



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2023

(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2023 RM'000	31 Mar 2022 RM'000	% + / (-)	2023 RM'000	31 Mar 2022 RM'000	% + / (-)
Revenue	B1	45,853	36,423	25.9	45,853	36,423	25.9
Direct costs		(31,522)	(24,574)		(31,522)	(24,574)	
Gross profit		14,331	11,849	20.9	14,331	11,849	20.9
Other operating income		-	102		-	102	
Administrative expenses		(6,231)	(5,693)		(6,231)	(5,693)	
Other operating expenses		(1,361)	(1,877)		(1,361)	(1,877)	
Net reversal/(loss) on impairment of financial instruments		106	231		106	231	
Profit for the year from operations		6,845	4,612	48.4	6,845	4,612	48.4
Finance income		103	77		103	77	
Finance costs		(716)	(793)		(716)	(793)	
Share of results of associates		49	(17)		49	(17)	
Profit before taxation		6,281	3,879	61.9	6,281	3,879	61.9
Taxation	B4	(2,052)	(1,327)		(2,052)	(1,327)	
Profit for the financial period		4,229	2,552	65.7	4,229	2,552	65.7
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		44	(9)		44	(9)	
Total comprehensive income for the financial period		4,273	2,543	68.0	4,273	2,543	68.0
Profit for the financial period attributable to:-							
Owners of the Company		4,229	2,552	65.7	4,229	2,552	65.7
Total comprehensive income attributable to:-							
Owners of the Company		4,273	2,543	68.0	4,273	2,543	68.0
Earnings per share (sen)							
- Basic	B11	0.85	0.51	65.7	0.85	0.51	65.7
- Diluted	B11	0.85	0.51	65.7	0.85	0.51	65.7



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

(The figures have not been audited)

	Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,710	3,853
Intangible assets	561	592
Goodwill	162,677	162,677
Right-of-use assets	2,653	3,368
Investments in associates	2,465	2,416
Employee benefits	-	22
Deferred tax assets	2,975	2,998
	<u>175,041</u>	<u>175,926</u>
CURRENT ASSETS		
Trade and other receivables	72,454	56,506
Contract assets	118,036	135,322
Current tax assets	1,508	1,324
Derivative financial assets	367	494
Prepayment	6,999	3,760
Cash and cash equivalents	18,809	30,364
	<u>218,173</u>	<u>227,770</u>
TOTAL ASSETS	<u>393,214</u>	<u>403,696</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	283,688	254,291
Reserves	(36,217)	(11,294)
TOTAL EQUITY	<u>247,471</u>	<u>242,997</u>



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023 (cont'd)

(The figures have not been audited)

		Unaudited as at 31.03.2023 RM'000	Audited as at 31.12.2022 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	10,194	14,023
Lease liabilities	B8	191	522
Employee benefits		95	-
		<u>10,480</u>	<u>14,545</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	34,237	43,421
Lease liabilities	B8	2,605	3,004
Trade and other payables		72,773	79,209
Contract liabilities		18,533	16,560
Current tax liabilities		4,560	3,475
Provisions		2,555	485
		<u>135,263</u>	<u>146,154</u>
TOTAL LIABILITIES		<u>145,743</u>	<u>160,699</u>
TOTAL EQUITY AND LIABILITIES		<u>393,214</u>	<u>403,696</u>
Net assets per share (RM)		<u>0.50</u>	<u>0.49</u>



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 MARCH 2023

(The figures have not been audited)

	<u>Non-Distributable</u>			<u>Distributable</u>	
	Share Capital	Warrants Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2023	254,291	29,196	171	(40,661)	242,997
Other comprehensive income:					
- Foreign currency translation gain	-	-	44	-	44
Total other comprehensive income	-	-	44	-	44
Profit for the financial period	-	-	-	4,229	4,229
Total comprehensive income for the financial period	-	-	44	4,229	4,273
Transactions with owners of the Company:					
Warrants exercised during the period	273	(72)	-	-	201
Lapsed of warrants	29,124	(29,124)	-	-	-
Total transactions with owners for the financial period	29,397	(29,196)	-	-	201
As at 31 March 2023	283,688	-	215	(36,432)	247,471



