

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023**
*(The figures have not been audited)*

	Note	Quarter ended			Year to date ended		
		2023	2022	%	2023	2022	%
		RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	B1	48,859	37,863	29.0	94,712	74,286	27.5
Direct costs		(32,636)	(25,174)		(64,158)	(49,748)	
Gross profit		16,223	12,689	27.9	30,554	24,538	24.5
Other operating income		-	325		-	427	
Administrative expenses		(5,713)	(5,785)		(11,944)	(11,478)	
Other operating expenses		(2,485)	(1,694)		(3,846)	(3,571)	
Net (loss)/reversal on impairment of financial instruments		(84)	(3)		22	228	
Profit for the year from operations		7,941	5,532	43.5	14,786	10,144	45.8
Finance income		96	88		199	165	
Finance costs		(756)	(734)		(1,472)	(1,527)	
Share of results of associates		(54)	488		(5)	471	
Profit before taxation		7,227	5,374	34.5	13,508	9,253	46.0
Taxation	B4	(1,918)	(1,480)		(3,970)	(2,807)	
Profit for the financial period		5,309	3,894	36.3	9,538	6,446	48.0
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		23	4		67	(5)	
Total comprehensive income for the financial period		5,332	3,898	36.8	9,605	6,441	49.1
Profit for the financial period attributable to:-							
Owners of the Company		5,309	3,894	36.3	9,538	6,446	48.0
Total comprehensive income attributable to:-							
Owners of the Company		5,332	3,898	36.8	9,605	6,441	49.1
Earnings per share (sen)							
- Basic	B11	1.07	0.79	36.3	1.92	1.30	47.9
- Diluted	B11	1.07	0.79	36.3	1.92	1.30	47.9



**ENGINEERS**

**HSS ENGINEERS BERHAD**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

*(The figures have not been audited)*

	<b>Unaudited as at 30.06.2023 RM'000</b>	<b>Audited as at 31.12.2022 RM'000</b>
<b>ASSETS</b>		
	<b>Note</b>	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,645	3,853
Intangible assets	527	592
Goodwill	162,677	162,677
Right-of-use assets	2,010	3,368
Investments in associates	2,415	2,416
Employee benefits	-	22
Deferred tax assets	2,919	2,998
	<u>174,193</u>	<u>175,926</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	62,981	56,506
Contract assets	126,277	135,322
Current tax assets	1,614	1,324
Derivative financial assets	307	494
Prepayment	993	3,760
Cash and cash equivalents	18,350	30,364
	<u>210,522</u>	<u>227,770</u>
<b>TOTAL ASSETS</b>	<b><u>384,715</u></b>	<b><u>403,696</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	283,688	254,291
Reserves	<u>(35,448)</u>	<u>(11,294)</u>
<b>TOTAL EQUITY</b>	<b><u>248,240</u></b>	<b><u>242,997</u></b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023 (cont'd)**

*(The figures have not been audited)*

		<b>Unaudited as at 30.06.2023 RM'000</b>	<b>Audited as at 31.12.2022 RM'000</b>
<b>NON-CURRENT LIABILITIES</b>	<b>Note</b>		
Loans and borrowings	B8	6,538	14,023
Lease liabilities	B8	219	522
Employee benefits		97	-
		<u>6,854</u>	<u>14,545</u>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	B8	28,138	43,421
Lease liabilities	B8	1,911	3,004
Trade and other payables		76,130	79,209
Contract liabilities		14,520	16,560
Current tax liabilities		6,597	3,475
Provisions		2,325	485
		<u>129,621</u>	<u>146,154</u>
<b>TOTAL LIABILITIES</b>		<u>136,475</u>	<u>160,699</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>384,715</b></u>	<u><b>403,696</b></u>
Net assets per share (RM)		<u>0.50</u>	<u>0.49</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2023**

