Integrity & Whistleblowing Board Committee Meeting |
|--|----------------------------|-------------------------|-------------------------------------|------------------------|--|
| Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor | 17/20 | N/A | N/A | N/A | N/A |
| Dato' Sri Mohd Hilmey Bin Mohd Taib | 19/20 | N/A | N/A | N/A | N/A |
| Datuk Mohd Radzif Bin Mohd Yunus | 17/20 | N/A | 4/4 | 6/6 | N/A |
| Sulaiman Hew Bin Abdullah | 20/20 | N/A | 4/4 | 5/6 | N/A |
| Wan Ainol Zilan Binti Abdul Rahim | 20/20 | 9/9 | N/A | N/A | N/A |
| Hamzah Bin Mahmood | 20/20 | 9/9 | N/A | N/A | N/A |
| Razalee Bin Amin | 19/20 | 9/9 | N/A | N/A | 4/4 |
| Nik Mustapha Bin Nik Mohamed (Resigned w.e.f. 1.9.2023) | 13/13 | N/A | 3/3 | N/A | 3/3 |
| Chong Seep Hon | 20/20 | N/A | N/A | 6/6 | 4/4 |

All Directors are provided with an agenda for each Board and Board Committee meetings prior to each meeting to ensure the Directors are accorded with sufficient time to appraise the proposals or information. The Directors are provided with Board papers which contain among others, the Group's financial performance, management reports and proposals and various Board Committees' reports respectively prior to the Board meeting. The Board papers are issued in advance to facilitate informed decision making.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

All proceedings of the Board meetings are minuted and circulated to all Directors for their perusal and comments. The Directors may request for further clarification or raise comments on the minutes prior to the minutes being confirmed as a correct record of the proceedings of the Board at the subsequent meeting. The signed minutes of each Board and Board Committee Meeting are properly kept by the Company Secretary and the Company Secretary is entrusted to organise and attend all Board meetings to ensure proper records of the proceedings.

Board Committees

The Board has delegated certain responsibilities to the Board Committees to assist in carrying out its responsibilities and functions. The Board has established five (5) Board Committees, namely the Audit Committee, Risk Committee, Nomination and Remuneration Committee, Integrity & Whistleblowing Board Committee and Employee Share Option Scheme Committee that are delegated with specific responsibilities as defined under their respective Terms of Reference to assist the Board in carrying out matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters however, lies with the Board. The minutes of the respective Board Committee meetings are tabled at the quarterly Board meetings to keep the Board abreast of the decision and deliberation made by the respective Board Committees.

Group Company Secretary

The Board is supported by suitably qualified and competent Company Secretaries who are the member of relevant professional bodies. The appointment of Company Secretaries is based on the capability and proficiency determined by the Board. All members of the Board have unrestricted access to the advice and the services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties.

The Company Secretaries ensure that all Board and Board Committee meetings are properly convened and ensure that accurate and proper records of the proceedings and resolutions passed are recorded and minutes are circulated to the Board members as soon as possible before the next meetings.

The Company Secretaries keep abreast of the evolving regulatory changes and developments in corporate governance through continuous training as they play an important role in advising the Board on updates relating to new statutory and relevant regulatory requirements.

Access to Information

All Directors have unrestricted direct access to the advice and services of the management representative for obtaining the relevant information to facilitate in discharging their duties. As and when required, Directors are also able to seek advice from independent professional advisers whenever necessary at the Company's expense, to enable the Board and committee members to discharge their duties with adequate knowledge on the matter being deliberated.

Code of Conduct

In an effort to promote and maintain high ethical standards at all times, the Board is 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 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

The Company has established its Whistleblowing Policy, with the objective to protect the values of transparency, integrity, governance, impartiality and accountability in the manner in which the Group conducts its business and affairs.

Through effective implementation, the Group will enhance its accountability in preserving its integrity and will be able to stand up to public and legal scrutiny. This, in turn, enhances and builds the credibility of HeiTech's stakeholders. A copy of the Whistleblowing Policy and Guidelines is available for viewing on the Group's corporate website at www.heitech.com.my.

Anti-Bribery and Corruption Policy

In compliance with the Corporate Liability Provision Section 17A of the Malaysian Anti-Corruption Commission Act 2009 enforced on 1 June 2020, and guided by the Paragraph 15.29 of the Listing Requirements of Bursa Securities in relation to anti-bribery, the Board has adopted Anti-Bribery and Corruption Policy (“ABCP”) in order to achieve and maintain the highest standard of integrity and work ethics in the conduct of its business and operations. The ABCP addresses the commitment of the Group towards a sound and good governance. A copy of the ABCP is available for viewing on the Group’s corporate website at www.heitech.com.my.

Directors Training

The Board recognises that Directors’ training is an ongoing process to ensure that Directors keep themselves abreast of the latest developments in areas related to their duties and to equip themselves with the necessary skills and knowledge to meet the challenges faced by the Board.

Directors are also encouraged to personally undertake appropriate training and refresher courses to maintain the skills required in performing their obligations to the Group. The training/courses attended by the Directors during Financial Year Ended 31 December 2023 are as follows:

Seminars/ Forum/ Conference/ Training

- MIA AccTech Conference - Malaysian Institute of Accountants
- Essentials of Companies Act - Malaysian Institute of Accountants
- AMCAF – Audit A-Z - Association of Malay Chartered Accountant Firm Malaysia (AMCAF)
- Duopharma Biotech Berhad Directors’ & Senior Management Training (No. 01/2023) - Realigning KPIs and Performance Monitoring: From the Board’s Lens - Institute of Corporate Directors Malaysia (ICDM)
- Duopharma Biotech Berhad’s Knowledge Sharing on “Healthcare trends and implications for Duopharma” - Boston Consulting Group
- Duopharma Biotech Berhad Directors’ & Senior Management Training (No. 02/2023) - Mergers & Acquisitions as a Strategic Initiative for Corporate Growth - Azmi & Associates
- Deferred Tax Under MFRS 112/ MPERS Section 29- Unstacking Complexities with Excel spreadsheets - Malaysia Institute of Accountant
- Preparation and Presentation of Consolidated Financial Statements - Malaysia Institute of Accountant
- Duopharma Biotech Berhad Directors’ & Senior Management Training (No. 03/2023) - Impact of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) - Third World Network (TWC)
- Board Leadership Center Webinar by KPMG – KPMG
- MACC Act Section 17A, “Adequate Procedures”-Roles of the board and Top Management - Heitech- Governance & Integrity Department (G & I)
- Environment Social & Governance Program - Heitech- Governance & Integrity Department (G & I)
- Management of Cyber Risk – EY
- Malaysian Pharma Landscape Updates - Corporate Strategy - Data & Stakeholder Management of Duopharma Biotech Berhad
- Mandatory Accreditation Programme Part II: Leading for Impact (LIP) – ICDM
- Directors’ & Senior Management Training (No. 01/2023) on “Realigning KPIs and Performance Monitoring: From the Board’s Lens” by Mr. Kularatnam Subramaniam, ICDM Facilitator and Managing Director at Just Change Management Consultants – Duopharma Biotech Berhad
- Duopharma Biotech Berhad’s Knowledge Sharing on “Healthcare trends and implications for Duopharma” - Boston Consulting Group
- Directors’ & Senior Management Training (No. 02/2023) on “Mergers & Acquisitions as a Strategic Initiative for Corporate Growth by YBhg Dato’ Azmi bin Mohd Ali, Senior Partner of Azmi & Associates – Duopharma Biotech Berhad
- Directors & Senior Management Training (Training No. 03/2023) on “Impact of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”)” by Third World Network (TWC) - Duopharma Biotech Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD COMPOSITION

The Group is led and managed by a diverse, competent and experienced Board of Directors with a mix of suitably qualified and experienced professionals having wide and varied expertise in the fields of accounting, finance, taxation, audit, business, information technology and law. This enables the Board to carry out its responsibilities effectively and ensures accountability.

As of 26 March 2024, the Board consists of eight (8) members:-



All 8 individuals known for their exceptional integrity and caliber, possessing comprehensive insight into the Company's operations. They offer a diverse range of experience and expertise, contributing to a robust understanding of the business. The size and composition of the Board are reviewed annually, taking into account the scope, nature and diversity of the business operations of the Group.

The composition fulfils the requirements set out under Paragraph 15.02 MMLR of Bursa Malaysia which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

Nomination and Remuneration Committee ("NRC")

The Nomination and Remuneration Committee ("NRC") consists of exclusively Independent Non-Executive Directors. The members are as follows:

| Members | Designation |
|--|-------------|
| Sulaiman Hew Bin Abdullah | Chairman |
| Datuk Mohd Radzif Bin Mohd Yunus | Member |
| Nik Mustapha Bin Nik Mohamed (Resigned w.e.f. 1.9.2023) | Member |

NRC is entrusted to review and make recommendations to the Board in identifying suitable candidates for Directors, President, Group Chief Executive Officer ("GCEO"), Group Chief Operating Officer ("GCOO"), Chief Executive Officer ("CEO") and Executive Vice President ("EVP") for the Group.

The NRC considers various aspects, including competencies, commitment, contribution and performance of a candidate and strictly adheres to the selection process which emphasises the qualification, backgrounds and capabilities of the candidates.

NRC also considers and recommends to the Board the remuneration scheme for Directors, President, GCEO, GCOO, 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 Group.

Directors' Independence

The Board acknowledges the valuable contributions of Independent Non-Executive Directors ("INEDs") for effective corporate governance. INEDs play a pivotal role by offering impartial and autonomous perspectives, advice, and assessments, thereby ensuring objectivity and scrutiny in the Board's decision-making processes. Their role is particularly vital in safeguarding the interests of minority shareholders. It is imperative for all Directors, irrespective of their independence status, to prioritize the Group's best interests and exercise unrestricted and autonomous judgement. Hence, the Board asserts that all Directors consistently exercise independent judgement.

The Board takes cognisance of the MCCG best practice stipulating that the tenure of an Independent Director should not exceed a term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to justification and recommendation by the Board and seek shareholders' approval through a two-tier voting process during the annual general meeting. In addition, the enhanced MMLR limits the tenure of an Independent Director to not exceed a cumulative tenure of twelve (12) years.

Re-election of Directors

The Company's Constitution provides that at least one-third (1/3) of the Directors be subjected to retirement by rotation at each Annual General Meeting ("AGM") and that all Directors retire once every three (3) years and be eligible to offer themselves for re-election. The Constitution also provides that Directors who are appointed during the year be subjected to re-election at the next AGM following his/her appointment.

At the forthcoming AGM, three (3) Directors namely, Razalee Bin Amin, Chong Seep Hon, and Wan Ainol Zilan Binti Abdul Rahim will be retiring by rotation pursuant to Clause 82 of the Company's Constitution and being eligible, offered themselves for re-election.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Gender Diversity

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2021 to the establishment of boardroom and workforce Gender Diversity Policy.

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

The Company has one (1) woman Director on the Board that fulfils the requirement of Paragraph 15.02(1)(b) of the MMLR which requires at least one (1) Director of the listed issuer is a woman. The Board, through the NRC will continue to consider gender diversity as part of its future selection on female board representation.

The evaluation on the suitability of candidates as a 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.

REMUNERATION

The Board strives to ensure that there is formal and transparent remuneration to attract and retain high calibre and qualified Non-Executive Directors ("NEDs") on the Board as well as to ensure that the remuneration is commensurate with their responsibilities and duties. The calibre of the NEDs serving the Company is essential in upholding high standards of corporate governance adopted by the Group.

For the year under review, the breakdown of Directors' Remuneration incurred by the Company is disclosed below:

| | Annual Fees (RM) | Special Allowances (RM) | Salary (RM) | Meeting Allowances (RM) | Benefits in Kind (RM) | Total (RM) |
|--|---------------------|----------------------------|----------------|----------------------------|--------------------------|---------------|
| Executive | | | | | | |
| Dato' Sri Mohd Hilmey Bin Mohd Taib | 6,000 | - | 1,260,000 | - | 92,281.49 | 1,358,281.49 |
| Non-Executive | | | | | | |
| Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor | 40,000 | 36,000 | - | 42,500 | - | 118,500 |
| Datuk Mohd Radzif Bin Mohd Yunus | 45,000 | - | - | 57,000 | - | 102,000 |
| Sulaiman Hew Bin Abdullah | 45,000 | - | - | 60,000 | - | 105,000 |
| Wan Ainol Zilan Binti Abdul Rahim | 45,000 | - | - | 60,000 | - | 105,000 |
| Hamzah Bin Mahmood | 40,000 | - | - | 56,000 | - | 96,000 |
| Razalee Bin Amin | 45,000 | - | - | 44,000 | - | 89,000 |
| Chong Seep Hon | 40,000 | - | - | 60,000 | - | 100,000 |
| Nik Mustapha Bin Nik Mohamed (Resigned w.e.f. 1.9.2023) | 26,667 | - | - | 38,000 | - | 64,667 |

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Every company needs to consider in detail what audit and risk management arrangements that are best suited for its particular organisation. These arrangements need to be proportionate to the task, and will vary according to the size, maturity, complexity and risk profile of the company. Nevertheless, there are certain guiding principles and practices which underlie the effectiveness of an audit and risk management process and they can help to ensure that the specific approaches are applied effectively that is, by the right people with the right information, procedures and perspectives.

AUDIT COMMITTEE (“AC”)

The AC comprises of three (3) members, all of whom are Independent Non-Executive Directors (“INEDs”). The members of AC are as below:-

| Members | Designation |
|-----------------------------------|-------------|
| Wan Ainol Zilan Binti Abdul Rahim | Chairman |
| Razalee Bin Amin | Member |
| Hamzah Bin Mahmood | Member |

The AC comprises entirely of INEDs and the Chairman of the AC is not the Chairman of the Board. This meets the requirements of paragraph 15.09 (1) (a) and (b) of the Listing Requirements and Practice 9.1 of the MCGG.

The Chairman of the AC is a Chartered Accountant and a member of the Malaysian Institute of Accountants (“MIA”) and complies with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

Collectively, the members of the AC have a wide range of relevant skills, knowledges, experience and skills in accounting and finance and highly qualified to review the accuracy of the Group’s financial reporting prior to the recommendation to the Board for approval.

The AC carries the responsibilities as listed in the AC Report on page 87 to 90 of the Annual Report.

Relationship with the External Auditors

The AC has established policies and procedures to review and assess the appointment or re-appointment of external auditors in respect of their suitability, objectivity and independence. The AC in this regard assesses and reviews annually among others, the adequacy of their experience and resources, their audit engagements and the experience of the engagement partners in accordance with the requirements of the Group.

The AC also meets with the external auditors without the presence of the Management to discuss matters privately with them. During the financial period under review, the AC met the external auditors twice without the presence of the Management.

Aside from the provision of statutory services, the external auditors also provide non-audit services to the Group. The proposed fees for the non-audit services are reviewed by the AC and approved by the Board. In its review, the AC ensures that the independence and objectivity of the external auditors are not compromised. In addition, the AC must be satisfied that there is no element of conflict of interest and the fees chargeable are within the allowable threshold set.

The AC was satisfied with the quality of the audit, performance, competency and sufficient resources provided by the external auditors during the financial period under review. The AC was also satisfied that the provision of the non-audit services by the external auditors to the Group did not impair their objectivity and independence as external auditors of HeiTech.

Internal Audit Function

The Group’s internal audit function is carried out by Audit & Assurance Department led by Encik Ahmad Kamal Bin Mohd Kassim. Internal audit provides an independent assessment of the effectiveness and efficiency of internal controls by utilizing a global audit methodology and tool to support the corporate governance framework. Further details on the internal audit function are described in the Audit Committee’s Report on page 87 to 90 of the Annual Report.

RISK MANAGEMENT COMMITTEE (“RMC”)

In order to maintain a sound internal control system and ensure mitigation place is in order, the Board is assisted by RMC.

The RMC consists of exclusively Independent Non-Executive Directors. Currently, the members are as follow: -

| Members | Designation |
|----------------------------------|-------------|
| Datuk Mohd Radzif Bin Mohd Yunus | Chairman |
| Sulaiman Hew Bin Abdullah | Member |
| Chong Seep Hon | Member |

RMC is assisted by the Central Risk Review Committee (“CRRC”) led by Puan Salmi Nadia Binti Mohd Hilmey who served as the Group Chief Executive Officer to identify, deliberate, and monitor the strategic and operational risks of the Group. The members of CRRC consists of the Management team from various units within the Group. The CRRC implements the Risk Management Framework and Policy for the Group and reports to the RMC on a quarterly basis. The report is then escalated to the Board for further deliberation and action to be taken subsequently.

RMC also reviews and deliberates any potential investment to be made by the Group. They are assisted by the Investment Committee in their deliberation before recommending to the Board for approval. The Investment Committee facilitates the Board in discharging its statutory and fiduciary responsibility relating to investments and to generate economic benefits either in the form of dividends and improved profitability.

Risk Management and Internal Control Framework

The Board is fully aware of its overall responsibility to continuously maintain a sound system of internal control which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders’ investment and the Company’s assets.

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 page 91 to 98 in this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

Communication with Stakeholders

The Board recognises the importance of communication and proper dissemination of information to its shareholders and investors. Through extensive disclosures of appropriate and relevant information, the Company aims to effectively provide shareholders and investors with information to maintain transparency and accountability.

In this respect, the Company keeps shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.

Shareholders and members of the public may obtain information on the Group’s operations and activities, as well as press releases, announcements and financial information, etc. from the Company’s website at www.heitech.com.my.

The communication channels used in the Company’s engagement with stakeholders include:

- Various disclosures and announcements to Bursa Securities including quarterly financial results;
- Press releases and announcements to Bursa Securities and to the media;
- The Company’s Annual Report;
- Dialogues and presentations at general meetings to provide the overview and clear rationale with regards to the proposals tables and approval; and
- Any other information via website at www.heitech.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Conduct of Annual General Meeting (“AGM”)

The Company’s Annual General Meeting serve as principal forums for shareholders to engage directly with the Directors and Senior Management. It also provides the opportunity for shareholders to raise questions pertaining to issues related to the Annual Report, Audited Financial Statements, corporate developments, resolutions being proposed and the business of the Group.

Shareholders are encouraged to attend AGM and to participate in the question-and-answer session on the resolutions being proposed or on the Group’s operations in general. Shareholders who are unable to attend the meetings are allowed to appoint proxies to attend and vote on their behalf in accordance with the Company’s Constitution.

In 2023, all the Board members attended the AGM. Notice of the Twenty-Eighth (28th) AGM held on 22nd June 2023 were issued more than 28 days prior to the meeting date as recommended by MCGG 2021 and Companies Act 2016. Each item of special business included in the notice of AGM was accompanied by an explanatory note of the effects of the proposed resolutions in accordance to Paragraph 8.27(3) of MMLR.

The 28th AGM was conducted via fully virtual through live streaming and online remote voting via Remote Participation and Voting facilities. The poll results were verified by the appointed scrutineers and the Minutes of the 28th AGM was published in the Company’s website within 30 days from the meeting.

The forthcoming Twenty-Ninth (29th) AGM of the Company will continue to be conducted virtually i.e. through live streaming and using Remote Participation and Voting Facilities to give shareholders and/or proxies an opportunity to participate in the AGM effectively.

Poll Voting


Pursuant to paragraph 8.29A (1) of Listing Requirements, the Company is required to ensure that all resolutions set out in the notice of general meetings are voted by poll.

At the 28th AGM, all resolutions were decided by way of the poll. The votes received in respect of each resolution were announced to Bursa Securities on the same date as the meeting was held. The poll voting was conducted via electronic means and the results of the voting were instantly displayed on the screen.

Investors Relations


The shareholders and the public may address their queries regarding the Group to the following persons:-

- i) **Zainal Amir Bin Ahmad**
(Group Company Secretary)

 03-8601 3000

 zainalahmad@heitech.com.my

- ii) **Rosman Mustafa Kamar**
(for Investor Relation and Shareholders Communication)

 03-8601 3000

 rosmanmk@heitech.com.my

ADDITIONAL COMPLIANCE INFORMATION

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

i) **Options, Warrants or Convertible Securities**

The Group did not issue any options, warrants or convertible securities during the financial year under review.

ii) **The 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 2023.

iii) **Material Contracts**

Neither 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 2023.

iii) **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 FY2023 are as follows:-

| | Group (RM'000) | Company (RM'000) |
|----------------|----------------|------------------|
| Audit fees | 516 | 333 |
| Non-audit fees | - | - |
| Total | 516 | 333 |

v) **Profit Guarantee**

There was no profit guarantee given by the Group during the financial year ended 31 December 2023.

vi) **Share Buy Back**

There was no share buyback exercise done during the financial year ended 31 December 2023.

ADDITIONAL COMPLIANCE INFORMATION

This Statement on the Company's corporate governance practices is made in compliance with the Listing Requirement. Having reviewed and deliberated this Statement, the Board is satisfied that, to the best of its knowledge, for the financial year under review the Company is substantially in compliance with the principles and practices set out in the MCCG 2021, as well as the relevant paragraphs under the Listing Requirement. This statement has been presented and approved by the Board at its meeting held on 26th March 2024.