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 MARCH 2023 (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 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
As at 31 March 2022	254,291	29,196	215	(53,250)	230,452



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 31 MARCH 2023

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,281	3,879
Adjustments for:		
Net reversal on impairment of financial instruments	(106)	(231)
Depreciation of property, plant and equipment	267	352
Depreciation of right-of-use assets	726	701
Amortisation of intangible assets	39	424
Finance income	(103)	(77)
Finance costs	716	793
Net fair value loss/(gain) on derivative	127	(98)
Share of (profit)/loss of equity- accounted associates, net of	(49)	17
Operating profit before working capital changes	7,898	5,760
Changes in working capital:		
Change in employee benefits and provision	117	66
Change in trade and other receivables and prepayments	(19,081)	(11,121)
Change in trade and other payables	(3,763)	(4,286)
Change in contract assets	17,286	5,661
Change in contract liabilities	1,973	(399)
Cash generated from/(used in) operations	4,430	(4,319)
Interest paid	(30)	-
Interest received	103	77
Net tax paid	(1,128)	(1,163)
Net cash from/(used in) operating activities	3,375	(5,405)



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 MARCH 2023 (cont'd)**

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(722)	(304)
Acquisition of intangible assets	(8)	(12)
Net cash used in investing activities	(730)	(316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(163)	(131)
Repayment of term loans	(3,377)	(3,304)
Net (repayment of)/proceeds from revolving credit	(2,727)	3,451
Proceeds from warrants exercised	201	-
Payment of lease liabilities	(742)	(685)
Deposit pledged of licensed bank	2,236	(9)
Interest paid	(758)	(689)
Net cash used in financing activities	(5,330)	(1,367)
Net decrease in cash and cash equivalents during financial period	(2,685)	(7,088)
Effect of exchange rate fluctuation on cash held	40	(9)
Cash and cash equivalents at beginning of financial period	3,984	22,418
Cash and cash equivalents at end of financial period	1,339	15,321



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 MARCH 2023 (cont'd)**

(The figures have not been audited)

Components of cash and cash equivalents as at 31 Mar 2023 is as follows:

	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Cash and bank balances	8,337	4,643
Short term deposits with licensed banks	10,472	24,265
Bank overdrafts (secured)	<u>(6,999)</u>	<u>(7,432)</u>
	11,810	21,476
Less: short term deposits and bank balances pledged with licensed banks	<u>(10,471)</u>	<u>(6,155)</u>
	<u>1,339</u>	<u>15,321</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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 2022 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 2022 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 2023:

MFRSs (Including The Consequential Amendments)

- Amendments to MFRS 17, Insurance Contracts, and MFRS 112, Income Taxes

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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

In the first quarter of 2023, the Company issued an additional 118,100 new ordinary shares arising from the exercise of warrants.

Save for the above, 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 2023 were as follows:-

	RM'000
Authorised but not contracted for:	<u>2,520</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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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 RM45.9 million.

(a) Analysis of our revenue by activities is as follows:

	Quarter ended			Year to date ended		
	31 Mar 2023	31 Mar 2022	Variance	31 Mar 2023	31 Mar 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	9,279	7,714	20.3	9,279	7,714	20.3
- Construction supervision	15,113	15,000	0.8	15,113	15,000	0.8
Project management	17,371	10,657	63.0	17,371	10,657	63.0
BIM services	300	372	(19.4)	300	372	(19.4)
Reimbursable income	3,790	2,680	41.4	3,790	2,680	41.4
TOTAL	45,853	36,423	25.9	45,853	36,423	25.9

Engineering design

The revenue from engineering design for current quarter increased by RM1.5 million or 20.3% as compared to the corresponding quarter ended 31 March 2022. This was in alignment with the progress of projects.

