

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

	Note	Quarter ended 31 Mar			Year to date ended 31 Mar		
		2021 RM'000	2020 RM'000	% + / (-)	2021 RM'000	2020 RM'000	% + / (-)
Revenue	B1	43,875	42,025	4.4	43,875	42,025	4.4
Direct costs		<u>(32,928)</u>	<u>(29,922)</u>		<u>(32,928)</u>	<u>(29,922)</u>	
Gross profit		10,947	12,103	(9.6)	10,947	12,103	(9.6)
Other operating income		156	437		156	437	
Administrative expenses		(4,895)	(5,262)		(4,895)	(5,262)	
Other operating expenses		<u>(2,091)</u>	<u>(2,208)</u>		<u>(2,091)</u>	<u>(2,208)</u>	
Profit for the year from operations		4,117	5,070	(18.8)	4,117	5,070	(18.8)
Finance costs		(1,027)	(1,499)		(1,027)	(1,499)	
Share of results of associates		75	90		75	90	
Profit before taxation		<u>3,165</u>	<u>3,661</u>	(13.5)	<u>3,165</u>	<u>3,661</u>	(13.5)
Taxation	B4	<u>(1,186)</u>	<u>(1,381)</u>		<u>(1,186)</u>	<u>(1,381)</u>	
Profit for the financial period		1,979	2,280	(13.2)	1,979	2,280	(13.2)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		23	(32)		23	(32)	
Total comprehensive income for the financial period		<u>2,002</u>	<u>2,248</u>	(10.9)	<u>2,002</u>	<u>2,248</u>	(10.9)
Profit for the financial period attributable to:-							
Owners of the Company		<u>1,979</u>	<u>2,280</u>	(13.2)	<u>1,979</u>	<u>2,280</u>	(13.2)
Total comprehensive income attributable to:-							
Owners of the Company		<u>2,002</u>	<u>2,248</u>	(10.9)	<u>2,002</u>	<u>2,248</u>	(10.9)
Earnings per share (sen)							
- Basic	B11	<u>0.40</u>	<u>0.46</u>	(13.0)	<u>0.40</u>	<u>0.46</u>	(13.0)
- Diluted	B11	<u>0.40</u>	<u>0.46</u>	(13.0)	<u>0.40</u>	<u>0.46</u>	(13.0)



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

(The figures have not been audited)

	Unaudited as at 31.03.2021 RM'000	Audited as at 31.12.2020 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,623	3,919
Intangible assets	4,525	5,431
Goodwill	162,677	162,677
Right-of-use assets	6,134	6,834
Investments in associates	2,407	2,332
Deferred tax assets	906	904
	<u>180,272</u>	<u>182,097</u>
CURRENT ASSETS		
Trade receivables	35,430	38,365
Contract assets	95,566	89,067
Other receivables, deposits and prepayments	3,323	3,459
Tax recoverable	1,433	1,194
Short term deposits with licensed banks	33,157	46,919
Cash and bank balances	3,054	3,465
	<u>171,963</u>	<u>182,469</u>
TOTAL ASSETS	<u>352,235</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	231	208
Accumulated losses	(56,835)	(58,814)
TOTAL EQUITY	<u>226,883</u>	<u>224,881</u>

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

		Unaudited as at 31.03.2021 RM'000	Audited as at 31.12.2020 RM'000
NON-CURRENT LIABILITIES	Note		
Retirement benefit obligations		72	46
Deferred tax liabilities		1,007	1,217
Lease liabilities		4,014	4,561
Other payable		9,000	8,870
Term loans	B8	42,845	45,834
Hire purchase payables	B8	67	95
		<u>57,005</u>	<u>60,623</u>
CURRENT LIABILITIES			
Trade payables		40,968	33,345
Contract liabilities		2,375	8,702
Other payables, accruals and provisions		8,942	8,004
Amount due to an associate		70	238
Term loans	B8	12,105	11,960
Hire purchase payables	B8	59	59
Lease liabilities		2,165	2,292
Derivative financial liabilities		292	292
Taxation		738	824
Bank overdrafts (secured)	B8	633	13,346
		<u>68,347</u>	<u>79,062</u>
TOTAL LIABILITIES		<u>125,352</u>	<u>139,685</u>
TOTAL EQUITY AND LIABILITIES		<u>352,235</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 MARCH 2021