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 2023 in compliance with paragraph 15.15 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

COMPOSITION AND MEETINGS

At present, the Committee consists of three (3) Independent Non-Executive Director of the Company. The composition of the Committee includes members of the Malaysian Institute of Accountant (“MIA”) as prescribed in the Accountant Act 1967. Therefore, the requirement of paragraph 15.09(1) of the Listing Requirements of BMSB has been complied with.

The Committee has met eight (8) times during the financial year ended 31 December 2023. The composition of the Committee and the details of their attendance are as follows:

| | | |
|---|---|---|
| Wan Ainol Zilan Binti Abdul Rahim <i>(Chairman of the Committee)</i> | Hamzah Bin Mahmood <i>(Member of the Committee)</i> | Razalee Bin Amin <i>(Member of the Committee)</i> |
| Status of Directorship | | |
| Independent Non-Executive Director | Independent Non-Executive Director | Independent Non-Executive Director |
| No. of Meetings Attended | | |
|  |  |  |

The Committee meetings were attended by the Top Management of HeiTech and the Vice President 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 2023, the Committee has carried out the following tasks:

a. Financial Reporting

- (i) Reviewed the quarterly financial results prior to recommending 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
- (iv) Obtained assurance from the Founder/Executive Deputy Chairman and Group 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 2023.

b. Internal Audit

During the year, the Committee:

- (i) Reviewed and approved the 2023 Annual Internal Audit Plan;
- (ii) Reviewed and approved the 2023 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 Vice President 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 Vice President 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 2023 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 ("SORMIC").

In 2023, the Committee held two (2) private sessions with External Auditors Messrs. AlJafree Salihin Kuzaimi PLT, in the absence of Management on 24 February 2023 (99th ACM) and 22 November 2023 (102nd ACM).

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.

AUDIT COMMITTEE REPORT

d. 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 are not more favourable than those available to the public and other suppliers and are not detrimental to the minority shareholders; and
- (ii) Monitored the threshold of the RPT and RRPT to ensure compliance with the Listing Requirements of BMSB.

e. Annual Reporting

The Committee reviewed and recommended to the Board of Directors for approval, the disclosures on the Sustainability Statement, Statement of Corporate Governance, Audit Committee Report, Statement on Risk Management and Internal Control, and Corporate Governance Report for the financial year ended 31st December 2023 for inclusion in the 2023 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 page 91 to 98 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

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 Vice President of Audit & Assurance, 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’s Degree in Accountancy (Honours), Universiti Teknologi MARA. He was commissioned as the Certified Integrity Officer by the Malaysian Anti-Corruption (MACC) Academy. He has more than 25 years’ experience in the areas of internal and external auditing, business process improvement, quality management system / ISO standards and certifications, enterprise risk management and corporate governance assurance.

The Terms of Reference of the Internal Audit function is 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 with 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 2023 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 staffs as of 31 December 2023. The total operation cost of the Department for 2023 was RM940,657 comprising of mainly salaries, travelling expenses, administrative and training.

The Internal Audit assignments conducted in 2023 includes 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 2022 Annual Internal Audit Performance Report for review by the Committee;
- (b) Prepared the 2023 KRA/KPIs for approval by the Committee;
- (c) Prepared the 2023 Annual Internal Audit Plan for the approval of the Committee;
- (d) Implemented the approved 2023 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 financial and operational control within the Company and the Group;
- (g) Ascertained the adequacy of controls to safeguard 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 26th March 2024.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), a listed issuer must ensure that its Board of Directors (“Board”) includes in its annual report a statement about the state of its risk management and internal controls as a Group. In addition, Principle B (II) of the Malaysian Code on Corporate Governance (“MCCG”) also stipulates that the Board should maintain a sound system of internal controls, including a review of its effectiveness to safeguard shareholders’ investments and the Group’s assets.

Set out below is HeiTech’s Statement on Risk Management and Internal Control, in compliance with the MMLR of Bursa Malaysia.

BOARD OF DIRECTORS’ ACCOUNTABILITY

The Board acknowledges its responsibility to oversee and ensure a sound system of risk management and internal control for HeiTech. The risk management and internal control is regularly reviewed to ensure it remains relevant, effective and applicable to the changes in HeiTech’s structure, processes and dynamic business environment.

HeiTech’s risk management and internal control 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 investments.

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 and effectiveness of the Group’s risk management and internal control for the year under review. The Board is also cognisant of its role in providing risk oversight and sets the tone towards embedding risk management practices across the Group. The Board is supported by the Risk Management Committee and the Audit Committee.

RISK MANAGEMENT

HeiTech’s risk management framework governs the overall risk management activities within the Group. It was established based on the guidelines from ISO 31000 and involves systematic processes from risk identification to risk reporting, on the risks that may affect the attainment of the corporate objectives. Close monitoring and controlled processes, such as the usage of appropriate risk indicators will ensure the risk profiles are managed as per the guidelines in the framework. The risk management activities also include evaluation and assessment of all investments made by HeiTech. All efforts contribute to reducing uncertainties surrounding the internal and external environment, allowing us to maximise opportunities and build a successful and sustainable business.

The framework helps HeiTech to achieve our optimal performance for better decision-making, hence, facilitating effective and efficient operations while safeguarding shareholders’ investments and the Group’s assets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The implementation of risk management in the Group is supported by the following Committees:

a) 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:

| Committee Members | Designation |
|----------------------------------|-------------|
| Datuk Mohd Radzif Bin Mohd Yunus | Chairman |
| Sulaiman Hew Bin Abdullah | Member |
| Chong Seep Hon | Member |

b) Central Risk Review Committee (“CRRC”)

CRRC was formed to serve as a platform to assist the RMC and are responsible for group-wide risk activities, such as evaluation and formulation of effective mitigation controls. Members of CRRC are appointed by the RMC, upon recommendation by the Group Chief Risk Officer.

CRRC conducts the following activities to assist the RMC in discharging its duties and responsibilities:

- 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 (MRM);
- Identify strategic risks for each of the companies within the Group, that could affect business performance and survivability;
- Monitor the implementation of risk mitigation plans and deliberate to RMC on a quarterly basis;
- Coordinate programmes for continuous improvement of the ERM implementation; and
- Evaluate and assess the risks associated with all investments made by HeiTech.

INTERNAL CONTROL

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

a) Control Environment

HeiTech established structures that provide the basis for carrying out internal control across the organisation. The Board and Top Management set the tone on the importance of internal control including the expected standards of conduct.

i) Board Committees

The Board acknowledges sound governance requires effective interaction among the Board, the Management and the auditors. The Board reviews and deliberates the whole spectrum of the Group’s business strategies, directions, challenges and financial statements. In discharging its responsibilities, the Board is assisted by the following Board Committees, that are administered by defined terms of reference:

- Audit Committee
- Risk Management Committee
- Integrity & Whistleblowing Committee
- Nomination and Remuneration Committee
- Employee Share Option Scheme Committee

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ii) Management meetings

The following are the various types of Management meetings conducted in HeiTech:

| Type of Management meetings | Frequency |
|---|--------------|
| Executive Council meetings Set the strategic direction of the Group and review the Group's performance and challenges. | Quarterly |
| Central Review Committee meetings Review and evaluate business proposals to ensure that strategic solutions, pricing and partnerships (with customers and various types of partners) are appropriately considered. | When needed |
| Central Risk Review Committee meetings Review and deliberate key risk profiles for all departments and companies within HeiTech Group. Monitor the effectiveness of the mitigation implementation plan and recommendations for improvement. | Periodically |
| 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. | Quarterly |
| Procurement Committee meetings Deliberate and approve the procurement and acquisition process. | Periodically |
| Investment Committee meetings Review and deliberate all investments to be made by HeiTech and recommend to the Risk Management Committee. | When needed |
| Project Steering Committee meetings Monitor the implementation progress for all projects in HeiTech. | Periodically |
| Management Integrity Committee meetings Oversee the anti-corruption program and the implementation of integrity and ethics initiatives in the Group. Review and deliberate complaints or matters escalated via whistleblowing channels. | Quarterly |
| Technology Council meetings Provide direction on the technology adoption and initiatives to be implemented for HeiTech and the customers. Review and address technology issues or concerns that require experts' attention and support. | Quarterly |

b) Control Activities

HeiTech established a set of policies, procedures and standards that provide the whole organisation with proper guidance for decision making and streamlining the internal processes:

i) Policies and Procedures

The policies and procedures adopted by all supporting departments under business groups/ operating divisions/ companies of HeiTech Padu Berhad are duly certified under various ISO certifications and subjected to internal quality audit, SIRIM's annual surveillance audit and recertification audit.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ii) Certifications and Standards

HeiTech is dedicated to progressively improving our processes and are duly certified to meet the necessary standards for high-quality services, integrity and security. Our certifications are:

a) ISO 9001:2015 Quality Management System (“QMS”)

HeiTech has achieved and conformed to QMS certification since 1997. The scope of the certification covers:

- Provision for Data Center Operations for PNB;
- Provision of Network Services (front end and back end) covering WAN & LAN Installation and Maintenance Services;
- Provision of Helpdesk Support Services;
- Application Development and Maintenance Services Projects;
- Provision of Corporate Services to the Business Groups/Operating Divisions/Companies of HeiTech Padu Berhad; and
- Sales Acquisition.

b) ISO 37001:2016 Anti-Bribery Management System (“ABMS”)

Achieved and conformed to ABMS certification since 2020. The scope of certification covers:

- Provision of Sales Acquisition; and
- Provision for Support Services covering Finance, Procurement, Legal, Human Resource, Corporate Communication, Project Monitoring & Compliance and Organizational Practices.

c) ISO 27001:2013 Information Security Management System (“ISMS”)

Achieved and conformed to ISMS certification since 2006. The scope of certification covers:

- Padu*Net Nodes Infrastructure;
- Business Recovery Management Services;
- Internet Data Centre Services;
- HeiTech IT Operation Services;
- Call Centre Operations Services;
- Cloud Services; and
- Security Operation Centre (“SOC”).

d) ISO 20000-1:2018 Service Management System (“SMS”)

Achieved and conformed to SMS certification since 2009. The scope of certification covers:

- Wide Area Network Services (“WAN”);
- Local Area Network & Security Services (“LANSec”);
- HeiTech IT Operation Services (“HIOS”);
- Data Centre Services (“DCS”); and
- Helpdesk Support Services.

e) ISO 22301:2019 Business Continuity Management System (“BCMS”)

Achieved and conformed to BCMS certification since 2018. The scope of certification covers:

- Primary functions on the main products and services 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 (“LANSec”), Internet Data Centre Services (“IDC”), Infrastructure Management Services and Call Centre Operation Services (“CCO”); and
- Supporting functions that include Corporate Human Resource, Finance and Procurement Services, Strategic & Corporate Communications, Disaster Recovery Services and Project Management Services.

f) Test Maturity Model Integration (“TMMi”)

HeiTech has embarked on a Software Test Process Improvement initiative adopting Test Maturity Model Integration (“TMMi”) in 2017, and has been accredited with TMMi Level 3 in 2017 and re-certified for the same level in 2020 and 2023.

TMMi is a framework designed to help organizations assess and improve the maturity of their software testing processes. Implementing TMMi allows HeiTech to create a comprehensive roadmap to systematically enhance our testing capabilities and achieve higher quality software.

TMMi focuses on defect prevention instead of defect detection. This approach enables an organization to effectively identify and fix software errors early in the development life-cycle. As a result, it saves development time, reduces cost and improves time to market.

Adopting TMMi can help HeiTech establishing structured approach of testing that benefits in:

- Improving software and product quality;
- Increasing of employee’s productivity and efficiency; and
- Reducing risks of project management and product failure.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ii) Certifications and Standards (CONT'D)

g) Capability Maturity Model Integration ("CMMI®")

The Capability Maturity Model Integration ("CMMI®") is globally recognised to set 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 organisation improves the organisation's control over the execution of projects, as well as to help meeting stiff project deadlines and quality levels. CMMI for Development model assists HeiTech to develop and institutionalise efficient and effective processes in the organisation. 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 customer satisfaction; and
- Meeting business objectives thus improving business and growth.

A well-established CMMI program also acts as a catalytic business model for the organisation. HeiTech has successfully maintained its CMMI since 2006 and presently accredited CMMI for Development v2.0 Maturity Level 3, assessed by the CMMI Institute from the United States. HeiTech is also one of the ten (10) organisations in Malaysia to have achieved and maintained the CMMI maturity Level 3 to date.

h) Payment Card Industry Data Security Standard ("PCI DSS")

HeiTech has maintained PCI DSS certification since January 2017. The PCI DSS is a proprietary information security standard for organisations that handle 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. The scope of 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 the USA.

i) Threat Vulnerability Risk Assessment ("TVRA")

A TVRA is the first step towards creating an effective facility security program. A well completed TVRA provides a solid, defensible framework for developing a physical security operation at any site, facility, or location. Every organisation has a legal 'duty of care' to provide safe and secure work environments. To comply with this legal requirement, companies create a site or facility security program that anticipates, prevents, prepares for, responds to, and recovers from any adverse incident. A TVRA identifies security risks and operational flaws in a data center to evaluate the amount and type of protection required to secure it. HeiTech was audited for conformity with the Monetary Authority of Singapore's Threat Vulnerability Risk Assessment requirements. HeiTech is in full compliance to all clauses regarding TVRA as stipulated in the Technology Risk Management ("TRM") guidelines 2021.

j) Network Resiliency and Risk Assessment ("NRA")

The term resiliency is most typically used to describe network redundancy and diversity as methods of avoiding service interruption. These approaches often focus on preventing physical damage or failure of various network resources, which would otherwise disrupt essential processes and systems. However, resiliency can also refer to the prevention of logical failures and damage, as well as the ability to survive cyber-attacks. The NRA was carried out with a focus on the HeiTech's WAN connectivity, which is the main backbone connecting the three (3) physical HeiTech data center sites: HTV (USJ 1, Subang Jaya), HTV2 (Bukit Jelutong), and Etiqa Twin Tower (Jalan Pinang, Kuala Lumpur), based on the common network resilience cause and failure points. HeiTech was audited for conformity with the NRA requirements of Bank Negara Malaysia. HeiTech is in full compliance to all clauses regarding NRA as stipulated in the Risk Management in Technology ("RMiT") guidelines 2020.

k) Telecommunications Infrastructure Standard

Data Centre in HeiTech Village 2 is certified with ANSI/TIA-942-B:2017 Rated 3 and it is Tier IV ready. It is in accordance with the Telecommunications Infrastructure Standard ("TIA 942") for Data Centres, on the following scopes:

- Architecture;
- Mechanical;
- Electrical; and
- Telecom.

An annual surveillance audit will be carried out by EPI Certification Pte. Ltd., an Accredited Certification Body Company which is based in Singapore.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

iii) Defined Business Process and Improvement

Defined business processes are designed to improve the organisation's performance, key capabilities, critical business processes and to manage risks that may affect the achievement of business objectives.

HeiTech has developed the following structured processes based on global best practices that provides guidance to improve our organisation's processes:

- Project Management Information System ("PROMISE") - A project management processes based on the Project Management Institute ("PMI");
- Application Development Information System ("ADVISE") - An application development processes based on the CMMI Institute; and
- Product Evaluation for Compliance Information System ("PRECISE") - A software test processes based on TMMi Foundation.

These processes are regularly reviewed and updated to ensure that they conform to changes in technology and the industry. The defined business processes of HeiTech are available online to all staff, through our knowledge portal.

iv) Limits of Authority

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

v) Whistleblowing Policy and Guidelines

HeiTech Whistleblowing Policy and Guidelines ("WBP") is established to protect the values of transparency, integrity, impartiality and accountability where HeiTech conducts its businesses and affairs. Employees and our business associates are encouraged to report in good faith, on any such potential violations or concerns according to the process established in this policy.

The aim of the policy is to :

- Govern the process through which employees and others may report potential violations or concerns relating to relevant laws, rules, regulations, business ethics and conduct, including any violations or concerns relating to illegal, embezzlement and fraudulent activities;
- Establish a mechanism for responding to any reports from employees and others regarding such potential violations or concerns;
- Prohibit retaliation against employees raising such potential violations or concerns; and
- Establish procedures for the retention of records and reports.

The WBP is made available to all employees via our mobile application, DVOC 2.0. It is also made available to external parties and stakeholders via our Corporate website, www.heitech.com.my.

vi) Anti-Bribery and Corruption Policy

HeiTech's Anti-Bribery and Corruption Policy ("ABCP") addresses the commitment of HeiTech towards good governance, integrity, promoting transparency and an ethical code of conduct of its operations and business activities. This policy document and the supporting procedures set out principles, guidelines, prevention, disclosure and guide on how to handle potential bribery and corruption practices that may arise in HeiTech.

HeiTech adopts a zero-tolerance approach towards bribery and corruption and is committed to acting professionally, fairly and with integrity in all our business dealings and relationships by implementing an effective system and controls to counter bribery and corruption. All employees signed a declaration form acknowledging that they had read, understood and will abide to the policy.

Our policy is being communicated to our employees and stakeholders via Employee Integrity Handbook and Integrity Kit for Business Associates. Related information and documentation are available at HeiTech's website, www.heitech.com.my/about/antibribery.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**c) Information and Communication**

The organisation implements and utilises a range of communication avenues to efficiently distribute important messages promptly and to the appropriate recipients. Internally, these channels include email updates, internal bulletins, social media platforms, and scheduled townhall sessions. Externally, the company website, annual report, investor relations portal, external bulletins, and social media serve as outlets for communicating with external stakeholders.

A Corporate Communications Policy outlines the framework for effective information distribution and ensures that communication throughout the organization is well-regulated and directed towards meeting the organization's and stakeholders' needs.

d) Monitoring

HeiTech performed ongoing monitoring activities and evaluations to ensure that each of the components of internal control are present and functioning:

i) Internal Audit

The internal audit function in HeiTech is carried out by Audit & Assurance Department ("AA"), with the objective to bring a systematic and disciplined approach in evaluating and assisting in improving the design and effectiveness of the Group's governance, risk management and internal control. AA maintains its impartiality, proficiency and due professional care by having its plans and reports directly to the Audit Committee. In providing an independent and impartial appraisal, the internal auditors are given full and unrestricted access to all records, information and other relevant resources within the Group.

The responsibilities and scope of work of AA are defined in the Internal Audit Charter's Term of Reference, approved by the Audit Committee. 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 for all audit exercises including follow-up audit reports will be tabled and deliberated in the Audit Committee Meeting.

Defined Key Result Areas ("KRAs") and Key Performance Indicator ("KPIs") for AA were established to manage and oversee the Group's strategic, operational 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) Corporate Planning

HeiTech's Corporate Planning Department consolidates the business plan for all HeiTech Group of Companies. The department gathers and consolidates business plans as well as oversees the detail strategic objectives, financial forecasts and operational strategies of each company. The business plan will be presented, deliberated and approved by the Board of Directors of HeiTech.

The Corporate Planning Department also reviews business plans on a quarterly basis to monitor and assess the performance of each company, to ensure the targets set are met where KPI are used for evaluation. Corporate Planning Department ensures that businesses are strategically aligned to HeiTech's Vision as the trusted technology partner to enable customers' vision.

iii) Organisational Best Practices & IT Management

The Organisational Best Practices & IT Management ("OrBIT") 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. OrBIT 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 organisation. These are then summarised into an Executive Management Report. The report is escalated to the Management and necessary action will be taken, where applicable.

OrBIT closely monitors projects' process compliance by analysing project deliverables to ensure completeness and conformity to HeiTech's defined processes and CMMI. This activity is carried out on a monthly basis. The findings are then shared with the project teams via the Process Compliance Report for further corrective action and process improvement.

OrBIT's team also performs periodic internal audit activities related to all ISOs and other de facto standards adhered by HeiTech.

OrBIT is also responsible to ensure HeiTech's IT policies remain relevant, continuously updated and consistently enforced throughout HeiTech. OrBIT monitors and ensure all internal systems to be operated with minimal downtime and all systems/ infrastructure are in good condition to support HeiTech existing and future business needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

iv) Legal and Regulatory Compliance

Guided by HeiTech's core values and Code of Business Conduct, the Legal Department is fully committed to ensuring that compliance is a central pillar to the Management and an integral part of HeiTech's corporate culture and business processes. HeiTech pledges to do business the right way and comply with all applicable laws and regulations in order to effectively manage legal compliance, which embeds and integrates compliance assurance and reporting. HeiTech strives 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 and procedures in reviewing the contract formation and monitoring contractual performance to minimize risks towards HeiTech's business operations. HeiTech recognises the importance of protecting and securing shareholders' and customers' personal data. HeiTech has taken steps to be fully compliant with the Personal Data Protection Act 2010 ("PDPA 2010").

v) Human Capital Development and Training

Human capital development and training activities are driven from the assessment conducted on employees' performance and competencies 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 ongoing appraisal and development of employees.

HeiTech uses a Balanced Scorecard approach to derive the overall strategic business goals of the Group. Using the Balanced Scorecard, KPIs are formulated for individual employees, which focuses on their performance metrics. The individual employee's competencies are appraised through Competencies Assessment & Development ("CAD"). The CAD indicates the competency level of the individual employee against the required competency.

