

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**
*(The figures have not been audited)*

	Note	Quarter ended 30 Sept			Year to date ended 30 Sept		
		2021 RM'000	2020 RM'000	% + / (-)	2021 RM'000	2020 RM'000	% + / (-)
Revenue	B1	42,947	42,044	2.1	125,811	124,877	0.7
Direct costs		<u>(33,603)</u>	<u>(29,673)</u>		<u>(95,437)</u>	<u>(88,671)</u>	
Gross profit		9,344	12,371	(24.5)	30,374	36,206	(16.1)
Other operating income		131	289		769	948	
Administrative expenses		(5,801)	(4,949)		(15,845)	(14,865)	
Other operating expenses		<u>(2,130)</u>	<u>(2,126)</u>		<u>(6,417)</u>	<u>(6,501)</u>	
Profit for the year from operations		1,544	5,585	(72.4)	8,881	15,788	(43.7)
Finance costs		(786)	(1,203)		(2,678)	(4,004)	
Share of results of associates		10	3		229	158	
Profit before taxation		<u>768</u>	<u>4,385</u>	(82.5)	<u>6,432</u>	<u>11,942</u>	(46.1)
Taxation	B4	<u>(543)</u>	<u>(1,598)</u>		<u>(2,657)</u>	<u>(4,224)</u>	
Profit for the financial period		225	2,787	(91.9)	3,775	7,718	(51.1)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation (loss)/gain		7	(4)		20	(11)	
Total comprehensive income for the financial period		<u>232</u>	<u>2,783</u>	(91.7)	<u>3,795</u>	<u>7,707</u>	(50.8)
Profit for the financial period attributable to:-							
Owners of the Company		<u>225</u>	<u>2,787</u>	(91.9)	<u>3,775</u>	<u>7,718</u>	(51.1)
Total comprehensive income attributable to:-							
Owners of the Company		<u>232</u>	<u>2,783</u>	(91.7)	<u>3,795</u>	<u>7,707</u>	(50.8)
Earnings per share (sen)							
- Basic	B11	<u>0.05</u>	<u>0.56</u>	(91.1)	<u>0.76</u>	<u>1.56</u>	(51.3)
- Diluted	B11	<u>0.05</u>	<u>0.56</u>	(91.1)	<u>0.76</u>	<u>1.56</u>	(51.3)



**ENGINEERS**

**HSS ENGINEERS BERHAD**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2021**

*(The figures have not been audited)*

	<b>Unaudited as at 30.09.2021 RM'000</b>	<b>Audited as at 31.12.2020 RM'000</b>
<b>ASSETS</b>		
	<b>Note</b>	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,550	3,919
Intangible assets	2,719	5,431
Goodwill	162,677	162,677
Right-of-use assets	6,316	6,834
Investments in associates	2,561	2,332
Deferred tax assets	1,143	904
	<u>178,966</u>	<u>182,097</u>
<b>CURRENT ASSETS</b>		
Trade receivables	36,563	38,365
Contract assets	116,845	89,067
Other receivables, deposits and prepayments	4,310	3,459
Derivative financial assets	105	-
Tax recoverable	1,856	1,194
Short term deposits with licensed banks	25,477	46,919
Cash and bank balances	7,239	3,465
	<u>192,395</u>	<u>182,469</u>
<b>TOTAL ASSETS</b>	<b><u>371,361</u></b>	<b><u>364,566</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	254,291	254,291
Warrants reserve	29,196	29,196
Foreign currency translation reserve	228	208
Accumulated losses	(55,039)	(58,814)
<b>TOTAL EQUITY</b>	<u>228,676</u>	<u>224,881</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 SEPTEMBER 2021 (cont'd)**

