

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023
(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2023 RM'000	2022 RM'000	% + / (-)	2023 RM'000	2022 RM'000	% + / (-)
Revenue	B1	45,252	71,382	(36.6)	187,343	186,042	0.7
Direct costs		<u>(30,015)</u>	<u>(50,260)</u>		<u>(125,435)</u>	<u>(125,308)</u>	
Gross profit		15,237	21,122	(27.9)	61,908	60,734	1.9
Other operating income		4	(870)		5	298	
Administrative expenses		(5,723)	(5,621)		(24,021)	(23,005)	
Other operating expenses		(1,131)	(1,825)		(6,731)	(7,202)	
Net (loss)/reversal on impairment of financial instruments		(31)	(6,954)		(7)	(6,779)	
Profit for the year from operations		<u>8,356</u>	<u>5,852</u>	42.8	<u>31,154</u>	<u>24,046</u>	29.6
Finance income		99	147		397	422	
Finance costs		(707)	(815)		(2,908)	(3,173)	
Share of results of associates		67	(147)		168	324	
Profit before taxation		<u>7,815</u>	<u>5,037</u>	55.2	<u>28,811</u>	<u>21,619</u>	33.3
Taxation	B4	<u>(2,225)</u>	<u>(1,357)</u>		<u>(8,521)</u>	<u>(6,485)</u>	
Profit for the financial period		5,590	3,680	51.9	20,290	15,134	34.1
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		(25)	(66)		36	(53)	
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Actuarial loss on defined benefit obligations, net of tax		-	7		-	7	
Total comprehensive income for the financial period		<u>5,565</u>	<u>3,621</u>	53.7	<u>20,326</u>	<u>15,088</u>	34.7
Profit for the financial period attributable to:-							
Owners of the Company		5,624	3,680	52.8	20,327	15,134	34.3
Non-controlling interests		<u>(34)</u>	-	(100.0)	<u>(37)</u>	-	(100.0)
		<u>5,590</u>	<u>3,680</u>		<u>20,290</u>	<u>15,134</u>	
Total comprehensive income attributable to:-							
Owners of the Company		5,599	3,621	54.6	20,363	15,088	35.0
Non-controlling interests		<u>(34)</u>	-	(100.0)	<u>(37)</u>	-	(100.0)
		<u>5,565</u>	<u>3,621</u>		<u>20,326</u>	<u>15,088</u>	
Earnings per share (sen)							
- Basic	B11	<u>1.13</u>	<u>0.74</u>	52.8	<u>4.10</u>	<u>3.05</u>	34.3
- Diluted	B11	<u>1.13</u>	<u>0.74</u>	52.8	<u>4.10</u>	<u>3.05</u>	34.3

**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023***(The figures have not been audited)*

	Unaudited as at 31.12.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,500	3,853
Intangible assets	1,162	592
Goodwill	162,677	162,677
Right-of-use assets	6,345	3,368
Investments in associates	2,604	2,416
Employee benefits	-	22
Deferred tax assets	271	2,998
	<u>176,559</u>	<u>175,926</u>
CURRENT ASSETS		
Trade and other receivables	49,428	56,506
Contract assets	121,990	135,322
Current tax assets	1,362	1,324
Derivative financial assets	164	494
Prepayment	8,674	3,760
Cash and cash equivalents	19,963	30,364
	<u>201,581</u>	<u>227,770</u>
TOTAL ASSETS	<u>378,140</u>	<u>403,696</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	254,564	254,291
Reserves	4,434	(11,294)
Equity attributable to owners of the Company	<u>258,998</u>	<u>242,997</u>
Non-controlling interest	(7)	-
TOTAL EQUITY	<u>258,991</u>	<u>242,997</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (cont'd)

(The figures have not been audited)

		Unaudited as at 31.12.2023 RM'000	Audited as at 31.12.2022 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	219	14,023
Lease liabilities	B8	4,181	522
Employee benefits		80	-
		<u>4,480</u>	<u>14,545</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	39,211	43,421
Lease liabilities	B8	2,254	3,004
Trade and other payables		60,305	79,209
Contract liabilities		8,420	16,560
Current tax liabilities		2,915	3,475
Provisions		1,564	485
		<u>114,669</u>	<u>146,154</u>
TOTAL LIABILITIES		<u>119,149</u>	<u>160,699</u>
TOTAL EQUITY AND LIABILITIES		<u>378,140</u>	<u>403,696</u>
Net assets per share (RM)		<u>0.52</u>	<u>0.49</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 2023