The outcomes of the individual employee's CAD determine 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 Competency Development Policy.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors, Messrs. AlJafree Salihin Kuzaimi PLT have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2023. Subsequently, they will report to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that the risk management and internal control systems that are in place for the year under review and up to the date of approval of this statement is adequate and effective to safeguard shareholders' investment and the Group's assets.

HeiTech continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

This statement is made in accordance with a resolution of the Board dated 26 March 2024.



FINANCIAL PERFORMANCE

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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 2023.

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 | 7,168 | 10,783 |
| Profit attributable to: | | |
| Owners of the parent | 7,160 | 10,783 |
| Non-controlling interests | 8 | - |
| | 7,168 | 10,783 |

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' REPORT

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 **

Sulaiman Hew Bin Abdullah **

Wan Ainol Zilan Binti Abdul Rahim **

Datuk Mohd Radzif Bin Mohd Yunus **

Hamzah Bin Mahmood

Razalee Bin Amin

Chong Seep Hon

Nik Mustapha Bin Nik Mohamed

(Resigned on 1 September 2023)

** 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:

Salmi Nadia Binti Mohd Hilmey

Ahmad Nasrul Hakim Bin Mohd Zaini

Abdul Halim Bin Md. Lassim

Abdullah Bin Ahmad

Ahmad Fathony Zakaria

Azhar Bin Ismail

Ahmad Jefri Bin Abdul Rashid

Zaharudin Bin Daud

Azuar Fariz Bin Adnan

Datuk Johar Bin Che Mat

Joshua Samuel Smith

Dato' Ghazali Bin Awang

Noor Azhar Bin Raffie

Muhammad Ramizu Bin Mustaffa

Nik Maimun Binti Nik Sulaiman

Abdul Allim Shah Bin Mohd Sharif

Dato' Mohd Fadzli Bin Yusof

Teo Kock Kee

Dato' Johan Bin Yusof

Gan Fong Ye

Loo Yoong Haw@ Vanchai Virochpokha

Muhamad Izzudin Bin Azahari

(Appointed on 4 February 2024)

DIRECTORS' REPORT

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.

The directors' benefits are as follows:

| | Group RM'000 | Company RM'000 |
|------------------|-----------------|-------------------|
| Fees | 1,756 | 1,506 |
| Other emoluments | 479 | 479 |
| Benefits-in-kind | 92 | 92 |
| | 2,327 | 2,077 |

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 2023.

DIRECTORS' REPORT

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 2023 | Bought | Sold |
| The Company | | | |
| <i>Direct interest</i> | | | |
| Dato' Sri Mohd Hilmey Bin Mohd Taib | 3,866,485 | - | - |
| <i>Indirect interest</i> | | | |
| <u>Held through Padujade Corporation Sdn. Bhd.</u> | | | |
| Dato' Sri Mohd Hilmey Bin Mohd Taib | 14,342,328 | - | - |
| <u>Held through Gerbang Mahligai Sdn. Bhd.</u> | | | |
| Hamzah Bin Mahmood | 292,000 | - | - |
| HeiTech Academy Sdn. Bhd. - a fellow subsidiary | | | |
| <i>Direct interest</i> | | | |
| Dato' Sri Mohd Hilmey Bin Mohd Taib | 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 financial statements 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 had been written off and that adequate allowance of expected credit losses for doubtful debts has been made; 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.

DIRECTORS' REPORT

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Al Jafree Salihin Kuzaimi PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

| | Group RM'000 | Company RM'000 |
|-------------------------------|-----------------|-------------------|
| Al Jafree Salihin Kuzaimi PLT | 494 | 306 |
| Other auditors | 22 | - |
| | 516 | 306 |

To the extent permitted by law, the Company has agreed to indemnify its auditors, Al Jafree 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 Al Jafree Salihin Kuzaimi PLT for the financial year ended 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 26 March 2024.

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor
Director

Subang Jaya, Selangor

Dato' Sri Mohd Hilmey Bin Mohd Taib
Director

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' Sri Mohd Hilmey Bin Mohd Taib**, being two of the directors of **HeiTech Padu Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements of the Group and of the Company are drawn up in accordance with the 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 2023 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 26 March 2024.

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor
Director

Subang Jaya, Selangor

Dato' Sri Mohd Hilmey Bin Mohd Taib
Director

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 of the Group and of the Company are to the best of my knowledge and belief, 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 26 March 2024.)

Before me,

Ahmad Nasrul Hakim Bin Mohd Zaini
CA 30697

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 2023 of the Group and of the Company, and statements of 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 material accounting policies, as set out on the accompanying pages.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with the 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, judgments and disclosures on revenue recognition based on percentage of completion method are disclosed in Note 2.26, Note 3.1(a) and Note 4 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 reviewed the management assessments on cost overrun, the provision for foreseeable losses, and the liquidated ascertained damages for the projects on sampling basis;
- We have obtained the statements of accounts 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;
- We have re-calculated the percentage of completion to ensure mathematical accuracy; and
- We have reviewed the adequacy of the disclosures of the revenue recognition in the audited financial statements.

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

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.

The Group allocated its goodwill to one CGU and estimated the recoverable amount CGU based on VIU. Estimating the VIU of the CGU involves estimates made by management relating to the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate.

We identified this as our area of audit focus as the impairment assessment involves significant judgement and estimates that are highly subjective.

The Group's accounting policies and disclosures on intangible assets are disclosed in Note 2.8, Note 2.11 and Note 14 to the financial statements.

The Group's accounting policies and disclosures on property, plant and equipment are disclosed in Note 2.7, Note 2.11 and Note 12 to the financial statements.

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.
- (ii) In reviewing the impairment assessments based on FVLCD, our procedures included, amongst others:
 - 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.

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 and Statement by Directors, 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 2023, 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 2023, 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 the financial statements of the Group and of the Company that give a true and fair view in accordance with the 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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEITECH PADU BERHAD (INCORPORATED IN MALAYSIA)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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.

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.

AL JAFREE SALIHIN KUZAIMI PLT
201506002872 (LLP0006652-LCA) & AF 1522
CHARTERED ACCOUNTANTS

AHMAD ALJAFREE BIN MOHD RAZALLI
NO. 01768/05/2025 J
CHARTERED ACCOUNTANT

Dated: 26 March 2024

Selangor, Malaysia

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Note | Group | | Company | |
|--|------|----------------|-----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue | 4 | 277,862 | 293,853 | 237,906 | 264,699 |
| Other income | 5 | 3,155 | 3,432 | 14,052 | 1,304 |
| Employee benefits expense | 6 | (87,816) | (86,588) | (73,294) | (73,014) |
| Purchase of hardware and software | | (51,096) | (99,726) | (51,096) | (99,726) |
| Lease line rental | | (23,635) | (24,472) | (23,637) | (24,472) |
| Maintenance costs | | (14,495) | (9,286) | (14,495) | (9,286) |
| Bulk mailing processing charges | | (7,454) | (6,044) | - | - |
| Project implementation costs | | (43,549) | (36,698) | (31,162) | (31,302) |
| Depreciation and amortisation | 9 | (14,219) | (13,095) | (12,562) | (11,425) |
| Other expenses | | (25,832) | (26,608) | (30,571) | (20,686) |
| Finance costs | 8 | (4,315) | (3,906) | (4,070) | (3,668) |
| Share of results of associate | | (39) | (184) | - | - |
| Profit/(loss) before tax | 9 | 8,567 | (9,322) | 11,071 | (7,576) |
| Income tax expense | 10 | (1,399) | (717) | (288) | (1) |
| Profit/(loss) for the year | | 7,168 | (10,039) | 10,783 | (7,577) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | | 7,160 | (9,869) | 10,783 | (7,577) |
| Non-controlling interests | | 8 | (170) | - | - |
| | | 7,168 | (10,039) | 10,783 | (7,577) |
| Profit/(loss) per share attributable to owners of the parent (sen per share): | | | | | |
| Basic/diluted | 11 | 7.07 | (9.75) | | |

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Note | Group | | Company | |
|---|------|----------------|-----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Profit/(loss) for the year | | 7,168 | (10,039) | 10,783 | (7,577) |
| Other comprehensive income | | | | | |
| <i>Items that not to be reclassified to profit or loss in subsequent year (net of tax):</i> | | | | | |
| Revaluation of lands and buildings | | 50,236 | - | 50,236 | - |
| <i>Items that may be reclassified to profit or loss in subsequent year (net of tax):</i> | | | | | |
| Exchange differences on translation of foreign operations | | (311) | 346 | - | - |
| Total comprehensive income/(loss) for the year | | 57,093 | (9,693) | 61,019 | (7,577) |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the parent | | 57,085 | (9,523) | 61,019 | (7,577) |
| Non-controlling interests | | 8 | (170) | - | - |
| | | 57,093 | (9,693) | 61,019 | (7,577) |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

| | Note | Group | | Company | |
|-----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 12 | 101,385 | 49,744 | 100,518 | 44,854 |
| Right-of-use assets | 13 | 7,190 | 7,131 | 6,280 | 6,910 |
| Intangible assets | 14 | 18,711 | 14,289 | 10,439 | 6,978 |
| Investment in subsidiaries | 15 | - | - | 17,609 | 26,393 |
| Investment in associates | 16 | 1,141 | 1,180 | 470 | 470 |
| Investment in joint venture | 17 | 350 | 350 | 350 | 350 |
| Other investments | 18 | 3,080 | 3,080 | 2,470 | 2,470 |
| Contract cost assets | 23 | 6,544 | 33,883 | 5,886 | 33,632 |
| Lease receivables | 31 | 53,232 | - | 53,232 | - |
| | | 191,633 | 109,657 | 197,254 | 122,057 |
| Current Assets | | | | | |
| Inventories | 21 | 224 | 235 | - | - |
| Trade and other receivables | 22 | 42,469 | 31,674 | 44,712 | 39,829 |
| Contract assets | 19 | 35,263 | 55,006 | 34,103 | 53,408 |
| Contract costs assets | 23 | 81,479 | 53,662 | 81,140 | 53,385 |
| Prepayments | | 1,137 | 623 | - | - |
| Tax recoverable | | 3,992 | 4,016 | 3,268 | 3,353 |
| Cash and bank balances | 24 | 54,259 | 40,605 | 45,312 | 31,718 |
| Lease receivables | 31 | 18,803 | - | 18,803 | - |
| | | 237,626 | 185,821 | 227,338 | 181,693 |
| Asset classified as held for sale | 25 | 3,785 | 1,492 | - | - |
| | | 241,411 | 187,313 | 227,338 | 181,693 |
| Total Assets | | 433,044 | 296,970 | 424,592 | 303,750 |

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Equity and Liabilities | | | | | |
| Current Liabilities | | | | | |
| Contract liabilities | 19 | 11,642 | 5,868 | 6,311 | 5,230 |
| Loans and borrowings | 26 | 110,451 | 97,124 | 108,745 | 96,123 |
| Trade and other payables | 28 | 87,228 | 72,251 | 95,533 | 95,447 |
| Tax payable | | 10 | 200 | - | - |
| Lease liabilities | 27 | 17,823 | 3,876 | 17,527 | 3,601 |
| | | 227,154 | 179,319 | 228,116 | 200,401 |
| Net Current Assets/(Liabilities) | | 14,257 | 7,994 | (778) | (18,708) |
| Non-Current Liabilities | | | | | |
| Deferred tax liabilities | 20 | 5,677 | 75 | 5,582 | - |
| Loans and borrowings | 26 | 6,869 | 16,526 | 5,886 | 14,327 |
| Lease liabilities | 27 | 39,820 | 4,219 | 39,188 | 4,221 |
| | | 52,366 | 20,820 | 50,656 | 18,548 |
| Total Liabilities | | 279,520 | 200,139 | 278,722 | 218,949 |
| Net Assets | | 153,524 | 96,831 | 145,820 | 84,801 |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 29 | 117,751 | 117,751 | 117,751 | 117,751 |
| Accumulated losses | | (21,930) | (29,090) | (22,167) | (32,950) |
| Foreign currency translation reserve | 30 | (1,204) | (893) | - | - |
| Revaluation reserve | | 50,236 | - | 50,236 | - |
| | | 144,853 | 87,768 | 145,820 | 84,801 |
| Non-controlling interests | | 8,671 | 9,063 | - | - |
| Total Equity | | 153,524 | 96,831 | 145,820 | 84,801 |
| Total Equity and Liabilities | | 433,044 | 296,970 | 424,592 | 303,750 |

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 2023

← Attributable to owners of the parent →
 ← Non-distributable → Distributable

| Group | Share capital (Note 29) RM'000 | Foreign currency translation reserve (Note 30) RM'000 | Revaluation reserve 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 |
|--|--------------------------------------|--|----------------------------------|---------------------------------|--|--|---------------------------|
| At 1 January 2023 | 117,751 | (893) | - | (29,090) | 87,768 | 9,063 | 96,831 |
| Total comprehensive income | - | (311) | 50,236 | 7,160 | 57,085 | 8 | 57,093 |
| Dividend paid to minority interest | - | - | - | - | - | (400) | (400) |
| At 31 December 2023 | 117,751 | (1,204) | 50,236 | (21,930) | 144,853 | 8,671 | 153,524 |
| At 1 January 2022 | 117,751 | (1,239) | - | (19,221) | 97,291 | 8,883 | 106,174 |
| Total comprehensive loss | - | 346 | - | (9,869) | (9,523) | (170) | (9,693) |
| Accretion of non-controlling interests | - | - | - | - | - | 350 | 350 |
| At 31 December 2022 | 117,751 | (893) | - | (29,090) | 87,768 | 9,063 | 96,831 |

The accompany 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 2023

| | Non-distributable | | Distributable | Total equity RM'000 |
|-----------------------------------|--------------------------------------|----------------------------------|---------------------------------|------------------------|
| | Share capital (Note 29) RM'000 | Revaluation reserve RM'000 | Accumulated losses RM'000 | |
| Company | | | | |
| At 1 January 2023 | 117,751 | - | (32,950) | 84,801 |
| Total comprehensive income | - | 50,236 | 10,783 | 61,019 |
| At 31 December 2023 | 117,751 | 50,236 | (22,167) | 145,820 |
| At 1 January 2022 | 117,751 | - | (25,373) | 92,378 |
| Total comprehensive loss | - | - | (7,577) | (7,577) |
| At 31 December 2022 | 117,751 | - | (32,950) | 84,801 |

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

STATEMENTS OF CASH FLOWS¹

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Operating activities | | | | |
| Profit/(loss) before tax | 8,567 | (9,322) | 11,071 | (7,576) |
| Adjustments for: | | | | |
| Gain on disposal of property, plant and equipment | (278) | (238) | (15) | (20) |
| Gain on asset held for sale | (770) | - | - | - |
| Gain on lease modification | (41) | - | (51) | - |
| Gain on net investment in sublease | (24,299) | - | (24,299) | - |
| Hibah income | (603) | (616) | (482) | (539) |
| Finance income on lease receivables | (121) | - | (121) | - |
| Finance costs | 4,315 | 3,906 | 4,070 | 3,668 |
| Amortisation of intangible assets | 1,218 | 1,032 | 602 | 543 |
| Depreciation of property, plant and equipment | 9,443 | 9,140 | 8,642 | 8,210 |
| Depreciation of right-of-use assets | 3,558 | 2,923 | 3,318 | 2,672 |
| Reversal of impairment loss: | | | | |
| - Trade receivables | (609) | (172) | (543) | (46) |
| - Other receivables | - | - | (1,183) | - |
| Impairment loss on: | | | | |
| - Trade receivables | 915 | 438 | 1,566 | 435 |
| - Other receivables | 89 | 7 | 87 | 7 |
| - Intangible assets | 23 | - | - | - |
| - Investment in subsidiaries | - | - | 8,784 | - |
| - Contract cost assets | 778 | - | 778 | - |
| Inventories written down | 21 | - | - | - |
| Written off on: | | | | |
| - Property, plant and equipment | 1 | - | - | - |
| - Amount due from subsidiary | - | - | 300 | - |
| Share of results of associate | 39 | 184 | - | - |
| Total adjustments | (6,321) | 16,604 | 1,453 | 14,930 |
| Operating cash flows before changes in working capital | 2,246 | 7,282 | 12,524 | 7,354 |

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Operating activities (cont'd) | | | | |
| Changes in working capital: | | | | |
| Inventories | (10) | 59 | - | - |
| Trade and other receivables | (11,190) | 9,837 | (5,110) | 4,979 |
| Contract assets | 19,743 | (22,275) | (787) | (20,699) |
| Contract costs assets | (958) | (3,815) | 19,305 | (3,613) |
| Prepayments | (514) | (64) | - | - |
| Contract liabilities | 5,774 | (3,473) | 1,081 | (3,670) |
| Trade and other payables | 14,977 | 8,798 | 86 | 7,777 |
| Total changes in working capital | 27,822 | (10,933) | 14,575 | (15,226) |
| Cash flows generated/(used in) from operations | 30,068 | (3,651) | 27,099 | (7,872) |
| Interest received | 121 | - | 121 | - |
| Interest paid | (594) | (1,391) | (569) | (1,283) |
| Tax refund | 33 | - | 33 | - |
| Tax paid | (1,578) | (762) | (236) | (236) |
| Net cash flows generated/(used in) from operating activities | 28,050 | (5,804) | 26,448 | (9,391) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | (9,212) | (7,379) | (8,501) | (7,028) |
| Hibah received | 603 | 616 | 482 | 539 |
| Proceeds from disposal of property, plant and equipment | 2,609 | 238 | 28 | 21 |
| Software development costs incurred | (5,961) | (4,352) | (4,063) | (2,907) |
| Increase in investment in subsidiary | - | - | - | (150) |
| Net cash flows used in investing activities | (11,961) | (10,877) | (12,054) | (9,525) |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

| | Group | | Company | |
|---|-----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Financing activities | | | | |
| Net/(repayment of)/proceeds loans and borrowings | (851) | 3,521 | (327) | 4,069 |
| Lease payment received | 6,823 | - | 6,823 | - |
| Repayment of obligations under finance leases | - | (32) | - | - |
| Dividends paid to non-controlling interest | (400) | - | - | - |
| Net deposits (placement)/upliftment to securities for bank borrowings | (3,367) | 24,262 | (3,512) | 23,910 |
| Repayment of lease liabilities | (8,587) | (3,845) | (8,303) | (3,536) |
| Interest paid | (3,721) | (1,804) | (3,501) | (1,720) |
| Net cash flows (used in)/generated from financing activities | (10,103) | 22,102 | (8,820) | 22,723 |
| Net increase in cash and cash equivalents | 5,986 | 5,421 | 5,574 | 3,807 |
| Effect of exchange rate changes on cash and cash equivalents | (220) | (502) | - | - |
| Cash and cash equivalents at 1 January | 4,313 | (606) | 941 | (2,866) |
| Cash and cash equivalents at 31 December (Note 24) | 10,079 | 4,313 | 6,515 | 941 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the 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 year except as follows:

On 1 January 2023, the Group and the Company adopted the following amendments mandatory for annual financial periods beginning on or after 1 January 2023:

| Descriptions | Effective for annual periods beginning on or after |
|--|---|
| Amendments to MFRS 17: Insurance Contracts | |
| - Initial Application of MFRS 17 and MFRS 9 Comparative Information | 1 January 2023 |
| Amendments to MFRS 101: Presentation of Financial Statements | |
| - Classification of liabilities as current or non-current | 1 January 2023 |
| - Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 112: Income Taxes | |
| - Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| - International Tax Reform - Pillar Two Model Rules | 1 January 2023 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

2.2 Changes in accounting policies (cont'd)

The adoption of the above standards and interpretation are either not relevant or did not have any material effect on the financial statements of the Group and of the Company.

During the financial year, the Group had reassessed the current accounting policy for freehold land and building and had changed its accounting policy on the subsequent measurement of the Group's freehold land and building from the cost model to the revaluation model. The Group believes that the revaluation model is more effectively demonstrates the carrying value of the freehold land and building. The group applied the revaluation model prospectively.

The impacts due to the recognition of freehold land and building at revaluation model as described in Note 12.

Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2.3 Standards issued but not yet effective

| Description | Effective for annual periods beginning on or after |
|---|--|
| Amendments to MFRS 16 Leases | |
| - Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to MFRS 101 Presentation of Financial Statements | |
| - Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 7 Financial Instruments: Disclosures and MFRS 107 Statement of Cash Flows | |
| - Supplier Finance Arrangements | 1 January 2024 |
| Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates | |
| - Lack of Exchangeability | 1 January 2025 |
| Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures | |
| - Sale or Contribution of Assets between and Investor and its Associates 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 of 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);

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

2.4 Basis of consolidation (cont'd)

- (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.

Profit or loss and each component of other comprehensive income ("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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

2.4 Basis of consolidation (cont'd)

Business combinations and goodwill (cont'd)

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 identifiable 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).

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.

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

2.6 Foreign currency (cont'd)

(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.

2.7 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 Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

During the financial period, the Group and the Company had changed its accounting policy of land and buildings from "Cost Model" to "Revaluation Model". The changes had resulted in the recognition of revaluation reserve and deferred tax liabilities amounting to RM50,236,000 and RM5,582,000 respectively.