*(The figures have not been audited)*

		<b>Unaudited as at 30.09.2021 RM'000</b>	<b>Audited as at 31.12.2020 RM'000</b>
<b>NON-CURRENT LIABILITIES</b>	<b>Note</b>		
Retirement benefit obligations		59	46
Deferred tax liabilities		587	1,217
Lease liabilities		2,911	4,561
Other payable		9,135	8,870
Term loans	B8	35,938	45,834
Hire purchase payables	B8	56	95
		<u>48,686</u>	<u>60,623</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		51,993	33,345
Contract liabilities		10,410	8,702
Other payables, accruals and provisions		10,277	8,004
Amount due to an associate		70	238
Term loans	B8	13,123	11,960
Hire purchase payables	B8	49	59
Lease liabilities		3,518	2,292
Derivative financial liabilities		-	292
Taxation		653	824
Bank overdrafts (secured)	B8	3,906	13,346
		<u>93,999</u>	<u>79,062</u>
<b>TOTAL LIABILITIES</b>		<u>142,685</u>	<u>139,685</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>371,361</b></u>	<u><b>364,566</b></u>
Net assets per share (RM)		<u>0.46</u>	<u>0.45</u>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2021**

*(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 2021	254,291	29,196	208	(58,814)	224,881
Other comprehensive income:					
- Foreign currency translation loss	-	-	20	-	20
- Actuarial loss on defined benefit obligations, net of tax				-	-
Total other comprehensive loss	-	-	20	-	20
Profit for the financial period	-	-	-	3,775	3,775
Total comprehensive income for the financial period	-	-	20	3,775	3,795
<b>As at 30 September 2021</b>	<b>254,291</b>	<b>29,196</b>	<b>228</b>	<b>(55,039)</b>	<b>228,676</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2021 (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 2020	254,291	29,196	238	(69,644)	214,081
Other comprehensive (loss)/income:					
- Foreign currency translation loss	-	-	(11)	-	(11)
Profit for the financial period	-	-	-	7,718	7,718
Total comprehensive income for the financial period	-	-	(11)	7,718	7,707
<b>As at 30 September 2020</b>	<b>254,291</b>	<b>29,196</b>	<b>227</b>	<b>(61,926)</b>	<b>221,788</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2021**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 Sept 2021 RM'000</b>	<b>30 Sept 2020 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,432	11,942
Adjustments for:		
Depreciation of property, plant and equipment	3,073	3,354
Amortisation of intangible assets	2,712	2,749
Property, plant and equipment written off	-	1
Allowance for impairment losses on trade receivables	174	182
Reversal of allowance for impairment losses	-	(371)
Interest expenses	-	16
Interest on hire purchase	3	22
Interest on bank overdrafts	149	526
Interest on lease liabilities	245	99
Interest on term loan	2,016	2,968
Interest on deferred cash consideration	265	373
Net movement in provision for compensated absences	904	509
Share of results of associates	(229)	(158)
Interest income from short term deposits	(361)	(784)
Defined benefit cost	13	13
Loss on disposal of property, plant and equipment	-	2
<b>Operating profit before working capital changes</b>	<b>15,396</b>	<b>21,443</b>
Changes in working capital:		
Decrease in trade receivables	1,628	2,911
Increase in contract assets	(27,778)	(11,572)
Increase in other receivables, deposits and prepayments	(851)	(396)
Increase in trade payables	18,648	8,477
Increase/(Decrease) in contract liabilities	1,708	(95)
Increase in other payables, accruals and provisions	1,369	893
Decrease in derivative financial liability	(397)	-
(Decrease)/Increase in amount due to an associate	(168)	154
Decrease in retirement benefit obligations	-	(9)
<b>Cash generated from operations</b>	<b>9,555</b>	<b>21,806</b>
Tax refunded	-	-
Tax paid	(4,365)	(1,855)
<b>Net cash from operating activities</b>	<b>5,190</b>	<b>19,951</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2021 (cont'd)**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(616)	(455)
Purchase of intangible assets	-	(106)
Proceeds from disposal of property, plant and equipment	-	10
Interest received on short term deposits	361	784
<b>Net cash from investing activities</b>	<b>(255)</b>	<b>233</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on hire purchase financing	(49)	(476)
Upliftment/(Placement) of fixed deposits and bank balances pledged	8,016	(2,078)
Repayment of term loan	(8,899)	(6,832)
Lease liabilities	(1,993)	(2,263)
Interest paid on hire purchase	(3)	(22)
Interest paid on bank overdrafts	(149)	(526)
Interest paid on lease liabilities	(245)	(99)
Interest paid on term loan	(1,851)	(2,611)
<b>Net cash used in financing activities</b>	<b>(5,173)</b>	<b>(14,907)</b>
<b>Net (decrease)/increase in cash and cash equivalents during financial period</b>	<b>(238)</b>	<b>5,277</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>26</b>	<b>(7)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>21,652</b>	<b>22,100</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>21,440</b>	<b>27,370</b>