(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	208	(58,814)	224,881
Other comprehensive income:					
- Foreign currency translation loss	-	-	23	-	23
- Actuarial loss on defined benefit obligations, net of tax				-	-
Total other comprehensive loss	-	-	23	-	23
Profit for the financial period	-	-	-	1,979	1,979
Total comprehensive income for the financial period	-	-	23	1,979	2,002
As at 31 March 2021	254,291	29,196	231	(56,835)	226,883



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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 MARCH 2021 (cont'd)

(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 income/(loss):					
- Foreign currency translation loss	-	-	(32)	-	(32)
Profit for the financial period	-	-	-	2,280	2,280
Total comprehensive income for the financial period	-	-	(32)	2,280	2,248
As at 31 March 2020	254,291	29,196	206	(67,364)	216,329



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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 MARCH 2021

(The figures have not been audited)

	Year to date ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,165	3,661
Adjustments for:		
Depreciation of property, plant and equipment	1,023	1,105
Amortisation of intangible assets	907	921
Allowance for impairment losses on trade receivables	1,007	-
Reversal of allowance for impairment losses	(982)	-
Interest expenses	9	166
Interest on hire purchase	1	10
Interest on bank overdrafts	105	198
Interest on lease liabilities	74	43
Interest on term loan	659	1,113
Interest on deferred cash consideration	130	123
Net movement in provision for compensated absences	306	236
Share of results of associates	(75)	(90)
Interest income from short term deposits	(169)	(336)
Defined benefit cost	4	4
Loss on disposal of property, plant and equipment	-	2
Operating profit before working capital changes	6,164	7,156
Changes in working capital:		
Decrease in trade receivables	2,910	70
Increase in contract assets	(6,499)	(9,011)
Decrease/(Increase) in other receivables, deposits and prepayments	136	(727)
Increase in trade payables	7,623	3,965
Decrease in contract liabilities	(6,327)	(562)
Increase in other payables, accruals and provisions	632	1,357
Decrease in amount due to an associate	(177)	(29)
Increase in retirement benefit obligations	22	-
Cash generated from operations	4,484	2,219
Tax refunded	-	-
Tax paid	(1,721)	(1,404)
Net cash from operating activities	2,763	815



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Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	Year to date ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25)	(364)
Purchase of intangible assets	-	(14)
Proceeds from disposal of property, plant and equipment	-	10
Interest received on short term deposits	169	336
Net cash from investing activities	144	(32)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(28)	(167)
Placement of fixed deposits and bank balances pledged	321	(539)
Repayment of term loan	(2,902)	(6,386)
Lease liabilities	(674)	(725)
Interest paid on hire purchase	(1)	(10)
Interest paid on bank overdrafts	(105)	(198)
Interest paid on lease liabilities	(74)	(43)
Interest paid on term loan	(602)	(1,006)
Net cash used in financing activities	(4,065)	(9,074)
Net decrease in cash and cash equivalents during financial period	(1,158)	(8,291)
Effect of exchange rate changes on cash and cash equivalents	19	(29)
Cash and cash equivalents at beginning of financial period	21,652	22,100
Cash and cash equivalents at end of financial period	20,513	13,780



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Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

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

	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Cash and bank balances	3,054	4,366
Short term deposits with licensed banks	33,157	39,788
Bank overdrafts (secured)	(633)	(16,998)
	<u>35,578</u>	<u>27,156</u>
Less: short term deposits and bank balances pledged with licensed banks	(15,065)	(13,376)
	<u>20,513</u>	<u>13,780</u>

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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 March 2021 were as follows:-

	RM'000
Authorised but not contracted for:	<u>1,338</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.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

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

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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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

B1. Review of performance

For the current quarter under review, the Group recorded revenue of RM43.9 million.

