

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2022**
*(The figures have not been audited)*

	Note	Quarter ended 31 Mar			Year to date ended 31 Mar		
		2022 RM'000	2021 RM'000	% + / (-)	2022 RM'000	2021 RM'000	% + / (-)
Revenue	B1	36,423	43,875	(17.0)	36,423	43,875	(17.0)
Direct costs		<u>(24,574)</u>	<u>(32,928)</u>		<u>(24,574)</u>	<u>(32,928)</u>	
Gross profit		11,849	10,947	8.2	11,849	10,947	8.2
Other operating income		102	-		102	-	
Administrative expenses		(5,693)	(4,895)		(5,693)	(4,895)	
Other operating expenses		(1,877)	(2,066)		(1,877)	(2,066)	
Net reversal/(loss) on impairment of financial instruments		231	(25)		231	(25)	
Profit for the year from operations		<u>4,612</u>	<u>3,961</u>	16.4	<u>4,612</u>	<u>3,961</u>	16.4
Finance income		77	156		77	156	
Finance costs		(793)	(1,027)		(793)	(1,027)	
Share of results of associates		(17)	75		(17)	75	
Profit before taxation		<u>3,879</u>	<u>3,165</u>	22.6	<u>3,879</u>	<u>3,165</u>	22.6
Taxation	B4	<u>(1,327)</u>	<u>(1,186)</u>		<u>(1,327)</u>	<u>(1,186)</u>	
Profit for the financial period		2,552	1,979	29.0	2,552	1,979	29.0
Other comprehensive (loss)/income:							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation (loss)/gain		(9)	23		(9)	23	
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Actuarial loss on defined benefit obligations, net of tax		-	-		-	-	
Total comprehensive income for the financial period		<u>2,543</u>	<u>2,002</u>	27.0	<u>2,543</u>	<u>2,002</u>	27.0
Profit for the financial period attributable to:-							
Owners of the Company		<u>2,552</u>	<u>1,979</u>	29.0	<u>2,552</u>	<u>1,979</u>	29.0
Total comprehensive income attributable to:-							
Owners of the Company		<u>2,543</u>	<u>2,002</u>	27.0	<u>2,543</u>	<u>2,002</u>	27.0
Earnings per share (sen)							
- Basic	B11	<u>0.51</u>	<u>0.40</u>	29.0	<u>0.51</u>	<u>0.40</u>	29.0
- Diluted	B11	<u>0.51</u>	<u>0.40</u>	29.0	<u>0.51</u>	<u>0.40</u>	29.0



**ENGINEERS**

**HSS ENGINEERS BERHAD**

**Company No: 201501003232 (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022**

*(The figures have not been audited)*

	<b>Unaudited as at 31.03.2022 RM'000</b>	<b>Audited as at 31.12.2021 RM'000</b>
<b>ASSETS</b>		
	<b>Note</b>	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	4,199	4,220
Intangible assets	1,655	2,067
Goodwill	162,677	162,677
Right-of-use assets	5,089	5,790
Investments in associates	2,675	2,692
Deferred tax assets	1,671	1,649
	<u>177,966</u>	<u>179,095</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	56,293	44,870
Contract assets	102,953	108,614
Current tax assets	576	851
Derivative financial assets	369	271
Prepayment	2,578	2,649
Cash and cash equivalents	28,908	31,510
	<u>191,677</u>	<u>188,765</u>
<b>TOTAL ASSETS</b>	<b><u>369,643</u></b>	<b><u>367,860</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	254,291	254,291
Reserves	<u>(23,839)</u>	<u>(26,382)</u>
<b>TOTAL EQUITY</b>	<b><u>230,452</u></b>	<b><u>227,909</u></b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2022 (cont'd)**

