

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020
(The figures have not been audited)

	Note	Quarter ended 31 Dec			Year to date ended 31 Dec		
		2020 RM'000	2019 RM'000	% + / (-)	2020 RM'000	2019 RM'000	% + / (-)
Revenue	B1	45,122	40,367	11.8	169,999	148,455	14.5
Direct costs		<u>(32,641)</u>	<u>(28,424)</u>		<u>(121,312)</u>	<u>(109,214)</u>	
Gross profit		12,481	11,943	4.5	48,687	39,241	24.1
Other operating income		233	391		1,181	1,752	
Administrative expenses		(5,029)	(4,773)		(19,894)	(20,339)	
Other operating expenses		<u>(2,110)</u>	<u>(2,379)</u>		<u>(8,611)</u>	<u>(10,574)</u>	
Profit for the year from operations		5,575	5,182	7.6	21,363	10,080	111.9
Finance costs		(1,328)	(1,655)		(5,332)	(7,218)	
Share of results of associates		246	171		404	382	
Profit before taxation		<u>4,493</u>	<u>3,698</u>	21.5	<u>16,435</u>	<u>3,244</u>	406.6
Taxation	B4	<u>(1,569)</u>	<u>(914)</u>		<u>(5,793)</u>	<u>(2,061)</u>	
Profit for the financial period		2,924	2,784	5.0	10,642	1,183	799.6
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation loss		(15)	(17)		(26)	(14)	
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Actuarial gain on defined benefit obligations, net of tax		<u>(14)</u>	<u>(7)</u>		<u>(14)</u>	<u>(7)</u>	
Total comprehensive income for the financial period		<u><u>2,895</u></u>	<u><u>2,760</u></u>	4.9	<u><u>10,602</u></u>	<u><u>1,162</u></u>	812.4
Profit for the financial period attributable to:-							
Owners of the Company		<u><u>2,924</u></u>	<u><u>2,784</u></u>	5.0	<u><u>10,642</u></u>	<u><u>1,183</u></u>	799.6
Total comprehensive income attributable to:-							
Owners of the Company		<u><u>2,895</u></u>	<u><u>2,760</u></u>	4.9	<u><u>10,602</u></u>	<u><u>1,162</u></u>	812.4
Earnings per share (sen)							
- Basic	B11	<u><u>0.59</u></u>	<u><u>0.56</u></u>	5.4	<u><u>2.15</u></u>	<u><u>0.24</u></u>	795.8
- Diluted	B11	<u><u>0.59</u></u>	<u><u>0.56</u></u>	5.4	<u><u>2.15</u></u>	<u><u>0.24</u></u>	795.8



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(The figures have not been audited)

	Unaudited as at 31.12.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,914	4,718
Intangible assets	5,431	8,997
Goodwill	162,677	162,677
Right-of-use assets	6,834	3,350
Investments in associates	2,331	1,927
Deferred tax assets	898	122
	<u>182,085</u>	<u>181,791</u>
CURRENT ASSETS		
Trade receivables	38,439	41,138
Contract assets	89,067	66,548
Other receivables, deposits and prepayments	3,178	2,980
Tax recoverable	1,194	3,427
Short term deposits with licensed banks	46,919	46,193
Cash and bank balances	3,465	3,782
	<u>182,262</u>	<u>164,068</u>
TOTAL ASSETS	<u>364,347</u>	<u>345,859</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	254,291	254,291
Warrants reserve	29,196	29,196
Foreign currency translation reserve	212	238
Accumulated losses	(59,016)	(69,644)
TOTAL EQUITY	<u>224,683</u>	<u>214,081</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (cont'd)

(The figures have not been audited)