*(The figures have not been audited)*

	<u>Non-Distributable</u>		<u>Distributable</u>		
	<b>Share Capital</b>	<b>Warrants Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 2023	254,291	29,196	171	(40,661)	242,997
Other comprehensive income:					
- Foreign currency translation gain	-	-	67	-	67
- Actuarial loss on defined benefit obligations, net of tax	-	-	-	-	-
Total other comprehensive income	-	-	67	-	67
Profit for the financial period	-	-	-	9,538	9,538
Total comprehensive income for the financial period	-	-	67	9,538	9,605
Transactions with owners of the Company:					
Warrants exercised during the period	273	(72)	-	-	201
Lapsed of warrants	29,124	(29,124)	-	-	-
Dividend paid	-	-	-	(4,563)	(4,563)
Total transactions with owners for the financial period	29,397	(29,196)	-	(4,563)	(4,362)
<b>As at 30 June 2023</b>	<b>283,688</b>	<b>-</b>	<b>238</b>	<b>(35,686)</b>	<b>248,240</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 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	-	-	(5)	-	(5)
Total other comprehensive income	-	-	(5)	-	(5)
Profit for the financial period	-	-	-	6,446	6,446
Total comprehensive income for the financial period	-	-	(5)	6,446	6,441
<b>As at 30 June 2022</b>	<b>254,291</b>	<b>29,196</b>	<b>219</b>	<b>(49,356)</b>	<b>234,350</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2023**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,508	9,253
Adjustments for:		
Net reversal on impairment of financial instruments	(22)	(228)
Bad debts written off	972	-
Depreciation of property, plant and equipment	524	675
Depreciation of right-of-use assets	1,452	1,402
Amortisation of intangible assets	77	850
Finance income	(199)	(165)
Finance costs	1,472	1,527
Net fair value loss/(gain) on derivative	187	(418)
Share of loss/(profit) of equity- accounted associates, net of tax	5	(471)
<b>Operating profit before working capital changes</b>	<b>17,976</b>	<b>12,425</b>
Changes in working capital:		
Change in employee benefits and provision	119	75
Change in trade and other receivables and prepayments	(4,658)	(4,165)
Change in trade and other payables	(1,259)	(6,402)
Change in contract assets	9,045	(1,751)
Change in contract liabilities	(2,040)	166
<b>Cash generated from operations</b>	<b>19,183</b>	<b>348</b>
Interest paid	(150)	-
Interest received	199	165
Net tax paid	(1,059)	(2,288)
<b>Net cash from/(used in) operating activities</b>	<b>18,173</b>	<b>(1,775)</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2023 (cont'd)**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(161)	(318)
Acquisition of intangible assets	(12)	(110)
Investment in associates	(4)	-
<b>Net cash used in investing activities</b>	<b>(177)</b>	<b>(428)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on hire purchase financing	(335)	(268)
Repayment of term loans	(6,795)	(6,646)
Net (repayment of)/proceeds from revolving credit	(7,066)	12,527
Proceeds from warrants exercised	201	-
Payment of lease liabilities	(1,492)	(1,379)
Deposit pledged of licensed bank	2,172	(2,230)
Dividend paid	(4,563)	-
Interest paid	(1,446)	(1,349)
<b>Net cash (used in)/from financing activities</b>	<b>(19,324)</b>	<b>655</b>
<b>Net decrease in cash and cash equivalents during financial period</b>	<b>(1,328)</b>	<b>(1,548)</b>
<b>Effect of exchange rate fluctuation on cash held</b>	<b>61</b>	<b>(6)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>3,984</b>	<b>22,418</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>2,717</b>	<b>20,864</b>



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

*(The figures have not been audited)*

Components of cash and cash equivalents as at 30 June 2023 is as follows:

	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>
Cash and bank balances	1,814	4,643
Short term deposits with licensed banks	16,536	26,633
Bank overdrafts (secured)	<u>(5,098)</u>	<u>(2,036)</u>
	13,252	29,240
Less: short term deposits and bank balances pledged with licensed banks	<u>(10,535)</u>	<u>(8,376)</u>
	<u><b>2,717</b></u>	<u><b>20,864</b></u>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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**

During the current financial period under review, a single tier final dividend of 0.92 sen per ordinary share for the financial year ended 31 December 2022 totalling RM4,563,016 was paid on 23 June 2023.