*(The figures have not been audited)*

		<b>Unaudited as at 31.03.2022 RM'000</b>	<b>Audited as at 31.12.2021 RM'000</b>
<b>NON-CURRENT LIABILITIES</b>			
	<b>Note</b>		
Loans and borrowings	B8	29,809	32,953
Lease liabilities	B8	2,440	3,149
Employee benefits		91	25
Deferred tax liabilities		283	377
Other payables		7,245	7,193
		<u>39,868</u>	<u>43,697</u>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	B8	27,201	18,882
Lease liabilities	B8	2,802	2,778
Trade and other payables		54,232	61,741
Contract liabilities		11,949	12,348
Current tax liabilities		5	-
Provisions		3,134	505
		<u>99,323</u>	<u>96,254</u>
<b>TOTAL LIABILITIES</b>		<u>139,191</u>	<u>139,951</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>369,643</b></u>	<u><b>367,860</b></u>
Net assets per share (RM)		<u>0.46</u>	<u>0.46</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 MARCH 2022

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
	<b>Share Capital RM'000</b>	<b>Warrants Reserve RM'000</b>	<b>Foreign Currency Translation Reserve RM'000</b>	<b>Accumulated losses RM'000</b>	<b>Total RM'000</b>
As at 1 January 2022	254,291	29,196	224	(55,802)	227,909
Other comprehensive income:					
- Foreign currency translation gain	-	-	(9)	-	(9)
Total other comprehensive income	-	-	(9)	-	(9)
Profit for the financial period	-	-	-	2,552	2,552
Total comprehensive income for the financial period	-	-	(9)	2,552	2,543
<b>As at 31 March 2022</b>	<b>254,291</b>	<b>29,196</b>	<b>215</b>	<b>(53,250)</b>	<b>230,452</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 MARCH 2022 (cont'd)**

*(The figures have not been audited)*

	<u>Non-Distributable</u>		<u>Distributable</u>		
			Foreign Currency Translation Reserve	Accumulated losses	Total
	Share Capital RM'000	Warrants Reserve RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	254,291	29,196	208	(58,814)	224,881
Other comprehensive income:					
- Foreign currency translation loss	-	-	23	-	23
- Actuarial loss on defined benefit obligations, net of tax				-	-
Total other comprehensive loss	-	-	23	-	23
Profit for the financial period	-	-	-	1,979	1,979
Total comprehensive income for the financial period	-	-	23	1,979	2,002
<b>As at 31 March 2021</b>	<b>254,291</b>	<b>29,196</b>	<b>231</b>	<b>(56,835)</b>	<b>226,883</b>



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**Company No: 201501003232 (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 31 MARCH 2022**

*(The figures have not been audited)*

	<b><u>Year to date ended</u></b>	
	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,879	3,165
Adjustments for:		
Reversal of allowance for impairment losses	(231)	25
Depreciation of property, plant and equipment	352	323
Depreciation of right-of-use assets	701	700
Amortisation of intangible assets	424	907
Finance income	(77)	(169)
Finance costs	793	978
Net fair value gain on derivative	(98)	-
Share of profit of equity- accounted associates, net of tax	17	(75)
<b>Operating profit before working capital changes</b>	<b>5,760</b>	<b>5,854</b>
Changes in working capital:		
Change in employee benefits and provision	66	26
Change in trade and other receivables and prepayments	(11,121)	3,046
Change in trade and other payables	(4,286)	8,384
Change in contract assets	5,661	(6,499)
Change in contract liabilities	(399)	(6,327)
<b>Cash (used in)/generated from operations</b>	<b>(4,319)</b>	<b>4,484</b>
Interest received	77	169
Net tax paid	(1,163)	(1,721)
<b>Net cash (used in)/from operating activities</b>	<b>(5,405)</b>	<b>2,932</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED  
31 DECEMBER 2021 (cont'd)**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>31 Mar 2022 RM'000</b>	<b>31 Mar 2021 RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(304)	(25)
Acquisition of intangible assets	(12)	-
Proceeds from disposal of property, plant and equipment	-	-
<b>Net cash used in investing activities</b>	<b>(316)</b>	<b>(25)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on hire purchase financing	(131)	(28)
Repayment of term loans	(3,304)	(2,902)
Net proceeds from/(repayment of) other bank facilities	3,451	(619)
Payment of lease liabilities	(685)	(674)
Deposit pledged of licensed bank	(9)	321
Interest paid	(689)	(782)
<b>Net cash used in financing activities</b>	<b>(1,367)</b>	<b>(4,684)</b>
<b>Net decrease in cash and cash equivalents during financial period</b>	<b>(7,088)</b>	<b>(1,777)</b>
<b>Effect of exchange rate fluctuation on cash held</b>	<b>(9)</b>	<b>19</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>22,418</b>	<b>23,065</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>15,321</b>	<b>21,307</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED  
31 MARCH 2022 (cont'd)**