		Unaudited as at 31.12.2020 RM'000	Audited as at 31.12.2019 RM'000
NON-CURRENT LIABILITIES	Note		
Retirement benefit obligations		46	61
Deferred tax liabilities		1,217	2,057
Lease liabilities		4,561	458
Other payable		8,869	8,368
Term loans	B8	45,835	53,694
Hire purchase payables	B8	72	60
		<u>60,600</u>	<u>64,698</u>
CURRENT LIABILITIES			
Trade payables		33,185	19,994
Contract liabilities		8,708	7,734
Other payables, accruals and provisions		8,213	7,360
Amount due to an associate		158	3
Term loans	B8	11,960	13,397
Hire purchase payables	B8	82	557
Lease liabilities		2,292	2,993
Derivative financial liability		292	-
Taxation		828	4
Bank overdrafts (secured)	B8	13,346	15,038
		<u>79,064</u>	<u>67,080</u>
TOTAL LIABILITIES		<u>139,664</u>	<u>131,778</u>
TOTAL EQUITY AND LIABILITIES		<u>364,347</u>	<u>345,859</u>
Net assets per share (RM)		<u>0.45</u>	<u>0.43</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 2020

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
	Share Capital	Warrants Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	254,291	29,196	238	(69,644)	214,081
Other comprehensive (loss)/income:					
- Foreign currency translation loss	-	-	(26)	-	(26)
- Actuarial loss on defined benefit obligations, net of tax				(14)	(14)
Total other comprehensive loss	-	-	(26)	(14)	(40)
Profit for the financial period	-	-	-	10,642	10,642
Total comprehensive income for the financial period	-	-	(26)	10,628	10,602
As at 31 December 2020	254,291	29,196	212	(59,016)	224,683



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 2020 (cont'd)

(The figures have not been audited)

	Non-Distributable		Foreign	Distributable	
	Share	Share	Currency	Retained	Total
	Capital	Premium	Translation	Profits	
	RM'000	RM'000	Reserve	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	254,291	29,196	252	(70,820)	212,919
Other comprehensive loss:					
- Foreign currency translation loss	-	-	(14)	-	(14)
- Actuarial loss on defined benefit obligations, net of tax	-	-	-	(7)	(7)
Total other comprehensive loss	-	-	(14)	(7)	(21)
Profit for the financial period	-	-	-	1,183	1,183
Total comprehensive income for the financial period	-	-	(14)	1,176	1,162
Transactions with owners of the Company:					
As at 31 December 2019	254,291	29,196	238	(69,644)	214,081



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 31 DECEMBER 2020

(The figures have not been audited)

	Year to date ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,435	3,244
Adjustments for:		
Depreciation of property, plant and equipment	4,308	4,656
Amortisation of intangible assets	3,657	4,204
Property, plant and equipment written off	1	131
Allowance for impairment losses on trade receivables	444	479
Reversal of allowance for impairment losses	(982)	(890)
Trade and other receivables written off	-	50
Interest expenses	16	-
Interest on hire purchase	24	75
Interest on bank overdrafts	657	1,058
Interest on lease liabilities	101	299
Interest on term loan	3,660	5,101
Interest on deferred cash consideration	502	473
Net movement in provision for compensated absences	107	32
Share of results of associates	(404)	(382)
Interest income from short term deposits	(978)	(1,395)
Gain on derecognition of a lease	-	(2)
Unrealised loss on foreign exchange	-	30
Defined benefit cost	3	12
Loss on disposal of property, plant and equipment	2	-
Operating profit before working capital changes	27,553	17,175
Changes in working capital:		
Decrease in trade receivables	3,237	31,112
Increase in contract assets	(22,519)	(7,141)
(Increase)/Decrease in other receivables, deposits and prepayments	(198)	550
Increase/(Decrease) in trade payables	13,191	(6,713)
Increase/(Decrease) in contract liabilities	974	(2,625)
Increase in other payables, accruals and provisions	745	386
Increase in derivative financial liability	292	-
Increase/(Decrease) in amount due to an associate	139	(11,789)
Decrease in retirement benefit obligations	(32)	(15)
Cash generated from operations	23,382	20,940
Tax refunded	-	134
Tax paid	(4,353)	(9,128)
Net cash from operating activities	19,029	11,946



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Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 DECEMBER 2020 (cont'd)**

(The figures have not been audited)