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

*(The figures have not been audited)*

Components of cash and cash equivalents as at 30 Sept 2021 is as follows:

	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	7,239	3,960
Short term deposits with licensed banks	25,477	46,416
Bank overdrafts (secured)	<u>(3,906)</u>	<u>(8,091)</u>
	28,810	42,285
Less: short term deposits and bank balances pledged with licensed banks	<u>(7,370)</u>	<u>(14,915)</u>
	<u><b>21,440</b></u>	<u><b>27,370</b></u>

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## **HSS ENGINEERS BERHAD**

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

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### **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

#### **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 2020 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 2020 except for the adoption of the following applicable Amendments to Standards or new Standards during the current financial period which is effective from 1 January 2021:

##### **MFRSs (Including The Consequential Amendments)**

- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

##### **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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 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 is 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 September 2021 were as follows:-

	<b>RM'000</b>
Authorised but not contracted for:	<u>1,116</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.

The aggressive containment strategy the Government has rightfully adopted since the announcement of the Movement Control Order ("MCO") on 16 March 2020 demanded the Group to quickly adapt to the 'next normal' in order to mitigate the impact upon operations and financial performance of the Group.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

**A12. Material events subsequent to the end of the current financial period (cont'd)**

Business continuity through working from home procedures, continuous and effective communication with our employees, clients and business partners, as well as our employee's health and safety were and will continue to be our priorities in operating our business during this period. Through our ongoing efforts since the start of MCO, we have not only stabilised operations but also mitigated the financial impact on the Group by continuous engagement with our clients in terms of project billings and collections.

In light of the approval the Group has obtained from MITI, we have recommenced operations since 27 April 2020 and the Group will continue to support the Government's efforts in the combat against the virus through strict compliance with all the relevant standard operating procedures and guidelines issued by relevant competent authority in ensuring the best recommended practices are being adhered to at all times.

As we embrace the 'next normal', we intend to pursue innovation or even pivot new business models which will pave the way for greater improvement towards operational and financial efficiency whilst always considering the health and safety of our staff.

**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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

**B1. Review of performance**

For the current quarter and current period to date under review, the Group recorded revenue of RM42.9 million and RM125.8 million respectively.

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

	Quarter ended				Year to date ended			
	30 Sept 2021	30 Sept 2020	Variance		30 Sept 2021	30 Sept 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Engineering services</b>								
- Engineering design	15,572	18,279	(2,707)	(14.8)	53,446	53,273	173	0.3
- Construction supervision	15,611	16,604	(993)	(6.0)	48,466	51,372	(2,906)	(5.7)
<b>Project management</b>	9,535	4,544	4,991	>100	16,869	13,647	3,222	23.6
<b>BIM services</b>	341	398	(57)	(14.3)	1,205	1,393	(188)	(13.5)
<b>Reimbursable income</b>	1,888	2,219	(331)	(14.9)	5,825	5,192	633	12.2
<b>TOTAL</b>	<b>42,947</b>	<b>42,044</b>	<b>903</b>	<b>2.1</b>	<b>125,811</b>	<b>124,877</b>	<b>934</b>	<b>0.7</b>

Engineering design

In alignment with the progress of projects, the revenue from engineering design for current quarter decreased by 14.8% to RM15.6 million as compared to RM18.3 million for the corresponding quarter ended 30 September 2020.