*(The figures have not been audited)*

Components of cash and cash equivalents as at 31 Mar 2022 is as follows:

	<b>31 Mar 2022 RM'000</b>	<b>31 Mar 2021 RM'000</b>
Cash and bank balances	4,643	3,215
Short term deposits with licensed banks	24,265	33,157
Bank overdrafts (secured)	<u>(7,432)</u>	<u>-</u>
	21,476	36,372
Less: short term deposits and bank balances pledged with licensed banks	<u>(6,155)</u>	<u>(15,065)</u>
	<b><u>15,321</u></b>	<b><u>21,307</u></b>

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**Company No: 201501003232 (1128564-U)**

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT**

**A1. Basis of preparation**

The interim financial report of HSS Engineers Berhad ("**HEB**" or the "**Company**") and its subsidiaries ("**the Group**") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134- Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 and accompanying explanatory notes attached to this interim financial report.

**A2. Changes in accounting policies**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 except for the adoption of the following applicable Amendments to Standards or new Standards during the current financial period which are effective from 1 January 2022:

**MFRSs (Including The Consequential Amendments)**

- Amendments to MFRS 3, Business Combinations, MFRS 9, Financial Instruments, MFRS 116, Property, Plant and Equipment, and MFRS 137, Provisions, Contingent Liabilities and Contingent Assets

**A3. Auditors' report on preceding audited financial statements**

The preceding year's audited financial statements of the Company, HSS Engineering Sdn Bhd, SMHB Engineering Sdn Bhd, HSS BIM Solutions Pvt Ltd, BIM Global Ventures Sdn Bhd and HEB Energy Sdn Bhd were not subject to any qualification.

**A4. Seasonal or cyclical factors**

The Group's business operations are not materially affected by seasonal or cyclical factors on an annual basis but varies on a quarterly basis.

**A5. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period under review.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT**

**A6. Material changes in estimates**

There were no changes in estimates of amounts reported in previous financial years that have a material effect on the results for the current financial period under review.

**A7. Debt and equity securities**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial period under review.

**A8. Dividend paid**

There was no dividend paid during the current quarter under review.

**A9. Segmental information**

The Group's activities are conducted within a single industry segment comprising provision of engineering and project management services and provision of Building Information Modeling ("BIM") services. As such, the operating revenue and results of this segment are reflected in the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The segment assets and liabilities are as presented in the Unaudited Condensed Consolidated Statement of Financial Position.

**A10. Valuation of property, plant and equipment**

There was no valuation of property, plant and equipment in the current financial period under review.

**A11. Capital commitments**

The capital commitments of the Group as at 31 March 2022 were as follows:-

	<b>RM'000</b>
Authorised but not contracted for:	<u>2,132</u>

**A12. Material events subsequent to the end of the current financial period**

There were no material events subsequent to the end of the current financial period.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT**

**A13. Effect of Changes in composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review.

**A14. Contingent assets or contingent liabilities**

The Group has no contingent assets or contingent liabilities as at the date of this report.

**A15. Related party transactions**

There were no related party transactions entered into during the current period under review.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review of performance**

For the current quarter under review, the Group recorded revenue of RM36.4 million.

