

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022
(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2022	2021	%	2022	2021	%
		RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	B1	71,288	38,882	83.3	185,948	164,693	12.9
Direct costs		(48,946)	(29,305)		(123,994)	(124,742)	
Gross profit		22,342	9,577	133.3	61,954	39,951	55.1
Other operating income		(809)	177		359	585	
Administrative expenses		(6,893)	(4,332)		(24,277)	(20,177)	
Other operating expenses		(1,795)	(2,162)		(7,172)	(8,405)	
Net reversal/(loss) on impairment of financial instruments		(6,976)	(3,040)		(6,801)	(3,214)	
Profit for the year from operations		5,869	220	2,567.7	24,063	8,740	175.3
Finance income		147	145		422	506	
Finance costs		(815)	(862)		(3,173)	(3,540)	
Share of results of associates		(196)	131		275	360	
Profit/(loss) before taxation		5,005	(366)	1,467.5	21,587	6,066	255.9
Taxation	B4	(1,362)	(380)		(6,490)	(3,037)	
Profit/(loss) for the financial period		3,643	(746)	588.3	15,097	3,029	398.4
Other comprehensive income/(loss):							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		(66)	(4)		(53)	16	
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Actuarial loss on defined benefit obligations, net of tax		12	(17)		12	(17)	
Total comprehensive income/(loss) for the financial period		3,589	(767)	567.9	15,056	3,028	397.2
Profit/(loss) for the financial period attributable to:-							
Owners of the Company		3,643	(746)	588.3	15,097	3,029	398.4
Total comprehensive income/(loss) attributable to:-							
Owners of the Company		3,589	(767)	567.9	15,056	3,028	397.2
Earnings per share (sen)							
- Basic	B11	0.73	(0.15)	588.3	3.04	0.61	398.4
- Diluted	B11	0.73	(0.15)	588.3	3.04	0.61	398.4



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

(The figures have not been audited)

	Unaudited as at 31.12.2022 RM'000	Audited as at 31.12.2021 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,854	4,220
Intangible assets	592	2,067
Goodwill	162,677	162,677
Right-of-use assets	3,367	5,790
Investments in associates	2,367	2,692
Deferred tax assets	2,998	1,649
	<u>175,855</u>	<u>179,095</u>
CURRENT ASSETS		
Trade and other receivables	56,507	44,870
Contract assets	135,392	108,614
Current tax assets	1,324	851
Derivative financial assets	494	271
Prepayment	3,760	2,649
Cash and cash equivalents	30,364	31,510
	<u>227,841</u>	<u>188,765</u>
TOTAL ASSETS	<u>403,696</u>	<u>367,860</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	254,291	254,291
Reserves	<u>(11,326)</u>	<u>(26,382)</u>
TOTAL EQUITY	<u>242,965</u>	<u>227,909</u>



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (cont'd)

(The figures have not been audited)

		Unaudited as at 31.12.2022 RM'000	Audited as at 31.12.2021 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	14,023	32,953
Lease liabilities	B8	524	3,149
Employee benefits		-	25
Deferred tax liabilities		-	377
Other payables		-	7,193
		<u>14,547</u>	<u>43,697</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	43,422	18,882
Lease liabilities	B8	3,001	2,778
Trade and other payables		77,109	61,741
Contract liabilities		16,560	12,348
Current tax liabilities		3,477	-
Provisions		2,615	505
		<u>146,184</u>	<u>96,254</u>
TOTAL LIABILITIES		<u>160,731</u>	<u>139,951</u>
TOTAL EQUITY AND LIABILITIES		<u>403,696</u>	<u>367,860</u>
Net assets per share (RM)		<u>0.49</u>	<u>0.46</u>



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 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	-	-	(53)	-	(53)
- Actuarial loss on defined benefit obligations, net of tax				12	12
Total other comprehensive income	-	-	(53)	12	(41)
Profit for the financial period	-	-	-	15,097	15,097
Total comprehensive income for the financial period	-	-	(53)	15,109	15,056
As at 31 December 2022	254,291	29,196	171	(40,693)	242,965



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 DECEMBER 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	-	-	16	-	16
- Actuarial loss on defined benefit obligations, net of tax				(17)	(17)
Total other comprehensive loss	-	-	16	(17)	(1)
Profit for the financial period	-	-	-	3,029	3,029
Total comprehensive income for the financial period	-	-	16	3,012	3,028
As at 31 December 2021	254,291	29,196	224	(55,802)	227,909



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 31 DECEMBER 2022

(The figures have not been audited)

