

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022
(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2022 RM'000	2021 RM'000	% + / (-)	2022 RM'000	2021 RM'000	% + / (-)
Revenue	B1	40,374	42,947	(6.0)	114,660	125,811	(8.9)
Direct costs		(25,300)	(33,603)		(75,048)	(95,437)	
Gross profit		15,074	9,344	61.3	39,612	30,374	30.4
Other operating income		741	33		1,168	408	
Administrative expenses		(5,906)	(5,801)		(17,384)	(15,845)	
Other operating expenses		(1,806)	(2,053)		(5,377)	(6,243)	
Net (loss)/reversal on impairment of financial instruments		(53)	(77)		175	(174)	
Profit for the year from operations		8,050	1,446	456.7	18,194	8,520	113.5
Finance income		110	98		275	361	
Finance costs		(831)	(786)		(2,358)	(2,678)	
Share of results of associates		-	10		471	229	
Profit before taxation		7,329	768	854.3	16,582	6,432	157.8
Taxation	B4	(2,321)	(543)		(5,128)	(2,657)	
Profit for the financial period		5,008	225	2,125.8	11,454	3,775	203.4
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain		18	7		13	20	
Total comprehensive income for the financial period		5,026	232	2,066.4	11,467	3,795	202.2
Profit for the financial period attributable to:-							
Owners of the Company		5,008	225	2,125.8	11,454	3,775	203.4
Total comprehensive income attributable to:-							
Owners of the Company		5,026	232	2,066.4	11,467	3,795	202.2
Earnings per share (sen)							
- Basic	B11	1.01	0.05	1,920.0	2.31	0.76	203.9
- Diluted	B11	1.01	0.05	1,920.0	2.31	0.76	203.9



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

(The figures have not been audited)

	Unaudited as at 30.09.2022 RM'000	Audited as at 31.12.2021 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	4,070	4,220
Intangible assets	1,023	2,067
Goodwill	162,677	162,677
Right-of-use assets	3,783	5,790
Investments in associates	3,163	2,692
Deferred tax assets	1,398	1,649
	<u>176,114</u>	<u>179,095</u>
CURRENT ASSETS		
Trade and other receivables	56,243	44,870
Contract assets	109,399	108,614
Current tax assets	47	851
Derivative financial assets	711	271
Prepayment	4,566	2,649
Cash and cash equivalents	30,966	31,510
	<u>201,932</u>	<u>188,765</u>
TOTAL ASSETS	<u>378,046</u>	<u>367,860</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	254,291	254,291
Reserves	(14,915)	(26,382)
TOTAL EQUITY	<u>239,376</u>	<u>227,909</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022 (cont'd)

(The figures have not been audited)

		Unaudited as at 30.09.2022 RM'000	Audited as at 31.12.2021 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	17,327	32,953
Lease liabilities	B8	1,065	3,149
Employee benefits		110	25
Deferred tax liabilities		94	377
Other payables		5,340	7,193
		<u>23,936</u>	<u>43,697</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	41,063	18,882
Lease liabilities	B8	2,878	2,778
Trade and other payables		52,153	61,741
Contract liabilities		14,847	12,348
Current tax liabilities		814	-
Provisions		2,979	505
		<u>114,734</u>	<u>96,254</u>
TOTAL LIABILITIES		<u>138,670</u>	<u>139,951</u>
TOTAL EQUITY AND LIABILITIES		<u>378,046</u>	<u>367,860</u>
Net assets per share (RM)		<u>0.48</u>	<u>0.46</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2022

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
	Share Capital RM'000	Warrants Reserve RM'000	Foreign Currency Translation Reserve RM'000	Accumulated losses RM'000	Total RM'000
As at 1 January 2022	254,291	29,196	224	(55,802)	227,909
Other comprehensive income:					
- Foreign currency translation gain	-	-	13	-	13
Total other comprehensive income	-	-	13	-	13
Profit for the financial period	-	-	-	11,454	11,454
Total comprehensive income for the financial period	-	-	13	11,454	11,467
As at 30 September 2022	254,291	29,196	237	(44,348)	239,376



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2022 (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 2021	254,291	29,196	208	(58,814)	224,881
Other comprehensive income:					
- Foreign currency translation loss	-	-	20	-	20
- Actuarial loss on defined benefit obligations, net of tax				-	-
Total other comprehensive loss	-	-	20	-	20
Profit for the financial period	-	-	-	3,775	3,775
Total comprehensive income for the financial period	-	-	20	3,775	3,795
As at 30 September 2021	254,291	29,196	228	(55,039)	228,676