	Quarter ended			Year to date ended		
	31 Mar 2022	31 Mar 2021	Variance	31 Mar 2022	31 Mar 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Engineering services</b>						
- Engineering design	7,714	21,575	(64.2)	7,714	21,575	(64.2)
- Construction supervision	15,000	16,206	(7.4)	15,000	16,206	(7.4)
<b>Project management</b>	10,657	3,641	>100	10,657	3,641	>100
<b>BIM services</b>	372	340	9.4	372	340	9.4
<b>Reimbursable income</b>	2,680	2,113	26.8	2,680	2,113	26.8
<b>TOTAL</b>	<b>36,423</b>	<b>43,875</b>	<b>(17.0)</b>	<b>36,423</b>	<b>43,875</b>	<b>(17.0)</b>

Engineering design

The revenue from engineering design for current quarter decreased by 64.2% to RM7.7 million as compared to RM21.6 million for the corresponding quarter ended 31 March 2021. This was mainly attributable to the lower revenue from major on-going projects which include East Coast Rail Line ("ECRL") detailed design and Projek Perintis Sistem Pengangkutan Bus Rapid Transit di 3 Laluan Berkapasiti Tinggi and Pembinaan Laluan Khas (Busway) as compared to the corresponding quarter ended 31 March 2021.

Construction supervision

In line with the progress of projects, construction supervision segment revenue for the current quarter slightly decreased by RM1.2 million or 7.4% as compared to the corresponding quarter ended 31 March 2021.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review of performance (cont'd)**

- (a) Analysis of our revenue by activities is as follows (cont'd):-

Project management

Project management revenue grew by RM7.0 million for the current quarter as compared to RM3.6 million for corresponding quarter in previous year. This was mainly attributable to the newly secured project, Project Management Consultant (PMC) Bagi Fasa 1 Projek Lebuhraya Pan Borneo Sabah.

BIM services

BIM services accounted for a small proportion of the group's revenue and no significant fluctuation was noted.

Reimbursable income

Reimbursable income is recognised on a back to back basis with sub-consultant and allowances claimed by supervision staff and therefore it has no significant impact on the financial performance of the Group.

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**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022****B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)****B1. Review of performance (cont'd)**

(b) Analysis of our revenue by geographical locations is as follows:-

	Quarter ended			Year to date ended		
	31 Mar 2022	31 Mar 2021	Variance	31 Mar 2022	31 Mar 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Local</b>						
Malaysia	36,105	43,656	(17.3)	36,105	43,656	(17.3)
<b>Overseas</b>						
India	270	219	23.3	270	219	23.3
Philippines	48	-	100	48	-	100
<b>TOTAL</b>	<b>36,423</b>	<b>43,875</b>	<b>(17.0)</b>	<b>36,423</b>	<b>43,875</b>	<b>(17.0)</b>

Local market continued to contribute significant portion of revenue amounting to 99.1% of the Group's total revenue as explained in section (a) above.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM2.6 million for the current quarter as compared to a PAT of RM2.0 million for corresponding quarter in year 2021.

(d) Our unbilled order book as at 31 March 2022 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	140,939	27.7
- Construction supervision	207,581	40.7
Project management	155,984	30.6
	<u>504,504</u>	<u>99.0</u>
BIM services	4,951	1.0
<b>Total</b>	<b><u>509,455</u></b>	<b><u>100</u></b>

The above unbilled order book will be billed progressively on average over the next two (2) to five (5) years.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B2. Comparison with preceding quarter's profit/(loss) before taxation**

	<b>Current Quarter 31 Mar 2022 RM'000</b>	<b>Preceding Quarter 31 Dec 2021 RM'000</b>	<b>Variance %</b>
Revenue	36,423	38,882	(6.3)
Gross profit	11,849	9,578	23.7
Profit/(Loss) before taxation	3,879	(365)	>100

The profit before tax for current quarter was RM3.9 million as compared to a loss before tax of RM0.4 million for immediate preceding quarter ended 31 December 2021 due to impairment of financial assets recorded in last quarter and higher gross profit margin achieved in current quarter.

**B3. Prospects**

**(i) Current Scenario**

HEB Group started off positively for the year 2022 having secured several key contracts in the water, digital & technology as well as transportation sectors. In January 2022, we were appointed as consulting engineer for the Sungai Marang Bridge upgrade for a contract sum of RM 15.1 million to provide engineering consultancy services from preliminary, design and tender stages to construction, handing over and defects liability period. In the same month, our appointment for the water treatment plant upgrade at Kubang Pasu Kedah Darul Aman was extended to encompass the construction stage of the project from January 2022 to August 2025, with a revised contract value of RM 22.7 million.