	Year to date ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	21,587	6,066
Adjustments for:		
Net loss on impairment of financial instruments	6,801	3,214
Depreciation of property, plant and equipment	1,258	1,353
Depreciation of right-of-use assets	2,872	2,793
Amortisation of intangible assets	1,711	3,620
Finance income	(422)	(506)
Finance costs	3,173	3,540
Net fair value gain on derivative	(223)	(562)
Loss on disposal of property, plant and equipment	(10)	8
Share of profit of equity- accounted associates, net of tax	(275)	(360)
Operating profit before working capital changes	36,472	19,166
Changes in working capital:		
Change in employee benefits and provision	(13)	(6)
Change in trade and other receivables and prepayments	(19,549)	(8,894)
Change in trade and other payables	10,703	18,747
Change in contract assets	(26,778)	(19,537)
Change in contract liabilities	4,212	3,636
Cash generated from operations	5,047	13,112
Interest paid	(68)	(488)
Interest received	422	506
Net tax paid	(5,215)	(5,097)
Net cash (used in)/from operating activities	186	8,033



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(585)	(1,283)
Acquisition of intangible assets	(236)	-
Dividend received from associates	600	-
Proceeds from disposal of property, plant and equipment	10	30
Net cash used in investing activities	(211)	(1,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(574)	(118)
Repayment of term loans	(18,440)	(11,953)
Net proceeds from/(repayment of) other bank facilities	12,904	934
Payment of lease liabilities	(2,848)	(2,675)
Deposit pledged of licensed bank	(6,562)	9,240
Interest paid	(2,838)	(2,859)
Net cash used in financing activities	(18,358)	(7,431)
Net decrease in cash and cash equivalents during financial period	(18,383)	(651)
Effect of exchange rate fluctuation on cash held	(52)	4
Cash and cash equivalents at beginning of financial period	22,418	23,065
Cash and cash equivalents at end of financial period	3,983	22,418



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

Components of cash and cash equivalents as at 31 Dec 2022 is as follows:

	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Cash and bank balances	11,527	7,258
Short term deposits with licensed banks	18,837	24,251
Bank overdrafts (secured)	<u>(13,673)</u>	<u>(2,945)</u>
	16,691	28,564
Less: short term deposits and bank balances pledged with licensed banks	<u>(12,708)</u>	<u>(6,146)</u>
	<u>3,983</u>	<u>22,418</u>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 December 2022 were as follows:-

	RM'000
Authorised but not contracted for:	<u>1,377</u>

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

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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 RM71.3 million and RM185.9 million respectively.

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

	Quarter ended			Year to date ended		
	31 Dec 2022	31 Dec 2021	Variance	31 Dec 2022	31 Dec 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	10,000	8,182	22.2	33,934	61,628	(44.9)
- Construction supervision	15,140	16,173	(6.4)	60,723	64,639	(6.0)
Project management	16,135	10,983	46.9	52,767	27,852	89.5
BIM services	651	437	49.0	1,804	1,642	9.9
Reimbursable income	29,362	3,107	>100	36,720	8,932	>100
TOTAL	71,288	38,882	83.3	185,948	164,693	12.9

Engineering design

The revenue from engineering design for current quarter increased by 22.2% as compared to the corresponding quarter ended 31 December 2021. This was mainly attributable to revenue recognised from the newly secured project, Provision fo Peer Review Consultancy Services for "Projek Mass Rapid Transit Laluan 3 : Laluan Lingkaran.

However, this was offsetted by 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). The revenue from engineering design for current year decreased by 44.9% as compared to last year.

Construction supervision

In line with the progress of projects, construction supervision segment revenue was flattish at RM15.1 million for the current quarter as compared to RM16.2 million for the corresponding quarter ended 30 December 2021.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

Construction supervision (cont'd)

Construction supervision segment revenue for the current year slightly decreased by 6% as compared to last year.

Project management

Project management revenue for the current quarter rose by 46.9% mainly from our newly secured project, Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran.

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 which are progressing well continues to contribute significantly to supervision revenue for current year.

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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		
	31 Dec 2022	31 Dec 2021	Variance	31 Dec 2022	31 Dec 2021	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	70,817	38,341	84.7	184,118	162,611	13.2
Overseas						
India	131	227	(42.3)	913	871	4.8
Philippines	340	314	8.3	917	1,211	(24.3)
TOTAL	71,288	38,882	83.3	185,948	164,693	12.9

Local market continued to contribute significant portion of revenue amounting to 99.0% of the Group's total revenue.