Engineering design revenue was flattish at RM53.4 million for the current period as opposed to RM53.3 million for the corresponding period ended 30 September 2020.

Construction supervision

In line with the progress of projects, construction supervision segment revenue was flattish at RM15.6 million for the current quarter as compared to RM16.6 million for the corresponding quarter ended 30 September 2020.

Construction supervision segment revenue for the current period slightly decreased by RM2.9 million or 5.7% as compared to corresponding period ended 30 September 2020.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

Project management

Project management revenue rose by RM5.0 million and RM3.2 million for the current quarter and current period as compared to RM4.5 million for corresponding quarter and RM13.6 million for period in previous year. This is 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 for both current quarter and financial period.

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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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 Sept 2021	30 Sept 2020	Variance		30 Sept 2021	30 Sept 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Local</b>								
Malaysia	42,694	41,896	798	1.9	125,167	124,229	938	0.8
<b>Overseas</b>								
India	253	148	105	70.9	644	473	171	36.2
Indonesia	-	-	-	-	-	175	(175)	(100)
<b>TOTAL</b>	<b>42,947</b>	<b>42,044</b>	<b>903</b>	<b>2.1</b>	<b>125,811</b>	<b>124,877</b>	<b>934</b>	<b>0.7</b>

Local market continued to contribute significant portion of revenue amounting to 99.5% of the Group's total revenue as explained in section (a) above.

(c) Profit After Tax ("PAT")

The Group recorded PAT approximately RM0.2 million for the current quarter as compared to a RM2.8 million for corresponding quarter in year 2020.

(d) Our unbilled order book as at 30 September 2021 are as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	138,430	25.2
- Construction supervision	228,451	41.7
Project management	176,971	32.3
	<u>543,852</u>	<u>99.2</u>
BIM services	4,429	0.8
<b>Total</b>	<b><u>548,281</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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 Sept 2021 RM'000</b>	<b>Preceding Quarter 30 June 2021 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Revenue	42,947	38,989	3,958	10.2
Gross profit	9,344	10,083	(739)	(7.3)
Profit before taxation	768	2,499	(1,731)	(69.3)

The profit before tax ("PBT") for current quarter was lower by RM1.7 million as compared to PBT for immediate preceding quarter ended 30 June 2021 due to lower gross profit margin achieved.

**B3. Prospects**

**(i) Current Scenario**

Our performance in 3Q21 remained profitable despite the impact of the ongoing lockdown on our project progress. The performance for the said quarter was affected by the delayed earnings arising from the lower than expected mobilization of staff for the the RM145 million Project Management Consultant contract for Pan Borneo Sabah that was secured in April 2021. However the earnings from this project is expected to be recognized more progressively in the coming quarters till completion in 2026.

Towards the end of 3Q21, our operations at most work sites have normalized and recovered to 100%. Effective 6th October 2021, we resume full operations and were operating at 100% capacity at HQ upon obtaining government approval with our staff fully vaccinated.

We have secured RM192 mil worth of new contracts and foresee this momentum to continue in the 4th quarter and 2022. One of the key projects secured was the Project Management Consultancy Services (PMC) for the Phase 1 of Pan Borneo Sabah. We are honoured to be part of this iconic project which will be a key enabler for the nation's future economic growth. The opportunity to work on this project is a testament to our integrated offerings and local knowledge, as well as our track record of delivering large-scale infrastructure projects in Malaysia.