Construction supervision

In line with the progress of projects, construction supervision segment revenue was flattish at RM15.1 million for the current quarter as compared to RM15.0 million for the corresponding quarter ended 31 March 2022.

Project management

Project management revenue for the current quarter rose by 63.0% mainly from our newly secured project, Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran.

Our major on-going supervision projects including Project Management Consultant (PMC) Bagi Fasa 1 Projek Lebuhraya Pan Borneo Sabah and Project Delivery Management Office for all development projects by the Client within the Northern Corridor Economic Region are progressing well and continued to contribute significantly to supervision revenue for current quarter.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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):-

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-consultants and allowances claimed by supervision staff and therefore it has no significant impact on the financial performance of the Group.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023****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 2023	31 Mar 2022	Variance	31 Mar 2023	31 Mar 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	45,465	36,105	25.9	45,465	36,105	25.9
Overseas						
India	276	270	2.2	276	270	2.2
Philippines	112	48	>100	112	48	>100
TOTAL	45,853	36,423	25.9	45,853	36,423	25.9

Local market continues to contribute significant portion of revenue amounting to 99.2% of the Group's total revenue.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM4.2 million for the current quarter as compared to a PAT of RM2.6 million for corresponding quarter in year 2022. This was primarily due to increase in gross profit margin in the current quarter, mainly attributable to Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran".

(d) Our unbilled order book as at 31 Mar 2023 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	158,798	11.2
- Construction supervision	166,602	11.8
Project management	1,081,447	76.6
	<u>1,406,847</u>	<u>99.6</u>
BIM services	5,172	0.4
Total	<u>1,412,019</u>	<u>100</u>

The above unbilled order book will be billed progressively over the next eight (8) years.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 31 Mar 2023 RM'000	Preceding Quarter 31 Dec 2022 RM'000	Variance %
Revenue	45,853	71,382	(35.8)
Gross profit	14,331	21,122	(32.1)
Profit before taxation	6,281	5,037	24.7

Although revenue for current quarter was lower at RM45.8 million as compared to immediate preceding quarter ended 31 December 2022 at RM71.3 million, the profit before tax for current quarter at RM6.3 million was higher than immediate preceding quarter at RM5.0 million primarily due to impairment of trade receivables recorded in immediate preceding quarter.

B3. Prospects

(i) Current Scenario

The Group remains optimistic that the implementation of large infrastructure projects as well as roll out of new contracts will gain traction from the third quarter of 2023 (3Q 2023) as the country works towards post pandemic recovery to spur the economy. The recent Revised Budget 2023 tabled on 24 February 2023 saw a higher allocation of development expenditure amounting to RM97 billion, the biggest allocation to date compared to RM93 billion in the earlier Budget 2023 (RM 75.6 billion in 2022), which augurs wells for the infrastructure sector.

Its worth noting that under the Revised Budget 2023, Sabah and Sarawak will receive an allocation of RM 6.5 billion and RM 5.6 billion respectively to promote development in these states. This allocation includes plans to develop cities bordering Kalimantan, Indonesia, such as Kalabakan, Sabah, and Ba'kelalan, Sarawak, as a move to closely follow the Indonesian government's initiative in moving its capital to Kalimantan. The implementation of the Pan Borneo Sabah Highway and the Sarawak-Sabah Link Road, which is estimated to involve a total cost of RM20 billion with a length of more than 1,000 km will be continued and expedited.

On top of this, the advancement of digital economy to improve the well-being of the rakyat, an area of focus in the revised Budget, bodes well for HEB Group which has diversified into telecommunication and digital technology as the country works towards commissioning a nation-wide 5G network which is expected to reach 80% coverage by 2024. In January 2023, the Group secured its first project management consultancy services contract for the upcoming Yellowwood data centre and its electrical substation at Sedenak Tech Park, Johor Darul Takzim.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

HEB Group was awarded the contract as the Project Management Consultant for MRT 3, in August 2022, valued at RM 998 million for a duration of 11 years. At this juncture, a detailed and comprehensive study on the proposed alignment is being done to minimise the social impact of the project with land acquisition making progress.