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2022

(The figures have not been audited)

	Year to date ended	
	30 Sept 2022 RM'000	30 Sept 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	16,582	6,432
Adjustments for:		
Net reversal/(loss) on impairment of financial instruments	(176)	174
Depreciation of property, plant and equipment	971	986
Depreciation of right-of-use assets	2,103	2,087
Amortisation of intangible assets	1,280	2,712
Finance income	(276)	(361)
Finance costs	2,319	2,678
Net fair value gain on derivative	(440)	(397)
Share of profit of equity- accounted associates, net of tax	(471)	(229)
Operating profit before working capital changes	21,882	14,082
Changes in working capital:		
Change in employee benefits and provision	85	13
Change in trade and other receivables and prepayments	(13,114)	777
Change in trade and other payables	(8,512)	20,753
Change in contract assets	(785)	(27,778)
Change in contract liabilities	2,499	1,708
Cash generated from operations	2,055	9,555
Interest received	276	361
Net tax paid	(3,542)	(4,365)
Net cash (used in)/from operating activities	(1,211)	5,551



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Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 SEPTEMBER 2022 (cont'd)**

(The figures have not been audited)

	Year to date ended	
	30 Sept 2022 RM'000	30 Sept 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(671)	(616)
Acquisition of intangible assets	(236)	-
Net cash used in investing activities	(897)	(616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(416)	(49)
Repayment of term loans	(15,025)	(8,899)
Net proceeds from/(repayment of) other bank facilities	13,215	(1,413)
Payment of lease liabilities	(2,080)	(1,993)
Deposit pledged of licensed bank	(12,302)	8,016
Interest paid	(2,088)	(2,248)
Net cash used in financing activities	(18,696)	(6,586)
Net decrease in cash and cash equivalents during financial period	(20,804)	(1,651)
Effect of exchange rate fluctuation on cash held	12	26
Cash and cash equivalents at beginning of financial period	22,418	23,065
Cash and cash equivalents at end of financial period	1,626	21,440



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 SEPTEMBER 2022 (cont'd)**

(The figures have not been audited)

Components of cash and cash equivalents as at 30 Sept 2022 is as follows:

	30 Sept 2022 RM'000	30 Sept 2021 RM'000
Cash and bank balances	12,517	7,239
Short term deposits with licensed banks	18,449	25,477
Bank overdrafts (secured)	(10,892)	(3,906)
	<u>20,074</u>	<u>28,810</u>
Less: short term deposits and bank balances pledged with licensed banks	(18,448)	(7,370)
	<u>1,626</u>	<u>21,440</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 2021 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 2021 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 2022:

MFRSs (Including The Consequential Amendments)

- Amendments to MFRS 3, Business Combinations, MFRS 9, Financial Instruments, MFRS 116, Property, Plant and Equipment, and MFRS 137, Provisions, Contingent Liabilities and Contingent Assets

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 the 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 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 30 September 2022 were as follows:-

	RM'000
Authorised but not contracted for:	<u>1,439</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.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 RM40.4 million and RM114.7 million respectively.

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

	Quarter ended			Year to date ended		
	30 Sept 2022	30 Sept 2021	Variance	30 Sept 2022	30 Sept 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	9,415	15,572	(39.5)	23,934	53,446	(55.2)
- Construction supervision	15,176	15,611	(2.8)	45,583	48,466	(5.9)
Project management	13,212	9,535	38.6	36,632	16,869	>100
BIM services	385	341	12.9	1,153	1,205	(4.3)
Reimbursable income	2,186	1,888	15.8	7,358	5,825	26.3
TOTAL	40,374	42,947	(6.0)	114,660	125,811	(8.9)

Engineering design

The revenue from engineering design for current quarter and period decreased by 39.5% and 55.2% as compared to the corresponding quarter and period ended 30 September 2021 respectively. This was mainly attributable to the lower revenue from major on-going projects which include East Coast Rail Line ("ECRL") detailed design and Projek Perintis Sistem Pengangkutan Bus Rapid Transit di 3 Laluan Berkapasiti Tinggi and Pembinaan Laluan Khas (Busway).

Construction supervision

In line with the progress of projects, construction supervision segment revenue was flattish at RM15.2 million for the current quarter as compared to RM15.6 million for the corresponding quarter ended 30 September 2021.

Construction supervision segment revenue for the current year to date slightly decreased by RM2.9 million or 5.9% as compared to the corresponding period ended 30 September 2021.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 for the current quarter and current period rose by RM3.7 million and 19.8 million as compared to RM9.5 million and RM16.9 million for corresponding quarter and period in previous year respectively. This was mainly attributable to 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.