Other Key contract wins include the Consulting Engineer works for the proposed development of Phase 1 Langat 2 WTP and water reticulation system, Feasibility Studies for Selangor Water Security and Owner Engineering services for Sg Rasau, Selangor amongst others. Our most recent contract win marks our entry into the renewable energy sector, where HSS Integrated Sdn Bhd has been appointed by Cenviro Sdn Bhd as the Owner's Engineer for the development of a Scheduled Waste Management Centre in Johor. This is a significant stepping stone for HEB Group into the fourth vertical to establish long-term recurring income, complementing our core expertise in Engineering Services, Project Management Consultancy and Building Information Modelling.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

Our major rail projects are moving well, HSS is already working on the Section A and C of ECRL and is (i) in the final stages of the Preliminary Design of Section A which is from Kota Bharu to Dungun (approximately 210 km long) and concurrently carrying out the Detail Design and supervising the Construction Works (ii) obtained Final Railway Scheme Approval from the Land Public Transport Agency for Section C1 (Mentakab to Gombak) and are in the process of obtaining approval for Section C2 (Gombak to Port Klang) which is on public display. The Iskandar BRT (IMBRT) project, secured in December 2019, is progressing well with detailed design expected to be completed by the 4th quarter of 2021 with tenders for construction contracts expected to be called soon.

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.

As for the water sector, with the recent episodes of pollutions of Sg Selangor which has caused severe water disruption to consumers, the State Government of Selangor has appointed us to study measures to deal with such pollution in the future. The tenders for the proposed measures have recently been issued out and construction is expected to commence soon. In addition to that, we are the Owner's Engineers for the development of Sungai Rasau water treatment and supply scheme project. The tender for the construction of the Jerneh dam to address water shortages in Melaka is on-going and construction is expected to start towards the end of 2021.

The recent RM332.1 billion expansionary budget for 2022 tabled on 29th October 2021 saw RM75.6 billion being allocated for development expenditure (DE), which is much higher, compared to RM62 billion in 2021. This augurs well for the infrastructure sector as the higher DE allocation will be mainly channeled towards the implementation of projects and programmes outlined under the 12th Malaysia Plan (12 MP), which includes existing projects such as the Gemas-Johor Bahru Electrified Double Track, Johor- Bahru - Singapore Rapid Transit System Link as well as the Pan Borneo Highway.

Budget 2022 is in line with the thrust of the 12th Malaysia Plan (12 MP) tabled on 27th September 2021 which aims to drive the national development agenda in an effort to revitalize the economy. Under the 12 MP, an estimated amount of RM400 billion development expenditure (DE) was being allocated for the period 2021 to 2025, compared to RM248.5 billion for the 11MP 2016-2020.

We remain optimistic that the award of new contracts as well as implementation of mega infrastructure projects will be accelerated in the 4Q 2021 which is likely to roll over to 2022 as the Government continues to pump prime the economy with the easing of pandemic.

Moving forward, we foresee privatizations to be the main catalyst in driving infrastructure projects in the country as Government aims to optimize its capital expenditure in its infrastructure development projects whilst prioritizing the people's welfare. To facilitate the privatization mechanism, an Infrastructure Facilitation Fund 3.0 was set up under the supervision of the Public-Private Partnership Unit with an initial fund allocation of RM 200 million under the Budget 2022.





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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

As of 30th September 2021, our order book stood at RM548.3 million with construction supervision and project management segments being the biggest contributor of 74 % and our tender book value is RM 423 million.

**(iii) Future Prospects**

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

**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 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.

• **Sarawak Metro**

The tender for the detailed engineering design for the Line 2 – Serian Line (23 km) recently ended in September 2021 to which we have submitted a bid. Being the lead consultant for the feasibility study (2017-2018) may give us the advantage over the other bidders.

• **Johor- Bahru Singapore Rapid Transit System (RTS)**

The RTS Link between Malaysia and Singapore will be a railway service with two stations, one at Bukit Chagar in Johor Baru, and the other at Woodlands North in Singapore. The link is targeted to begin operations by the end of 2026 and will provide an easy and efficient border crossing between Malaysia and Singapore. As both the RTS and Iskandar Malaysia BRT is in the same locality and having worked on the IMBRT since December 2019, we have a first-hand unique perspective on the “how” and “what” that need to be done to successfully implement the RTS Project. We have submitted our tender for the Appointment for Supervising Consultancy Services for this project recently.