Following this, in February 2022, the Federal Government appointed us to carry out design and construction supervision on the raw water transfer from Sungai Sedili Besar to Sungai Gembut in Johor for a contract sum of RM 3 million to ensure continuous water supply from the Sg Gembut water treatment plant to its 27,000 consumers in the coastal region of Kota Tinggi district.

The Group also successfully forayed into the 5G telecommunication space having accepted two (2) Framework Services from Digital Nasional Berhad ("DNB") to provide consultancy services encompassing Commercial Contract Management, RFx and Negotiation, as well as Site Management for post site acquisition activities.

In March 2022, the Government announced that it had given approval for the go-ahead of Mass Rapid Transit Line 3 (MRT 3) as well as the expansion of the Pan Borneo Highway Sabah which augurs well for the infrastructure players. Subsequently, in April 2022, we were appointed by Mass Rapid Transit Corporation Sdn. Bhd. (MRT Corp) to undertake an independent peer review for the tender documentations on the upcoming MRT 3. The mandate is for a period of 11 months.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B3. Prospects (cont'd)**

**(i) Current Scenario (cont'd)**

It's worth noting that the Pan Borneo Sabah project (15 packages under Phase 1A), in which we secured the Project Management Consultancy Services (PMC) role in April 2021, is close to 60 % completed with 100% staff mobilization at site in the last quarter of 2021.

On ECRL, the design portions on Section A which is from Kota Bharu to Dungun (approximately 210 km long) are near completion and a team of experienced personnel has been mobilized to supervise the ongoing Construction Works. We have also successfully completed our Railway Scheme Mandate for the ECRL with the issuance of Final Railway Scheme Approval from the Land Public Transport Agency for Section C2 (Gombak to Port Klang) in January 2022.

The Group is also working closely with its client, Westports Malaysia to develop eight (8) additional berths and double its container-handling capacity to 28 million 20-foot equivalent units (TEUs) a year by 2040. We have concluded the detailed design for the land reclamation from CT 10 to CT 13 and intend to commence with construction activities upon Westports receiving its necessary approvals from the Government.

Following the water security scheme studies, we were awarded with four (4) work packages comprising (a) pumping plant at Kampung Sg. Darah at Bestari Jaya, Kuala Selangor (b) pumping plant at Rantau Panjang intake at Kuala Selangor (c) river diversion and related works at intake points for SSP1, 2 & 3 and (d) pumping system and associated works at intake points of Sg Semenyih WTP at Jenderam Hilir. Some of these work packages are currently under construction stage.

As Owner Engineer for Sg Rasau Water Supply project in Selangor, we oversee the tender process and award for the construction of Phase 1 works. The scheme will be implemented over a period of four years. The tender for the construction of the Jerneh dam to address water shortages in Melaka is completed with the award by the government anticipated in the first quarter of 2022. In January 2022, we commenced supervision works for the construction of Pelubang Water Supply Scheme in Kedah.

Moving forward, we anticipate pockets of opportunities in the water infrastructure sector as the government aims to gear its efforts towards the adoption of Integrated Water Resources Management (IWRM) in managing water resources which is seen as the game changer in 12th Malaysia Plan (12MP). In the immediate term, we foresee more flood mitigation jobs to be accelerated in light of the massive flash floods last year. To this, the Government had committed a development expenditure of RM 1 billion per annum for flood mitigation projects under the 12MP, with an additional expenditure of RM 15 billion between 2023 and 2030 to expedite these projects further.

We anticipate that the roll out of new contracts as well as implementation of mega infrastructure projects will gain momentum in the second half of 2022 with tender for the Phase 1B (19 packages) of the Pan Borneo Sabah to be called in the 2nd quarter of 2022 whilst MRT3 tender is expected to be called in May 2022.