Land and buildings are stated at revalued amount less accumulated depreciation and any impairment losses recognised subsequent to the date of revaluation.

Land and buildings are revalued periodically, at least once in every three to five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under revaluation reserve. The surplus shall be recognised in profit or loss to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.7 Property, plant and equipment (cont'd)

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:

| | |
|---|-----------|
| Buildings | 2% - 10% |
| Motor vehicles | 20% |
| Machinery, office equipment, furniture and fittings | 6% - 20% |
| Computers and network equipment | 25% - 33% |
| 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.

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.

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

2.8 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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 and the Company 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.

2.9 Investment in 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

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.

2.12 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 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 and the Company'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 and the Company have applied the practical expedient, the Group and the Company 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 and the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

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

(a) Financial assets (cont'd)

Initial recognition and measurement (cont'd)

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 and the Company'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 and the Company 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.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company 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 and the Company's financial assets at amortised cost are disclosed in Note 19, Note 22 and Note 24.

2. SUMMARY OF MATERIAL 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 OCI (debt instruments)

The Group and the Company measure 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 and the Company have not designated any financial assets under this category.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company 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 and the Company 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 and the Company have not designated any equity instruments under this category.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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)

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 and the Company have 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.

The Group and the Company have not designated any debt instruments under this category.

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 and the Company have transferred its rights to receive cash flows from the asset or have 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 and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it have retained the risks and rewards of ownership. When it have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have 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 and the Company could be required to repay.

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

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

(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.

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 and the Company 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 and the Company have 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 and the Company. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(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.

2.13 Impairment of financial assets

The Group and the Company recognise 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 and the Company expect 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 and the Company applied a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have 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 and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For contract cost, impairment loss is recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

- (a) the remaining amount of consideration that the Group and the Company expect to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 Impairment of Assets to that cash-generating unit.

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

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 and the Company'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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

2.17 Provisions

Provisions are recognised when the Group and the Company have 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.

2.18 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

(a) 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.

(b) Defined contribution plans

The Group and the Company 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 contract to each lease and non-lease component on the basis of their relative stand alone prices.

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

2.20 Leases (cont'd)

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 liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) 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 commencement 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.

(b) Lease Liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities 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.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.20 Leases (cont'd)

As a lessee (cont'd)

(d) 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

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases

The Group and the Company classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company derecognise the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.13 on impairment of financial assets). In addition, the Group and the Company review regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Company revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

Operating leases

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 MATERIAL ACCOUNTING POLICIES (CONT'D)

2.20 Leases (cont'd)

As a lessor (cont'd)

Sublease classification

When the Group or the Company is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lessee, not with reference to the underlying asset.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Company allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15. A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.21 Income taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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) 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 and the Company are 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 39, 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 MATERIAL 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 and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

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 and the Company.

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 and the Company use 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 and the Company determine 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF MATERIAL 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 and the Company expect 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 and the Company recognise 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 and the Company expect 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 and the Company estimate 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 and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(e) Recognise revenue when (or as) the Group and the Company satisfies a performance obligation

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company 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 and the Company perform.

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

2.26 Revenue from contracts with customers (cont'd)

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 and the Company satisfy over time, the Group and the Company determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's and the Company'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 3.1(a) and Note 3.2(c).

The following describes the performance obligation in contracts with customers:

(a) System application and development and engineering works

The Group and the Company involve in the system application and development and engineering works, in which the Group and the Company consider 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 and the Company are 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 and the Company 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 and the Company determined whether control is transferred at a point in time or over time.

(b) Rendering of services

The Group and the Company 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 and the Company. The Group and the Company apply the time elapsed method to measure progress.

(c) Mobile value-added services and mailing and document processing services

The Group and the Company provide 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 and the Company incur 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 and the Company 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.

Any capitalised contract costs assets is amortised on a systematic basis that is consistent with the Group's and the Company'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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

2.26 Revenue from contracts with customers (cont'd)

The following describes the performance obligation in contracts with customers: (cont'd)

(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 and the Company 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 and the Company'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 and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer 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 and the Company perform under the contract.

(f) Warranty obligations

The Group and the Company provide 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 Related parties

A party is related to an entity if:

- (i) directly or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the entity (this includes parent, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity
- (ii) directly the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is venture;

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

2.27 Related parties (cont'd)

A party is related to an entity if: (cont'd)

- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and the Company'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 and the Company'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) Revenue from contracts with customers

The Group and the Company apply 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 and the Company are 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 and the Company 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 and the Company are 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 and the Company considered the terms of the contracts entered into with customers.

For contracts that meet the over time recognition criteria, the Group and the Company determined that the input method is the best method in measuring progress of the development because there is direct relationship between the Group's and the Company's effort (i.e., resources consumed, labour hours expended and costs incurred) and the transfer control of goods and services to the customer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

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

(a) 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 and the Company 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 and the Company transfer 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 and the Company are 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, software development expenditure 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.

(b) Provision for expected credit losses of trade receivables, other receivables and contract assets

The Group and the Company use a provision matrix to calculate ECLs for trade receivables, other 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).

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, other receivables and contract assets (cont'd)

The provision matrix is initially based on the Group and the Company historical observed default rates. The Group and the Company 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 and the Company'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 respectively.

(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 and the Company 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 and the Company generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's and the Company'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 and the Company exclude the effect of those costs. Also, the Group and the Company adjust the input method for any cost incurred that are not proportionate to the Group's and the Company's progress in satisfying the performance obligation.

The carrying amounts of contract assets and liabilities of the Group and the Company are disclosed in Note 19.

(d) Useful lives of property, plant and equipment

The cost of property, plants and equipments are depreciated on a straight-line basis over the property, plant and equipments estimated useful lives. Management estimates the useful lives of these property, plant and equipments (excludes freehold land and building) to be within 3 to 17 years. The carrying amount of the Group's property, plant and equipments at 31 December 2023 was RM101,385,000 (2022: RM49,744,000) as disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Useful lives of software development costs

Software development costs are amortised on a straight-line basis over the estimated useful lives. The estimates for useful lives and amortisation for the software development costs are based on the period of expected sales from the related project. Management estimates the useful lives of these software development costs to be within 5 to 15 years. Changes in the expected level of usage and technological development could impact the economic useful lives of these assets, therefore future amortisation charges could be revised.

The carrying amounts of software development costs of the Group and the Company are disclosed in Note 14.

(f) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, capital allowances and tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. When an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

Deferred tax assets not recognised on unused tax losses, capital allowances and other deductible temporary differences of the Group and of the Company at 31 December 2023 was RM188,020,000 (2022: RM198,415,000) and RM154,086,000 (2022: RM173,974,000) respectively as disclosed in Note 20 to the financial statements.

4. REVENUE

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers. For more details on Segments, please refer to Note 39.

Group

31 December 2023

| 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 | 4,478 | - | 37,853 | 42,331 |
| System application and development | 13,064 | 1,781 | 26,683 | 41,528 |
| Maintenance charges | 32,971 | 3,370 | 31,294 | 67,635 |
| Disaster recovery and facility management services | 867 | - | 13,230 | 14,097 |
| Managed security services | 15,532 | - | 8,897 | 24,429 |
| Engineering works | - | 9,850 | - | 9,850 |
| Mailing and document processing services | - | 14,204 | - | 14,204 |
| Database management services | - | 10,679 | - | 10,679 |
| Software support and licence fees | 654 | - | 204 | 858 |
| Smart parking services | 17,947 | - | - | 17,947 |
| Net gain on sublease | - | - | 24,299 | 24,299 |
| Others | 1,189 | 5,159 | 3,657 | 10,005 |
| | 82,224 | 45,043 | 108,264 | 235,531 |
| Total revenue from contracts with customers | 86,702 | 45,043 | 146,117 | 277,862 |
| Geographical markets | | | | |
| Malaysia | 86,702 | 44,883 | 146,117 | 277,702 |
| Indonesia | - | 160 | - | 160 |
| Total revenue from contracts with customers | 86,702 | 45,043 | 146,117 | 277,862 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 1,189 | 30,042 | 3,657 | 34,888 |
| Services transferred over time | 85,513 | 15,001 | 142,460 | 242,974 |
| Total revenue from contracts with customers | 86,702 | 45,043 | 146,117 | 277,862 |

NOTES TO THE FINANCIAL STATEMENTS

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4. REVENUE (CONT'D)

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers. For more details on Segments, please refer to Note 39. (cont'd)

Group (cont'd)

31 December 2022

| 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 | 13,659 | - | 39,012 | 52,671 |
| System application and development | 24,843 | 1,229 | 27,963 | 54,035 |
| Maintenance charges | 52,458 | 2,441 | 41,770 | 96,669 |
| Disaster recovery and facility management services | 1,091 | - | 19,006 | 20,097 |
| Managed security services | 20,764 | - | 10,807 | 31,571 |
| Engineering works | - | 1,629 | - | 1,629 |
| Mailing and document processing services | - | 1,994 | - | 1,994 |
| Database management services | - | 19,799 | - | 19,799 |
| Software support and licence fees | 653 | - | - | 653 |
| Smart parking services | 5,707 | - | - | 5,707 |
| Others | 1,470 | 4,456 | 3,102 | 9,028 |
| | 106,986 | 31,548 | 102,648 | 241,182 |
| Total revenue from contracts with customers | 120,645 | 31,548 | 141,660 | 293,853 |
| Geographical markets | | | | |
| Malaysia | 120,645 | 31,118 | 141,660 | 293,423 |
| Indonesia | - | 430 | - | 430 |
| Total revenue from contracts with customers | 120,645 | 31,548 | 141,660 | 293,853 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 1,470 | 26,249 | 3,102 | 30,821 |
| Services transferred over time | 119,175 | 5,299 | 138,558 | 263,032 |
| Total revenue from contracts with customers | 120,645 | 31,548 | 141,660 | 293,853 |

4. REVENUE (CONT'D)

Set out below is the disaggregation of the Company's revenue from contracts with customers.

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Company | | |
| Type of goods or services | | |
| Malaysian Communications and Multimedia Commission (MCMC) Licensable Activities | | |
| Network related services | 42,330 | 52,671 |
| System application and development | 40,675 | 53,406 |
| Maintenance charges | 67,510 | 95,256 |
| Disaster recovery and facility management services | 14,097 | 20,097 |
| Managed security services | 24,429 | 31,571 |
| Smart parking services | 17,947 | 5,707 |
| Net gain on sublease | 24,299 | - |
| Others | 6,619 | 5,991 |
| | 195,576 | 212,028 |
| Total revenue from contracts with customers | 237,906 | 264,699 |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 6,619 | 5,991 |
| Services transferred over time | 231,287 | 258,708 |
| Total revenue from contracts with customers | 237,906 | 264,699 |

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.

NOTES TO THE FINANCIAL STATEMENTS

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5. OTHER INCOME

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Hibah income from fixed deposits with license banks | 603 | 616 | 482 | 539 |
| Dividend income from subsidiary (Note 9) | - | - | 600 | - |
| Dividend income from other investment (Note 9) | 8 | - | 8 | - |
| Gain on disposal of property, plant and equipment | 278 | 238 | 15 | 20 |
| Gain on disposal of asset held for sale | 770 | - | - | - |
| Rental income | 70 | - | 148 | 76 |
| Reversal of impairment loss on trade receivables | 609 | 172 | 543 | 46 |
| Reversal of impairment loss on other receivables | - | - | 1,183 | - |
| Realised gain on foreign exchange | 12 | 1 | 10 | - |
| Write off amount due to subsidiaries | - | - | 10,587 | - |
| Write off payables | 267 | - | - | - |
| Others | 538 | 2,405 | 476 | 623 |
| | 3,155 | 3,432 | 14,052 | 1,304 |

6. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages and salaries | 72,688 | 70,743 | 59,980 | 59,218 |
| Defined contributions plans and social security contributions | 9,740 | 9,691 | 8,430 | 8,284 |
| Other benefits | 5,388 | 6,154 | 4,884 | 5,512 |
| | 87,816 | 86,588 | 73,294 | 73,014 |

7. DIRECTORS' REMUNERATION

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Executive directors' remuneration: | | | | |
| Salaries and other emoluments | 1,266 | 1,278 | 1,266 | 1,278 |
| Benefits-in-kind | 92 | 92 | 92 | 92 |
| Total executive directors' remuneration | 1,358 | 1,370 | 1,358 | 1,370 |
| Non-executive directors' remuneration: | | | | |
| Fees | 490 | 474 | 240 | 240 |
| Other emoluments | 479 | 470 | 479 | 470 |
| Total non-executive directors' remuneration | 969 | 944 | 719 | 710 |
| Total directors' remuneration (Note 9 and 34(a)) | 2,327 | 2,314 | 2,077 | 2,080 |

8. FINANCE COSTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Interest expense on: | | | | |
| Term loans | 166 | 84 | - | - |
| Revolving credits | 1,279 | 1,304 | 1,279 | 1,304 |
| Project financing | 449 | 416 | 449 | 416 |
| Obligations under finance leases | - | 108 | - | 108 |
| Obligations under right-of-use (Note 13) | 594 | 711 | 569 | 665 |
| Bank overdrafts | 1,775 | 1,175 | 1,773 | 1,175 |
| Others | 52 | 108 | - | - |
| | 4,315 | 3,906 | 4,070 | 3,668 |

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9. PROFIT/(LOSS) BEFORE TAX

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Amortisation of intangible assets (Note 14) | 1,218 | 1,032 | 602 | 543 |
| Auditors' remuneration: | | | | |
| - Statutory audit | 506 | 448 | 296 | 269 |
| - Other services | 10 | 10 | 10 | 10 |
| Directors' remuneration (Note 7) | 2,327 | 2,314 | 2,077 | 2,080 |
| Operating lease: | | | | |
| - Office premises | 124 | - | 88 | 270 |
| - Office equipments | 131 | - | - | - |
| Gain on disposal of: | | | | |
| - Property, plant and equipment | (278) | (238) | (15) | (20) |
| - Asset held for sale | (770) | - | - | - |
| Depreciation of property, plant and equipment (Note 12) | 9,443 | 9,140 | 8,642 | 8,210 |
| Depreciation of right-of-use assets (Note 13) | 3,558 | 2,923 | 3,318 | 2,672 |
| Dividend income from subsidiary (Note 5) | - | - | 600 | - |
| Dividend income from other investment (Note 5) | 8 | - | 8 | - |
| Write off payables | 267 | - | - | - |
| Impairment loss on: | | | | |
| - Trade receivables (Note 22(a)) | 915 | 438 | 1,566 | 435 |
| - Other receivables (Note 22(c)) | 89 | 7 | 87 | 7 |
| - Investments in subsidiaries | - | - | 8,784 | - |
| - Intangible assets | 23 | - | - | - |
| - Contract cost assets | 778 | - | 778 | - |
| Inventories written down | 21 | - | - | - |
| Reversal of impairment loss on: | | | | |
| - Trade receivables (Note 22(a)) | (609) | (172) | (543) | (46) |
| - Other receivables (Note 22(c)) | - | - | (1,183) | - |
| Written off on: | | | | |
| - Property, plant and equipment (Note 12) | 1 | - | - | - |
| - Amount due from subsidiary | - | - | 300 | - |

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2023 and 2022 are:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Statements of comprehensive income: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 1,268 | 811 | 288 | 129 |
| Under/(over) provision in prior years: | | | | |
| Malaysian income tax | 111 | (128) | - | (128) |
| | 1,379 | 683 | 288 | 1 |
| Deferred tax (Note 20): | | | | |
| Relating to origination and reversal of temporary differences | (1,819) | (8) | (1,884) | - |
| Under provision in prior years | 1,839 | 42 | 1,884 | - |
| | 20 | 34 | - | - |
| Income tax expense recognised in statement of comprehensive income | 1,399 | 717 | 288 | 1 |

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10. INCOME TAX EXPENSE (CONT'D)

Reconciliations between tax expense and accounting profit

The reconciliations between tax expense and the accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Profit/(loss) before tax | 8,567 | (9,322) | 11,071 | (7,576) |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | 2,056 | (2,237) | 2,657 | (1,818) |
| Effect of difference in tax rates | - | (6) | - | - |
| Effect of income not subject to tax | (129) | (290) | (4) | (5) |
| Effect of expenses not deductible for tax purposes | 1,606 | 2,957 | 517 | 2,151 |
| Utilisation of unabsorbed capital allowances | (6,587) | (548) | (6,587) | (548) |
| Utilisation of previously unrecognised tax losses | (8) | - | - | - |
| Deferred tax assets not recognised during the year | 2,511 | 895 | 1,821 | 349 |
| Share of results of associate | - | 32 | - | - |
| Under provision of deferred tax in prior years | 1,839 | 42 | 1,884 | - |
| Under/(over) provision of income tax in prior years | 111 | (128) | - | (128) |
| Income tax expense recognised in statement of comprehensive income | 1,399 | 717 | 288 | 1 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 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 | |
|---|-----------------------------|-----------------------------|
| | 2023 RM'000 | 2022 RM'000 |
| Profit/(loss) attributable to owners of the parent | 7,160 | (9,869) |
| | | |
| | 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 | |
| | 2023 RM'000 | 2022 RM'000 |
| Basic/diluted profit/(loss) per share (sen per share) | 7.07 | (9.75) |

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12. PROPERTY, PLANT AND EQUIPMENT

| Group | At Valuation | | | At Cost | | | Total RM'000 |
|---|-------------------------|--------------------|-----------------------------|---|---|----------------------|-----------------|
| | 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 | |
| At 1 January 2022 | 11,459 | 68,358 | 1,073 | 22,255 | 181,692 | 21,614 | 306,451 |
| Additions | - | 56 | 3 | 289 | 3,754 | 3,277 | 7,379 |
| Disposals | - | - | (580) | (73) | (2,934) | (13) | (3,600) |
| Transferred to asset classified as held for sale | - | (2,197) | - | - | - | - | (2,197) |
| Exchange differences | - | 87 | 6 | 12 | - | - | 105 |
| At 31 December 2022 and 1 January 2023 | 11,459 | 66,304 | 502 | 22,483 | 182,512 | 24,878 | 308,138 |
| Additions | - | - | 447 | 294 | 7,840 | 631 | 9,212 |
| Disposals | - | - | - | (404) | (1,235) | - | (1,639) |
| Written off (Note 9) | - | - | (353) | (180) | (71) | (127) | (731) |
| Revaluation surplus | 45,905 | 9,913 | - | - | - | - | 55,818 |
| Transferred to asset classified as held for sale | (1,610) | (3,473) | - | - | - | - | (5,083) |
| Exchange differences | - | - | - | (86) | (4) | 2 | (88) |
| At 31 December 2023 | 55,754 | 72,744 | 596 | 22,107 | 189,042 | 25,384 | 365,627 |

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

| Group (cont'd) | At Valuation | | At Cost | | | | Total RM'000 |
|---|-------------------------|--------------------|-----------------------------|---|---|----------------------|-----------------|
| | Freehold land RM'000 | Building RM'000 | Motor vehicles RM'000 | Machinery, office equipment, furniture and fittings RM'000 | Computers equipment and network RM'000 | Renovation RM'000 | |
| Accumulated depreciation | | | | | | | |
| At 1 January 2022 | - | 46,005 | 891 | 19,020 | 167,663 | 19,937 | 253,516 |
| Charge for the year (Note 9) | - | 728 | 70 | 681 | 7,108 | 553 | 9,140 |
| Disposals | - | - | (580) | (73) | (2,934) | (13) | (3,600) |
| Transferred to asset classified as held for sale | - | (705) | - | - | - | - | (705) |
| Exchange differences | - | 27 | 6 | 10 | - | - | 43 |
| At 31 December 2022 and 1 January 2023 | - | 46,055 | 387 | 19,638 | 171,837 | 20,477 | 258,394 |
| Charge for the year (Note 9) | - | 639 | 115 | 655 | 7,157 | 877 | 9,443 |
| Disposals | - | - | - | (348) | (1,222) | - | (1,570) |
| Written off (Note 9) | - | - | (353) | (179) | (71) | (127) | (730) |
| Transferred to asset classified as held for sale | - | (1,298) | - | - | - | - | (1,298) |
| Exchange differences | - | - | - | 3 | (2) | 2 | 3 |
| At 31 December 2023 | - | 45,396 | 149 | 19,769 | 177,699 | 21,229 | 264,242 |
| Net carrying amount | | | | | | | |
| At 31 December 2022 | 11,459 | 20,249 | 115 | 2,845 | 10,675 | 4,401 | 49,744 |
| At 31 December 2023 | 55,754 | 27,348 | 447 | 2,338 | 11,343 | 4,155 | 101,385 |

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

| Company | At Valuation | | At Cost | | | | Total RM'000 |
|---|-------------------------|--------------------|----------------------------|--|---|----------------------|-----------------|
| | Freehold land RM'000 | Building RM'000 | Motor vehi- cles RM'000 | Office equip- ment, furniture and fittings RM'000 | Computers and network equipment RM'000 | Renovation RM'000 | |
| At 1 January 2022 | 9,895 | 64,558 | 813 | 11,548 | 177,831 | 21,995 | 286,640 |
| Additions | - | 56 | - | 105 | 3,590 | 3,277 | 7,028 |
| Disposals | - | - | - | (73) | (2,931) | (13) | (3,017) |
| At 31 December 2022 and 1 January 2023 | 9,895 | 64,614 | 813 | 11,580 | 178,490 | 25,259 | 290,651 |
| Additions | - | - | - | 127 | 7,743 | 631 | 8,501 |
| Disposals | - | - | - | (96) | (1,218) | - | (1,314) |
| Revaluation surplus | 45,905 | 9,913 | - | - | - | - | 55,818 |
| At 31 December 2023 | 55,800 | 74,527 | 813 | 11,611 | 185,015 | 25,890 | 353,656 |

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

| Company (cont'd) | At Valuation | | | At Cost | | | Total RM'000 |
|---|-------------------------|--------------------|-----------------------------|---|---|----------------------|-----------------|
| | 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 | |
| Accumulated depreciation | | | | | | | |
| At 1 January 2022 | - | 44,973 | 811 | 9,795 | 164,700 | 20,324 | 240,603 |
| Charge for the year (Note 9) | - | 591 | - | 339 | 6,727 | 553 | 8,210 |
| Disposals | - | - | - | (73) | (2,930) | (13) | (3,016) |
| At 31 December 2022 and 1 January 2023 | - | 45,564 | 811 | 10,061 | 168,497 | 20,864 | 245,797 |
| Charge for the year (Note 9) | - | 591 | - | 330 | 6,845 | 876 | 8,642 |
| Disposals | - | - | - | (94) | (1,207) | - | (1,301) |
| At 31 December 2023 | - | 46,155 | 811 | 10,297 | 174,135 | 21,740 | 253,138 |
| Net carrying amount | | | | | | | |
| At 31 December 2022 | 9,895 | 19,050 | 2 | 1,519 | 9,993 | 4,395 | 44,854 |
| At 31 December 2023 | 55,800 | 28,372 | 2 | 1,314 | 10,880 | 4,150 | 100,518 |

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

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 26) are as follows:

| | Group | | Company | |
|---------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Freehold land | 48,000 | 7,379 | 48,000 | 7,379 |
| Building | 28,300 | 21,192 | 28,300 | 18,969 |
| | 76,300 | 28,571 | 76,300 | 26,348 |

Revaluation of land and building

Management determined that the land and buildings constitutes a separate class asset under MFRS 13 Fair Value Measurements, based on the nature, characteristics and risks of properties.