**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 30 June 2023 were as follows:-

	<b>RM'000</b>
Authorised but not contracted for:	<u>2,330</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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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 except as follows:-

- (a) On 19 April 2023, the Company has incorporated a wholly-owned subsidiary, HSS International Sdn Bhd ("HISB") under the Companies Act 2016. The intended principal activities of HISB are that of investment holding and provision of engineering consultancy or project management consultancy services for projects outside Malaysia.
- (b) On 18 May 2023, HISB has incorporated a wholly-owned subsidiary, HSS London Private Company Limited ("HLPCL") in England and Wales. The intended principal activities of HLPCL is for investment holding and provision of engineering consultancy and project management consultancy services for projects in the United Kingdom and/or Europe.

**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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2023**

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

**B1. Review of performance**

For the current quarter and current period under review, the Group recorded revenue of RM48.9 million and RM94.7 million respectively.

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

	Quarter ended			Year to date ended		
	30 June 2023	30 June 2022	Variance	30 June 2023	30 June 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Engineering services</b>						
- Engineering design	11,135	6,805	63.6	20,414	14,519	40.6
- Construction supervision	14,164	15,407	(8.1)	29,277	30,407	(3.7)
<b>Project management</b>	21,399	12,763	67.7	38,770	23,420	65.5
<b>BIM services</b>	194	396	(51.0)	494	768	(35.7)
<b>Reimbursable income</b>	1,967	2,492	(21.1)	5,757	5,172	11.3
<b>TOTAL</b>	<b>48,859</b>	<b>37,863</b>	<b>29.0</b>	<b>94,712</b>	<b>74,286</b>	<b>27.5</b>

Engineering design

The revenue from engineering design for current quarter rose by 63.6% to RM11.1 million as compared to RM6.8 million for the corresponding quarter ended 30 June 2022. This was attributed to the increase in revenue from IM-Pelaksanaan Projek Perintis Iskandar Rapid Transit Merangkumi Pembinaan Laluan Khas Bas Berkapasiti Tinggi, Stesen dan Fasiliti Berkaitan in line with the progress of project.

In line with the progress of projects, engineering design revenue for current period increased to RM20.4 million as compared to RM14.5 million for the corresponding period ended 30 June 2022.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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):-

Construction supervision

Construction supervision revenue was flattish at RM RM14.2 million for the current quarter as compared to RM15.4 million for the corresponding quarter ended 30 June 2022. This was attributed to the decrease in revenue from Sungai Besi-Ulu Kelang Elevated Expressway in line with the completion status of this project. However, the decline was compensated by supervision revenue contributed by East Coast Rail Line which have been progressing in line with the construction stage of this project.

In line with the progress of projects, construction supervision segment revenue was flattish at RM29.3 million for the current period as compared to RM30.4 million for the corresponding quarter ended 30 June 2022.

Project management

Project management revenue rose by 67.7% and 65.5% for the current quarter and current period ended 30 June 2023 respectively as compared to the corresponding quarter and period in previous year. This was mainly attributable to revenue recognised 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.

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.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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		
	30 June 2023	30 June 2022	Variance	30 June 2023	30 June 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Local</b>						
Malaysia	48,085	37,386	28.6	93,550	73,491	27.3
<b>Overseas</b>						
India	180	278	(35.3)	456	548	(16.8)
Philippines	546	199	>100	658	247	>100
Indonesia	48	-	100	48	-	100
<b>TOTAL</b>	<b>48,859</b>	<b>37,863</b>	<b>29.0</b>	<b>94,712</b>	<b>74,286</b>	<b>27.5</b>

Local market continues to contribute significant portion of revenue amounting to 98.8% of the Group's total revenue for period to date ended 30 June 2023.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM5.3 million for the current quarter as compared to a PAT of RM3.9 million for corresponding quarter in year 2022. This was primarily due to increase in gross profit in the current quarter, mainly attributable to Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkar".