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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B3. Prospects (cont'd)**

**(i) Current Scenario (cont'd)**

The Group also foresees more project roll-outs to come on stream with privatization playing a pivotal role in funding some of the key infrastructure undertakings in the country, Currently, we are working on several highway privatization proposals within the Klang Valley. Under the Budget 2022, the Government has set up an Infrastructure Facilitation Fund 3.0 with an initial fund allocation of RM 200 million to facilitate the privatization mechanism which is under the purview of the Public-Private Partnership Unit.

**(ii) Order Book/Tender Book**

As of 31st March 2022, our order book stood at RM 509.5 million with construction supervision and project management segments being the biggest contributor of 74 % and our tender book value is RM 375 million.

**(iii) Future Prospects**

The following are the prospects in the Public Transportation, Port and Water Sectors.

**Public Transportation Sector**

● **MRT3**

The Klang Valley MRT Line 3 is an important line as it forms the backbone of the Greater KL / Klang Valley Integrated Transit System and complements the MRT1 and MRT2 lines. We anticipate that the MRT3 project tender will be out in early 2022. We are the incumbent Independent Consulting Engineer (ICE) for the MRT Line 1 and 2 projects which provides us with a wealth of ready at hand information.

● **Bayan Lepas LRT (Penang Transportation Master Plan)**

The tenders for Detailed Engineering and Independent Consulting Engineering (ICE) services for the Bayan Lepas LRT line which forms a priority project under the Penang Transportation Master Plan are expected to be called mid 2H2022. We were the Scheme Design consultants for the project leading the infrastructure designs and coordinating the systems interfaces with the civil works.

**Port Sector**

● **Westport Phase 2**

The Group is working closely with our long term Client, Westports Malaysia on the proposed expansion plan to develop eight (8) additional berths comprising Container Terminal (CT) 10 to Container Terminal (CT) 17 to double its container-handling capacity to about twenty-eight (28) million twenty-foot equivalent units a year. This will ensure Port Klang remains a competitive hub in the region. We have concluded the feasibility studies for the port expansion as well as the detailed design for the land reclamation for CT10 to CT13.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B3. Prospects (cont'd)**

**(iii) Future Prospects (cont'd)**

**Water Sector**

The 12 MP and Shared Prosperity vision continue to drive the water agenda in the country. The Government's inclusive policy to reduce the urban-rural gap in water and sewerage services, particularly in Sabah and Sarawak, will be one of the main agendas in 12 MP and the national budget reflects this policy. The game changer in the 12 MP involves accelerating the adoption of Integrated Water Resources Management (IWRM) in managing water resources in the country. The issue of integrating water and sewerage services continues to get the attention of the Federal Government. Whilst there have been a number of pilot projects that have been implemented, we have yet to see a large scale implementation of the integrated water tariff. We should see some progress in this area within this Plan's period.

Some of the upcoming potential projects:-

- **Dam Safety Review of Hydroelectric Dams**

We are joint-consultant for the Hydro Life Extension Program for Sg Perak Hydroelectric Stations for Review Study and Tender Documentation and next stage of work would be the Project Implementation Stage from 2022 to 2028. We are actively bidding for Dam Safety Review contracts in Selangor and other states.

- **Integrated River Basin Management Plan**

We are presently bidding for IRBM studies under JPS involving multi-disciplinary professional services in the field of hydrology, hydrogeology, stormwater, drainage, flood mitigation, water quality, water resources, bio-diversity, socio-economic, urban and town planning, costing, GIS, public outreach and legal disciplines.

- **Off-River Storages**

We are preparing bids for several proposed barrages and off-river storages for water resources development in Selangor and Kedah.

- **Submarine Pipelines**

Many submarine pipelines installed in the past to provide water supply to island settlements such as Pulau Pinang, Langkawi and Redang are old (some over 50 years) and incur much losses due to leakages in the undersea pipes. We are preparing proposals for new and rehabilitation of these submarine pipelines.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B3. Prospects (cont'd)**

**(iv) Growth Strategies (cont'd)**

**Our growth strategies concentrate on the following:-**

- **Diversification of Revenue**
- **Recurring Income**

**Diversification of Revenue**

**A) Regional Expansion**

HEB Group remains on course in its regional expansion. This endeavour will be supported through strategic collaborations with other partners. As such, HEB Group is collaborating with its Japanese partner – Nippon-Koei, to provide supervision services for the Chennai Metro Phase 3 in India commencing in 4th Quarter 2022.