(The figures have not been audited)

	Attributable to owner of the Company		Foreign Currency Translation Reserve RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Non-Distributable	Distributable					
	Share Capital RM'000	Warrants Reserve RM'000					
As at 1 January 2023	254,291	29,196	171	(40,661)	242,997	-	242,997
Other comprehensive income:							
- Foreign currency translation gain	-	-	36	-	36	-	36
Total other comprehensive income	-	-	36	-	36	-	36
Profit for the financial period	-	-	-	20,327	20,327	(37)	20,290
Total comprehensive income for the financial period	-	-	36	20,327	20,363	(37)	20,326
Transactions with owners of the Company:							
Warrants exercised during the period	273	(72)	-	-	201	-	201
Lapsed of warrants		(29,124)	-	29,124	-	-	-
Shares acquired by non-controlling interests	-	-	-	-	-	30	30
Dividend paid	-	-	-	(4,563)	(4,563)	-	(4,563)
Total transactions with owners for the financial period	273	(29,196)	-	24,561	(4,362)	30	(4,332)
As at 31 December 2023	254,564	-	207	4,227	258,998	(7)	258,991



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 2023 (cont'd)

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
			Foreign Currency Translation Reserve	Accumulated losses	Total
	Share Capital RM'000	Warrants Reserve RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	254,291	29,196	224	(55,802)	227,909
Other comprehensive income:					
- Foreign currency translation gain	-	-	(53)	-	(53)
- Actuarial loss on defined benefit obligations, net of tax	-	-	-	7	7
Total other comprehensive income	-	-	(53)	7	(46)
Profit for the financial period	-	-	-	15,134	15,134
Total comprehensive income for the financial period	-	-	(53)	15,141	15,088
As at 31 December 2022	254,291	29,196	171	(40,661)	242,997



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Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	Year to date ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	28,811	21,619
Adjustments for:		
Net reversal on impairment of financial instruments	7	6,779
Bad debts written off	1,136	-
Depreciation of property, plant and equipment	1,019	1,257
Depreciation of right-of-use assets	2,870	2,872
Amortisation of intangible assets	152	1,711
Finance income	(397)	(422)
Finance costs	2,908	3,173
Net fair value loss/(gain) on derivative	330	(223)
Gain on disposal of property, plant and equipment	-	(10)
Share of profit of equity- accounted associates, net of tax	(168)	(324)
Operating profit before working capital changes	36,668	36,432
Changes in working capital:		
Change in employee benefits and provision	102	(52)
Change in trade and other receivables and prepayments	1,021	(19,547)
Change in trade and other payables	(17,845)	10,199
Change in contract assets	13,332	(26,742)
Change in contract liabilities	(8,140)	4,237
Cash generated from operations	25,138	4,527
Interest paid	(473)	(303)
Interest received	397	422
Net tax paid	(6,390)	(5,214)
Net cash from/(used in) operating activities	18,672	(568)



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

(The figures have not been audited)

	Year to date ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(279)	(772)
Acquisition of intangible assets	(43)	(24)
Investment in associates	(20)	-
Net cash outflow from acquisition of a subsidiary	(680)	-
Proceeds from disposal of property, plant and equipment	-	10
Dividend received from associate	-	600
Net cash used in investing activities	(1,022)	(186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscription of shares in subsidiary by non-controlling interest	30	-
Payment on hire purchase financing	(712)	(102)
Repayment of term loans	(13,751)	(18,358)
Net (repayment of)/proceeds from revolving credit	(8,102)	12,903
Proceeds from warrants exercised	201	-
Payment of lease liabilities	(2,929)	(2,851)
Deposit pledged of licensed bank	907	(6,561)
Dividend paid	(4,563)	-
Interest paid	(2,665)	(2,685)
Net cash used in financing activities	(31,584)	(17,654)
Net decrease in cash and cash equivalents during financial period	(13,934)	(18,408)
Effect of exchange rate fluctuation on cash held	22	(26)
Cash and cash equivalents at beginning of financial period	3,984	22,418
Cash and cash equivalents at end of financial period	(9,928)	3,984