(d) Our unbilled order book as at 30 June 2023 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	182,648	13.0
- Construction supervision	157,708	11.2
Project management	1,060,003	75.4
	<u>1,400,359</u>	<u>99.6</u>
BIM services	5,159	0.4
<b>Total</b>	<b><u>1,405,518</u></b>	<b><u>100</u></b>

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



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2023**

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

**B2. Comparison with preceding quarter's profit before taxation**

	<b>Current Quarter 30 June 2023 RM'000</b>	<b>Preceding Quarter 31 Mar 2023 RM'000</b>	<b>Variance %</b>
Revenue	48,859	45,853	6.6
Gross profit	16,223	14,331	13.2
Profit before taxation	7,227	6,281	15.1

The profit before tax for current quarter was RM7.2 million as compared to a profit before tax of RM6.3 million for immediate preceding quarter ended 31 March 2023 mainly due to higher revenue achieved in current quarter.

**B3. Prospects**

**(i) Current Scenario**

The Group continues to remain optimistic that the roll out of new contracts as well as implementation of large infrastructure projects will gain traction from the third quarter of 2023 (3Q 2023) as the country works towards post pandemic recovery to reinvigorate the economy. Under the Revised Budget 2023, a sum amounting to RM 97 billion was allocated for development expenditure, 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. In the revised Budget, Sabah and Sarawak will receive an allocation of RM 6.5 billion and RM 5.6 billion respectively to promote development in these states.

The initiation by the government to solicit private sector interest to evaluate the construction of the high speed rail (HSR) from Kuala Lumpur to Singapore (KL-SG HSR), clearly underscores its commitment to revive mega infrastructure projects in the country. With a view to generate socio-economic development, the government seeks to improve intercity mobility through reduced journey time, safe and seamless travel, and enhanced accessibility for our second and third-tier cities. Bearing this in mind, the government intends to implement the first HSR line in the southern corridor of Peninsular Malaysia.

With the digital economy contributing at least 25% of the nation's economy, the government strives to promote Malaysia as the preferred location for foreign investments in the digital sector to position the country as the regional digital hub in the Asian region. This bodes well for HEB Group which has diversified into telecommunication and digital technology sector. 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.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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, we are carrying out Alignment Optioneering Studies with a view to minimize social impact 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 68.4% 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 2023 with the award of the construction expected between August 2023 to January 2024. 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 August 2023 and December 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.





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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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, our term has been extended for another year from July 2023 to July 2024 for both C&S and M&E works. Currently we are 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. In addition, we submitted an offer on 24 July 2023 to look at flood mitigation solution along 56 km stretch of Sg Langat in Selangor under the Selangor Maritime Gateway (SMG) initiative.

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).

As for Westports 2 project, we have initiated meetings with client since June 2023 to look at high level costing to update their cash flow projections and options to consider in the future. We were shortlisted for the Port Klang Cruise Terminal project and a second tender interview was held in July 2023. The decision on the winning bid should be made by end of August 2023.

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 second half of 2023 (2H 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 RM 600 million and more will be expedited. Among the 6 (six) flood mitigation projects which will be re-tendered by August 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 anticipates 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 top of this, we foresee positive developments in the telecommunication and digital technology sector given the investment commitments by industry players to set up data centres in the country which would lead to increased infrastructure activities in Malaysia.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2023**

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

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

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

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.

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

As at 30<sup>th</sup> June 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, 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.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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
	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



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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 10 July 2023, the Group signed its 5th Memorandum of Understanding ("MOU") of preferred partnership with another Japanese engineering consultant firm, namely CTI Engineering International Co. Ltd. (CTII), Japan's longest established engineering consulting company and a global infrastructure solutions provider, in its move to be a regional powerhouse in engineering consultancy.