	Year to date ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(590)	(284)
Purchase of intangible assets	(92)	(52)
Proceeds from disposal of property, plant and equipment	10	-
Interest received on short term deposits	978	1,395
Net cash from investing activities	306	1,059
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(563)	(728)
Placement of fixed deposits and bank balances pledged	(2,549)	(3,756)
Repayment of term loan	(9,715)	(11,198)
Lease liabilities	(2,911)	(3,073)
Interest paid on hire purchase	(24)	(75)
Interest paid on bank overdrafts	(657)	(1,058)
Interest paid on lease liabilities	(101)	(299)
Interest paid on term loan	(3,243)	(5,101)
Net cash used in financing activities	(19,763)	(25,288)
Net decrease in cash and cash equivalents during financial period	(428)	(12,283)
Effect of exchange rate changes on cash and cash equivalents	(20)	(2)
Cash and cash equivalents at beginning of financial period	22,100	34,385
Cash and cash equivalents at end of financial period	21,652	22,100



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 DECEMBER 2020 (cont'd)**

(The figures have not been audited)

Components of cash and cash equivalents as at 31 December 2020 is as follows:

	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Cash and bank balances	3,465	3,782
Short term deposits with licensed banks	46,919	46,193
Bank overdrafts (secured)	(13,346)	(15,038)
	<u>37,038</u>	<u>34,937</u>
Less: short term deposits and bank balances pledged with licensed banks	(15,386)	(12,837)
	<u>21,652</u>	<u>22,100</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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 2019 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 2019 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 2020:

MFRSs (Including The Consequential Amendments)

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 7, Financial Instruments: Disclosures, MFRS 9, Financial Instruments (2014) and MFRS 139, Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

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 and BIM Global Ventures Sdn Bhd were not subject to any qualification.

A4. Seasonal or cyclical factors

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

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

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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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 31 December 2020 were as follows:-

	RM'000
Authorised but not contracted for:	<u>250</u>

A12. 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.

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 stabilise operations but also mitigated the financial impact on the Group by continuous engagement with our clients in terms of project billings and collections.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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)

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 that we have implemented 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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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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 RM45.1 million and RM170.0 million respectively.

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

	Quarter ended				Year to date ended			
	31 Dec 2020	31 Dec 2019	Variance		31 Dec 2020	31 Dec 2019	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Engineering services								
- Engineering design	18,185	15,224	2,961	19.4	71,458	43,551	27,907	64.1
- Construction supervision	17,109	17,876	(767)	(4.3)	68,481	71,983	(3,502)	(4.9)
Project management	7,719	3,683	4,036	>100	21,366	20,885	481	2.3
BIM services	317	741	(424)	(57.2)	1,710	2,147	(437)	(20.4)
Reimbursable income	1,792	2,843	(1,051)	(36.9)	6,984	9,889	(2,905)	(29.4)
TOTAL	45,122	40,367	4,755	11.8	169,999	148,455	21,544	14.5

Engineering design

Engineering design revenue increased marginally by RM2.9 million for the current quarter and increased substantially by RM27.9 million for the current year as compared to the corresponding quarter and previous year. This is attributable to the major on-going projects which includes East Coast Rail Line ("ECRL") scheme and prelim design and Projek Perintis Sistem Pengangkutan Bus Rapid Transit di 3 Laluan Berkapasiti Tinggi dan Pembinaan Laluan Khas (Busway).

Construction supervision

In line with the progress of projects, construction supervision segment revenue for the current quarter and current year declined marginally by RM0.8 million or 4.3% and RM3.5 million or 4.9% as compared to corresponding quarter and year ended 31 December 2019.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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 services for the current quarter rose by RM4.0 million as compared to corresponding quarter ended 31 December 2019 and flattish at RM21.4 for the current year. This is contributed by the existing project management projects which includes Project Delivery Management Office for all development projects by the Client within the Northern Corridor Economic Region.

BIM services

In line with the progress of projects, BIM services revenue decrease by RM0.4 million for current quarter and current year as compared to RM0.7 million and RM2.1 million respectively for corresponding quarter and year ended 31 December 2019.