The Pan Borneo Sabah project (15 packages under Phase 1A), where we secured the Project Management Consultancy Services (PMC) role in April 2021, is progressing well with 65% completion given 100% staff mobilization at site.

Further to the ongoing works on East Coast Rail Link (ECRL), the Group was awarded a RM 16.6 million Variation Order (VO) for Section 9 of the ECRL from Serendah to Port Klang as the Supervising Consultant. Under this VO scope, the Group is responsible for the construction of the works for Section 9 of the ECRL which covers a 53.5 km section consisting of tunnels, viaducts, at-grade sections and stations.

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.

The Iskandar BRT (IMBRT) project, secured in December 2019, is progressing well with detailed design expected to be completed by the 4Q 2025 with the award of the construction expected in June 2023 as the tender for Line 1-Iskandar Puteri has been floated. Further to this, the tenders for Line 2 - Skudai and Line 3 - Tebrau of the IMBRT are expected to take place between June 2023 and July 2023.

In the water sector, we are currently carrying out detailed design of the water supply scheme for Kulai Data Centre in Johor which involves laying of 700 mm diameter pipeline of 16 km length. In a joint venture collaboration with AFRY, a consultancy firm, we have commenced Owner's Engineer Services for Life Extension Programme of Sungai Perak Hydroelectric Stations in terms of project implementation from 2023 to 2028 for TNB.

In September 2022, we accepted the appointment by the Kedah State Government to provide engineering consultancy and supervision services to upgrade the Lubuk Buntar Lama water treatment plant. We have submitted to Pengurusan Aset Air Berhad (PAAB) a Concept Design Report for the Proposed Construction of a New Water Treatment Plant and Upgrading of Water Systems in Batu Pahat, Johor in mid- December 2022.

The four (4) work packages implemented by the Government of Selangor which involves intake works, pumping stations, river diversion and associated works at Sungai Selangor and Semenyih Water Supply Schemes, under "Skim Jamin Air Selangor", are currently under construction.

As Owner Engineer for Sg Rasau Water Supply Project in Selangor, we are currently managing the construction supervision of three (3) supply work packages valued at RM 3 billion for Air Selangor. In addition, the supervision works for the construction of the Pelubang Water Supply Scheme in Kedah and construction of the Jernih dam in Melaka are currently ongoing.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

As Panel Consultant to Air Selangor, we are currently undertaking engineering consultancy services for 5 (five) work packages, namely:

1. Upgrading of Electricity Supply for Ampang Intake Water Treatment Plant (M&E)
2. Pipe Replacement in Klang – Package 66 (C&S)
3. Pipe Replacement in Kuala Lumpur – Package 50 (C&S)
4. Refurbishment of M&E Works at Semantan Intake and Kelau Dam
5. Electrical Supply Improvement at Wangsa Maju Pump House and WTP

We have completed the detailed design of flood mitigation works for the critical stretches of East Coast Highway Phase 1 that had been severely impacted by the flood event in December 2021 and the construction works are ongoing. The design works for the remaining stretches of the highway are still ongoing.

Further to this, we have completed the preliminary engineering design for the Proposed Raw Water Transfer from Sg Sedili Besar to Sg Gembut in the district of Kota Tinggi in Johor. We are undertaking the design of cofferdams for the Nenggiri Hydroelectric Project that is implemented under Design & Build contract by TNB and in addition to this we are responsible for submission of and obtaining approval for relevant reports from Jabatan Pengairan Dan Saliran Negeri Kelantan (JPK).