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

(The figures have not been audited)

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

	31 Dec 2023 RM'000	31 Dec 2022 RM'000
Cash and bank balances	2,163	11,528
Short term deposits with licensed banks	17,800	18,836
Bank overdrafts (secured)	<u>(18,091)</u>	<u>(13,673)</u>
	1,872	16,691
Less: short term deposits and bank balances pledged with licensed banks	<u>(11,800)</u>	<u>(12,707)</u>
	<u>(9,928)</u>	<u>3,984</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

A1. Basis of preparation

The interim financial report of HSS Engineers Berhad ("**HEB**" or the "**Company**") and its subsidiaries ("**the Group**") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134- Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 and accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the audited consolidated financial statements of the Group for the financial year ended 31 December 2022 except for the adoption of the following applicable Amendments to Standards or new Standards during the current financial period which are effective from 1 January 2023:

MFRSs (Including The Consequential Amendments)

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

A3. Auditors' report on preceding audited financial statements

The preceding year's audited financial statements of the Company, HSS Engineering Sdn Bhd, SMHB Engineering Sdn Bhd, HSS BIM Solutions Pvt Ltd, BIM Global Ventures Sdn Bhd and HEB Energy Sdn Bhd were not subject to any qualification.

A4. Seasonal or cyclical factors

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

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

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

A6. Material changes in estimates

There were no changes in estimates of amounts reported in previous financial years that have a material effect on the results for the current financial period under review.

A7. Debt and equity securities

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

Save for the above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial period under review.

A8. Dividend paid

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

A9. Segmental information

The Group's activities are conducted within a single industry segment comprising provision of engineering and project management services and provision of Building Information Modeling ("BIM") services. As such, the operating revenue and results of this segment are reflected in the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income. The segment assets and liabilities are as presented in the Unaudited Condensed Consolidated Statement of Financial Position.

A10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current financial period under review.

A11. Capital commitments

The capital commitments of the Group as at 31 December 2023 were as follows:-

	RM'000
Authorised but not contracted for:	<u>1,975</u>



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

There were no material events subsequent to the end of the current financial period under review except as follows:-

Following the end of the current financial period, the Company executed the first tranche of its Private Placement Exercise on 8 February 2024. This involved the issuance of an additional 12,500,000 shares at an issue price of RM1.11 per share on the Main Market of Bursa Malaysia Securities Berhad.

The funds raised from the first tranche were specifically allocated to completely settle the Company's term loan associated with the acquisition of its subsidiary, SMHB Engineering Sdn Bhd. The outstanding loan balance, which stood at RM13.4 million as of 31 December 2023, was fully repaid on 27 February 2024.

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B1. Review of performance

For the current quarter and current period under review, the Group recorded revenue of RM45.3 million and RM187.3 million respectively.

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

	Quarter ended			Year to date ended		
	31 Dec 2023	31 Dec 2022	Variance	31 Dec 2023	31 Dec 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	7,560	9,962	(24.1)	37,335	33,896	10.1
- Construction supervision	12,505	15,178	(17.6)	56,254	60,761	(7.4)
Project management	21,458	16,135	33.0	81,134	52,767	53.8
BIM services	552	745	(25.9)	1,263	1,898	(33.5)
Reimbursable income	3,177	29,362	(89.2)	11,357	36,720	(69.1)
TOTAL	45,252	71,382	(36.6)	187,343	186,042	0.7

Engineering design

In line with the progress of projects, engineering design revenue for current year to date increased to RM37.3 million as compared to RM33.9 million for the corresponding period ended 31 December 2022.

Construction supervision

Construction supervision revenue was RM RM12.5 million for the current quarter as compared to RM15.2 million for the corresponding quarter ended 31 December 2022. This was attributed to the decrease in revenue from Sungai Besi-Ulu Kelang Elevated Expressway in line with the completion status of this project. However, the decline was partly offset by increased supervision revenue contributed by East Coast Rail Line which have been progressing in line with the construction stage of this project.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B1. Review of performance (cont'd)

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

Project management

Project management revenue rose by 33.0% and 53.8% for the current quarter and current period ended 31 December 2023 respectively as compared to the corresponding quarter and period in previous year. This was mainly attributable to revenue recognised from, Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran" (MRT 3 Project).

