

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021
(The figures have not been audited)

	Note	Quarter ended 31 Dec			Year to date ended 31 Dec		
		2021 RM'000	2020 RM'000	% + / (-)	2021 RM'000	2020 RM'000	% + / (-)
Revenue	B1	38,882	45,127	(13.8)	164,693	170,004	(3.1)
Direct costs		<u>(29,263)</u>	<u>(32,639)</u>		<u>(124,700)</u>	<u>(121,310)</u>	
Gross profit		9,619	12,488	(23.0)	39,993	48,694	(17.9)
Other operating income		322	653		1,091	1,601	
Administrative expenses		(4,367)	(4,966)		(20,212)	(19,831)	
Other operating expenses		<u>(5,186)</u>	<u>(2,652)</u>		<u>(11,603)</u>	<u>(9,153)</u>	
Profit for the year from operations		388	5,523	(93.0)	9,269	21,311	(56.5)
Finance costs		(862)	(1,029)		(3,540)	(5,033)	
Share of results of associates		131	246		360	404	
(Loss)/Profit before taxation		<u>(343)</u>	<u>4,740</u>	(107.2)	<u>6,089</u>	<u>16,682</u>	(63.5)
Taxation	B4	<u>(392)</u>	<u>(1,614)</u>		<u>(3,049)</u>	<u>(5,838)</u>	
(Loss)/Profit for the financial period		(735)	3,126	(123.5)	3,040	10,844	(72.0)
Other comprehensive (loss)/income:							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation (loss)/gain		(4)	(19)		16	(30)	
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Actuarial loss on defined benefit obligations, net of tax		<u>-</u>	<u>(14)</u>		<u>-</u>	<u>(14)</u>	
Total comprehensive (loss)/income for the financial period		<u>(739)</u>	<u>3,093</u>	(123.9)	<u>3,056</u>	<u>10,800</u>	(71.7)
(Loss)/Profit for the financial period attributable to:-							
Owners of the Company		<u>(735)</u>	<u>3,126</u>	(123.5)	<u>3,040</u>	<u>10,844</u>	(72.0)
Total comprehensive (loss)/income attributable to:-							
Owners of the Company		<u>(739)</u>	<u>3,093</u>	(123.9)	<u>3,056</u>	<u>10,800</u>	(71.7)
(Loss)/Earnings per share (sen)							
- Basic	B11	<u>(0.15)</u>	<u>0.63</u>	(123.8)	<u>0.61</u>	<u>2.19</u>	(72.1)
- Diluted	B11	<u>(0.15)</u>	<u>0.63</u>	(123.8)	<u>0.61</u>	<u>2.19</u>	(72.1)



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

(The figures have not been audited)

	Unaudited as at 31.12.2021 RM'000	Audited as at 31.12.2020 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	4,220	3,919
Intangible assets	2,067	5,431
Goodwill	162,677	162,677
Right-of-use assets	5,790	6,834
Investments in associates	2,692	2,332
Deferred tax assets	1,658	904
	<u>179,104</u>	<u>182,097</u>
CURRENT ASSETS		
Trade receivables	42,595	38,365
Contract assets	108,614	89,067
Other receivables, deposits and prepayments	4,939	3,459
Derivative financial assets	271	-
Tax recoverable	851	1,194
Short term deposits with licensed banks	24,252	46,919
Cash and bank balances	7,258	3,465
	<u>188,780</u>	<u>182,469</u>
TOTAL ASSETS	<u>367,884</u>	<u>364,566</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	224	208
Accumulated losses	(55,774)	(58,814)
TOTAL EQUITY	<u>227,937</u>	<u>224,881</u>

**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021 (cont'd)***(The figures have not been audited)*

		Unaudited as at 31.12.2021 RM'000	Audited as at 31.12.2020 RM'000
NON-CURRENT LIABILITIES	Note		
Retirement benefit obligations		62	46
Deferred tax liabilities		377	1,217
Lease liabilities	B8	3,077	4,561
Other payable		7,193	8,870
Term loan	B8	32,552	45,834
Hire purchase payables	B8	401	95
		<u>43,662</u>	<u>60,623</u>
CURRENT LIABILITIES			
Trade payables		52,734	33,345
Contract liabilities		12,348	8,702
Other payables, accruals and provisions		9,365	8,004
Amount due to an associate		70	238
Term loan	B8	13,290	11,960
Hire purchase payables	B8	299	59
Lease liabilities	B8	2,851	2,292
Derivative financial liabilities		-	292
Taxation		35	824
Bank overdrafts (secured)	B8	5,293	13,346
		<u>96,285</u>	<u>79,062</u>
TOTAL LIABILITIES		<u>139,947</u>	<u>139,685</u>
TOTAL EQUITY AND LIABILITIES		<u>367,884</u>	<u>364,566</u>
Net assets per share (RM)		<u>0.46</u>	<u>0.45</u>