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 regardless of the decline or rise in reimbursable income.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B1. Review of performance (cont'd)

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

	Quarter ended				Year to date ended			
	31 Dec 2020	31 Dec 2019	Variance		31 Dec 2020	31 Dec 2019	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Local								
Malaysia	44,713	40,139	4,574	11.4	168,942	147,452	21,490	14.6
Overseas								
India	409	228	181	79.4	882	924	(42)	(4.5)
Middle East	-	-	-	-	-	42	(42)	(100)
Indonesia	-	-	-	-	175	37	138	>100
TOTAL	45,122	40,367	4,755	11.8	169,999	148,455	21,544	14.5

Local market continue to contribute significant portion of revenue amounting to 99.4% of the Group's total revenue attributed to local projects as explained in section (a) above.

(c) Profit After Tax ("PAT")

The Group recorded PAT approximately RM2.9 million for the current quarter as compared to a RM2.8 million for corresponding quarter in year 2019 due to revenue contribution from major on-going projects.

(d) Our unbilled order book and unrecognised revenue as at 31 December 2020 are as follows:

	Unbilled order book		Unrecognised revenue	
	RM'000	%	RM'000	%
Engineering services				
- Engineering design	149,008	33.6	95,338	26.3
- Construction supervision	243,889	55.0	228,713	63.0
Project management	45,341	10.2	34,238	9.4
	<u>438,238</u>	<u>98.8</u>	<u>358,289</u>	<u>98.7</u>
BIM services	5,198	1.2	4,787	1.3
Total	443,436	100	363,076	100

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 31 Dec 2020 RM'000	Preceding Quarter 30 Sept 2020 RM'000	Variance RM'000	%
Revenue	45,122	42,044	3,078	7.3
Gross profit	12,481	12,371	110	0.9
Profit before taxation	4,493	4,385	108	2.5

The profit before tax ("PBT") for current quarter flattish at RM4.4 million due to increase in engineering design revenue and also higher gross profit margin achieved.

B3. Prospects

(i) Current Scenario

The Covid-19 pandemic and Movement Control Orders (MCOs) in place since mid-March 2020 have severely impacted the nation's economy – reducing economic activity and putting pressure on both public and private finances. The implementation of major infrastructure projects was delayed as the government was focused on fighting the Covid-19 pandemic.

We believe the implementation of major infrastructure projects and award of new contracts to be accelerated in 2H-2021 to pump prime the economy as the Covid-19 pandemic eases with the roll out of the vaccine. The government has allocated the highest development expenditure budget in history amounting to RM 69 Billion (+38% year on year) for public infrastructure development in Budget 2021. This is in addition to the key mega projects worth around RM 143.06 billion announced under Budget 2020 which will be rolled over to Budget 2021. These projects include the Mass Rapid Transit Line 3 (MRT 3), Penang Transport Master Plan (PTMP), Johor Bahru – Singapore Rapid Transit System (RTS) and Pan Borneo Highway (Sabah). Further to that, we foresee that the Government will look at privatization as a driver of infrastructure projects to reduce the financial strain on the government's national coffers. As a key industry player, we are looking to leverage on our expertise and track record to participate in these nation- building mega infrastructure projects.

In the rail sector, we are in the final stages of the Preliminary Design of Section A which is from Kota Bharu to Dungun (approximately 210km long). Concurrently, we are also carrying out the Detail Design and also supervising the Construction Works. In addition to the above, HSSI are also working on the Railway Scheme Design for Section C of the ECRL (Mentakab to Port Klang). In recognition of HSSI's efforts, CCCC awarded HSSI "Excellent Consultant of the ECRL for the Year 2020". This is a testament to our capability to deliver projects in a timely manner despite the many challenges faced in 2020.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

The Iskandar BRT (IMBRT) project, secured in December 2019, is progressing well with detailed design expected to be completed in the 2nd quarter of 2021 and hence contribute positively towards the financial performance of the Group in 2020 and 2021. As part of the IMBRT contract, we have implemented the "PROTEGE Ready to Work (RTW) Program", an initiative by the Ministry of Entrepreneur Development, which aims to provide "On the Job and soft skills training" to unemployed graduates to equip them with the necessary skills and knowledge to aid in obtaining gainful employment upon completion of the program.