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

BIM services

BIM services accounted for a small proportion of the group's revenue and no significant fluctuation was noted.

Reimbursable income

Reimbursable income is recognised on a back to back basis with sub-consultants and allowances claimed by supervision staff and therefore it has no significant impact on the financial performance of the Group.

In 2022, significant reimbursable income was recognised for MRT Project, on the back of claim for preliminaries.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B1. Review of performance (cont'd)

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

	Quarter ended			Year to date ended		
	31 Dec 2023	31 Dec 2022	Variance	31 Dec 2023	31 Dec 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	44,219	70,911	(37.6)	184,138	184,212	(0.1)
Overseas						
India	285	131	>100	989	913	8.3
Philippines	677	340	99.1	1,676	917	82.8
Indonesia	71	-	100	540	-	100
TOTAL	45,252	71,382	(36.6)	187,343	186,042	0.7

Local market continues to contribute significant portion of revenue amounting to 98.3% of the Group's total revenue for period to date ended 31 December 2023.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM5.6 million for the current quarter as compared to a PAT of RM3.7 million for corresponding quarter in year 2022. This was mainly contributed from project management and construction supervision projects.

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

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	231,786	15.6
- Construction supervision	131,553	8.9
Project management	1,109,784	75.0
	<u>1,473,123</u>	<u>99.5</u>
BIM services	6,873	0.5
Total	<u>1,479,996</u>	<u>100</u>

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 31 Dec 2023 RM'000	Preceding Quarter 30 Sept 2023 RM'000	Variance %
Revenue	45,252	47,379	-4.5
Gross profit	15,237	16,117	-5.5
Profit before taxation	7,815	7,488	4.4

Although revenue for current quarter was lower at RM45.3 million as compared to immediate preceding quarter ended 30 September 2023 at RM47.4 million, the profit before tax for current quarter at RM7.8 million was higher than immediate preceding quarter at RM7.5 million mainly attributable to lower operating expenses incurred.

B3. Prospects

(i) Current Scenario

The outlook of the sector continues to remain resilient in anticipation of acceleration in mega project flows that could boost contract awards in line with the call by the current administration to expedite government development and infrastructure projects. In view of this, we foresee developments on the civil packages for MRT3 (tender validity extended to March 2024) as well as other prospective projects like Johor LRT (RM20 billion) and Kuala Lumpur to Singapore High Speed Rail (KL-SG HSR) in 2024 aside from the numerous new projects announced in the Budget 2024.

The pro-growth Budget announced in October 2023 bodes well for the infrastructure sector with allocation for new projects, such as the Klang Valley Light Rail Transit's five new stations (RM4.7 billion), Penang's first LRT project (RM10 billion) and widening of the North-South Expressway from four to six lanes, from Sedenak to Simpang Renggam at a cost of RM931 million. The allocation also includes the 19 packages of Pan Borneo Highway Sabah (phase 1B) tender, which involves RM15.7 billion, RM11.8 billion nationwide flood mitigation programme as well as Phase 2 of the Sarawak-Sabah Link Road costing RM7.4 billion.

Aside from this, both Sabah and Sarawak were allocated a total of RM12.4 billion for development expenditure in Budget 2024. Earlier this year, the government has announced that these states will have the autonomy to approve any development project worth RM50 million or less without approval from the federal level to expedite implementation. To capitalise on opportunities in these states, the Group has set-up 'HSS Alliance Sarawak Sdn Bhd' with 60% equity ownership by the locals in Sarawak.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

The digitalisation of the economy continues to receive emphasis which bodes well for HEB Group which has diversified into the telecommunication and digital technology sector. To date, we have successfully secured 5 (five) project management consultancy contracts in data centres, namely Infinaxis as well as Basis Bay Data Centre in Cyberjaya and StarHill (GDS), K2, Yellowwood Data Centre in Sedenak Tech Park, Johor Darul Takzim.

The Pan Borneo Sabah project (15 packages under Phase 1A), where we secured the Project Management Consultancy Services (PMC) role in April 2021, is progressing well with 73.45% completion in December 2023 given full mobilization at site.