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 2021

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
			Foreign Currency		
	Share Capital RM'000	Warrants Reserve RM'000	Translation Reserve RM'000	Accumulated losses RM'000	Total RM'000
As at 1 January 2021	254,291	29,196	208	(58,814)	224,881
Other comprehensive income:					
- Foreign currency translation gain	-	-	16	-	16
Total other comprehensive income	-	-	16	-	16
Profit for the financial period	-	-	-	3,040	3,040
Total comprehensive income for the financial period	-	-	16	3,040	3,056
As at 31 December 2021	254,291	29,196	224	(55,774)	227,937



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 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:					
- Foreign currency translation loss	-	-	(30)	-	(30)
- Actuarial loss on defined benefit obligations, net of tax				(14)	(14)
Total other comprehensive loss	-	-	(30)	(14)	(44)
Profit for the financial period	-	-	-	10,844	10,844
Total comprehensive income for the financial period	-	-	(30)	10,830	10,800
As at 31 December 2020	254,291	29,196	208	(58,814)	224,881



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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 2021

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,089	16,682
Adjustments for:		
Depreciation of property, plant and equipment	4,145	4,308
Amortisation of intangible assets	3,620	3,657
Property, plant and equipment written off	-	1
Allowance for impairment losses on trade receivables	3,219	264
Reversal of allowance for impairment losses	(8)	(704)
Interest expenses	35	16
Interest on hire purchase	14	24
Interest on bank overdrafts	232	657
Interest on lease liabilities	322	101
Interest on term loan	2,614	3,660
Interest on deferred cash consideration	323	502
Net movement in provision for compensated absences	904	107
Share of results of associates	(360)	(404)
Interest income from short term deposits	(506)	(974)
Defined benefit cost	17	3
Loss on disposal of property, plant and equipment	-	2
Operating profit before working capital changes	20,660	27,902
Changes in working capital:		
Change in trade receivables	(7,441)	3,213
Change in contract assets	(19,547)	(22,519)
Change in other receivables, deposits and prepayments	(1,480)	(479)
Change in trade payables	19,389	13,351
Change in contract liabilities	3,646	968
Change in other payables, accruals and provisions	(1,578)	537
Change in derivative financial liability	(563)	292
Change in amount due to an associate	(168)	219
Change in retirement benefit obligations	(1)	(32)
Cash generated from operations	12,917	23,452
Tax refunded	1,657	-
Tax paid	(6,746)	(4,405)
Net cash from operating activities	7,828	19,047



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,283)	(590)
Purchase of intangible assets	-	(92)
Proceeds from disposal of property, plant and equipment	30	10
Interest received on short term deposits	506	974
Net cash (used in)/from investing activities	(747)	302
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(118)	(563)
Upliftment/(Placement) of fixed deposits and bank balances pledged	9,240	(2,549)
Repayment of term loan	(12,166)	(9,715)
Payment of lease liabilities	(2,673)	(2,911)
Interest paid on hire purchase	(14)	(24)
Interest paid on bank overdrafts	(232)	(657)
Interest paid on lease liabilities	(322)	(101)
Interest paid on term loan	(2,400)	(3,243)
Net cash used in financing activities	(8,685)	(19,763)
Net decrease in cash and cash equivalents during financial period	(1,603)	(414)
Effect of exchange rate changes on cash and cash equivalents	22	(34)
Cash and cash equivalents at beginning of financial period	21,652	22,100
Cash and cash equivalents at end of financial period	<u>20,071</u>	<u>21,652</u>



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

(The figures have not been audited)

Components of cash and cash equivalents as at 31 Dec 2021 is as follows:

	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Cash and bank balances	7,258	3,465
Short term deposits with licensed banks	24,252	46,919
Bank overdrafts (secured)	<u>(5,293)</u>	<u>(13,346)</u>
	26,217	37,038
Less: short term deposits and bank balances pledged with licensed banks	<u>(6,146)</u>	<u>(15,386)</u>
	<u>20,071</u>	<u>21,652</u>

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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 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 December 2021 were as follows:-

	RM'000
Authorised but not contracted for:	<u>1,436</u>

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

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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

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

A13. Effect of Changes in composition of the Group

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

A14. Contingent assets or contingent liabilities

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

A15. Related party transactions

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

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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 RM38.9 million and RM164.7 million respectively.