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

	Quarter ended				Year to date ended			
	31 Mar 2021	31 Mar 2020	Variance		31 Mar 2021	31 Mar 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Engineering services								
- Engineering design	21,575	18,029	3,546	19.7	21,575	18,029	3,546	19.7
- Construction supervision	16,206	17,680	(1,474)	(8.3)	16,206	17,680	(1,474)	(8.3)
Project management	3,641	4,354	(713)	(16.4)	3,641	4,354	(713)	(16.4)
BIM services	340	498	(158)	(31.7)	340	498	(158)	(31.7)
Reimbursable income	2,113	1,464	649	44.3	2,113	1,464	649	44.3
TOTAL	43,875	42,025	1,850	4.4	43,875	42,025	1,850	4.4

Engineering design

Engineering design revenue grew 19.7% to RM21.6 million for the current quarter as opposed to RM18.0 million for the corresponding quarter ended 31 March 2020. This is mainly attributable to the major on-going projects which includes East Coast Rail Line ("ECRL") detailed 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 declined marginally by RM1.5 million or 8.3% as compared to corresponding quarter and year ended 31 March 2020.



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

B1. Review of performance (cont'd)

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

Project management

Project management services for the current quarter slightly decrease by RM0.7 million as compared to corresponding quarter ended 31 March 2020. 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 RM0.2 million for current quarter as compared to RM0.5 million for corresponding quarter ended 31 March 2020.

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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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 Mar 2021	31 Mar 2020	Variance		31 Mar 2021	31 Mar 2020	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Local								
Malaysia	43,656	41,663	1,993	4.8	43,656	41,663	1,993	4.8
Overseas								
India	219	187	32	17.1	219	187	32	17.1
Indonesia	-	175	(175)	(100)	-	175	(175)	(100)
TOTAL	43,875	42,025	1,850	4.4	43,875	42,025	1,850	4.4

Local market continue to contribute significant portion of revenue amounting to 99.5% 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 RM2.0 million for the current quarter as compared to a RM2.3 million for corresponding quarter in year 2020.

(d) Our unbilled order book and unrecognised revenue as at 31 March 2021 are as follows:

	Unbilled order book		Unrecognised revenue	
	RM'000	%	RM'000	%
Engineering services				
- Engineering design	152,079	35.4	86,706	25.8
- Construction supervision	229,521	53.5	214,805	64.0
Project management	42,098	9.8	29,386	8.7
	<u>423,698</u>	<u>98.7</u>	<u>330,897</u>	<u>98.5</u>
BIM services	5,373	1.3	4,983	1.5
Total	429,071	100	335,880	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 FIRST (1ST) QUARTER ENDED 31 MARCH 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 Mar 2021 RM'000	Preceding Quarter 31 Dec 2020 RM'000	Variance	
			RM'000	%
Revenue	43,875	45,127	(1,252)	(2.8)
Gross profit	10,947	12,488	(1,541)	(12.3)
Profit before taxation	3,165	4,741	(1,576)	(33.2)

The profit before tax ("PBT") for current quarter was lower by RM1.6 million as compared to PBT for immediate preceding quarter ended 31 December 2020 due to lower gross profit margin achieved.

B3. Prospects

(i) Current Scenario

The government's plans to pump-prime the economy will give momentum to the construction sector in 2021. We are optimistic that the implementation of mega infrastructure projects as well as award of new contracts will be accelerated in 2H-2021 to reinvigorate the economy. 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. In addition to this, several key mega projects worth around RM 143.06 billion has been rolled over to Budget 2021 and these undertakings 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). The acceleration to kick-start large scale infrastructure projects was further evident by the government's announcement in mid-April 2021 which highlighted that the MRT3 project tender will be out as early as August this year and works to commence by end of year 2021.