Prior to this, the Group signed a MOU with Index Strategy, Inc. (Index), a Japanese project management expert to explore opportunities and strategically collaborate on a preferred partner basis in various sectors of interest including Public-Private Partnership ("PPP") investment projects, in June 2023.

Under these 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.

The Group has also inked MOU with several leading Japanese engineering consultancy firms including Yachiyo Engineering Co. Ltd., Oriental Consultants Global Co. Ltd. and Shizen International Inc. in 2022.

**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 centres 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 Digital Nasional Berhad 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.

It is worth noting that the growing investments in the data centre will in turn fuel demand for expansion in the power sector infrastructure in the country.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2023**

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

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

**(iv) Growth Strategies**

**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 (“the Consortium”) submitted our bid for participation in the Corporate Green Power Programme in May 2023. On 15 August 2023, the Consortium accepted a Letter of Notification (“Notification Letter”) from the Suruhanjaya Tenaga (Energy Commission) (“ST”) informing us that ST have offered the Consortium to develop a Photovoltaic Plant (“PV Plant”) with an export capacity of 29.99MW at Lot 744 & 777, Mukim Bandar Gurun, Daerah Kuala Muda, Kedah (“the Project”).

**B4. Income tax expense**

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>
<u>Income tax expense</u>				
- Current financial period	1,860	1,424	3,887	2,867
	<u>1,860</u>	<u>1,424</u>	<u>3,887</u>	<u>2,867</u>
<u>Deferred tax</u>				
- Current financial period	58	56	83	(60)
	<u>58</u>	<u>56</u>	<u>83</u>	<u>(60)</u>
Total tax expense	<u>1,918</u>	<u>1,480</u>	<u>3,970</u>	<u>2,807</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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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 <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)	4 <sup>th</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	-	-	-	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



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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 <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)	4 <sup>th</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)
	(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 <sup>th</sup> Quarter 2023
	<b>Subtotal</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>18,000</b>	<b>6,000</b>	
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>24,000</b>	<b>24,000</b>	<b>25,908</b>	<b>6,000</b>	

**Notes:**

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

(b) As at 30 June 2023

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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 30 June 2023 are as follows:-

	<b>As at 30 June 2023 RM'000</b>	<b>As at 31 Dec 2022 RM'000</b>
<b>Current:</b>		
Lease liabilities	1,911	3,004
Hire purchase payables	667	661
Bank overdrafts	5,098	13,673
Revolving Credit	8,185	15,251
Term loan	14,188	13,836
	<u>30,049</u>	<u>46,425</u>
<b>Non-current:</b>		
Lease liabilities	219	522
Hire purchase payables	181	375
Term loan	6,357	13,648
	<u>6,757</u>	<u>14,545</u>
<b>Total borrowings:</b>		
Lease liabilities	2,130	3,526
Hire purchase payables	848	1,036
Bank overdrafts	5,098	13,673
Revolving Credit	8,185	15,251
Term loan	20,545	27,484
	<u><b>36,806</b></u>	<u><b>60,970</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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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:

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	5,309	3,894	9,538	6,446
Weighted average number of ordinary shares in issue ('000)	495,941	495,862	495,941	495,862
Basic EPS (sen)	<u>1.07</u>	<u>0.79</u>	<u>1.92</u>	<u>1.30</u>
Diluted EPS (sen)	<u>1.07</u>	<u>0.79</u>	<u>1.92</u>	<u>1.30</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.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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):

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>	<b>30 June 2023 RM'000</b>	<b>30 June 2022 RM'000</b>
Depreciation of property, plant and equipment	257	323	524	675
Depreciation of Right-of-use assets	726	701	1,452	1,402
Amortisation of intangible assets	38	426	77	850
Bad debts written off	972	-	972	-
Net loss/(reversal) on impairment of Financial instruments	84	3	(22)	(228)
Finance costs	756	734	1,472	1,527
Finance income	(96)	(88)	(199)	(165)
Loss/(gain) on derivatives	60	(320)	187	(418)
Loss on foreign exchange	9	8	15	16

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 16 August 2023.