On 29 December 2023, the land and building of the Group were revalued by an independent qualified valuer, Rahim & Co (International) Sdn. Bhd., registered with Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

The valuation was derived based on the comparison method and cost method.

A net gain of RM50,236,000 was recognised in other comprehensive income for the financial year ended 31 December 2023, as a result of these revaluations.

| | Group 2023 RM'000 |
|--|-------------------------|
| Significant unobservable valuation input: | |
| Carrying amount 1 January 2023 | 31,708 |
| Transferred to asset classified as held for sale | (3,785) |
| Depreciation | (639) |
| Revaluation gain | 55,818 |
| Carrying amount 31 December 2023 | 83,102 |

If significant increase/(decrease) in estimated price per square feet would result in a significant higher/(lower) fair value on a linear basis.

If the revalued land and building were measured using the cost less accumulated depreciation, the carrying amount of the properties would have been RM27,284,000, as details follows:

| | Group 2023 RM'000 |
|---|-------------------------|
| Cost | 72,680 |
| Accumulated depreciation and impairment | (45,396) |
| Net carrying amount | 27,284 |

13. RIGHT-OF-USE ASSETS

The Group and the Company have lease contracts for buildings, computers and network equipment with contract terms of 3 to 4 years and the lease contracts do not contain variable lease payments.

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

| | Group | | Company | |
|-----------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 7,131 | 7,605 | 6,910 | 7,133 |
| Additions | 3,757 | 2,449 | 2,834 | 2,449 |
| Modifications | (140) | - | (146) | - |
| Depreciation (Note 9) | (3,558) | (2,923) | (3,318) | (2,672) |
| At 31 December | 7,190 | 7,131 | 6,280 | 6,910 |

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

| | Group | | Company | |
|--------------------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January | 8,095 | 8,780 | 7,822 | 8,244 |
| Additions | 3,824 | 2,449 | 2,834 | 2,449 |
| Accretion of interest (Note 8) | 594 | 711 | 569 | 665 |
| Modifications | (180) | - | (197) | - |
| Payments | (4,604) | (3,845) | (4,227) | (3,536) |
| At 31 December | 7,729 | 8,095 | 6,801 | 7,822 |
| Current | 4,168 | 3,876 | 3,864 | 3,601 |
| Non-current | 3,561 | 4,219 | 2,937 | 4,221 |

The maturity analysis of lease liabilities are disclosed in Note 27.

The following are the amounts recognised in profit or loss:

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation expense of right-of-use assets | 3,558 | 2,923 | 3,318 | 2,672 |
| Interest expense on lease liabilities | 594 | 711 | 569 | 665 |
| Total amount recognised in statement of comprehensive income | 4,152 | 3,634 | 3,887 | 3,337 |

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 exercises judgement in determining whether these extension option are reasonably certain to be exercised.

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14. INTANGIBLE ASSETS

| Group | Goodwill RM'000 | Secured contract RM'000 | Software development costs RM'000 | Total RM'000 |
|--|--------------------|-------------------------------|--|-----------------|
| Cost | | | | |
| At 1 January 2022 | 21,101 | 1,153 | 11,037 | 33,291 |
| Addition | - | - | 4,352 | 4,352 |
| Reclassification to contract cost assets | - | - | (251) | (251) |
| At 31 December 2022 and 1 January 2023 | 21,101 | 1,153 | 15,138 | 37,392 |
| Addition | - | - | 5,961 | 5,961 |
| Reclassification to contract cost assets | - | - | (298) | (298) |
| At 31 December 2023 | 21,101 | 1,153 | 20,801 | 43,055 |
| Accumulated amortisation and impairment | | | | |
| At 1 January 2022 | 16,518 | 1,153 | 4,400 | 22,071 |
| Amortisation (Note 9) | - | - | 1,032 | 1,032 |
| At 31 December 2022 and 1 January 2023 | 16,518 | 1,153 | 5,432 | 23,103 |
| Amortisation (Note 9) | - | - | 1,218 | 1,218 |
| Impairment | - | - | 23 | 23 |
| At 31 December 2023 | 16,518 | 1,153 | 6,673 | 24,344 |
| Net carrying amount | | | | |
| At 31 December 2022 | 4,583 | - | 9,706 | 14,289 |
| At 31 December 2023 | 4,583 | - | 14,128 | 18,711 |

14. INTANGIBLE ASSETS (CONT'D)

| Company | Software development costs RM'000 |
|--|--------------------------------------|
| Cost | |
| At 1 January 2022 | 5,428 |
| Addition | 2,907 |
| At 31 December 2022 and 1 January 2023 | 8,335 |
| Addition | 4,063 |
| At 31 December 2023 | 12,398 |
| Accumulated amortisation | |
| At 1 January 2022 | 814 |
| Amortisation (Note 9) | 543 |
| At 31 December 2022 and 1 January 2023 | 1,357 |
| Amortisation (Note 9) | 602 |
| At 31 December 2023 | 1,959 |
| Net carrying amount | |
| At 31 December 2022 | 6,978 |
| At 31 December 2023 | 10,439 |

Impairment testing of goodwill

Goodwill derived from Inter-City MPC (M) Sdn. Bhd.. Goodwill arising from business combinations has been allocated to one (2022: one) individual cash-generating units ("CGUs") for impairment testing as follows:

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Mailing and document processing services | 4,583 | 4,583 |

During the financial year, the Group has changed the identified CGU of goodwill from land and building ("the asset") to the business operation of mailing and processing services due to the asset being disposed of and classified as held for sale, as disclosed in Note 25. Hence, the recoverable amount of the CGU is based on value-in-use ("VIU") for the financial year ended 31 December 2023.

(a) Value in use

The recoverable amount of the CGU in the mailing and document processing services was determined by discounting the future cash flows expected to be generated from the continuing use of the services on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5 years business plan.
- The Group has applied 9% - 13% of pre-tax discount rate in determining the recoverable amount of the unit. The discount rates used to discount the future cash flows reflect the specific risks relating to the CGU.

Sensitivity to changes in assumptions

The management believes that there is no reasonable possible change in any of the key assumptions which would cause the carrying value of the CGU's allocated to the goodwill to materially exceed their recoverable amount.

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15. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unquoted ordinary shares, at cost | 56,468 | 56,468 |
| Less: Accumulated impairment losses | (38,859) | (30,075) |
| | 17,609 | 26,393 |

Details of the subsidiaries are as follows:

| | Country of incorporation | Principal activities | Effective equity interest (%) | |
|---|-----------------------------|--|----------------------------------|------|
| Name | | | 2023 | 2022 |
| 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 | 100 | 100 |
| 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-Solutions 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 |
| Megacenter System Sdn. Bhd. | Malaysia | Provision of data centre management | 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 |

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name | Country of incorporation | Principal activities | Effective equity interest (%) | |
|--|--------------------------|--|-------------------------------|------|
| | | | 2023 | 2022 |
| Held by the Company: (cont'd) | | | | |
| 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 |
| Cinix 1 Pty. Ltd. * | Australia | Computer software development, sales and support for the motor body industry | 100 | 100 |
| Domainedge Sdn. Bhd. | Malaysia | Operation of generation facilities that produce electricity | 65 | 65 |
| Duta Technic Sdn. Bhd. | Malaysia | Provision of engineering, procurement, construction and commissioning (“EPCC”) services | 51 | 51 |
| HeiTech Enterprise Technology Services Sdn. Bhd. ^ | Malaysia | Information and communication technology, system security | 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 | 100 |
| Synergy Grid Sdn. Bhd. | Malaysia | Financial technology | 100 | 100 |
| HeiTech Pro Services Sdn. Bhd.^ | Malaysia | General trading | 100 | 100 |

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15. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

| Name | Country of incorporation | Principal activities | Effective equity interest (%) | |
|--|--------------------------|--|-------------------------------|------|
| | | | 2023 | 2022 |
| 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 |
| Held through a subsidiary, Synergy Grid Sdn. Bhd. | | | | |
| Tekkis Sdn. Bhd. | Malaysia | Software developer | 70 | 70 |

^ Audited by firms other than Al Jafree Salihin Kuzaimi PLT.

* Statutory audit is not required under local regulations as the company is dormant.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Material partly-owned subsidiary

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

| | 2023 | | | 2022 | | |
|--|-------------------------------|--|--|-------------------------------|--|--|
| | Tekkis Sdn. Bhd. RM'000 | Motordata Research Consortium Sdn. Bhd. RM'000 | Duta Tech- nic Sdn. Bhd. RM'000 | Tekkis Sdn. Bhd. RM'000 | Motordata Research Consortium Sdn. Bhd. RM'000 | Duta Tech- nic Sdn. Bhd. RM'000 |
| NCI percentage of ownership interest and voting interest | 30% | 40% | 49% | 30% | 40% | 49% |
| Carrying amount of NCI | (352) | 3,096 | (8,206) | (152) | 2,188 | (7,520) |
| (Loss)/profit allocated to NCI | (200) | 908 | (686) | (152) | 574 | (507) |

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

| | 2023 | | | 2022 | | |
|---|-------------------------------|--|--|-------------------------------|--|--|
| | Tekkis Sdn. Bhd. RM'000 | Motordata Research Consortium Sdn. Bhd. RM'000 | Duta Tech- nic Sdn. Bhd. RM'000 | Tekkis Sdn. Bhd. RM'000 | Motordata Research Consortium Sdn. Bhd. RM'000 | Duta Tech- nic Sdn. Bhd. RM'000 |
| Assets and liabilities | | | | | | |
| Current assets | 650 | 7,768 | 2,034 | 296 | 7,625 | 2,921 |
| Non-current assets | 2,078 | 2,820 | 1 | 1,451 | 1,685 | 1,139 |
| Current liabilities | 3,756 | (1,096) | (13,783) | (2,108) | (1,805) | (13,272) |
| Non-current liability | - | (840) | - | - | (122) | - |
| Equity | 6,484 | 8,652 | (11,748) | (361) | 7,383 | (9,212) |
| Revenue | 2,538 | 10,679 | 1,736 | 193 | 8,828 | 1,389 |
| (Loss)/profit for the year, representing total comprehensive income | (666) | 2,269 | (1,399) | (508) | 1,434 | (1,035) |
| Cashflows from/(used in): | | | | | | |
| Operating activities | 1,098 | 2,290 | (192) | 753 | 2,028 | (87) |
| Investing activities | (813) | (812) | (1) | (857) | (259) | - |
| Financing activities | - | (1,275) | - | - | (332) | - |
| Net increase/(decrease) in cash and cash equivalents | 285 | 203 | (193) | (104) | 1,437 | (87) |

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16. INVESTMENT IN ASSOCIATES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Unquoted shares, at cost | 3,184 | 3,184 | 1,726 | 1,726 |
| Post-acquisition reserves brought forward | (748) | (564) | - | - |
| Share of results of the associates | (39) | (184) | - | - |
| | 2,397 | 2,436 | 1,726 | 1,726 |
| Less: Accumulated impairment losses | (1,256) | (1,256) | (1,256) | (1,256) |
| | 1,141 | 1,180 | 470 | 470 |

| Name | Country of incorporation | Principal activities | Effective equity interest (%) | |
|---|-----------------------------|----------------------------------|----------------------------------|------|
| | | | 2023 | 2022 |
| PT Desa Tech Nusantara. ^ | Indonesia | Provision of cooperative system | 49 | 49 |
| East Coast Multimedia Academy Sdn. Bhd.^ | Malaysia | Provision of multimedia services | 40 | 40 |
| Silvertch Global Ltd. ^ | Bermuda | Investment holding | 49 | 49 |

^ Audited by firms other than Al Jafree Salihin Kuzaimi PLT.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

| | 2023 | 2022 |
|--|-------------------------------------|-------------------------------------|
| | PT Desa Tech Nusantara RM'000 | PT Desa Tech Nusantara RM'000 |
| Assets and liabilities | | |
| Current assets | 2,051 | 262 |
| Non-current assets | 40 | 235 |
| Current liabilities | (2,940) | (25) |
| Non-current liabilities | - | (481) |
| Equity | (849) | (9) |
| Group's carrying amount of the investment | (175) | 39 |
| Revenue | 111 | 34 |
| Other income | 1 | 2 |
| Administrative expenses | (548) | (411) |
| Finance costs | (1) | (1) |
| Loss before tax | (437) | (376) |
| Income tax expense | - | - |
| Loss for the year, representing total comprehensive loss for the year | (437) | (376) |
| Group's share of loss for the year | (214) | (184) |

17. INVESTMENT IN JOINT VENTURE

| | Group and Company | |
|--------------------------|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unquoted shares, at cost | 350 | 350 |

The Group and the Company 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 and the Company's interest in the jointly-controlled entity are as follows:

| | Group and Company | |
|--------------------------------|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Assets and liabilities: | | |
| Total assets | 214 | 483 |
| Total liabilities | (352) | (3) |
| Income and expenses: | | |
| Income | - | - |
| Expenses | (33) | (56) |

18. OTHER INVESTMENTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Redeemable convertible preference shares in subsidiary | - | - | 360 | 360 |
| Unquoted equity instruments | 16,085 | 16,085 | 15,115 | 15,115 |
| | 16,085 | 16,085 | 15,475 | 15,475 |
| Less: Accumulated impairment losses | (13,005) | (13,005) | (13,005) | (13,005) |
| | 3,080 | 3,080 | 2,470 | 2,470 |

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19. CONTRACT BALANCES

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

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Contract assets | 35,263 | 55,006 | 34,103 | 53,408 |
| Contract liabilities | (11,642) | (5,868) | (6,311) | (5,230) |

Contract assets primarily relate to the Group's and the Company'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 and the Company's obligation to transfer goods or services to customers for which the Group and the Company have received advances from customers. Contract liabilities are recognised as revenue as the Group and the Company perform its obligation under the contract.

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Contract asset reclassified to receivables | 55,006 | 32,731 | 53,408 | 32,709 |

(ii) Significant changes in contract liabilities are explained as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 5,868 | 9,341 | 5,230 | 8,900 |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 are, as follows:

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Within one year | 79,582 | 78,104 | 57,828 | 78,104 |
| More than one year | 113,562 | 113,765 | 112,934 | 113,765 |
| | 193,144 | 191,869 | 170,762 | 191,869 |

19. CONTRACT BALANCES (CONT'D)

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 | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 January/31 December | 13,186 | 13,186 | 13,186 | 13,186 |

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20. DEFERRED TAXATION

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

| | Unutilised tax losses RM'000 | Unabsorbed capital allowances RM'000 | Revaluation reserve RM'000 | Capital allowance and depreciation differences RM'000 | Other deductible temporary differences RM'000 | Total RM'000 |
|--|---------------------------------|---|-------------------------------|--|--|-----------------|
| Deferred tax (liabilities)/assets of the Group: | | | | | | |
| At 1 January 2022 | 1,034 | 2,498 | - | (3,590) | 17 | (41) |
| Recognised in profit or loss (Note 10) | - | - | - | (34) | - | (34) |
| At 31 December 2022 and 1 January 2023 | 1,034 | 2,498 | - | (3,624) | 17 | (75) |
| Recognised in profit or loss (Note 10) | - | - | - | (20) | - | (20) |
| Recognised in other comprehensive income | - | - | (5,582) | - | - | (5,582) |
| At 31 December 2023 | 1,034 | 2,498 | (5,582) | (3,644) | 17 | (5,677) |
| Deferred tax (liabilities)/assets of the Company: | | | | | | |
| At 1 January 2022 | 987 | 2,498 | - | (3,485) | - | - |
| Recognised in profit or loss (Note 10) | - | - | - | - | - | - |
| At 31 December 2022 and 1 January 2023 | 987 | 2,498 | - | (3,485) | - | - |
| Recognised in other comprehensive income | - | - | (5,582) | - | - | (5,582) |
| At 31 December 2023 | 987 | 2,498 | (5,582) | (3,485) | - | (5,582) |

20. DEFERRED TAXATION (CONT'D)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax liabilities | (5,677) | (427) | (5,582) | - |
| Deferred tax assets | - | 352 | - | - |
| | (5,677) | (75) | (5,582) | - |

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

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Unabsorbed capital allowances | 17,102 | 33,671 | 15,559 | 30,472 |
| Unutilised tax losses | 38,850 | 29,441 | 13,490 | 13,490 |
| Other temporary differences | 132,068 | 135,303 | 125,037 | 130,012 |
| | 188,020 | 198,415 | 154,086 | 173,974 |

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 10-year limitation on the carry forward of those losses under the Income Tax Act, 1967 and guidelines issued by the tax authority.

21. INVENTORIES

| | Group | |
|-------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Cost | | |
| Consumables | 224 | 235 |

During the financial year, the amounts of inventories recognised as expense in cost of sales in bulk mailing processing charges of the Group were RM3,386,000 (2022: RM2,414,000). In addition, the expense recognised in the profit or loss include inventories written down amounting to RM21,000 (2022: Nil).

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22. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Trade receivables | | | | |
| Third parties | 59,931 | 51,081 | 40,289 | 42,508 |
| Amounts due from subsidiaries | - | - | 39,085 | 34,744 |
| | 59,931 | 51,081 | 79,374 | 77,252 |
| Less: Allowance for expected credit losses | | | | |
| - Third parties | (24,364) | (24,058) | (22,231) | (22,535) |
| - Amounts due from subsidiaries | - | - | (22,458) | (21,131) |
| | 35,567 | 27,023 | 34,685 | 33,586 |
| Other receivables | | | | |
| Amounts due from subsidiaries | - | - | 22,192 | 22,050 |
| Deposits | 1,288 | 1,538 | 1,067 | 1,066 |
| Sundry receivables | 28,674 | 26,084 | 28,056 | 25,511 |
| | 29,962 | 27,622 | 51,315 | 48,627 |
| Less: Allowance for expected credit losses | | | | |
| - Sundry receivables | (23,060) | (22,971) | (22,602) | (22,515) |
| - Amounts due from subsidiaries | - | - | (18,686) | (19,869) |
| | 6,902 | 4,651 | 10,027 | 6,243 |
| Total trade and other receivables | 42,469 | 31,674 | 44,712 | 39,829 |

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2022: 30 to 60 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.

Set out below is the movement in the allowance for expected credit losses of trade receivables (including amounts due from subsidiaries - trade):

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 January | 24,058 | 23,792 | 43,666 | 43,277 |
| Provision for expected credit losses (Note 9) | 915 | 438 | 1,566 | 435 |
| Reversal of impairment loss (Note 9) | (609) | (172) | (543) | (46) |
| At 31 December | 24,364 | 24,058 | 44,689 | 43,666 |

22. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing, unsecured and are repayable on demand.