As a prominent industry player, we will capitalize on our expertise and track record to partake in these nation- building mega infrastructure projects. Moving forward, we foresee that the Government will also look at privatization as a driver of infrastructure projects to reduce the financial strain on the government's national coffers. There are various highway privatization proposals within the Klang Valley which we are currently working on.

On 22nd April 2021, the Group announced that it has secured a RM 144.9 million contract from the Government as the Project Management Consultant (PMC) for Phase 1 of the Pan Borneo Highway Sabah. HEB's associate, HSS Integrated Sdn Bhd (HSSI), has accepted the appointment to undertake the 63-month works, which include administration and supervision management, commencing in April 2021.

We are honoured to be part of this iconic project which will be a key enabler for the nation's future economic growth. The opportunity to work on this project is a testament to our integrated offerings and local knowledge, as well as our track record of delivering large-scale infrastructure projects in Malaysia.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

In the rail sector, on ECRL, we have submitted our Railway Scheme Design for Section C of the ECRL (Mentakab to Port Klang) to the Land Public Transport Agency in April 2021. We are in the final stages of the Preliminary Design of Section A which is from Kota Bharu to Dungun (approximately 210 km long) and concurrently carrying out the Detail Design and supervising the Construction Works. 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 with tenders for construction contracts expected to be called soon.

The Group is also working closely with its client Westports Malaysia to develop eight (8) additional berths and double its container-handling capacity to 28 million 20-foot equivalent units (TEUs) a year by 2040.

As for the water sector, with the recent episodes of 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. The tenders for the proposed measures have recently been issued out and construction is expected to commence soon. In addition to that, we are Owner's Engineer for the development of Sungai Rasau water treatment and supply scheme project. The tender for the construction of the Jerneh dam to address water shortages in Melaka is on-going and construction is expected to start in the second half of 2021.

On the regional front, the Group is in the midst of providing supervision services for North-South Commuter Railway Extension (NSCR-EX) project in Philippines through our Japanese partners- Oriental Consultants Global. In India, we are working closely with Ministry of Road Transport and Highways (MORTH) to provide Value Engineering Solutions for some of the mega projects in India with "Accelerated Bridge Construction (ABC)" technique and innovative alternative materials.

(ii) Order Book/Tender Book

As of 31st March 2021, our order book stood RM429 million with construction supervision and project management segments being the biggest contributor of 63% 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 MRT3 project tender will be out as early as August this year and works to commence by end of year 2021. 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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

B3. Prospects (cont'd)

(iii) Future Prospects

- **Sarawak Metro**

The tender for the detailed 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. We have submitted our tender for the Appointment for Supervising Consultancy Services for this project recently.

- **Bayan Lepas LRT (Penang Transportation Master Plan)**

The tenders for Detailed Engineering and Independent Consulting Engineering (ICE) services for the Bayan Lepas LRT line which forms a priority project under the Penang Transportation Master Plan are expected to be called mid 2H2021. We were the Scheme Design consultants for the project leading the infrastructure designs and coordinating the systems interfaces with the civil works.

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.

- **Other opportunities**

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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

• **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.

• **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**



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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

A) Regional Expansion

The Group remains committed in its regional expansion plan, but given the rising nationalism in Indonesia, Philippines and India, we have strategically formed collaboration with leading Japanese consultants to participate in JICA funded projects in these countries. In this regard, we have through our Japanese partner, Oriental Consultants Global, commenced supervision services for North-South Commuter Railway Extension (NSCR-EX) project in Philippines. We are also currently working with our Japanese partners, Nippon-Koei on a potential collaboration for supervision services for Chennai Metro Phase 3 in India.