The Group is making good headway in India and has introduced the "**Ultra High Performance Concrete (UHPC)**", an innovative construction material for the construction of one of the bridges in India namely the 'Latur Bridge Pilot Project". In order to validate the performance of the constructed bridge, a full-scale load testing of the bridge was conducted successfully and the bridge was inaugurated on 25th November 2021 by the Honourable Minister of Roads & Transport, India.

**B) Digital & Technology (focus on Data Centers)**

Given the transferability of our expertise into other high-growth sectors, the Group is exploring opportunities in the digital & technology sector focusing on data centers as well as the 5G telecommunications space, in support of the Government's focus on accelerating the digital economy in the wake of the COVID-19 pandemic. As DNB ramps up the 5G roll out to achieve 38% population coverage by end of 2022, we foresee vast opportunities in this sector for the Group. The Group has embarked on a collaborative partnership approach with global leading data centre specialists to pursue engineering and project management opportunities in Malaysia and South East Asia. We have been shortlisted for two (2) Project Management Consultancy bids for upcoming data center projects in the country.

**Recurring Income**

We are setting our long-term sights on establishing a recurring revenue stream for the Group which is our 4th vertical, especially in the Renewable Energy (RE) space. The Group will explore taking up equity stakes in solar plants, waste-to-energy (WTE) plants, small hydro projects, and biomass/biogas projects including rooftop solar ventures.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B4. Income tax expense**

	Quarter ended		Year to date ended	
	31 Mar 2022 RM'000	31 Mar 2021 RM'000	31 Mar 2022 RM'000	31 Mar 2021 RM'000
<u>Income tax expense</u>				
- Current financial period	1,443	1,490	1,443	1,490
	<u>1,443</u>	<u>1,490</u>	<u>1,443</u>	<u>1,490</u>
<u>Deferred tax</u>				
- Current financial period	(116)	(304)	(116)	(304)
	<u>(116)</u>	<u>(304)</u>	<u>(116)</u>	<u>(304)</u>
Total tax expense	<u>1,327</u>	<u>1,186</u>	<u>1,327</u>	<u>1,186</u>

The effective tax rate for the current quarter and financial year is higher than the statutory tax rate of 24% mainly due to expenses which are not tax deductible. Non-deductible expenses are mainly attributable to term loan interest incurred by the holding company, i.e., HEB on the acquisition of SMHB Engineering.

**B5. Variance of actual profit from profit forecast and profit guarantee**

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial period under review.

**B6. Status of corporate proposals**

There is no corporate proposal announced but not completed as at the date of this report.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B7. Status of utilisation of proceeds from corporate exercise**

**(i) Utilisation of proceeds from the Initial Public Offering ("IPO")**

On 17 April 2019, the Company announced its intention to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the ACE Market of Bursa Malaysia Securities Berhad on 10 August 2016. The Company has raised gross proceeds of approximately RM31.91 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

No.	Details of Utilisation	IPO Proceeds <sup>(a)</sup> (RM'000)	1 <sup>st</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 <sup>nd</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 <sup>rd</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation <sup>(b)</sup> (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1.	(a) Expansion into India	15,000	5,000	-	-	-	-	n/a
	(b) Expansion into India & ASEAN	-	-	6,000	3,000	-	3,000	Up to 4 <sup>th</sup> Quarter 2022
	(c) Venture into the water sector in Malaysia	6,000	-	-	-	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	6,000	-	6,000	-	n/a
	(e) Venture into the power sector in Malaysia	3,000	3,000	-	-	-	-	n/a
	(f) Building Information Modeling ("BIM")	-	8,000	-	-	-	-	n/a
	(g) Facility Management	-	8,000	-	-	-	-	n/a
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	12,000	15,000	-	15,000	Up to 4 <sup>th</sup> Quarter 2022
	<b>Subtotal</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>18,000</b>	<b>6,000</b>	<b>18,000</b>	