• **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 2H2021. We were the Scheme Design consultants for the project leading the infrastructure designs and coordinating the systems interfaces with the civil works.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

**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 from CT10 to CT17.

- **Other opportunities**

The Group is also actively pursuing engineering design opportunities with various ports operators such as Kuantan Port Consortium and Pelabuhan Tanjung Pelepas.

**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 continue 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:-

- **Sewerage Master Plan for SPAN**

The proposed blue print for sewerage catchment management adopts IWRM approach for over 100 river basins in Malaysia. Three major centralised sewage treatment plants (STP) will be proposed for implementation in next five years. Conceptual design for other major centralised STPs will be proposed for long term development in other basins.

- **Groundwater Study in Kelantan**

We have submitted an offer to carry out feasibility study for constructing groundwater reservoir and other water resources development options in the state of Kelantan.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

**Water Sector**

• **Dam Safety Review of Hydroelectric Dams**

Many large hydroelectric schemes developed as early as in 1920s have been in operation for up to 100 years and subject to deterioration of its structures and mechanical/electrical installations and equipment. This Safety Review study will examine the present safety status of twelve existing hydropower schemes in Malaysia and propose appropriate rehabilitation, strengthening and replacement measures to allow continued operation of these schemes.

Since 2020, we are the joint Consultant for the Life Extension Programme of Sungai Perak Hydroelectric Stations. As renewable energy, we expect hydropower projects, both new and rehabilitation, to be an important environmental sustainability agenda for Malaysia in 2022.

• **Muar Melaka Phase 3 Study**

We have submitted offer to carry out feasibility study for the Muar Melaka Raw Water Transfer Phase 3. We were the Design Consultant for the Phase 1 and Phase 2 projects.

**(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 and to this, we have formed strategic collaborations with leading Japanese consultants to participate in JICA funded projects in Indonesia, Philippines and India.

We continue to collaborate with our Japanese partner – Nippon-Koei, to provide supervision services for the Chennai Metro Phase 3 in India. The Group is also part of the "Expert Committee" with Indian Institute of Technology (IIT) Mumbai in a lead role to develop a roadmap on the policy framework on the usage of precast concrete on structures by the National Highways Authority of India.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

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

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

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

**A) Regional Expansion**

In India, we have introduced the usage of Ultra High Performance Concrete (UHPC), an innovative construction material for the construction of one of the bridges in India. We are the Design Consultant for the superstructure of this bridge with UHPC Box Girder where this bridge shall be used as a 'Pilot Project' as a landmark for the innovative technology. Moving forward, we expect more bridge projects in India to begin utilizing this material (UHPC) and this move will be a game-changer in the Indian Construction Sector.

In Philippines, we have commenced supervision services for the North-South Commuter Railway Extension project through our Japanese Partner – Oriental Consultants Global.

**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.

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.

**C) Telecommunication (5 G Roll -Out)**

We have recently set up a telecommunication division within the Group to actively pursue opportunities with Digital Nasional Berhad (DNB) to successfully implement its nationwide 5G roll-out. To this, we have submitted several bids in the 3rd (third) quarter of the year which encompasses Project Management, Site Management and Commercial Contract Management.

**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, biomass/biogas projects including rooftop solar ventures.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B4. Income tax expense**

	Quarter ended		Year to date ended	
	30 Sept 2021 RM'000	30 Sept 2020 RM'000	30 Sept 2021 RM'000	30 Sept 2020 RM'000
<u>Income tax expense</u>				
- Current financial period	816	1,794	3,525	4,935
	<u>816</u>	<u>1,794</u>	<u>3,525</u>	<u>4,935</u>
<u>Deferred tax</u>				
- Current financial period	(273)	(196)	(868)	(711)
	<u>(273)</u>	<u>(196)</u>	<u>(868)</u>	<u>(711)</u>
Total tax expense	<u>543</u>	<u>1,598</u>	<u>2,657</u>	<u>4,224</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 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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 2021
	(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 2021
	<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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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>	