B) Digital & Technology (focus on Data Centers)

In the wake of the pandemic, more businesses have transitioned to performing their operations online. With consumers and businesses gobbling up more data in an increasingly connected world, data centres are in hot demand. Packed with rows and rows of servers, they store, process and communicate data produced every single day, forming the backbone of a booming digital economy around the world. This demand will only increase, hastened by the COVID-19 pandemic and new technologies such as 5G, artificial intelligence and the Internet of Things. It is anticipated that the data centre market in Southeast Asia is poised to grow at 14 % compounded annual growth rate (CAGR) (USD 3.5 Billion) in the next decade. Singapore, currently being the data centre hub for Southeast Asia, is only expected to achieve a growth rate by 6% CAGR due to the imposition of moratorium on new data centres by the Singapore government due to power and land shortage. With this moratorium, there will be a spillover effect which will benefit neighboring countries such as Malaysia and Indonesia. In Malaysia, the data center sector is expected to experience revenue growth of more than US \$800 million by 2025.

Given the promising prospects in this sector, we have embarked on a collaborative/partnering approach with global leading Data Centre's specialists to pursue engineering and project management opportunities in this arena in Malaysia as well as in the South East Asia region.

C) Telecommunication (5 G Roll -Out)

Digital Nasional Bhd (DNB), a special purpose vehicle under the Government, has been mandated to undertake the national 5G network rollout. The Government through DNB will be investing RM 15 billion over a period of 10 years to roll out the 5G network nationwide. With involvement of multiple stakeholders and its complexities, managing a 5G roll out requires significant coordination, and is resource-intensive. We are leveraging on our expertise to pursue opportunities with DNB to assist them on the successful implementation of the 5G roll-out which is similar to our current role as the Delivery Management Office (DMO) for NCIA projects in where we manage the implementation of multiple projects in the Northern Corridor.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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

B3. Prospects (cont'd)

(iv) Growth Strategies (cont'd)

Recurring Income

We are actively in pursuit of the 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. Aside from this, 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 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
<u>Income tax expense</u>				
- Current financial period	1,490	1,591	1,490	1,591
	<u>1,490</u>	<u>1,591</u>	<u>1,490</u>	<u>1,591</u>
<u>Deferred tax</u>				
- Current financial period	(304)	(210)	(304)	(210)
	<u>(304)</u>	<u>(210)</u>	<u>(304)</u>	<u>(210)</u>
Total tax expense	<u>1,186</u>	<u>1,381</u>	<u>1,186</u>	<u>1,381</u>

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

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

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

B6. Status of corporate proposals

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 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	



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 March 2021

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 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 March 2021.

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

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

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

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 March 2021 are as follows:-

	As at 31 Mar 2021 RM'000	As at 31 Mar 2020 RM'000
Current:		
Lease liabilities	2,165	2,724
Hire purchase payables	59	427
Bank overdrafts	633	16,998
Term loans	12,105	14,447
	<u>14,962</u>	<u>34,596</u>
Non-current:		
Lease liabilities	4,014	2
Hire purchase payables	67	123
Term loans	42,845	46,366
	<u>46,926</u>	<u>46,491</u>
Total borrowings:		
Lease liabilities	6,179	2,726
Hire purchase payables	126	550
Bank overdrafts	633	16,998
Term loans	54,950	60,813
	<u>61,888</u>	<u>81,087</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 FIRST (1ST) QUARTER ENDED 31 MARCH 2021

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 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
Net profit attributable to ordinary equity holders of the Company (RM'000)	1,979	2,280	1,979	2,280
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	0.40	0.46	0.40	0.46
Diluted EPS (sen)	0.40	0.46	0.40	0.46

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 FIRST (1ST) QUARTER ENDED 31 MARCH 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 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Depreciation of property, plant and equipment and Right-of-use assets	1,023	1,105	1,023	1,105
Amortisation of intangible assets	907	921	907	921
Allowance for impairment losses on trade receivables, net of reversal	25	-	25	-
Interest expense	978	1,499	978	1,499
Interest income	(169)	(336)	(169)	(336)
Loss on disposal of property, plant & equipment	-	2	-	2
(Gain)/Loss on foreign exchange	13	4	13	4

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 May 2021.