(c) 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 | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 January | 22,971 | 22,964 | 42,384 | 42,377 |
| Provision for expected credit losses (Note 9) | 89 | 7 | 87 | 7 |
| Reversal of impairment loss (Note 9) | - | - | (1,183) | - |
| At 31 December | 23,060 | 22,971 | 41,288 | 42,384 |

23. CONTRACT COSTS ASSETS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Capitalised fulfilment costs | | | | |
| At 1 January | 87,545 | 83,404 | 87,017 | 83,404 |
| Capitalised during the year | 64,330 | 78,686 | 63,970 | 78,409 |
| Reclassification from intangible assets | 298 | 251 | - | - |
| | 152,173 | 162,341 | 150,987 | 161,813 |
| Recognised in profit or loss | (63,372) | (74,796) | (63,183) | (74,796) |
| | 88,801 | 87,545 | 87,804 | 87,017 |
| Impairment | (778) | - | (778) | - |
| At 31 December | 88,023 | 87,545 | 87,026 | 87,017 |
| Non-current | 6,544 | 33,883 | 5,886 | 33,632 |
| Current | 81,479 | 53,662 | 81,140 | 53,385 |
| Total contract cost assets | 88,023 | 87,545 | 87,026 | 87,017 |

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24. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash at banks and on hand | 31,513 | 21,226 | 26,935 | 16,853 |
| Deposits with licensed banks | 22,746 | 19,379 | 18,377 | 14,865 |
| Cash and bank balances | 54,259 | 40,605 | 45,312 | 31,718 |

Deposits with licensed banks of the Group and of the Company amounting to RM22,746,000 (2022: RM19,379,000) and RM18,377,000 (2022: RM14,865,000) respectively are pledged as securities for loans and borrowings (Note 26).

Deposits with licensed banks earn profit at the respective deposit rates. The weighted average effective profit rate as at 31 December 2023 for the Group and for the Company was 1.76% (2022: 1.76%) per annum. The average days to maturity period as at 31 December 2023 for the Group and for the Company were 29 days (2022: 29 days).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash and bank balances | 54,259 | 40,605 | 45,312 | 31,718 |
| Less: Bank overdrafts (Note 26) | (21,434) | (16,913) | (20,420) | (15,912) |
| | 32,825 | 23,692 | 24,892 | 15,806 |
| Deposits pledged as securities for bank borrowings | (22,746) | (19,379) | (18,377) | (14,865) |
| Cash and cash equivalents | 10,079 | 4,313 | 6,515 | 941 |

25. ASSET CLASSIFIED AS HELD FOR SALE

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At 1 January | 1,492 | - |
| Transfer from property, plant and equipment (Note 12) | 3,785 | 1,492 |
| Disposal | (1,492) | - |
| At 31 December | 3,785 | 1,492 |

The carrying amount of the asset is the same as its carrying value before it was reclassified as held for sale.

The asset held for sale pledged as securities for loans and borrowings (Note 26).

A subsidiary in Malaysia has signed a sales and purchase agreement on its double storey detached factory and office on 15 November 2023. The sales value is RM14,288,000 and is expected to be completed in 2024.

26. LOANS AND BORROWINGS

| | Maturity | Group | | Company | |
|----------------------------|-------------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Current | | | | | |
| Secured: | | | | | |
| Term loan | 2024 | 691 | - | - | - |
| Bank overdrafts | On demand | 21,434 | 16,913 | 20,420 | 15,912 |
| Revolving credits | 2024 | 36,847 | 37,054 | 36,847 | 37,054 |
| Contract financing | 2024 | 51,479 | 43,157 | 51,478 | 43,157 |
| | | 110,451 | 97,124 | 108,745 | 96,123 |
| Non-current | | | | | |
| Secured: | | | | | |
| Term loan | 2025 - 2026 | 982 | 2,199 | - | - |
| Contract financing | 2025 - 2026 | 5,887 | 14,327 | 5,886 | 14,327 |
| | | 6,869 | 16,526 | 5,886 | 14,327 |
| Total loans and borrowings | | 117,320 | 113,650 | 114,631 | 110,450 |

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Maturity of loans and borrowings: | | | | |
| Within one year | 110,451 | 97,124 | 108,745 | 96,123 |
| More than 1 year and less than 2 years | 6,869 | 9,620 | 5,886 | 8,439 |
| More than 2 years and less than 5 years | - | 6,906 | - | 5,888 |
| | 117,320 | 113,650 | 114,631 | 110,450 |

Term loan

| | Group | | Company | |
|-----------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Term loan | 1,673 | 2,199 | - | - |

Term loan is secured by the following:

- First legal charge over a building of the subsidiary as disclosed in Note 25;
- Joint and several guarantee by certain directors.

The weighted average effective interest rate of term loan of the Group was 3.4% (2022: 3.4%) per annum. The repayment of the Group's term loan is due from 2024 to 2025.

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26. LOANS AND BORROWINGS (CONT'D)

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 7.62% (2022: 6.29% per annum).

Revolving credits

Revolving credit is secured by the following:

- First legal charge over a land and building of the company as disclosed In Note 12;
- Deposits with licensed banks;
- Negative pledge on all present and future unencumbured assets of the Company.

The weighted average effective interest rate of revolving credit was 5.53% (2022: 4.36%) per annum.

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

| Group | 1 January 2023 RM'000 | Cash changes | Non-cash changes | | | 31 December 2023 RM'000 |
|--------------------|-----------------------------|----------------------|--------------------------|----------------------------------|-------------------|-------------------------------|
| | | Cash flows RM'000 | Profit paid RM'000 | Accretion of profit RM'000 | Others* RM'000 | |
| Term loan | | | | | | |
| - non-current | 2,199 | - | - | - | (1,217) | 982 |
| - current | - | (526) | (166) | 166 | 1,217 | 691 |
| Revolving credits | 37,054 | (207) | (1,279) | 1,279 | - | 36,847 |
| Contract financing | | | | | | |
| - non-current | 14,327 | - | - | - | (8,440) | 5,887 |
| - current | 43,157 | (118) | (449) | 449 | 8,440 | 51,479 |
| Total | 96,737 | (851) | (1,894) | 1,894 | - | 95,886 |

| Group | 1 January 2022 RM'000 | Cash changes | Non-cash changes | | | 31 December 2022 RM'000 |
|-------------------------------------|-----------------------------|----------------------|--------------------------|----------------------------------|-------------------|-------------------------------|
| | | Cash flows RM'000 | Profit paid RM'000 | Accretion of profit RM'000 | Others* RM'000 | |
| Term loan | | | | | | |
| - non-current | 2,192 | - | - | - | 7 | 2,199 |
| - current | 554 | (547) | (84) | 84 | (7) | - |
| Revolving credits | 28,725 | 8,329 | (1,304) | 1,304 | - | 37,054 |
| Contract financing | | | | | | |
| - non-current | 22,294 | - | - | - | (7,967) | 14,327 |
| - current | 39,451 | (4,261) | (416) | 416 | 7,967 | 43,157 |
| Obligations under finance leases | | | | | | |
| - current | 32 | (32) | - | - | - | - |
| Total | 93,248 | 3,489 | (1,804) | 1,804 | - | 96,737 |

26. LOANS AND BORROWINGS (CONT'D)

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

| Company | 1 January 2023 RM'000 | Cash changes | | Non-cash changes | | 31 December 2023 RM'000 |
|-------------------|-----------------------------|----------------------|--------------------------|----------------------------------|-------------------|-------------------------------|
| | | Cash flows RM'000 | Profit paid RM'000 | Accretion of profit RM'000 | Others* RM'000 | |
| Revolving credits | 37,054 | (207) | (1,279) | 1,279 | - | 36,847 |
| Project financing | | | | | | |
| - non-current | 14,327 | - | - | - | (8,441) | 5,886 |
| - current | 43,157 | (120) | (449) | 449 | 8,441 | 51,478 |
| Total | 94,538 | (327) | (1,728) | 1,728 | - | 94,211 |

| | 1 January 2022 RM'000 | Cash changes | | Non-cash changes | | 31 December 2022 RM'000 |
|-------------------|-----------------------------|----------------------|--------------------------|----------------------------------|-------------------|-------------------------------|
| | | Cash flows RM'000 | Profit paid RM'000 | Accretion of profit RM'000 | Others* RM'000 | |
| Revolving credits | 28,725 | 8,329 | (1,304) | 1,304 | - | 37,054 |
| Project financing | | | | | | |
| - non-current | 22,294 | - | - | - | (7,967) | 14,327 |
| - current | 39,450 | (4,260) | (416) | 416 | 7,967 | 43,157 |
| Total | 90,469 | 4,069 | (1,720) | 1,720 | - | 94,538 |

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

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27. LEASE LIABILITIES

| | Maturity | Group | | Company | |
|---|-------------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Current | | | | | |
| Obligations under right-of-use asset (Note 32(b)) | 2024 | 4,168 | 3,876 | 3,864 | 3,601 |
| Obligations under lease receivables (Note 32(b)) | 2024 | 13,655 | - | 13,663 | - |
| | | 17,823 | 3,876 | 17,527 | 3,601 |
| Non-current | | | | | |
| Obligations under right-of-use asset (Note 32(b)) | 2024 - 2027 | 3,561 | 4,219 | 2,937 | 4,221 |
| Obligations under lease receivables (Note 32(b)) | 2024 - 2027 | 36,259 | - | 36,251 | - |
| | | 39,820 | 4,219 | 39,188 | 4,221 |
| Total lease liabilities | | 57,643 | 8,095 | 56,715 | 7,822 |

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Maturity of lease liabilities: | | | | |
| Within one year | 17,832 | 3,876 | 17,527 | 3,601 |
| More than 1 year and less than 2 years | 38,142 | 3,333 | 37,588 | 3,335 |
| More than 2 years and less than 5 years | 1,669 | 886 | 1,600 | 886 |
| | 57,643 | 8,095 | 56,715 | 7,822 |

The total cash out flow for leases as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Included in cashflow used in financing activities: | | | | |
| Repayment of lease | 8,587 | 3,845 | 8,303 | 3,536 |

28. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Trade payables | | | | |
| Third parties | 57,548 | 45,779 | 47,496 | 40,007 |
| Amounts due to subsidiaries | - | - | 22,677 | 33,470 |
| | 57,548 | 45,779 | 70,173 | 73,477 |
| Other payables | | | | |
| Amount due to directors of a subsidiary | 171 | 171 | - | - |
| Deposits | 60 | 60 | 60 | 60 |
| Accruals | 5,787 | 10,547 | 5,752 | 9,533 |
| Sundry payables | 23,662 | 15,694 | 19,548 | 12,377 |
| | 29,680 | 26,472 | 25,360 | 21,970 |
| Total trade and other payables | 87,228 | 72,251 | 95,533 | 95,447 |

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2022: 30 to 90 days) terms.

(b) Amount due to directors of a subsidiary

The amount due to directors of a subsidiary is unsecured and is repayable on demand.

29. SHARE CAPITAL

| | Group and Company | | | |
|---|---------------------------|--------------|----------------|----------------|
| | Number of ordinary shares | | Amount | |
| | 2023 '000 | 2022 '000 | 2023 RM'000 | 2022 RM'000 |
| Issued and fully paid up with no par value: | | | | |
| At 1 January/31 December | 101,225 | 101,225 | 117,751 | 117,751 |

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.

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30. FOREIGN CURRENCY TRANSLATION RESERVE

| | Group | |
|------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At 1 January | (893) | (1,239) |
| Other comprehensive income: | | |
| Foreign currency translation | (311) | 346 |
| At 31 December | (1,204) | (893) |

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.

31. LEASE RECEIVABLES

| | Group and Company | |
|-------------------------|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Non-current | 53,232 | - |
| Current | 18,803 | - |
| | 72,035 | - |
| As at 1 January | - | - |
| Additions | 78,858 | - |
| Lease payments received | (6,944) | - |
| Finance income | 121 | - |
| As at 31 December | 72,035 | - |

Lease receivable related to sublease arrangements between the Company and its licensees. The Company entered into head lease agreement with the lessor for the computer hardware and software (the equipment) rental and sublease the equipment in accordance with respective licensing agreements for the entire head lease period. The Company has accounted the sublease arrangement as a finance lease under MFRS 16.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

| | Group and Company | |
|--|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Less than one year | 19,561 | - |
| Between one and five years | 58,196 | - |
| Total undiscounted lease payments receivable | 77,757 | - |
| Unearned finance income | (5,722) | - |
| Lease receivables | 72,035 | - |

32. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group and Company | |
|--|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Capital expenditure Approved and contracted for: Property, plant and equipment | 4 | 2,143 |

(b) Lease liability commitments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Minimum lease payments: | | | | |
| Not later than 1 year | 18,638 | 4,401 | 18,258 | 4,126 |
| Later than 1 year but not later than 2 years | 15,788 | 3,631 | 15,504 | 3,633 |
| Later than 2 years but not later than 5 years | 28,624 | 975 | 28,190 | 975 |
| Total minimum lease payments | 63,050 | 9,007 | 61,952 | 8,734 |
| Less: Future finance charges | (5,407) | (912) | (5,237) | (912) |
| Present value of minimum lease payments | 57,643 | 8,095 | 56,715 | 7,822 |

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Analysis of present value of finance lease liabilities: | | | | |
| Not later than 1 year | 17,823 | 3,876 | 17,527 | 3,601 |
| Later than 1 year but not later than 2 years | 14,898 | 3,333 | 14,520 | 3,335 |
| Later than 2 years but not later than 5 years | 24,922 | 886 | 24,668 | 886 |
| | 57,643 | 8,095 | 56,715 | 7,822 |
| Less: Amount due within 12 months | (17,823) | (3,876) | (17,527) | (3,601) |
| Amount due after 12 months | 39,820 | 4,219 | 39,188 | 4,221 |

The Group and the Company have entered into rental agreement for buildings, computers and network equipment as disclosed in Note 13 and Note 31. The lease liability payable of the Group and of the Company bore effective interest rate of 0.50% - 7.60% (2022: 7.60%).

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32. COMMITMENTS (CONT'D)

(c) Financial guarantee

| | Company | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unsecured: | | |
| Guarantees given to financial institutions for credit facilities granted to subsidiary | 8,000 | 8,000 |

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.

33. CONTINGENT LIABILITY

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

On 8 October 2018, 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. The Court of Appeal has fixed the Hearing of the Appeal on 22 April 2024.

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.

(b) 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" ("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 judgment until the date of full settlement;
5. Costs; and
6. Such further relief and/or orders as the Honorable Court deems fit.

33. CONTINGENT LIABILITY (CONT'D)

(b) Pertubuhan Keselamatan Sosial ("Plaintiff") vs HeiTech Padu Berhad ("Defendant") (cont'd)

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.

A Hearing was held on 9 August 2023 in relation to Defendant's application under Order 14A and Order 33 Rules of Court 2012: To Summarily Determine the Plaintiff's Claim ("Application"). The decision for the Application is fixed on 18 April 2024.

Based on available information and legal advice received, the management is of the view that the Company not only has reasonable case againsts Plaintiff, but also has a counterclaim againsts the Plaintiff for unlawful termination of the Agreement. Therefore, no provision has been made in the financial statements.

34. RELATED PARTY DISCLOSURES

(a) **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 | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Short-term employee benefits | 4,170 | 4,070 | 3,920 | 3,836 |
| Defined contribution plan | 182 | 163 | 182 | 163 |
| | 4,352 | 4,233 | 4,102 | 3,999 |

Included in the total key management personnel is:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Directors' remuneration (Note 7) | 2,327 | 2,314 | 2,077 | 2,080 |

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35. 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.

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 RM8,000,000 (2022: RM8,000,000) relating to corporate guarantees provided by the Company on one (2022: one) subsidiary's bank loan.

Credit risk concentration

At the reporting date, approximately 82% (2022: 73%) of the Group's and the Company'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 and the Company does not hold collateral as security.

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

(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.

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 2023 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 87,228 | - | 87,228 |
| Loans and borrowings | 109,729 | 7,591 | 117,320 |
| Lease liabilities | 17,823 | 39,820 | 57,643 |
| Total undiscounted financial liabilities | 214,780 | 47,411 | 262,191 |
| 31 December 2022 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 72,251 | - | 72,251 |
| Loans and borrowings | 89,754 | 25,688 | 115,442 |
| Lease liabilities | 3,876 | 4,219 | 8,095 |
| Total undiscounted financial liabilities | 165,881 | 29,907 | 195,788 |
| Company | | | |
| 31 December 2023 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 95,533 | - | 95,533 |
| Loans and borrowings | 108,025 | 6,606 | 114,631 |
| Lease liabilities | 17,527 | 39,188 | 56,715 |
| Total undiscounted financial liabilities | 221,085 | 45,794 | 266,879 |
| 31 December 2022 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 95,447 | - | 95,447 |
| Loans and borrowings | 88,122 | 24,019 | 112,141 |
| Lease liabilities | 3,601 | 4,221 | 7,822 |
| Total undiscounted financial liabilities | 187,170 | 28,240 | 215,410 |

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35. 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 (loss)/profit net of tax would have been RM77,000 (2022: RM67,000) higher/lower and RM73,000 (2022: RM63,000) lower/higher respectively, arising mainly as a result of lower/higher interest 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 and the Company operate mainly in Malaysia and transacts predominantly in RM. The Group and the Company have minimal transactional currency exposure arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group and the Company entities.

36. 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

| | Note | Group | | Company | |
|------------------------------------|------|---------------------------|---------------------------------|---------------------------|---------------------------------|
| | | Carrying amount RM'000 | Fair value Level 2 RM'000 | Carrying amount RM'000 | Fair value Level 2 RM'000 |
| 2023 | | | | | |
| Financial liabilities | | | | | |
| Loans and borrowings (non-current) | 26 | 6,869 | 13,217 | 5,886 | 14,327 |
| 2022 | | | | | |
| Financial liabilities | | | | | |
| Loans and borrowings (non-current) | 26 | 16,526 | 217,111 | 14,327 | 19,629 |

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.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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) | 26 |
| Loans and borrowings - floating rate (non-current) | 26 |
| Trade and other payables | 28 |

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.

C. Fair value hierarchy

The following table presents the carrying amount of the Group's assets that are measured at fair value as at 31 December 2022 and 2023 respectively:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|------------------------|-------------------|-------------------|-------------------|-----------------|
| At 31 December 2023 | | | | |
| Carried at fair value: | | | | |
| Freehold land | - | - | 55,754 | 55,754 |
| Building | - | - | 27,348 | 27,348 |
| | - | - | 83,102 | 83,102 |

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37. 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 2023 and 31 December 2022.

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 | |
|--------------------------------------|----|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Loans and borrowings | 26 | 117,320 | 113,650 | 114,631 | 110,450 |
| Trade and other payables | 28 | 87,228 | 72,251 | 95,533 | 95,447 |
| Less: Cash and bank balances | 24 | (54,259) | (40,605) | (45,312) | (31,718) |
| Net debt | | 150,289 | 145,296 | 164,852 | 174,179 |
| Equity attributable to owners of the | | | | | |
| | | 144,853 | 87,768 | 145,820 | 84,801 |
| Capital and net debt | | 295,142 | 233,064 | 310,672 | 258,980 |
| Gearing ratio | | 51% | 62% | 53% | 67% |

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

38.1 Disposal of land and building

- (a) On 15 November 2023, Intercity-MPC Sdn. Bhd, a wholly subsidiary of the Company, had entered into a Sale and Purchase Agreement ("SPA") with Vepro Group Sdn. Bhd to dispose double storey detached factory and office bearing postal address at No 2. 12, Jalan Anggerik Mokara 31/59, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan held under individual title H.S.(D) 54940, PT 56359, Mukim Klang, Daerah Klang, Negeri Selangor, measuring approximately total of 5,082 square metres, for a total consideration of RM14,288,000.00. The sales is expected to be completed in 2024.
- (b) On 8 September 2023, the shareholders of PT Intercity Kerlipan (a 70%-owned subsidiary of the Company) has approved to sell its land and building located at Land Jalan Melayu Besar No. 7, Kelurahan Bidaracina, Kacamatan Jatinegara, Jakarta Timur, Indonesia measuring approximately 638 square metres.

On 28 December 2023, PT Intercity Kerlipan has entered into a sale and purchase transaction with an individual buyer to sell the said land and building for a total consideration of Rp10,000,000,000 (equivalent to approximately RM3,000,000).

39. 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 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.

(ii) 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.

(iii) Core 3

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

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.