As for the water sector, with the recent episodes of pollution 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. In addition to that, we are Owner's Engineer for the development of Sungai Rasau water treatment and supply scheme project. We are also currently preparing the tender documents for the construction of the Jerneh dam to address water shortages in Melaka.

Regionally, the Group has commenced supervision services for North-South Commuter Railway Extension (NSCR-EX) project in Philippines through our Japanese partners- Oriental Consultants Global. This is an exciting project for us as deploying our local Malaysian professionals to work alongside the Japanese will no doubt provide us with valuable knowledge transfer that will ultimately enhance the Group's expertise.

(ii) Order Book/Tender Book

As of 31st December 2020, our order book stood RM 443 million with construction supervision and project management segments being the biggest contributor of 65% and our tender book value is RM 300 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. The government is in the midst of reviewing the alignment (optimization) to reduce overall cost of the project especially on the underground works. The previous proposal involved 80% of the alignment to be built underground. 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B3. Prospects (cont'd)

- **Sarawak Metro**

The tender for the scheme engineering design for the first phase of Sarawak Metro covering a distance of 50 km comprising namely Line 1 – Samarahan Line (27 km) and Line 2 – Serian Line (23 km) is ongoing. 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.

- **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.

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.

Water Sector

- **Sungai Perak Raw Water Transfer Scheme (SPRWTS)**

Penang is seeking the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS) which was part of the recommendation from the feasibility study undertaken by the Group. SPRWTS is the most logical, rational and economical option for achieving water supply security in Penang and North Perak until Year 2050. Currently, we are in the process of completing a study to develop supply from Sg Perai with an option to expand supply at the Sg Dua Water Treatment plant. Lastly, the study also explores the option of desalination plants to support large scale development as part of the reclamation efforts on Penang Island. These options are being considered in view of the delay in the SPRWTS project.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B3. Prospects (cont'd)

(iii) Future Prospects (cont'd)

Water Sector (cont'd)

• **Upgrading of Water Resource and Supply For Johor (Iskandar and PIPC)**

The State of Johor has experienced severe water shortages in recent years that have resulted in water rationing with the water levels in several dams reaching extremely low or critical levels. The State Government of Johor, via funding from the Federal Government, is seeking new raw water sources, in particular for future consumption in the southern region including Iskandar Malaysia. We are currently involved in a feasibility study to help the State help assess measures to enhance yield from Sg Sedili Besar. This source may be used to support Iskandar region.

• **Langkawi Water Supply**

The Island of Langkawi has been under significant water stress for some time now and the water resources for this major tourist centre need to be augmented on an urgent basis. We have submitted a bid to undertake a State Wide Water masterplan study for Kedah including Pulau Langkawi. The study will review appropriate measures to support Langkawi's long term water needs.

• **Sarawak Water Grid Study**

A total of RM18 billion has been put up in the 12th Malaysia Plan for the implementation of water supply projects in the state. These water supply projects include the Sarawak Water Supply Master Plan and Water Grid, the extension of pipelines to communities that can be connected to existing water supply networks and the implementation of the Sarawak Rural Water Supply (SAWAS) programme for rural areas. One key point that separates us from the rest of the field is our background in having worked on the Sarawak Water Grid Study.

(iv) Growth Strategies

Our growth strategies concentrate on the following:-

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

On 23rd December 2020, the Group has announced that it has revised its IPO allocation of RM 18 million in which the Group has increased the proposed portion to build its recurring income and long-term contracts to RM15.0 million from RM12.0 million. At the same, the Group reduced the allocation for expansion plans into India and ASEAN from RM6.0 million previously to RM3.0 million.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

(iv) Growth Strategies (cont'd)

Diversification of Revenue

The Group remains committed in its regional expansion plan, but is wary of the impact of the pandemic on regional economies. A certain degree of rising nationalism is expected in Indonesia, Philippines and India, as the governments of these countries aim to preserve domestic interests and internal resources by striking a delicate balance in empowering local talents and employing external expertise. As a result, the Group will need to evaluate the commitment of these countries to their high-growth infrastructure development plans, and as such the realistic mid-to-long term opportunities available to the Group.