On East Coast Rail Link (ECRL), the design portions on Section A which is from Kota Bharu to Dungun (approximately 210 km long) are near completion and a team of experienced personnel has been mobilized to supervise the ongoing construction works. In addition to this, we were awarded a RM16.6 million Variation Order for Section 9 of the ECRL from Serendah to Port Klang (53.5km) as the Supervising Consultant. The supervision works for Section 9 are currently on-going.

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

We have accepted the appointment by the Kedah State Government to undertake engineering consultancy and supervision services to upgrade the Lubuk Buntar Lama water treatment plant. In Johor, we are proceeding with the detailed design for the new water treatment plant and upgrading works of Water System in Batu Pahat following Pengurusan Aset Air Berhad (PAAB) selection of the options presented in the Concept Design Report.

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

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

As Panel Consultant to Air Selangor, our term has been extended for another year from July 2023 to July 2024 for both C&S and M&E works. Currently we are undertaking engineering consultancy services for 6 (six) work packages, namely:

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

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

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

As for Westports 2 project, the client, Westport has concluded the signing of the Concession Agreement with the Government on 8 December 2023. The new concession, extended for another period of 58 years from 2024 to 2082, will include the existing port facilities in Westports and new facilities to be developed during the concession period involving an investment of RM 39.6 billion. The expansion of the Westports terminal (CT10 to CT17) is expected to increase its capacity from 14 million TEUs to 27 million TEUs based on projections until 2082. We are also currently the Project Management Consultant for the Port Klang Cruise Terminal for the extension of their existing wharf to cater for cruise vessels and roll-in and roll-out (RORO) vessels.

In line with Budget 2024, the Pan Borneo Sabah (Phase 1B) project was approved with 19 packages to be tendered whilst the tenders for the thirty-three (33) high-priority flood mitigation projects across multiple states involving a total cost of RM 11.8 billion are to commence this year.



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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

Among the projects involved in the flood mitigation plans are as follows:-

- Sungai Pahang Basin, Pahang;
- Sungai Langat Phase 2, Selangor;
- Sungai Jelai, Kuala Pilah, Negeri Sembilan;
- Sungai Likas, Kota Kinabalu, Sabah;
- Kuching Phase 2; Sarawak;
- Baling Phase 2, Kedah; and
- Integrated River Basin Development, Sungai Kelantan Phase 2, Kelantan.

The Group has set its sights to embrace and pursue the adoption of contemporary techniques to advance the evolution of the construction industry and build an organic growth trajectory in Digital Construction to enhance its core expertise through its newly formed entity, HSS ProPick Technologies. We aim to build on ProPick's expertise to provide drone-driven solutions across our undertakings to elevate our core competencies in the engineering industry given the degree of accuracy and monitoring this technology provides. We estimate the application of drone-driven technologies will only expand in the future, with the Global Delivery Drones market projected to be worth in excess of USD5.0 billion by the year 2030. This move sets us on a path to be a significant player in being a solutions provider to the Unmanned Aerial Vehicles ("UAVs")- related industry in Southeast Asia.

With privatization playing a pivotal role in funding some of the key infrastructure undertakings going forward, the Group anticipates project roll-outs to come on stream as in the various privatization of urban highways in the northern and southern states in Peninsular Malaysia.

On the regional front, the Group together with joint venture partner Oriental Consultants Global Co., Ltd., Japan ("OCG") has successfully made inroads into Indonesia with the appointment by PT Jakarta Propertindo to provide consultancy services for the Jakarta Light Rail Transit systems. This contract is the Group's second successful collaboration with OCG since the award by the Bangladesh Railway on 14 February 2023 to provide consulting and technical services for the Asian Development Bank (ADB)-funded Railway Connectivity Improvement Preparatory Facility Project in Dhaka, Bangladesh.

(ii) Order Book/Tender Book

As at 31st December 2023, our order book stood at RM 1.5 billion with project management segment being the biggest contributor of 75 % and our tender book value is approximately at RM 528 million.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B3. Prospects (cont'd)

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

We remain optimistic that the implementation of mega infrastructure projects as well as award of new contracts will be accelerated in 2024 in line with the call by the current administration to further stimulate the economy. HEB Group is well regarded as the "Central Digital Data Depository" in the highway, road, rail and water sector having executed over 800 projects in Malaysia over the years and therefore able to support the Government in planning and executing large scale infrastructure projects. As a key industry player, the Group will continue to leverage on its depth of expertise and track record to partake in the upcoming nation-building infrastructure projects.