**Notes:**

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

(b) As at 30 September 2021

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B7. Status of utilisation of proceeds from corporate exercise (cont'd)**
**(ii) Utilisation of proceeds from the Placement**

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation <sup>(a)</sup> (RM'000)	Intended Timeframe for Utilisation	Deviation (RM'000)
To pay partially the upfront Cash Consideration of RM153,000,000 for SMHB Acquisition	52,298	52,298	Within 1 month from the date of listing of the Placement shares <sup>(b)</sup>	-

**(iii) Utilisation of proceeds from Rights with Bonus Issue and Warrants**

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation <sup>(a)</sup> (RM'000)	Intended Timeframe for Utilisation	Deviation	
					(RM'000)	%
1.	To pay partially the upfront Cash Consideration of RM153,000,000 for SMHB Acquisition	15,700	15,702	Within 1 month from the date of listing of the Rights shares <sup>(c)</sup>	2	0.01%
2.	Forming part of the deferred Cash Consideration of RM9,000,000 for SMHB Acquisition to be paid on/before the fifth anniversary from the completion date of the aforesaid acquisition	9,000	-	On/before the fifth anniversary of the completion date of SMHB Acquisition <sup>(d)</sup>	N/A	N/A
3.	Repayment of the financing facility for the SMHB Acquisition	9,281	9,281	Within 6 months from the date of listing of the Rights shares <sup>(c)</sup>	-	-
4.	Defray estimated expenses relating to the corporate exercises which comprised SMHB Acquisition, Placement and Rights with Bonus Issue and Warrants	7,500	7,147	Within 1 month from the date of listing of the Rights shares <sup>(c)</sup>	353 <sup>(e)</sup>	4.7%
	<b>TOTAL</b>	<b>41,481</b>	<b>32,130</b>			

(a) As at 30 September 2021.

(b) The listing date of Placement shares was on 8 March 2018.

(c) The listing date of the Rights shares was on 21 March 2018.

(d) The completion date of SMHB Acquisition was on 28 March 2018.

(e) The actual expenses were only RM7.147 million and hence, resulted in a variance of RM353,000.





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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 Sept 2021 are as follows:-

	<b>As at 30 Sept 2021 RM'000</b>	<b>As at 30 Sept 2020 RM'000</b>
<b>Current:</b>		
Lease liabilities	3,518	1,043
Hire purchase payables	49	136
Bank overdrafts	3,906	8,091
Term loans	13,123	11,549
	<u>20,596</u>	<u>20,819</u>
<b>Non-current:</b>		
Lease liabilities	2,911	216
Hire purchase payables	56	105
Term loans	35,938	49,068
	<u>38,905</u>	<u>49,389</u>
<b>Total borrowings:</b>		
Lease liabilities	6,429	1,259
Hire purchase payables	105	241
Bank overdrafts	3,906	8,091
Term loans	49,061	60,617
	<u><b>59,501</b></u>	<u><b>70,208</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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 Sept 2021</b>	<b>30 Sept 2020</b>	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	225	2,787	3,775	7,718
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	0.05	0.56	0.76	1.56
Diluted EPS (sen)	0.05	0.56	0.76	1.56

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 THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2021**

**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 Sept 2021</b>	<b>30 Sept 2020</b>	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment and Right-of-use assets	1,027	1,097	3,073	3,354
Amortisation of intangible assets	901	913	2,712	2,749
Property, plant and equipment written off		1		1
Allowance for impairment losses on trade receivables, net of reversal	78	(142)	174	(189)
Interest expense	858	1,203	2,678	4,004
Interest income	(98)	(228)	(361)	(784)
Loss on disposal of property, plant & equipment	-	-	-	2
Gain on derivatives	(29)	-	(397)	-
Loss on foreign exchange	11	(14)	49	(10)

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 18 November 2021.