In view of the revised Budget, we anticipate the tender for the Phase 1B (19 packages) of the Pan Borneo Sabah to be called in the first half of 2023 (1H 23) with certain flood mitigation jobs to be accelerated in view of the massive recurring flash floods. The Government has reaffirmed that the flood mitigation projects, worth RM600 million and more will be expedited. Among the 6 (six) flood mitigation projects which will be re-tendered by June 2023 include the Sungai Johor, Kota Tinggi, construction of the Sungai Klang-Sungai Rasau dual-function reservoir in Selangor state and Phase 3 of the Sungai Golok Integrated River Basin development project in Kelantan.

The Government had earlier committed a development expenditure of RM 1 billion per annum for flood mitigation projects, with an additional expenditure of RM 15 billion between 2023 and 2030 to expedite these projects further under the 12MP.

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.

On the regional front, the Group together with joint venture partners Oriental Consultants Global Co., Ltd., Japan ("OCG") and EGIS Rail S.A., France ("EGIS") have successfully made inroads into Bangladesh with the award by the Bangladesh Railway on 14 February 2023 to provide consulting and technical services for the Asian Development Bank (ADB)-funded Railway Connectivity Improvement Preparatory Facility Project in Dhaka.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

B3. Prospects (cont'd)

(ii) Order Book/Tender Book

As at 31st March 2023, our order book stood at RM 1.41 billion with project management segment being the biggest contributor of 75 % and our tender book value is approximately at RM 415 million.

(iii) Future Prospects in Highways, Public Transportation, Port & Water Sector

We remain optimistic that the implementation of mega infrastructure projects as well as award of new contracts will be accelerated in 2023 to pump prime the economy as the Covid -19 pandemic eases. Over the years, the Group has executed over 800 projects in Malaysia and therefore is considered as "Central Digital Data Depository" in the highway, road, rail and water sector and therefore able to support the Government of Malaysia in planning and executing large scale infrastructure projects. As a key industry player, the Group will continue to leverage on its depth of expertise and track record to partake in the upcoming nation- building infrastructure projects.

Going forward, we also see a lot of opportunities in the privatisation of tolled highways going forward, especially since we have been involved in more than 60% of Malaysia's tolled highway projects since inception. We have been in talks with UKAS on this and are in various stages of progress; hopefully we would be able to see a few coming onstream in the near future. Privatisation is in the Government's best interest to optimize its capital expenditure, in order to prioritize the people's welfare and undertake infrastructure development projects.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B3. Prospects (cont'd)
(iii) Future Prospects in Highways, Public Transportation, Port & Water Sector

FUTURE PROSPECTS	
ROADS & HIGHWAY SECTOR	Pan Borneo Highway Sabah- Phase 1B
	PJD Link Highway (34.3 km Fully Elevated Expressway)
	Various Other Privatisation Proposals (Urban Highways)
RAILWAY AND AIRPORT SECTOR	Johor LRT
	Penang LRT
PORT SECTOR	Westport Phase 2
	Port Klang Cruise Terminal Development
WATER SECTOR	Dam Safety Review of Hydroelectric Dams
	Integrated River Basin Management Plan (IRBM)
	Pelan Induk Saliran Mesra Alam
	Off-River Storages
	Submarine Pipelines
FLOOD MITIGATION SECTOR	Over RM 12.0 billion allocation for Flood Mitigation projects More than RM300 billion will be needed for long-term solutions to the country's flood problems over the next 50 years



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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

B3. Prospects (cont'd)

(iv) Growth Strategies

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 leading Japanese consultants to participate in JICA funded projects in Indonesia, Philippines and India.

On 19 July 2022, the Group signed a Memorandum of Understanding (MOU) to become a preferred partner to a leading Japanese engineering consultancy firm Oriental Consultants Global Co. Ltd. (OC Global). Further, a second Memorandum of Understanding (MoU) was signed with Yachiyo Engineering Co., Ltd. (YEC) on 15 September 2022.

Under the strategic partnership, both parties would collaborate on potential infrastructure projects in ASEAN, India and any other country including in the Middle East North Africa (MENA) region. The collaboration would prioritize activities in the transportation sector (particularly rails and mass transit), water resources and supply management, flood mitigation, as well as roads, highways and bridges.