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B7. Status of utilisation of proceeds from corporate exercise (cont'd)**

**(i) Utilisation of proceeds from the Initial Public Offering ("IPO") (cont'd)**

No.	Details of Utilisation	IPO Proceeds <sup>(a)</sup> (RM'000)	1 <sup>st</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 <sup>nd</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 <sup>rd</sup> Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation <sup>(b)</sup> (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
2.	Repayment of bank borrowings	4,000	-	-	-	4,000	-	n/a
3.	General working capital	708	-	-	-	708	-	n/a
4.	Estimated listing expenses	3,200	-	-	-	3,200	-	n/a
	<b>Total IPO proceeds</b>	<b>31,908</b>	<b>24,000</b>	<b>24,000</b>	<b>18,000</b>	<b>13,908</b>	<b>18,000</b>	

On 13 April 2022, the Company had made an announcement pertaining to its intention to seek its shareholders' approval to re-allocate and extend the time frame for utilisation of Balance IPO Proceeds ("Proposed Variation") at the forthcoming Extraordinary General Meeting ("EGM") of the Company. Further details of the Proposed Variation has been set out in the Circular to Shareholders dated 20 May 2022.

**Notes:**

(a) As per HEB's prospectus dated 29 June 2016

(b) As at 31 March 2022



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B8. Group's borrowings and debt securities**

The Group's borrowings as at 31 Mar 2022 are as follows:-

	<b>As at 31 Mar 2022 RM'000</b>	<b>As at 31 Dec 2021 RM'000</b>
<b>Current:</b>		
Lease liabilities	2,802	2,778
Hire purchase payables	521	299
Bank overdrafts	7,432	2,946
Other bank facilities	5,798	2,347
Term loan	13,450	13,290
	<u>30,003</u>	<u>21,660</u>
<b>Non-current:</b>		
Lease liabilities	2,440	3,149
Hire purchase payables	678	401
Term loan	29,131	32,552
	<u>32,249</u>	<u>36,102</u>
<b>Total borrowings:</b>		
Lease liabilities	5,242	5,927
Hire purchase payables	1,199	700
Bank overdrafts	7,432	2,946
Other bank facilities	5,798	2,347
Term loan	42,581	45,842
	<u><b>62,252</b></u>	<u><b>57,762</b></u>

All borrowings are secured and denominated in Ringgit Malaysia.

Bank overdrafts are secured against the short term deposits pledged with licensed banks as disclosed in the Unaudited Condensed Consolidated Statement of Cash Flows.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B9. Material litigation**

There is no material litigation or arbitration and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings as at the date of this interim financial report.

**B10. Dividend Payable**

The Board of Directors does not recommend any dividend for the current quarter under review.

**B11. Earnings per share ("EPS")**

The basic and diluted EPS are computed as follows:

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>	<b>31 Mar 2022</b>	<b>31 Mar 2021</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,552	1,979	2,552	1,979
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	0.51	0.40	0.51	0.40
Diluted EPS (sen)	0.51	0.40	0.51	0.40

The calculation of diluted earnings per share of the Group for current period excluded warrants issued by the Company in the current period as its inclusion would have been antidilutive.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2022**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**

**B12. Notes to the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

Profit for the financial period is arrived at after charging/(crediting) the following expense/(income):

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>31 Mar 2022 RM'000</b>	<b>31 Mar 2021 RM'000</b>	<b>31 Mar 2022 RM'000</b>	<b>31 Mar 2021 RM'000</b>
Depreciation of property, plant and equipment	352	323	352	323
Depreciation of Right-of-use assets	701	700	701	700
Amortisation of intangible assets	424	907	424	907
Allowance for impairment losses on trade receivables, net of reversal	(231)	25	(231)	25
Interest expense	793	978	793	978
Interest income	(77)	(169)	(77)	(169)
Gain on derivatives	(98)	-	(98)	-
Loss on foreign exchange	8	13	8	13

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

**B13. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 25 May 2022.