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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022****B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)****B1. Review of performance (cont'd)**

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

	Quarter ended			Year to date ended		
	30 Sept 2022	30 Sept 2021	Variance	30 Sept 2022	30 Sept 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	39,810	42,376	(6.1)	113,301	124,270	(8.8)
Overseas						
India	234	253	(7.5)	782	644	21.4
Philippines	330	318	3.8	577	897	(35.7)
TOTAL	40,374	42,947	(6.0)	114,660	125,811	(8.9)

Local market continued to contribute significant portion of revenue amounting to 98.8% of the Group's total revenue.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM5.0 million for the current quarter as compared to a PAT of RM0.2 million for corresponding quarter in year 2021. This is primary due to increase in gross profit margin in the current quarter, mainly attributable to Project Management Consultant (PMC) Bagi Fasa 1 Projek Lebuhraya Pan Borneo Sabah.

(d) Our unbilled order book as at 30 Sept 2022 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	177,085	12.0
- Construction supervision	172,319	11.7
Project management	1,116,052	75.9
	<u>1,465,456</u>	<u>99.6</u>
BIM services	5,789	0.4
Total	<u>1,471,245</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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 30 Sept 2022 RM'000	Preceding Quarter 30 June 2022 RM'000	Variance %
Revenue	40,374	37,863	6.6
Gross profit	15,074	12,689	18.8
Profit before taxation	7,329	5,374	36.4

The profit before tax for current quarter was RM7.3 million as compared to a profit before tax of RM5.4 million for immediate preceding quarter ended 30 June 2022 mainly due to higher revenue achieved in current quarter.

B3. Prospects

(i) Current Scenario

The recent RM 372.3 billion budget for 2023, which was unveiled on 7 October 2022, saw RM 93 billion set aside for development expenditure, the biggest allocation to date, compared to RM 75.6 billion in 2022. This augurs well for the infrastructure sector given that RM 16.5 billion was for the transportation sector which included the Pan Borneo Highway, Gemas-Johor Baru Double Track Railway, East Coast Rail Link (ECRL), RTS Link and Central Spine Road. A sum of RM 11.4 billion was also set aside for repair and maintenance of assets including federal roads and government buildings while the remainder was for Mass Rapid Transit projects.

In addition, the MRT 3 project which has been given the nod to proceed by the government would involve a cost of RM 50.2 billion with projected expenditure of RM3.3 billion in 2023. Its worth noting that RM 209 million in subsidies had been set aside for air transport to benefit people living in rural Sabah and Sarawak which will be spent on improving the infrastructure at seven airports in Sabah and Sarawak.

During the third quarter (3Q), on 4 August 2022, HEB Group secured the single largest undertaking in its contract wins having been awarded the Project Management Consultancy role for MRT 3 upon the submission of a tender bid in June 2022. The project valued at RM 998 million is for a duration of 11 years. This award follows our appointment to undertake an independent peer review of the tender documentations on MRT 3 in April 2022.

The Pan Borneo Sabah project (15 packages under Phase 1A), in which we secured the Project Management Consultancy Services (PMC) role in April 2021, is progressing well with 60% completion given 100% staff mobilization at site.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

Further to the ongoing works on ECRL, we were awarded a RM16.6 million Variation Order (VO) for Section 9 of the East Coast Rail Link (ECRL) from Serendah to Port Klang on 6 July 2022. Under this VO, the Group has been appointed as the Supervising Consultant responsible for the construction of the works for Section 9 of the ECRL. The 53.5 km section consists of tunnels, viaducts, at-grade sections and stations.

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. The Railway Scheme Mandate for the ECRL is completed 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 3Q of 2022 with tenders for construction contracts expected to be called by end of 2022.

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.

In September 2022, we accepted the appointment by the Kedah State Government to provide engineering consultancy and supervision services to upgrade the Lubuk Buntar Lama water treatment plant. In the same month, we were appointed by Pengurusan Aset Air Berhad ("PAAB") to be the engineering consultant to provide engineering services for the proposed study and construction of a new water treatment plant and upgrading of water systems in Batu Pahat, Johor.

Following the water security scheme studies we undertook for the State of Selangor, we were awarded with 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. The State Government of Selangor has appointed us earlier to study measures to deal with pollution in the future given the recent episodes of contamination of Sg Selangor which has caused severe water disruption to consumers.

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. We have commenced supervision works for the construction of Pelubang Water Supply Scheme in Kedah since January 2022.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

The tender for the construction of the Jerneh dam to address water shortages in Melaka is completed with the award by the government in May 2022.