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, we foresee further opportunities in this sector for the Group.

On 16th January 2023, we received a letter of instruction from Yellowwood Properties Sdn. Bhd. (YPSB), to provide project management services for a new data centre campus and its electrical substation located at Sedenak Tech Park (STEP), Johor.

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. We are poised to make our mark in Malaysia's renewable energy sector, as we explore developing solar projects for a cumulative capacity of up to 250 megawatt (MW) within three years together with our strategic partner Shizen International Inc (Shizen). We together with Shizen Malaysia Sdn. Bhd. Aziho Trading Sdn. Bhd and Solar Vest Asset Management Sdn. Bhd submitted our bid for participation in the Corporate Green Power Programme in May 2023.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023
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 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
<u>Income tax expense</u>				
- Current financial period	2,027	1,443	2,027	1,443
	<u>2,027</u>	<u>1,443</u>	<u>2,027</u>	<u>1,443</u>
<u>Deferred tax</u>				
- Current financial period	25	(116)	25	(116)
	<u>25</u>	<u>(116)</u>	<u>25</u>	<u>(116)</u>
Total tax expense	<u>2,052</u>	<u>1,327</u>	<u>2,052</u>	<u>1,327</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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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 13 April 2022, the Company announced its intention which was thereafter duly approved in the extraordinary general meeting dated 8 June 2022 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 ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (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	-	-	-	n/a
	(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	18,000	18,000	-	Up to 4th Quarter 2023
	(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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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 ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	12,000	15,000	-	-	-	n/a
	(i) Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	-	-	-	-	6,000	-	6,000	Up to 4 th Quarter 2023
	Subtotal	24,000	24,000	24,000	24,000	24,000	18,000	6,000	
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
	Total IPO proceeds	31,908	24,000	24,000	24,000	24,000	25,908	6,000	

Notes:

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

(b) As at 31 March 2023



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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 2023 are as follows:-

	As at 31 Mar 2023 RM'000	As at 31 Dec 2022 RM'000
Current:		
Lease liabilities	2,605	3,004
Hire purchase payables	670	661
Bank overdrafts	6,999	13,673
Revolving Credit	12,524	15,251
Term loan	14,044	13,836
	<u>36,842</u>	<u>46,425</u>
Non-current:		
Lease liabilities	191	522
Hire purchase payables	203	375
Term loan	9,991	13,648
	<u>10,385</u>	<u>14,545</u>
Total borrowings:		
Lease liabilities	2,796	3,526
Hire purchase payables	873	1,036
Bank overdrafts	6,999	13,673
Revolving Credit	12,524	15,251
Term loan	24,035	27,484
	<u>47,227</u>	<u>60,970</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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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:

	Quarter ended		Year to date ended	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
Net profit attributable to ordinary equity holders of the Company (RM'000)	4,229	2,552	4,229	2,552
Weighted average number of ordinary shares in issue ('000)	495,903	495,862	495,903	495,862
Basic EPS (sen)	<u>0.85</u>	<u>0.51</u>	<u>0.85</u>	<u>0.51</u>
Diluted EPS (sen)	<u>0.85</u>	<u>0.51</u>	<u>0.85</u>	<u>0.51</u>

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2023

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):

	Quarter ended		Year to date ended	
	31 Mar 2023 RM'000	31 Mar 2022 RM'000	31 Mar 2023 RM'000	31 Mar 2022 RM'000
Depreciation of property, plant and equipment	267	352	267	352
Depreciation of Right-of-use assets	726	701	726	701
Amortisation of intangible assets	39	424	39	424
Net reversal on impairment of Financial instruments	(106)	(231)	(106)	(231)
Finance costs	716	793	716	793
Finance income	(103)	(77)	(103)	(77)
Loss/(gain) on derivatives	127	(98)	127	(98)
Loss on foreign exchange	7	8	7	8

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 22 May 2023.