Another key strategy that we have adopted is our strategic collaboration with leading Japanese consultants to participate in JICA funded projects in Philippines, Indonesia and India. We have commenced supervision services for North-South Commuter Railway Extension (NSCR-EX) project in Philippines through our Japanese partner, Oriental Consultants Global and looking to expand our collaboration further.

Recurring Income

We are in active pursuit of a fourth vertical to our current revenue portfolio which is an important part of our on-going strategy to provide a longer term sight on revenue that is recurring. On September 2nd 2020, we have submitted our bid for a Development of 50MW AC Solar plant under the Large Scale Solar@MEntARI (LSS) 3B. We are also exploring the opportunities in the areas of water concessions and toll highway as another potential area of recurring income for the Group.

B4. Income tax expense

	Quarter ended		Year to date ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
<u>Income tax expense</u>				
- Current financial period	1,757	1,372	6,692	3,463
- Prior financial period	719	(11)	719	(77)
	<u>2,476</u>	<u>1,361</u>	<u>7,411</u>	<u>3,386</u>
<u>Deferred tax</u>				
- Current financial period	(780)	(447)	(1,491)	(1,325)
- Prior financial period	(127)	-	(127)	-
	<u>(907)</u>	<u>(447)</u>	<u>(1,618)</u>	<u>(1,325)</u>
Total tax expense	<u>1,569</u>	<u>914</u>	<u>5,793</u>	<u>2,061</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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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 ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1.	(a) Expansion into India	15,000	5,000	-	-	-	-	n/a
	(b) Expansion into India & ASEAN	-	-	6,000	3,000	-	3,000	Up to 4 th 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 th Quarter 2021
	Subtotal	24,000	24,000	24,000	18,000	6,000	18,000	



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

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

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

No.	Details of Utilisation	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (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
	Total IPO proceeds	31,908	24,000	24,000	18,000	13,908	18,000	

Notes:

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

(b) As at 31 December 2020

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020
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 ^(a) (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 ^(b)	-

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

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation ^(a) (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 ^(c)	2	0.01%
2.	Forming part of the deferred Cash Consideration of RM9,000,000 for SMHB Acquisition to be paid on third anniversary from the completion date of the aforesaid acquisition	9,000	-	On the third anniversary of the completion date of SMHB Acquisition ^(d)	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 ^(c)	-	-
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 ^(c)	353 ^(e)	4.7%
	TOTAL	41,481	32,130			

(a) As at 31 December 2020.

(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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B8. Group's borrowings and debt securities

The Group's borrowings as at 31 December 2020 are as follows:-

	As at 31 Dec 2020 RM'000	As at 31 Dec 2019 RM'000
Current:		
Hire purchase payables	82	557
Bank overdrafts	13,346	15,038
Term loans	11,960	13,397
	<u>25,388</u>	<u>28,992</u>
Non-current:		
Hire purchase payables	72	60
Term loans	45,835	53,694
	<u>45,907</u>	<u>53,754</u>
Total borrowings:		
Hire purchase payables	154	617
Bank overdrafts	13,346	15,038
Term loans	57,795	67,091
	<u>71,295</u>	<u>82,746</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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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020

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

B9. Material litigation

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

B10. Dividend Payable

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

B11. Earnings per share ("EPS")

The basic and diluted EPS are computed as follows:

	Quarter ended		Year to date ended	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,924	2,784	10,642	1,183
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	0.59	0.56	2.15	0.24
Diluted EPS (sen)	0.59	0.56	2.15	0.24

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2020
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B12. Notes to the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Quarter ended		Year to date ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Depreciation of property, plant and equipment and Right-of-use assets	954	1,285	4,308	4,656
Amortisation of intangible assets	908	1,138	3,657	4,204
Property, plant and equipment written off	-	-	1	131
Allowance for impairment losses on trade receivables, net of reversal	(349)	(450)	(538)	(411)
Interest expense	956	1,443	4,960	7,006
Interest income	(194)	(147)	(978)	(1,395)
Loss on disposal of property, plant & equipment	-	-	2	-
(Gain)/Loss on foreign exchange	4	6	(6)	39

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

B13. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 25 February 2021.