As Panel Consultant to Air Selangor, we are currently undertaking engineering consultancy services for 3 (three) 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)

The Group also provides design and head office direction (HOD) for flood mitigation works for critical and selected stretches of East Coast Highway Phase 1 that have been impacted by the December 2021 flood event resulting in disruption to traffic along this highway. This includes review of hydrological design storm events and adjusting projections that included climate change consideration.

To avoid prolonged water supply disruption during drought events, we are providing engineering services for proposed raw water transfer from Sg Sedili Besar to Sg Gembut in the districts of Kota Tinggi, Johor.

In the immediate term, we anticipate roll out of new contracts as well as implementation of mega infrastructure projects to gain pace during the fourth quarter (4Q) of 2022. The tender for the Phase 1B (19 packages) of the Pan Borneo Sabah is expected to be called in the 4Q of 2022 whilst flood mitigation jobs will be accelerated in view of the massive recurring flash floods. The Government had committed a development expenditure of RM 1 billion per annum for flood mitigation projects, with an additional expenditure of RM 15 billion between 2023 and 2030 to expedite these projects further under the 12MP.

The Group also foresees more project roll-outs to come on stream with privatization playing a pivotal role in funding some of the key infrastructure undertakings in the country. Under the Budget 2022, the Government has set up an Infrastructure Facilitation Fund 3.0 with an initial fund allocation of RM 200 million to facilitate the privatization mechanism which is under the purview of the Public-Private Partnership Unit. Currently, we are working on several highway privatization proposals within the Klang Valley.

(ii) Order Book/Tender Book

As of 30th September 2022, our order book stood at RM 1.47 billion with project management being the biggest contributor of 76% and our tender book value is approximately at RM 350 million.

(iii) Future Prospects

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B3. Prospects (cont'd)

(iii) Future Prospects (cont'd)

Public Transportation Sector

- **Johor LRT**

We are currently conducting the Feasibility Study for Johor LRT which approx. 10km in length from the RTS CIQ, JB Sentral to Taman Tasek via Coronation Square with 7 stations and a depot/transport hub. The project is expected to move into the next stage which is detailed engineering design supervision in early 1Q2023.

- **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 in early 2023. 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. We have concluded the feasibility studies for the port expansion as well as the detailed design for the land reclamation from CT10 to CT13.

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:-



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B3. Prospects (cont'd)

(iii) Future Prospects (cont'd)

Water Sector (cont'd)

- **Nenggiri Hydroelectric Project**

The proposal to carry out detailed design of cofferdams for Nenggiri Hydroelectric Project is imminent. We will work closely with Design & Build Contractors for the main dam and river diversion tunnel, and also responsible for the submission of relevant reports for approval by relevant authorities for our part of Works.

- **Dam Safety Review of Hydroelectric Dams**

We are joint-consultant for the Hydro Life Extension Program for Sg Perak Hydroelectric Stations for Review Study and Tender Documentation and are looking forward to be engaged for the Project Implementation Stage from 2022 to 2028. We are actively bidding for Dam Safety Review contracts in Selangor and other states.

- **Integrated River Basin Management Plan**

We are presently bidding for IRBM studies under JPS involving multi-disciplinary professional services in the field of hydrology, hydrogeology, stormwater, drainage, flood mitigation, water quality, water resources, bio-diversity, socio-economic, urban and town planning, costing, GIS, public outreach and legal disciplines.

- **Pelan Induk Saliran Mesra Alam**

We have submitted proposals for several drainage master plan studies that emphasise on sustainable solutions that incorporate both structural and non-structural measures for flood mitigation alongside best management of water quality, aesthetic, aquatic lives, terrestrial flora/fauna and other ecological services.

- **Off-River Storages**

We are preparing bids for several proposed barrages and off-river storages for water resources development in Selangor and Kedah.

- **Submarine Pipelines**

Many submarine pipelines installed in the past to provide water supply to island settlements such as Pulau Pinang, Langkawi and Redang are old (some over 50 years) and incur losses due to leakages in the undersea pipes. We are preparing proposals for new and rehabilitation of these submarine pipelines.



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

B3. Prospects (cont'd)

(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. This endeavour will be supported through strategic collaborations with leading Japanese consultants to participate in JICA funded projects in Indonesia, Philippines and India.

On 19 July 2022, the Group signed a Memorandum of Understanding (MOU) to become a preferred partner to a leading Japanese engineering consultancy firm Oriental Consultants Global Co. Ltd. (OC Global). Further to the second Memorandum of Understanding (MoU) was signed with Yachiyo Engineering Co., Ltd. (YEC) on 15 September 2022.