The implementation of the new water tariff, effective 1 February 2024, in Peninsular Malaysia and the Federal Territory of Labuan portends well for the water sector. The National Water Services Commission (SPAN) announced that water tariffs for domestic users in Peninsula and Labuan will increase an average of 22 sen per cubic metre. Further to this, households across Pahang will pay 78 sen for the first 20 cubic metres of treated water compared to 37 sen for the first 18 cubic metres of water following a tariff adjustment.

With the tariff hike, we expect an increase in capital expenditure (capex) involving replacing old pipes, building new water treatment plants and upgrading existing ones to be rolled out in the near term.

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

FUTURE PROSPECTS	
ROADS & HIGHWAY SECTOR	Pan Borneo Highway Sabah- Phase 1B
	PJD Link Highway (34.3 km Fully Elevated Expressway)
	Various Other Privatisation Proposals (Urban Highways)
RAILWAY AND AIRPORT SECTOR	Johor LRT
	Penang LRT
PORT SECTOR	Westport Phase 2 / Pulau Carey

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B3. Prospects (cont'd)
(ii) Future Prospects in Highways, Public Transportation, Port & Water Sector

FUTURE PROSPECTS	
WATER SECTOR	Penang Island Reclamation Water Supply
	Dam Safety Review of Hydroelectric Dams
	Integrated River Basin Management Plan (IRBM)
	Pelan Induk Saliran Mesra Alam
	Off-River Storages
	Submarine Pipelines
FLOOD MITIGATION SECTOR	Over RM 12.0 billion allocation for Flood Mitigation projects More than RM300 billion will be needed for long-term solutions to the country's flood problems over the next 50 years

(iv) Growth Strategies

Our growth strategies concentrate on the following:-

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

Diversification of Revenue
A) Regional Expansion

HEB Group remains on course in its regional expansion. To gain stronger presence into identified markets, we have formed strategic collaborations with several leading Japanese consultants to participate in JICA funded projects in Indonesia, Philippines and India.



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

B3. Prospects (cont'd)

(iv) Growth Strategies (cont'd)

Diversification of Revenue (cont'd)

B) Digital & Technology (focus on Data Centers)

Given the transferability of our expertise into other high-growth sectors, the Group has tapped into opportunities in the digital & technology sector focusing on data centres as well as the 5G telecommunications space, in support of the Government's focus on accelerating the digital economy in the wake of the COVID-19 pandemic.

Recurring Income

The government's aspiration to achieve 70% Renewable Energy in the country as outlined in the National Energy Transition Roadmap (NETR) unveiled last year bodes well for HEB Group as it aims to establish a fourth vertical of recurring revenue stream, particularly in the Renewable Energy (RE) space.

The return of the fifth bidding cycle of the Large Scale Solar (LSS) programme with a significantly upsized quotas of 2GW was a key indicator of the sizable opportunities in the segment.

The Group has made significant trajectory in the renewable energy space following an award by the Energy Commission on 14 August 2023 to develop a 29.99 Megawatt Solar PV Plant ("Project") in Kuala Muda, Kedah together with consortium partners, Shizen International Inc ("Shizen"), Solarvest Asset Management Sdn Bhd and Aziho Trading Sdn Bhd. The Project involves the proposed development, financing, construction, ownership, operation and maintenance of the PV Plant on a build, operate and transfer basis. The Group will be involved in the engineering design and project management services scope in the project.

The other opportunities which the Group would focus on in terms of recurring revenue apart from renewable energy are water concessions, operation and maintenance or facility management service contracts (Highly Skilled Engineering Sector).



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

B4. Income tax expense

	Quarter ended		Year to date ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000	31 Dec 2023 RM'000	31 Dec 2022 RM'000
<u>Income tax expense</u>				
- Current financial period	2,048	3,074	8,305	8,369
- Prior financial period	-	(20)	(2,513)	(155)
	<u>2,048</u>	<u>3,054</u>	<u>5,792</u>	<u>8,214</u>
<u>Deferred tax</u>				
- Current financial period	177	(1,713)	261	(1,763)
- Prior financial period	-	16	2,468	34
	<u>177</u>	<u>(1,697)</u>	<u>2,729</u>	<u>(1,729)</u>
Total tax expense	<u>2,225</u>	<u>1,357</u>	<u>8,521</u>	<u>6,485</u>

The effective tax rate for the current quarter and financial year is higher than the statutory tax rate of 24% mainly due to expenses which are not tax deductible. Non-deductible expenses are mainly attributable to term loan interest incurred by the holding company, i.e., HEB on the acquisition of SMHB Engineering.