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39. SEGMENT INFORMATION (CONT'D)

| | Core 1 | | | | Core 2 | | | | Core 3 | | | | Adjustments and eliminations | | | | Consolidated financial statements | | | |
|---------------------------------|---------------|----------------|--------|--------|---------------|---------------|----------------|----------------|--------|--------|--------|--------|------------------------------|----------------|----------------|----------------|-----------------------------------|--------|--------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue: | | | | | | | | | | | | | | | | | | | | |
| External sales | 86,702 | 120,645 | | | 45,043 | 31,548 | 146,117 | 141,660 | | | | | - | - | 277,862 | 293,853 | | | | |
| Inter-segment | - | - | | | 4,126 | 1,825 | - | - | | | | | (4,126) | (1,825) | - | - | | | | |
| Total | 86,702 | 120,645 | | | 49,169 | 33,373 | 146,117 | 141,660 | | | | | (4,126) | (1,825) | 277,862 | 293,853 | | | | |
| Results: | | | | | | | | | | | | | | | | | | | | |
| Finance costs | (1,475) | (1,687) | | | (349) | (254) | (2,509) | (1,981) | | | | | 18 | 16 | (4,315) | (3,906) | | | | |
| Hibah income | 176 | 539 | | | 131 | 77 | 296 | - | | | | | - | - | 603 | 616 | | | | |
| Depreciation and amortisation | (4,445) | (5,548) | | | (1,945) | (1,727) | (7,887) | (5,877) | | | | | 58 | 57 | (14,219) | (13,095) | | | | |
| Other non-cash items | (73) | 383 | | | 700 | (123) | - | 13 | | | | | (209) | - | 418 | 273 | | | | |
| Share of results of associate | - | - | | | (39) | (184) | - | - | | | | | - | - | (39) | (184) | | | | |
| (Loss)/profit before tax | (11,527) | (1,311) | | | (12,016) | (3,364) | 27,684 | (435) | | | | | 4,426 | (4,212) | 8,567 | (9,322) | | | | |
| Assets: | | | | | | | | | | | | | | | | | | | | |
| Investments in associates | 470 | 470 | | | - | - | - | - | | | | | 671 | 710 | 1,141 | 1,180 | | | | |
| Additions to non current assets | 12,564 | 9,936 | | | 2,609 | 1,795 | - | - | | | | | - | - | 15,173 | 11,731 | | | | |
| Segment assets | 163,119 | 147,783 | | | 51,424 | 43,495 | 274,792 | 176,738 | | | | | (56,291) | (71,046) | 433,044 | 296,970 | | | | |
| Liabilities: | | | | | | | | | | | | | | | | | | | | |
| Segment liabilities | 109,710 | 107,931 | | | 64,382 | 50,842 | 184,820 | 126,734 | | | | | (79,392) | (85,368) | 279,520 | 200,139 | | | | |

39. 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 | 2023 RM'000 | 2022 RM'000 |
| | 9 | 1,004 | 445 |
| | 9 | (609) | (172) |
| | 9 | 23 | - |
| | | 418 | 273 |
| B | The following items are deducted from segment profit/(loss) to arrive at “profit/(loss) before tax” presented in the consolidated statement of comprehensive income: | | |
| | | 2023 RM'000 | 2022 RM'000 |
| | | 8,780 | (122) |
| | | (39) | (184) |
| | | (4,315) | (3,906) |
| | | 4,426 | (4,212) |
| C | Additions to non-current assets consist of: | | |
| | | 2023 RM'000 | 2022 RM'000 |
| | | 9,212 | 7,379 |
| | | 5,961 | 4,352 |
| | | 15,173 | 11,731 |
| D | The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position: | | |
| | | 2023 RM'000 | 2022 RM'000 |
| | | (54,909) | (69,614) |
| | | (1,201) | (1,201) |
| | | (181) | (231) |
| | | (56,291) | (71,046) |
| E | The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position: | | |
| | | 2023 RM'000 | 2022 RM'000 |
| | | (79,162) | (85,124) |
| | | (230) | (244) |
| | | (79,392) | (85,368) |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

39. SEGMENT INFORMATION (CONT'D)

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 | |
|--------------------|----------------|----------------|--------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| By country: | | | | |
| Malaysia | 277,702 | 293,423 | 127,286 | 69,597 |
| Indonesia | 160 | 430 | - | 1,567 |
| | 277,862 | 293,853 | 127,286 | 71,164 |

Non-current assets information presented consist of the following items as presented in the consolidated statement of financial position:

| | 2023 RM'000 | 2022 RM'000 |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 101,385 | 49,744 |
| Right-of-use assets | 7,190 | 7,131 |
| Intangible assets | 18,711 | 14,289 |
| | 127,286 | 71,164 |

Information about major customers

Revenue from major customers from the public sector represents 66% of total sales of the Group arising from sales by the Core 1 segment.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 26 March 2024.

BOARD OF DIRECTORS

Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor

Chairman / Non-Independent Non-Executive Director

Dato' Sri Mohd Hilmey Bin Mohd Taib

Founder / Executive Deputy Chairman

Salmi Nadia Binti Mohd Hilmey

Group Managing Director / Group Chief Executive Officer
(Appointed on 3 April 2024)

Sandraruben A/L Neelamagham

Executive Director
(Appointed on 3 April 2024)

Sulaiman Hew Bin Abdullah

Independent Non-Executive Director

Wan Ainol Zilan Binti Abdul Rahim

Independent Non-Executive Director

Datuk Mohd Radzif Bin Mohd Yunus

Independent Non-Executive Director

Hamzah Bin Mahmood

Independent Non-Executive Director

Razalee Bin Amin

Independent Non-Executive Director

Chong Seep Hon

Independent Non-Executive Director

Datuk Mohd Jimmy Wong Bin Abdullah

Non-Independent Non-Executive Director
(Appointed on 3 April 2024)

AUDIT COMMITTEE

Wan Ainol Zilan Binti Abdul Rahim

Chairman

Hamzah Bin Mahmood

Member

Razalee Bin Amin

Member

RISK MANAGEMENT COMMITTEE

Datuk Mohd Radzif Bin Mohd Yunus

Chairman

Sulaiman Hew Bin Abdullah

Member

Chong Seep Hon

Member

NOMINATION & REMUNERATION COMMITTEE

Sulaiman Hew Bin Abdullah

Chairman

Datuk Mohd Radzif Bin Mohd Yunus

Member

INTEGRITY & WHISTLEBLOWING BOARD COMMITTEE

Razalee Bin Amin

Chairman

Chong Seep Hon

Member

GROUP COMPANY SECRETARIES

Amir Zahini Bin Sahrin

MAICSA7034464

Zainal Amir Bin Ahmad

LS0010080

EXECUTIVE COUNCIL COMMITTEE

Dato' Sri Mohd Hilmey Bin Mohd Taib

Founder / Executive Deputy Chairman

Salmi Nadia Binti Mohd Hilmey

Group Managing Director / Group Chief Executive Officer

Ahmad Nasrul Hakim Bin Mohd Zaini

Group Chief Financial Officer
Executive Vice President

Ahmad Jefri Bin Abdul Rashid

Group Head
Investment Market Group
Senior Vice President

Ts. Wan Zailani Bin Wan Ismail

Chief Technology Officer
Managed Infrastructure Services
Senior Vice President

Sazman Redza Bin Abu Bakar

Chief Technology Officer
System Integration &
Application Development
Vice President

Ts. Dr. Nor Hazilawati Binti Awang

Chief Information Officer
Vice President

Norazima Binti Hussain

Group Head
Corporate Planning & Corporate Services
Vice President

Muhamad Izzudin Bin Azahari

Group Head
Finance Services
Vice President

REGISTERED OFFICE

Level 15, HeiTech Village,
Persiaran Kewajipan, USJ 1,
UEP Subang Jaya,
47600 Subang Jaya,
Selangor Darul Ehsan
Tel: +603-8026 8888
Fax: +603-8024 7997

INCORPORATED

5 August 1994

WEBSITE ADDRESS

www.heitech.com.my

AUDITOR

Messr. AlJafree Salihin Kuzaimi PLT

555, Jalan Samudra Utara 1,
Taman Samudra, 68100 Batu Caves,
Selangor Darul Ehsan

PRINCIPAL BANKERS

- Affin Bank Berhad & Affin Islamic Bank Berhad
- Maybank Islamic Berhad
- AmBank Islamic Berhad
- RHB Bank Berhad & RHB Islamic Bank Berhad
- Bank Pembangunan Malaysia Berhad
- Bank Muamalat Malaysia Berhad
- Bank of China (Malaysia) Berhad

GROUP STRUCTURE

PRINCIPAL SOLICITORS

Messrs. Rajes Hisham Rahim & Gopal

6th Floor, Yee Seng Building,
15, Jalan Raja Chulan,
50200 Kuala Lumpur

Messrs. Cheang & Ariff

39 Court @ Loke Mansion,
273A, Jalan Medan Tuanku,
50300 Kuala Lumpur

Messrs. Ming & Partners

Wisma YNH Kiara 163,
S-7-12, Wisma YNH Kiara 163,
No. 8, Jalan Kiara, Mont' Kiara,
50480 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
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

Zainal Amir Bin Ahmad

Tel : +603-8601 3454
Fax : +603-8024 7997

Syazreen Yasmin Binti Suyamin

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% | Pro-Office Solutions Sdn Bhd | |
| 100% | Synergy Grid Sdn Bhd | |
| 70% | Tekkis Sdn Bhd | |
| 100% | HeiTech Eco Energy Sdn Bhd | |
| 100% | Megacenter System Sdn Bhd | |
| 100% | HeiTech Global Services Sdn Bhd | |
| 100% | Educational Trend Sdn Bhd | |
| 100% | HeiTech Academy Sdn Bhd | |
| 100% | Integrated Healthcare Solutions Sdn Bhd | |
| 100% | Vante Sdn Bhd | |
| 100% | Cinix 1 Pty Ltd | |
| 70% | PT Intercity Kerlipan | |
| 70% | Digital Healthcare Solutions Sdn Bhd | |
| 65% | Domainedge Sdn Bhd | |
| 60% | Motordata Research Consortium Sdn Bhd | |
| 51% | Duta Technic Sdn Bhd | |
| 51% | Uji Bestari Sdn Bhd | |

Associate & Investment

| | | |
|-----|----------------------------------|--|
| 49% | PT Desa Tech Nusantara | |
| 39% | Peladang HeiTech Sdn Bhd | |
| 20% | Silvertech Global Sdn Bhd | |
| 20% | Dapat Vista (M) Sdn Bhd | |
| 19% | Vantage Point Consulting Sdn Bhd | |

Notes:-

- The companies reflected above are subsidiaries, associate and investment companies.
- Information is accurate as of 26th March 2024.

LIST OF PROPERTIES

AS AT 31st DECEMBER 2023

| Location | Land/ Build-up Area | Current Usage | Land/Tenure | Fair Value as at 31.12.2023 | Valuation Amount | Date of Revaluation |
|--|---------------------|--|-------------|-----------------------------|------------------|---------------------|
| No. 1 Jalan U8/81, Seksyen U8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan | 211,091 Sq. Ft. | HeiTech Village 2 Data Center and business premise | Freehold | RM76.3 Million | RM76.3 Million | 29 December 2023 |
| Cyberjaya | 51,817 Sq. Ft. | Vacant Land | Freehold | RM7.8 Million | RM7.8 Million | 29 December 2023 |

ANALYSIS OF SHAREHOLDINGS

AS AT 19th MARCH 2024

DIRECTORS' SHAREHOLDING

| No. | Name | No. of Shares held | | | |
|-----|--|--------------------|-------|---------------------------|--------|
| | | Direct Interest | % | Indirect Interest | % |
| 1 | Tan Sri Dato' Sri Abi Musa Asa'ari Bin Mohamed Nor | - | - | - | - |
| 2 | Dato' Sri Mohd Hilmey Bin Mohd Taib | 3,866,485 | 3.820 | 14,342,328 ⁽¹⁾ | 14.169 |
| 3 | Datuk Mohd Radzif Bin Mohd Yunus | - | - | - | - |
| 4 | Sulaiman Hew Bin Abdullah | - | - | - | - |
| 5 | Wan Ainol Zilan Binti Abdul Rahim | - | - | - | - |
| 6 | Hamzah Bin Mahmood | - | - | 292,000 ⁽²⁾ | 0.288 |
| 7 | Razalee Bin Amin | - | - | - | - |
| 8 | Chong Seep Hon | - | - | - | - |

SUBSTANTIAL SHAREHOLDERS

| No. | Name | No. of Shares held | | | |
|-----|--|--------------------|--------|---------------------------|--------|
| | | Direct Interest | % | Indirect Interest | % |
| 1 | Dato' Sri Mohd Hilmey Bin Mohd Taib | 3,866,485 | 3.820 | 14,342,328 ⁽¹⁾ | 14.169 |
| 2 | Padujade Corporation Sdn Bhd | 14,336,328 | 14.163 | - | - |
| 3 | My E.G. Capital Sdn Bhd | 16,083,900 | 15.889 | - | - |
| 4 | MY E.G. Services Berhad | - | - | 16,083,900 ⁽³⁾ | 15.889 |
| 5 | Wong Thean Soon | - | - | 16,083,900 ⁽⁴⁾ | 15.889 |
| 6 | Rosetta Partners Sdn Bhd | 16,100,000 | 15.905 | - | - |
| 7 | Mfivesouthsea Sdn Bhd | - | - | 16,100,000 ⁽⁵⁾ | 15.905 |
| 8 | Datuk Wira Farhash Wafa Salvador | - | - | 16,100,000 ⁽⁶⁾ | 15.905 |
| 9 | KDYMM Sultan Muhammad V Tengku Muhammad Faris Petra Ibni Al-Marhum Sultan Ismail Petra | - | - | 16,100,000 ⁽⁶⁾ | 15.905 |

⁽¹⁾ Deemed interest by virtue of his substantial shareholdings in Padujade Corporation Sdn Bhd and his daughter's direct shareholdings in the Company pursuant to Section 8(4) & 59(11)(c) of the Companies Act 2016 ("the Act").

⁽²⁾ Deemed interest by virtue of his substantial shareholdings in Gerbang Mahligai Sdn Bhd pursuant to Section 8(4) of the Act.

⁽³⁾ Deemed interest by virtue of MY E.G. Capital Sdn Bhd being a wholly-owned subsidiary of My E.G. Services Berhad pursuant to Section 8(4) of the Act.

⁽⁴⁾ Deemed interest by virtue of his substantial shareholdings in MY E.G. Services Berhad, the holding company of MY E.G. Capital Sdn Bhd pursuant to Section 8(4) of the Act.

⁽⁵⁾ Deemed interest by virtue of Rosetta Partners Sdn Bhd being a wholly-owned subsidiary of Mfivesouthsea Sdn Bhd pursuant to Section 8(4) of the Act.

⁽⁶⁾ Deemed interest by virtue of his substantial interest in Mfivesouthsea Sdn Bhd, the holding company of Rosetta Partners Sdn Bhd pursuant to Section 8(4) of the Act.

ANALYSIS OF SHAREHOLDINGS AS AT 19th MARCH 2024

ANALYSIS BY SIZE OF HOLDINGS

| Size Of Shareholdings | | | No. Of Shareholders/ Depositors | Holder Percentage | No. Of Shares/ Securities | Holding Percentage |
|-------------------------------|---|----------------------------------|------------------------------------|-------------------|------------------------------|-----------------------|
| 1 | - | 99 | 430 | 15.024 | 13,028 | 0.012 |
| 100 | - | 1,000 | 663 | 23.165 | 396,609 | 0.391 |
| 1,001 | - | 10,000 | 1,372 | 47.938 | 5,206,552 | 5.143 |
| 10,001 | - | 100,000 | 330 | 11.530 | 10,794,559 | 10.663 |
| 100,001 | - | Less than 5% of issued shares | 64 | 2.236 | 38,394,224 | 37.929 |
| 5% and above of issued shares | | | 3 | 0.104 | 46,420,228 | 45.858 |
| Total | | | 2,862 | 100 | 101,225,200 | 100 |

TOP THIRTY (30) SHAREHOLDERS

| NO. | NAME | SHARES | PERCENTAGE |
|-----|---|------------|------------|
| 1 | Rosetta Partners Sdn Bhd | 16,100,000 | 15.905 |
| 2 | My E.G Capital Sdn Bhd | 16,083,900 | 15.889 |
| 3 | Padujade Corporation Sdn Bhd | 14,236,328 | 14.064 |
| 4 | Inter-Pacific Equity Nominees (Tempatan) Sdn.Bhd. Exempt An For Inter-Pacific Asset Management Sdn Bhd | 5,000,000 | 4.939 |
| 5 | Inter-Pacific Equity Nominees (Tempatan) Sdn.Bhd. Inter-Pacific Asset Management Sdn Bhd For Amanah Raya Berhad For Common Fund | 5,000,000 | 4.939 |
| 6 | Dato' Sri Mohd Hilmey Bin Mohd Taib | 2,452,000 | 2.422 |
| 7 | Public Invest Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients) | 2,200,000 | 2.173 |
| 8 | CGS International Nominees Malaysia (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Faroz Bin Mohamed Jakel (Mi0077) | 1,602,200 | 1.582 |
| 9 | Hillcove Sdn Bhd | 1,568,300 | 1.549 |
| 10 | Ong Chui Li | 1,450,000 | 1.432 |
| 11 | Dato' Sri Mohd Hilmey Bin Mohd Taib | 1,334,484 | 1.318 |
| 12 | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chong Wan Fun (6000627) | 1,280,000 | 1.264 |
| 13 | HSBC Nominees (Asing) Sdn Bhd Exempt An For Banque Pictet & Cie Sa | 1,259,500 | 1.244 |

ANALYSIS OF SHAREHOLDINGS AS AT 19th MARCH 2024

TOP THIRTY (30) SHAREHOLDERS (CONT'D)

| NO. | NAME | SHARES | PERCENTAGE |
|--------------|---|-------------------|---------------|
| 14 | Kenanga Nominees (Tempatan) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Client Account) | 1,101,000 | 1.087 |
| 15 | Tan Yan Ching | 1,000,000 | 0.987 |
| 16 | Lim Kok Han | 722,400 | 0.713 |
| 17 | Hau Mun Meng | 704,100 | 0.695 |
| 18 | Mohamed Nizam Bin Mohamed Jakel | 700,000 | 0.691 |
| 19 | Yong Chun Shang | 561,400 | 0.554 |
| 20 | UOB Kay Hian Nominees (Tempatan) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients) | 480,000 | 0.474 |
| 21 | Ng Chin Leong | 400,000 | 0.395 |
| 22 | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Raymond Cheah Sin Beng (7005439) | 374,000 | 0.369 |
| 23 | Kamsiah Binti Abu | 360,190 | 0.355 |
| 24 | Koo Seng Keng | 345,000 | 0.340 |
| 25 | Wan Zaidi Bin Wan Jaafar | 335,695 | 0.331 |
| 26 | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tay Pin Sun | 335,000 | 0.330 |
| 27 | Goh Siang Giang | 332,700 | 0.328 |
| 28 | Yong Loy Huat | 330,000 | 0.326 |
| 29 | Midf Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Gerbang Mahligai Sdn Bhd (MGN-GMS0001M) | 292,000 | 0.288 |
| 30 | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Teo Ching-Ya | 290,000 | 0.286 |
| Total | | 78,230,197 | 77.283 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“the Company”) will be held as a fully virtual meeting via live streaming and online remote voting from the broadcast venue at TITAN 1, HeiTech Village 2, No 1, Jalan Astaka U8/81, Seksyen U8, 40150 Shah Alam, Selangor (“Broadcast Venue”) on Tuesday, 25 June 2024 at 10:30 a.m. for the following purposes:-

Ordinary Business

| | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of Directors and the Auditors thereon. | Please refer to the Explanatory Note 1 |
| 2. | To approve the payment of Directors’ Fees up to an amount of RM385,000 for the period from 26 June 2024 until the next Annual General Meeting of the Company. | Resolution 1 |
| 3. | To approve the payment of Directors’ benefits for the period from 26 June 2024 until the next Annual General Meeting of the Company. | Resolution 2 |
| 4. | To re-elect the following Directors who are retiring by rotation in accordance with Clause 82 of the Company’s Constitution: - (i) Encik Razalee Bin Amin; (ii) Mr. Chong Seep Hon; and (iii) Puan Wan Ainol Zilan Binti Abdul Rahim. | Resolution 3 Resolution 4 Resolution 5 |
| 5. | To re-elect the following Directors who are retiring in accordance with Clause 85 of the Company’s Constitution: - (i) Puan Salmi Nadia Binti Mohd Hilmey; (ii) Datuk Mohd Jimmy Wong Bin Abdullah; and (iii) Mr. Sandraruben A/L Neelamagham. | Resolution 6 Resolution 7 Resolution 8 |
| 6. | To re-appoint Messrs. Al Jafree Salihin Kuzaimi PLT (Salihin) as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 9 |

Special Business:

To consider and, if thought fit, to pass the following Resolutions with or without modifications:-

| | | |
|----|---|----------------------|
| 7. | <p>Ordinary Resolution Authority to Allot and Issue Shares pursuant to Section 75 and 76 of the Companies Act, 2016</p> <p>“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby authorised to issue shares of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued capital of the Company for the time being THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company.”</p> <p>THAT the existing shareholders of the Company hereby waive their pre-emptive rights to be offered new shares ranking equally to the existing issued shares in the Company pursuant to Section 85 of the Act read together with Clause 52 of the Constitution of the Company arising from any issuance of new shares of the Company pursuant to Sections 75 and 76 of the Act.</p> <p>AND THAT the Directors of the Company be and are hereby authorized to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the mandate”</p> | Resolution 10 |
|----|---|----------------------|

NOTICE OF ANNUAL GENERAL MEETING

| | | |
|-----|---|----------------------|
| 8. | <p>ORDINARY RESOLUTION Retention of Encik Sulaiman Hew Bin Abdullah as Independent Non-Executive Director</p> <p>“THAT approval be and is hereby given to Encik Sulaiman Hew Bin Abdullah, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.”</p> | Resolution 11 |
| 9. | <p>ORDINARY RESOLUTION Retention of Puan Wan Ainol Zilan Binti Abdul Rahim as Independent Non-Executive Director</p> <p>“THAT approval be and is hereby given to Puan Wan Ainol Zilan Binti Abdul Rahim, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance.”</p> | Resolution 12 |
| 10. | To transact any other business of which due notice shall have been given in accordance with the Act. | |

By Order of the Board
HEITECH PADU BERHAD

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

Company Secretaries

Selangor
24 April 2024

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. IMPORTANT NOTICE

An online meeting platform used to conduct the meeting can be recognised as the meeting venue as required under Section 327 (2) of the Companies Act, 2016 provided that the online platform is located in Malaysia, provided that the online platform is located in Malaysia.