	Quarter ended				Year to date ended			
	31 Dec 2021	31 Dec 2020	Variance		31 Dec 2021	31 Dec 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Engineering services								
- Engineering design	8,182	18,185	(10,003)	(55.0)	61,628	71,458	(9,830)	(13.8)
- Construction supervision	16,173	17,109	(936)	(5.5)	64,639	68,481	(3,842)	(5.6)
Project management	10,983	7,719	3,264	42.3	27,852	21,366	6,486	30.4
BIM services	437	322	115	35.7	1,642	1,715	(73)	(4.3)
Reimbursable income	3,107	1,792	1,315	73.4	8,932	6,984	1,948	27.9
TOTAL	38,882	45,127	(6,245)	(13.8)	164,693	170,004	(5,311)	(3.1)

Engineering design

In alignment with the progress of projects, the revenue from engineering design for current quarter decreased by 55% to RM8.2 million as compared to RM18.2 million for the corresponding quarter ended 31 December 2020.

Engineering design revenue was decreased to RM61.6 million for the current year as opposed to RM71.5 million for the corresponding year ended 31 December 2020.

Construction supervision

In line with the progress of projects, construction supervision segment revenue was flattish at RM16.2 million for the current quarter as compared to RM17.1 million for the corresponding quarter ended 31 December 2020.

Construction supervision segment revenue for the current year slightly decreased by RM3.8 million or 5.6% as compared to corresponding year ended 31 December 2021.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

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

B1. Review of performance (cont'd)

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

Project management

Project management revenue rose by RM3.3 million and RM6.5 million for the current quarter and current year as compared to RM7.7 million for corresponding quarter and RM21.4 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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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			
	31 Dec 2021	31 Dec 2020	Variance		31 Dec 2021	31 Dec 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Local								
Malaysia	38,655	44,718	(6,063)	(13.6)	163,822	168,947	(5,125)	(3.0)
Overseas								
India	227	409	(182)	(44.5)	871	882	(11)	(1.2)
Indonesia	-	-	-	-	-	175	(175)	(100)
TOTAL	38,882	45,127	(6,245)	(13.8)	164,693	170,004	(5,311)	(3.1)

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) (Loss)/Profit After Tax ("LAT"/ ("PAT"))

The Group recorded LAT approximately RM0.7 million for the current quarter as compared to a PAT of RM3.1 million for corresponding quarter in year 2020 due to impairment of financial assets amounting to RM3.0 million recorded in current quarter.

(d) Our unbilled order book as at 31 December 2021 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	129,936	25.1
- Construction supervision	212,774	41.2
Project management	168,941	32.7
	<u>511,651</u>	<u>99.0</u>
BIM services	5,035	1.0
Total	<u>516,686</u>	<u>100</u>

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 2021

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 2021 RM'000	Preceding Quarter 30 Sept 2021 RM'000	Variance RM'000	%
Revenue	38,882	42,947	(4,065)	(9.5)
Gross profit	9,619	9,344	275	2.9
(Loss)/Profit before taxation	(343)	768	(1,111)	NA

The loss before tax for current quarter was RM0.3 million as compared to a profit before tax of RM0.8 million for immediate preceding quarter ended 30 September 2021 due to impairment of financial assets recorded in current quarter.

B3. Prospects

(i) Current Scenario

Despite a roller coaster year 2021, there have been **great highlights for HEB Group**, we have secured a total of **RM 211 million** worth of new contracts and foresee this momentum to continue in 2022. One of the key mega projects secured during the year was the Project Management Consultancy Services (PMC) for the Phase 1 of Pan Borneo Sabah project. We are honoured to be part of this iconic project which will be a key enabler for the nation's future economic growth.