B5. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial period under review.

B6. Status of corporate proposals

There is no corporate proposal announced but not completed as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B7. Status of utilisation of proceeds from corporate exercise

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

On 13 April 2022, the Company announced its intention which was thereafter duly approved in the extraordinary general meeting dated 8 June 2022 to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the ACE Market of Bursa Malaysia Securities Berhad on 10 August 2016. The Company has raised gross proceeds of approximately RM31.91 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

No.	Details of Utilisation	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1.	(a) Expansion into India	15,000	5,000	-	-	-	-	-	n/a
	(b) Expansion into India & ASEAN	-	-	6,000	3,000	-	-	-	n/a
	(c) Venture into the water sector in Malaysia	6,000	-	-	-	-	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	6,000	6,000	18,000	18,000	-	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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

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

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

No.	Details of Utilisation	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	12,000	15,000	-	-	-	n/a
	(i) Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	-	-	-	-	6,000	-	6,000	Up to 4 th Quarter 2024
	Subtotal	24,000	24,000	24,000	24,000	24,000	18,000	6,000	
2.	Repayment of bank borrowings	4,000	-	-	-	-	4,000	-	n/a
3.	General working capital	708	-	-	-	-	708	-	n/a
4.	Estimated listing expenses	3,200	-	-	-	-	3,200	-	n/a
	Total IPO proceeds	31,908	24,000	24,000	24,000	24,000	25,908	6,000	

Notes:

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

(b) As at 31 December 2023



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B8. Group's borrowings and debt securities

The Group's borrowings as at 31 December 2023 are as follows:-

	As at 31 Dec 2023 RM'000	As at 31 Dec 2022 RM'000
Current:		
Lease liabilities	2,254	3,004
Hire purchase payables	489	661
Bank overdrafts	18,091	13,673
Revolving Credit	7,149	15,251
Term loan	13,482	13,836
	<u>41,465</u>	<u>46,425</u>
Non-current:		
Lease liabilities	4,181	522
Hire purchase payables	219	375
Term loan	-	13,648
	<u>4,400</u>	<u>14,545</u>
Total borrowings:		
Lease liabilities	6,435	3,526
Hire purchase payables	708	1,036
Bank overdrafts	18,091	13,673
Revolving Credit	7,149	15,251
Term loan	13,482	27,484
	<u>45,865</u>	<u>60,970</u>

All borrowings are secured and denominated in Ringgit Malaysia.

Bank overdrafts are secured against the short term deposits pledged with licensed banks as disclosed in the Unaudited Condensed Consolidated Statement of Cash Flows.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2023

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

B9. Material litigation

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

B10. Dividend Payable

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

B11. Earnings per share ("EPS")

The basic and diluted EPS are computed as follows:

	Quarter ended		Year to date ended	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Net profit attributable to ordinary equity holders of the Company (RM'000)	5,590	3,680	20,290	15,134
Weighted average number of ordinary shares in issue ('000)	495,961	495,862	495,961	495,862
Basic EPS (sen)	1.13	0.74	4.10	3.05
Diluted EPS (sen)	1.13	0.74	4.10	3.05

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 2023

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

B12. Notes to the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Quarter ended		Year to date ended	
	31 Dec 2023 RM'000	31 Dec 2022 RM'000	31 Dec 2023 RM'000	31 Dec 2022 RM'000
Depreciation of property, plant and equipment	245	286	1,019	1,257
Depreciation of Right-of-use assets	726	769	2,870	2,872
Amortisation of intangible assets	38	431	152	1,711
Bad debts written off	-	-	1,136	-
Net loss/(reversal) on impairment of Financial instruments	31	6,955	7	6,779
Finance costs	707	815	2,908	3,173
Finance income	(99)	(147)	(397)	(422)
Gain on disposal of property, plant & equipment	-	-	-	(10)
Loss/(gain) on derivatives	75	217	330	(223)
Loss on foreign exchange	15	(7)	54	17

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 27 February 2024.