Under the strategic partnership, both parties would collaborate on potential infrastructure projects in ASEAN, India and any other country including in the Middle East North Africa (MENA) region. The collaboration would prioritize activities in the transportation sector (particularly rails and mass transit), water resources and supply management, flood mitigation, as well as roads, highways and bridges.

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. As DNB ramps up the 5G roll out to achieve 38% population coverage by end of 2022, we foresee vast opportunities in this sector for the Group. 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 are currently shortlisted for two (2) Project Management Consultancy bids for upcoming data center projects in the country.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B3. Prospects (cont'd)

(iv) Growth Strategies

Recurring Income

We are setting our long-term sights on establishing a recurring revenue stream for the Group which is our 4th vertical, especially in the Renewable Energy (RE) space. We are poised to make its mark in Malaysia's renewable energy sector, as we explore developing solar projects for a cumulative capacity of up to 250 megawatt (MW) within three years together with our strategic partner Shizen International Inc (Shizen). HSS Engineering Sdn Bhd (HSSE) signed a Memorandum of Understanding (MOU) on 21st Sept 2022 to establish a preferred partnership with Shizen, the overseas arm of the Fukuoka-based renewable energy developer Shizen Energy Inc. This MOU also sets us on the path of establishing our recurring revenue stream, as we explore investing into assets that will provide longer-term sight on earnings.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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

B4. Income tax expense

	Quarter ended		Year to date ended	
	30 Sept 2022 RM'000	30 Sept 2021 RM'000	30 Sept 2022 RM'000	30 Sept 2021 RM'000
<u>Income tax expense</u>				
- Current financial period	2,428	816	5,295	3,525
- Prior financial period	(135)		(135)	-
	<u>2,293</u>	<u>816</u>	<u>5,160</u>	<u>3,525</u>
<u>Deferred tax</u>				
- Current financial period	10	(273)	(50)	(868)
- Prior financial period	18		18	-
	<u>28</u>	<u>(273)</u>	<u>(32)</u>	<u>(868)</u>
Total tax expense	<u>2,321</u>	<u>543</u>	<u>5,128</u>	<u>2,657</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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 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	14,379	3,621	Up to 4th Quarter 2023
	(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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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 2023
	Subtotal	24,000	24,000	24,000	24,000	24,000	14,379	9,621	
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	22,287	9,621	

Notes:

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

(b) As at 30 September 2022

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B8. Group's borrowings and debt securities

The Group's borrowings as at 30 Sept 2022 are as follows:-

	As at 30 Sept 2022 RM'000	As at 31 Dec 2021 RM'000
Current:		
Lease liabilities	2,878	2,778
Hire purchase payables	855	299
Bank overdrafts	10,892	2,946
Other bank facilities	15,562	2,347
Term loan	13,754	13,290
	<u>43,941</u>	<u>21,660</u>
Non-current:		
Lease liabilities	1,065	3,149
Hire purchase payables	181	401
Term loan	17,146	32,552
	<u>18,392</u>	<u>36,102</u>
Total borrowings:		
Lease liabilities	3,943	5,927
Hire purchase payables	1,036	700
Bank overdrafts	10,892	2,946
Other bank facilities	15,562	2,347
Term loan	30,900	45,842
	<u>62,333</u>	<u>57,762</u>

All borrowings are secured and denominated in Ringgit Malaysia.

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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	
	30 Sept 2022	30 Sept 2021	30 Sept 2022	30 Sept 2021
Net profit attributable to ordinary equity holders of the Company (RM'000)	5,008	225	11,454	3,775
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	1.01	0.05	2.31	0.76
Diluted EPS (sen)	1.01	0.05	2.31	0.76

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

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	
	30 Sept 2022 RM'000	30 Sept 2021 RM'000	30 Sept 2022 RM'000	30 Sept 2021 RM'000
Depreciation of property, plant and equipment	296	335	971	986
Depreciation of Right-of-use assets	701	692	2,103	2,087
Amortisation of intangible assets	430	901	1,280	2,712
Net reversal/(loss) on impairment of Financial instruments	52	78	(176)	174
Finance costs	792	858	2,319	2,678
Finance income	(111)	(98)	(276)	(361)
Gain on disposal of property, plant & equipment	(10)	-	(10)	-
Gain on derivatives	(22)	(29)	(440)	(397)
Loss on foreign exchange	8	11	24	49

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 November 2022.