We have also commenced work with Digital Nasional Berhad (DNB) to provide consultancy services encompassing Commercial Contract Management, RFX and Negotiation, as well as Site Management for post site acquisition activities. We are extremely excited to embark on this prestigious undertaking that will allow us to play an integral role in implementing Malaysia's 5G telecommunications infrastructure.

Following the easing of restrictions which allow inter-state travels during the 4Q of 2021, we have successfully increased our staff mobilization to 100% for the Pan Borneo project.

Our major rail projects are progressing well. On ECRL, the design portions on Section A of the ECRL which is from Kota Bharu to Dungun (approximately 210 km long) are near completion and a team of experienced personnel has been mobilized to supervise the Construction Works which is currently ongoing. We have also successfully completed our Railway Scheme Mandate for the ECRL with the issuance of Final Railway Scheme Approval from the Land Public Transport Agency for Section C2 (Gombak to Port Klang) in January 2022. The Iskandar BRT (IMBRT) project, secured in December 2019, is progressing well with detailed design expected to be completed by the 2nd quarter of 2022 with tenders for construction contracts expected to be called by end of 2022.



ENGINEERS

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

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

As for the water sector, the State Government of Selangor has appointed us to study measures to deal with such pollution in the future given the recent episodes of pollutions of Sg Selangor which has caused severe water disruption to consumers. Following the studies ("water security scheme"), we were awarded four (4) work packages comprising (a) pumping plant at Kampung Sg. Darah at Bestari Jaya, Kuala Selangor (b) pumping plant at Rantau Panjang intake at Kuala Selangor (c) river diversion and related works at intake points for SSP1, 2 & 3 and (d) pumping system and associated works at intake points of Sg Semenyih WTP at Jenderam Hilir. Some of these work packages are currently under construction stage.

As Owner Engineer for Sg Rasau Water Supply project in Selangor, we oversee the tender process and award for the construction of Phase 1 works. The scheme will be implemented over a period of four years.

The tender for the construction of the Jerneh dam to address water shortages in Melaka is completed with the award by the government anticipated in the first quarter of 2022. In January 2022, we have commenced supervision works for the construction of Pelubang Water Supply Scheme in Kedah.

We envisage the national development agenda to gain pace in 2022. The implementation of the fiscal stimulus measures aided by the expansionary budget for 2022 which saw RM75.6 billion being allocated for development expenditure (DE) augurs well for the infrastructure sector with the higher DE mainly channeled towards the implementation of projects and programmes outlined under the 12th Malaysia Plan (12 MP). In line with the Budget 2022 to uplift the economy, an estimated amount of RM 400 billion of development expenditure (DE) is being allocated under the 12 MP, 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 gain momentum in 2022. The Government aims to gear its efforts towards the adoption of Integrated Water Resources Management (IWRM) in managing water resources which is seen as the game changer in 12MP, a move which is key in improving the water infrastructure in the country. It is also anticipated that the Government approval of the financing plan for the Mass Rapid Transit Line 3 (MRT3) project is expected by early 2022, with the tender coming out in April.



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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 2021

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

Going forward, the Group foresees privatizations to be key in driving infrastructure projects in the country as Government targets to optimize its capital expenditure in its infrastructure development projects whilst prioritizing the people's welfare. Under the Budget 2022, the Government has set up an Infrastructure Facilitation Fund 3.0 under the supervision of the Public-Private Partnership Unit with an initial fund allocation of RM 200 million to facilitate the privatization mechanism. To this, the Group intends to capitalize on any project rollouts following this privatization mode and at this juncture, we are working on several highway privatization proposals within the Klang Valley.

(ii) Order Book/Tender Book

As of 31st December 2021, our order book stood at RM 516.7 million with construction supervision and project management segments being the biggest contributor of 74 % and our tender book value is RM 415 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.

● **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 are 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 2021. We were the Scheme Design consultants for the project leading the infrastructure designs and coordinating the systems interfaces with the civil works.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 CT13.

• **Other opportunities**

The Group is also actively pursuing engineering design opportunities with various port 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 continues to get the attention of the Federal Government. There have been a number of pilot projects that have been implemented but 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 over 100 years and subject to deterioration of their 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. This endeavour will be supported through strategic collaborations with other partners. As such, HEB Group is collaborating with its Japanese partner – Nippon-Koei, to provide supervision services for the Chennai Metro Phase 3 in India commencing in 4th Quarter 2022.