Shareholders are to attend, speak (including posting questions to the Board via real-time submission of typed texts) and vote (collectively, "participate") remotely at the 29th AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIH Online website at <https://tiih.online>. **Please follow the Procedures for RPV in the Administrative Guideline** and take note of **Notes (2) to (12) below in order to participate remotely via RPV.**

2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the Record of Depositors as at 18 June 2024. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. Where there are two (2) proxies, the number of shares to be represented by each proxy must be stated.
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where the appointment is executed by a corporation, it must be either under its Common Seal or the hand of its officer or attorney duly authorized.
7. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online website at <https://tiih.online>. **Please follow the procedures for RPV in the Administrative Guideline.**
8. The appointment of proxy may be made in hard copy form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - a) **Hard copy form**
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - b) **Electronic form**
The form of proxy can be electronically submitted via Tricors's TIH Online website at <https://tiih.online>. Kindly refer to the Procedure for Electronic Submission of Form of Proxy.
9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is **Sunday, 23 June 2024 at 10.30 a.m.**
11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to the vote by way of a poll. Independent Scrutineers will be appointed to conduct the polling process and to verify the results of the poll.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE AGENDA

1. This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements and Reports financial year end 31 December 2023. Hence, this Agenda is not put forward for voting.
2. The estimated Directors' fees in Ordinary Resolution 1 are calculated based on the current Board size. This resolution is to facilitate the payment of Directors' fees immediately after this AGM until the next AGM to be held in 2025. In the event that the proposed amount is insufficient due to enlarged Board size, approval will be sought at the next AGM for the shortfall.
3. Benefits payable from 26 June 2024 until the conclusion of the next AGM of the Company

The amount of Directors' benefits payable to Non-Executive Directors comprise meeting allowances from this AGM until the conclusion of the next AGM of the Company pursuant to the Act which shareholders' approval will be sought at this 29th AGM in accordance with Section 230(1) of the Act.

The Directors' benefits payable to the Non-Executive Directors until the next Annual General Meeting of the Company are calculated based on the current composition of the Board and Board Committees and the number of meetings scheduled for the Board and Board Committees.

Resolution 2 on the payment of Directors' benefits for the period from 26 June 2024 until the next Annual General Meeting of the Company, sets out in the manner below:-

| Special Allowances | Chairman | Member |
|----------------------------|----------|--------|
| Chairman Monthly Allowance | RM3,000 | - |

| Meeting Allowances (Per Meeting) | Chairman | Member |
|--|----------|---------|
| Board of Directors Meeting | RM2,500 | RM2,000 |
| Audit Committee Meeting | RM2,500 | RM2,000 |
| Risk Management Committee Meeting | RM2,500 | RM2,000 |
| Nomination & Remuneration Committee Meeting | RM2,500 | RM2,000 |
| Integrity & Whistleblowing Board Committee Meeting | RM2,500 | RM2,000 |

NOTICE OF ANNUAL GENERAL MEETING

4. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 10, if approved, will authorise the Directors to issue shares (other than bonus or rights issue) in the Company up to an aggregate amount of not exceeding 10% of the issued capital of the Company without convening a general meeting. The approval is sought to avoid any delay and costs involved in convening a general meeting for such issuance of shares. The authority will expire at the next AGM of the Company.

As at the date of Notice, no shares were issued pursuant to the mandate granted to the Directors at the last AGM held on 22 June 2023 which will lapse at the conclusion of the 29th AGM.

The purpose of the renewal of general mandate is for possible fund-raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions and/or as consideration for acquisitions.

By approving the allotment and issue of the Company's shares pursuant to the Mandate which will rank equally with the existing issued shares in the Company, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85 of the Act and Clause 52 of the Constitution of the Company to be first offered the Company's Shares which will result in a dilution to their shareholdings percentage in the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the mandate is in the best interests of the Company and its shareholders.

5. Resolutions 11 and 12 - Retention of Independent Non-Executive Directors

i. Encik Sulaiman Hew Bin Abdullah

The Nomination Committee of Company has assessed the independence of Encik Sulaiman Hew Bin Abdullah who has served for a cumulative term of more than nine (9) years and is satisfied that he will continue to bring independent views to the Board. He has a good understanding of the business of the Company and his knowledge and experience would continue to provide invaluable contribution to the Board.

The Board upon the recommendation from the Nomination Committee of the Company recommends him to continue to act as Independent Non-Executive Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process pursuant to Practice 5.3 of Malaysian Code on Corporate Governance 2021.

ii. Puan Wan Ainol Zilan Binti Abdul Rahim

The Nomination Committee of Company has assessed the independence of Puan Wan Ainol Zilan Binti Abdul Rahim who has served for a cumulative term of more than nine (9) years and is satisfied that she will continue to bring independent views to the Board. She has a good understanding of the business of the Company and her knowledge and experience would continue to provide invaluable contribution to the Board.

The Board upon the recommendation from the Nomination Committee of the Company recommends her to continue to act as Independent Non-Executive Director of the Company subject to the approval from the shareholders of the Company through a two-tier voting process pursuant to Practice 5.3 of Malaysian Code on Corporate Governance 2021.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the profile of the Directors who are standing for re-appointment and re-election are set out on the page 62 to 72 of the Annual Report.

The details of the Directors' shareholdings in the Company, are set out on the page 201 of the Annual Report.

The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Section 75 and 76 of the Act is set out under Explanatory Note 4.

ADMINISTRATIVE GUIDE

For the 29th Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“HeiTech” or “the Company”)

| | | |
|-------------------------|---|---|
| Date | : | Tuesday, 25 June 2024 |
| Time | : | 10.30 a.m. |
| Broadcast Venue | : | TITAN 1, HeiTech Village 2, No 1, Jalan Astaka U8/81, Seksyen U8, 40150 Shah Alam, Selangor |
| Online Meeting Platform | : | TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia |

MODE OF MEETING

1. In line with the Government of Malaysia’s directive and the revised Guidance Note and Frequently Asked Questions (“FAQs”) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7th April 2022, the 29th AGM of the Company will be conducted on a Fully Virtual basis through live streaming and online remote voting from the broadcast venue using Remote Participation and Voting (“RPV”) facilities provided by the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”).
2. The Broadcast Venue of the 29th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, whereby the main venue of the meeting shall be in Malaysia and the Chairman of the Meeting shall be present at the main venue of the Meeting.
3. Shareholders/proxy(ies) from the public WILL NOT BE ALLOWED to attend the 29th AGM in person at the Broadcast Venue on the day of the Meeting.

RPV FACILITIES

1. Shareholder(s) are able to attend virtually, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 29th AGM using the RPV provided by Tricor via its TIIH Online website at <https://tiih.online>. Please refer to the Procedures for RPV contained herein for more information.
2. A shareholder who has appointed a proxy(ies) or authorised representative(s) or attorney(s) to participate at the 29th AGM via the RPV must request his/her proxy(ies) or authorized representative(s) or attorney(s) to register himself/herself for RPV at the TIIH Online website at <https://tiih.online>. Please refer to the Procedure for RPV contained herein for more information.

PROCEDURES FOR RPV

Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) who wish to participate in 29th AGM will need to follow the requirements and procedures as summarized below:-

| Procedure | | Action |
|---------------------------|------------------------------------|---|
| BEFORE THE AGM DAY | | |
| (a) | Sign-up as a user with TIIH Online | <ul style="list-style-type: none"> • If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on Tricor’s TIIH Online website for assistance to sign up. Registration as a user will be approved within one working day and you will be notified via email. • If you are already a registered user with TIIH Online, you do not need to register again. You will receive an e-mail from Tricor notifying that the remote participation for the 29th AGM is available for registration on TIIH Online. |

ADMINISTRATIVE GUIDE

For the 29th Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“HeiTech” or “the Company”)

| Procedure | | Action |
|------------------------------|------------------------------------|---|
| BEFORE THE AGM DAY | | |
| (b) | Submit your registration for RPV | <ul style="list-style-type: none"> Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 29th AGM to ascertain their eligibility to participate at the 29th AGM using the RPV. Registration is open from Wednesday, 24 April 2024 until the day of 29th AGM, Tuesday, 25 June 2024. To register for RPV, visit the TIIH Online website and login with your user ID (i.e. email address) and password and select the corporate event: “(REGISTRATION) HEITECH PADU BERHAD 29th AGM” Read and agree to the Terms & Conditions and confirm the Declaration. Select “Register for Remote Participation and Voting”. Review your registration and proceed to register. The system will send an email to notify you that your registration for remote participation is received and will be verified. After verification of your registration against the General Meeting Record of Depositors dated 18 June 2024, the system will send you an email to approve or reject your registration for remote participation and the procedures to use the RPV will be detailed therein. In the event your registration is not approved, you will also be notified via email. <p><i>(Note: Please allow sufficient time for approval as a new user of TIIH Online as well as the registration for RPV in order for you to log into TIIH Online and participate in the 29th AGM)</i></p> |
| ON THE DAY OF THE AGM | | |
| (a) | Login to TIIH Online | <ul style="list-style-type: none"> To participate in the 29th AGM, visit the TIIH Online website and log in with your user ID (i.e. email address) and password at any time from 9.30 a.m. i.e. 1 hour before the commencement of the 29th AGM on Tuesday, 25 June 2024 at 10.30 a.m. |
| (b) | Participate through Live Streaming | <ul style="list-style-type: none"> Select the corporate event: “(LIVE STREAMING MEETING) HEITECH PADU BERHAD 29th AGM” to engage in the proceedings of the 29th AGM. If you have any questions for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will endeavor to respond to all questions submitted during the 29th AGM. |
| (c) | Online Remote Voting | <ul style="list-style-type: none"> The voting session will commence from 10.30 a.m. on Tuesday, 25 June 2024 until a time when the Chairman announces the end of the session. To submit your vote, on the TIIH Online website, select the corporate event: “(REMOTE VOTING) HEITECH PADU BERHAD 29th AGM” or if you are in the live stream meeting page, you can select the “GO TO REMOTE VOTING PAGE” button, located below the query box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes. |
| (d) | End of remote participation | <ul style="list-style-type: none"> Upon the announcement by the Chairman on the closure of the 29th AGM, the live streaming will end. |

ADMINISTRATIVE GUIDE

For the 29th Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“HeiTech” or “the Company”)**Note to users of the RPV facilities:**

1. Should your registration for the RPV be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet connection at your location and the device you use.
3. In the event you encounter any issues logging in, connecting to the live streamed meeting or voting online on the day of the meeting, kindly call the Tricor Help Line at +6011-40805616/ +6011-40803168/ +6011-40803169/ +6011-40803170 or email to tiih.online@my.tricorglobal.com for assistance.

ENTITLEMENT TO PARTICIPATE AND VOTE

1. Only shareholders whose names appear on the Record of Depositors as of 18 June 2024 shall be entitled to attend the 29th AGM or appoint proxy(ies) to attend and/ or vote on his/ her behalf. A shareholder will not be allowed to participate at the meeting if his/ her proxy(ies) has/ have been registered to participate in the meeting.
2. If a shareholder is unable to participate in the 29th AGM, he/ she may also appoint the Chairman of the meeting as his/ her proxy and indicate the voting instructions in the form of proxy.

APPOINTMENT OF PROXY OR CORPORATE REPRESENTATIVE OR ATTORNEY

1. The appointment of proxy(ies) may be submitted in hard copy form or electronically.
 - (i) In hard copy form
The form of proxy must be deposited with Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) Electronic Form
The form of proxy can be electronically submitted via Tricor's TIIH Online website at <https://tiih.online>. Kindly refer to the Procedure for Electronic Submission of Form of Proxy.
2. The form of proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor not less than 48 hours before the time appointed for the taking of the poll or no later than **Sunday, 23 June 2024 at 10.30 a.m.**
3. Shareholders who have appointed proxy(ies) or authorised representative(s) or attorney(s) to participate in the 29th AGM must request his/her proxy(ies) or authorised representative(s) or attorney(s) to register himself/herself/themselves for the RPV at Tricor's TIIH Online website at <https://tiih.online>.

ADMINISTRATIVE GUIDE

For the 29th Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“HeiTech” or “the Company”)

PROCEDURE FOR ELECTRONIC SUBMISSION OF FORM OF PROXY

The procedures to submit your form of proxy electronically via Tricor’s TIIH Online website are summarised below:

| Procedure | | Action |
|---|--|--|
| i STEPS FOR INDIVIDUAL SHAREHOLDERS | | |
| (a) | Register as a User with TIIH Online | <ul style="list-style-type: none"> Using your computer, please access the TIIH Online website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again. |
| (b) | Proceed with submission of Form of Proxy | <ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, log in with your username (i.e. email address) and password. Select the corporate event: “Submission of Proxy Form”. Read and agree to the Terms & Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your vote. Review and confirm your proxy(ies) appointment. Print the form of proxy for your record. |
| ii STEPS FOR CORPORATION OR INSTITUTIONAL SHAREHOLDERS | | |
| (a) | Register as a User with TIIH Online | <ul style="list-style-type: none"> Using your computer, please access the TIIH Online website at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects “Create Account by Representative of Corporate Holder”. Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</p> |
| (b) | Proceed with submission of form of proxy | <ul style="list-style-type: none"> Login to TIIH Online at https://tiih.online Select the corporate exercise name: “HEITECH PADU BERHAD 29th AGM “Submission of Proxy Form”. Agree to the Terms & Conditions and Declaration. Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Submit the proxy appointment file. Print the confirmation report of your submission for your record. |

ADMINISTRATIVE GUIDE

For the 29th Annual General Meeting (“29th AGM”) of HeiTech Padu Berhad (“HeiTech” or “the Company”)

POLL VOTING

1. The voting at the 29th AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and Scrutineer Solutions Sdn Bhd as the Scrutineers to verify the poll results.
2. Shareholders or proxy(ies) or corporate representative(s) or attorney(s) may proceed to vote on the resolutions at any time from **10.30 a.m. on Tuesday, 25 June 2024** until the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to the Procedures of RPV for guidance on how to vote remotely from Tricor’s TIH Online website at <https://tiih.online>.
3. Upon completion of the voting session for the 29th AGM, the Scrutineers will verify the poll results followed by the Chairman’s declaration on whether the resolutions are duly passed.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

1. Shareholders may submit questions for the Board in advance of the 29th AGM via Tricor’s TIH Online website at <https://tiih.online> by selecting “e-Services” to log in and submit questions no later than Monday, 24 June 2024 at 10.30 a.m.
2. The Board will endeavour to answer the questions received at the 29th AGM.

BREAKFAST/ LUNCH PACK, DOOR GIFT/ FOOD VOUCHER

There will be no distribution of breakfast or lunch packs, vouchers(s) or door gifts(s) to shareholders/ proxy(ies) who participate in the 29th AGM.

The Board would like to thank all its shareholders for their kind co-operation and understanding on this matter.

NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the 29th AGM of the Company.

ENQUIRY

If you have any enquiries on the above, please contact our Share Registrar, Tricor or HeiTech Padu Berhad, during office hours on Monday to Friday from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

| | | |
|--------------|---|--------------------------------|
| General Line | : | +603-2783 9299 |
| Fax Number | : | +603-2783 9222 |
| Email | : | is.enquiry@my.tricorglobal.com |

HeiTech Padu Berhad

| | | |
|-------------------------|---|------------------------------------|
| Company Secretary email | : | cosec@heitech.com.my |
| Contact persons | : | Puan Syazreen Yasmin Binti Suyamin |
| | | +603-8601 3125 |

**HeiTech Padu Berhad**

[Registration No: 199401024950 (310628-D)]
(Incorporated in Malaysia)

FORM OF PROXY

| | |
|--------------------|--|
| No. of Shares Held | |
| CDS Account No. | |

I/We _____ (NRIC No.: _____)
of _____

being a member of HeiTech Padu Berhad hereby appoint _____
(NRIC No.: _____)

of _____

or failing him/her _____ (NRIC No.: _____)
of _____

or failing him/her, *Chairman of Meeting* as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Ninth (29th) Annual General Meeting of the Company to be held virtual basis through online via our Share Registrar's website at <https://tiih.online/> in Malaysia on Tuesday, 25 June 2024 at 10.30 a.m. or any adjournment thereof.

My/our proxy is to vote as indicated below.

| No. | Resolution | For | Against |
|-----|---|-----|---------|
| 1 | To approve the payment of Directors' Fees up to an amount of RM385,000 for the period from 26 June 2024 until the next Annual General Meeting of the Company. | | |
| 2 | To approve the payment of Directors' benefits for the period from 26 June 2024 until the next Annual General Meeting of the Company. | | |
| 3 | To re-elect of Encik Razalee Bin Amin who retires in accordance with Clause 82 of the Company's Constitution. | | |
| 4 | To re-elect of Mr. Chong Seep Hon who retires in accordance with Clause 82 of the Company's Constitution. | | |
| 5 | To re-elect of Puan Wan Ainol Zilan Binti Abdul Rahim who retires in accordance with Clause 82 of the Company's Constitution. | | |
| 6 | To re-elect of Puan Salmi Nadia Binti Mohd Hilmey who retires in accordance with Clause 85 of the Company's Constitution. | | |
| 7 | To re-elect of Datuk Mohd Jimmy Wong Bin Abdullah who retires in accordance with Clause 85 of the Company's Constitution. | | |
| 8 | To re-elect of Mr. Sandraruben A/L Neelamagham who retires in accordance with Clause 85 of the Company's Constitution. | | |
| 9 | Re-appointment of Messrs. Al Jafree Salihin Kuzaimi PLT (Salihin) as Auditors for the ensuing year and to authorize the Directors to fix their remuneration. | | |
| 10 | Proposed authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016. | | |
| 11 | Retention of Encik Sulaiman Hew Bin Abdullah as Independent Non-Executive Director. | | |
| 12 | Retention of Puan Wan Ainol Zilan Binti Abdul Rahim as Independent Non-Executive Director. | | |

Please indicate with an "X" in the space provided, how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Dated this _____ day of _____ 2024

Signature/Common Seal of Appointor

For the appointment of two (2) proxies, the number of shares and percentages of shareholding to be represented by each proxy:

| Name | No. of Shares | % of shareholding |
|---------|---------------|-------------------|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

Notes:

1. Please refer to the Administrative Guide for the procedures to register, participate and vote at the virtual meeting. The Broadcast Venue is strictly to comply with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be physically present at the main venue of the meeting. Shareholders **WILL NOT BE ALLOWED** to attend the 29th AGM in person at the Broadcast Venue on the day of the meeting. Therefore, shareholders are strongly advised to participate and vote remotely at the 29th AGM through live streaming and online remote voting via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIH Online website at <https://tiih.online>. **Please follow the Procedures for RPV in the Administrative Guidelines** and take note of **Notes (2) to (12) below in order to participate remotely via RPV**.
2. For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the Record of Depositors as at 18 June 2024. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM.
3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/ her place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. Where there are two (2) proxies, the number of shares to be represented by each proxy must be stated.
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where the appointment is executed by a corporation, it must be either under its Common Seal or the hand of its officer or attorney duly authorized.
7. A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/ her proxy to register himself/herself for RPV at TIH Online website at <https://tiih.online>. Please follow the procedures for RPV in the Administrative Guidelines.

Please fold here to seal

STAMP

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.

Please fold here to seal

8. The appointment of proxy may be made in hard copy form in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:
 - a) **Hard copy form**
The proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - a) **Electronic form**
The form of proxy can be electronically submitted via Tricor's TIH Online website at <https://tiih.online>. Kindly refer to the Procedure for Electronic Submission of Form of Proxy.
9. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.
10. Last date and time for lodging the proxy form is Sunday, 23 June 2024 at 10.30 a.m.
11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to the vote by way of a poll. Independent Scrutineers will be appointed to conduct the polling process and to verify the results of the poll.

HEITECH PADU BERHAD

199401024950 (310628-D)

Level 15, HeiTech Village, Persiaran Kewajipan, USJ 1,
UEP Subang Jaya, 47600 Subang Jaya,
Selangor Darul Ehsan, Malaysia
T: +(603) 8026 8888 / +(603) 8601 3000

www.heitech.com.my