We are also making good headway in India, HEB Group is part of the "**Expert Committee**" to develop a precast policy framework on the usage of precast concrete and "Adoption of New and Innovative Technologies" in the Highway Construction in India. We have introduced the "**Ultra High Performance Concrete (UHPC)**, an innovative construction material for the construction of one of the bridges in India as a 'Latur Bridge Pilot Project". In order to validate the performance of the constructed bridge, a full-scale load testing of the bridge was conducted successfully and the bridge was inaugurated on 25th November 2021 by the Honourable Minister of Roads & Transport, India.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021

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

B3. Prospects (cont'd)

(iv) Growth Strategies (cont'd)

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.

Recurring Income

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2021
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B4. Income tax expense

	Quarter ended		Year to date ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
<u>Income tax expense</u>				
- Current financial period	893	1,813	4,418	6,748
- Prior financial period	223	708	223	708
	<u>1,116</u>	<u>2,521</u>	<u>4,641</u>	<u>7,456</u>
<u>Deferred tax</u>				
- Current financial period	(724)	(575)	(1,592)	(1,286)
- Prior financial period	-	(332)	-	(332)
	<u>(724)</u>	<u>(907)</u>	<u>(1,592)</u>	<u>(1,618)</u>
Total tax expense	<u>392</u>	<u>1,614</u>	<u>3,049</u>	<u>5,838</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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 ^(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 2022
	(c) Venture into the water sector in Malaysia	6,000	-	-	-	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	6,000	-	6,000	-	n/a
	(e) Venture into the power sector in Malaysia	3,000	3,000	-	-	-	-	n/a
	(f) Building Information Modeling ("BIM")	-	8,000	-	-	-	-	n/a
	(g) Facility Management	-	8,000	-	-	-	-	n/a
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	12,000	15,000	-	15,000	Up to 4 th Quarter 2022
	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 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 ^(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 2021

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 ^(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/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 ^(d)	(9,000)	>(100%)
3.	Repayment of the financing facility for the SMHB Acquisition	9,281	18,632	Within 6 months from the date of listing of the Rights shares ^(c)	9,351	>100%
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	4.7%
	TOTAL	41,481	41,481			

(a) As at 31 December 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 Dec 2021 are as follows:-

	As at 31 Dec 2021 RM'000	As at 31 Dec 2020 RM'000
Current:		
Lease liabilities	2,851	2,292
Hire purchase payables	299	59
Bank overdrafts	5,293	13,346
Term loan	13,290	11,960
	<u>21,733</u>	<u>27,657</u>
Non-current:		
Lease liabilities	3,077	4,561
Hire purchase payables	401	95
Term loan	32,552	45,834
	<u>36,030</u>	<u>50,490</u>
Total borrowings:		
Lease liabilities	5,928	6,853
Hire purchase payables	700	154
Bank overdrafts	5,293	13,346
Term loan	45,842	57,794
	<u>57,763</u>	<u>78,147</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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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. (Loss)/Earnings per share ("LPS"/ "EPS")

The basic and diluted (LPS)/EPS are computed as follows:

	Quarter ended		Year to date ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Net (loss)/profit attributable to ordinary equity holders of the Company (RM'000)	(735)	3,126	3,040	10,844
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic (LPS)/EPS (sen)	<u>(0.15)</u>	<u>0.63</u>	<u>0.61</u>	<u>2.19</u>
Diluted (LPS)/EPS (sen)	<u>(0.15)</u>	<u>0.63</u>	<u>0.61</u>	<u>2.19</u>

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

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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

	Quarter ended		Year to date ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Depreciation of property, plant and equipment and Right-of-use assets	1,072	954	4,145	4,308
Amortisation of intangible assets	908	908	3,620	3,657
Property, plant and equipment written off	-	-	-	1
Allowance for impairment losses on trade receivables, net of reversal	3,037	(251)	3,211	(440)
Interest expense	862	956	3,540	4,960
Interest income	(145)	(190)	(506)	(974)
Loss on disposal of property, plant & equipment	-	-	-	2
(Gain)/Loss on derivatives	(166)	292	(563)	292
Loss/(Gain) on foreign exchange	9	(6)	59	(16)

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

B13. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 23 February 2022.