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

The Group recorded PAT of approximately RM3.6 million for the current quarter as compared to a LAT of RM0.7 million for corresponding quarter in year 2021. The PAT achieved for current quarter was after impairment of trade receivables of RM5.5 million in current quarter. This is primary due to increase in gross profit margin in the current quarter, mainly attributable to Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkar".

(d) Our unbilled order book as at 31 Dec 2022 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	169,541	11.8
- Construction supervision	180,609	12.5
Project management	1,086,082	75.3
	<u>1,436,232</u>	<u>99.6</u>
BIM services	5,461	0.4
Total	<u>1,441,693</u>	<u>100</u>

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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 Dec 2022 RM'000	Preceding Quarter 30 Sept 2022 RM'000	Variance %
Revenue	71,288	40,374	76.6
Gross profit	22,342	15,074	48.2
Profit before taxation	5,005	7,329	(31.7)

The profit before tax for current quarter was RM5.0 million as compared to a profit before tax of RM7.3 million for immediate preceding quarter ended 30 September 2022 mainly due impairment of trade receivables recorded in current quarter.

B3. Prospects

(i) Current Scenario

During the year, there have been key highlights for HEB Group, as we secured a total of RM 1.1 billion worth of new contracts. One of the key mega projects secured during the year was the Project Management Consultancy role for MRT 3. On top of this, the Group surpassed targeted contract wins for 2022 (RM 500 million) and also attained the highest ever current order book which stands at RM 1.5 billion which provides visibility for the next 8 years.

In August 2022, we became Malaysia's flag-bearer as the sole representative in Engineering News-Record (ENR)'s Top 225 International Design Firms 2022 list. The list, published annually, showcases the world's largest engineering design services firms in terms of revenue. The list includes notable international firms across the globe including the United States, United Kingdom, Europe and Asia regions. In fact, this recognition spurs us forward to continue developing homegrown talent to the benefit of our local economy and enable all to prosper in these challenging times. We are committed to upholding this ethos of maximising Malaysian content, raising the level of local skill sets to create the next Malaysian champions, and ultimately bringing widespread benefits to all levels of society.

The revised Budget 2023, which will be tabled on 24th February 2023, is anticipated to be on an expansionary mode as the country works towards post pandemic recovery to spur the economy. To this, the new unity government has also given its commitment that projects awarded through open tender will not be reviewed and this included projects such as the MRT Line 3, East Coast Rail Link (ECRL), Pan Borneo Highway and Central Spine Road which augurs well for the infrastructure sector. An area of focus in the upcoming revised Budget would be the advancement of digital economy to improve the well-being of the rakyat, and bodes well for the Group which has diversified into telecommunication and digital technology, as the country commissioned a nation-wide 5G network which is expected to reach 80% coverage by 2024.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2022

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

On 16 January 2023, the Group secured its first project management consultancy services contract in Digital & Technology for the upcoming Yellowwood data centre and its electrical substation at Sedenak Tech Park, Johor Darul Takzim.

The Group has made first inroads into Bangladesh and together with joint venture partners Oriental Consultants Global Co., Ltd., Japan ("OC Global") and EGIS Rail S.A., France ("EGIS") signed a contract agreement with Bangladesh Railway on 14th February 2023 to provide consulting and technical services for the Asian Development Bank (ADB)-funded Railway Connectivity Improvement Preparatory Facility Project in Dhaka. This great milestone represents the first fruit for the HEB Group since the signing of our preferred partnership with OC Global in July last year, and deftly places us on the global map in terms of engineering consultancy expertise alongside other experts.

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 62% completion given 100% staff mobilization at site. Further to the ongoing works on East Coast Rail Link (ECRL), we were awarded a RM 16.6 million Variation Order (VO) for Section 9 of the 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 Iskandar BRT (IMBRT) project, secured in December 2019, is progressing well with detailed design expected to be completed soon with tenders for construction contracts expected to be called between March to June 2023.

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. We have submitted to Pengurusan Aset Air Berhad (PAAB) a Concept Design Report for the Proposed Construction of a New Water Treatment Plant and Upgrading of Water Systems in Batu Pahat, Johor in mid- December 2022.

The four (4) work packages implemented by the Government of Selangor which involves 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2022

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, 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)

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

Further to this, we have completed the preliminary engineering design for the Proposed Raw Water Transfer from Sg Sedili Besar to Sg Gembut in the districts of Kota Tinggi in Johor. We are undertaking the designs 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).

In view of the revised Budget, we anticipate roll out of new contracts as well as implementation of mega infrastructure projects to gain traction from the second quarter of 2023 (2Q 23) onwards. The tender for the Phase 1B (19 packages) of the Pan Borneo Sabah is expected to be called in the first half of 2023 (1H 23) with certain flood mitigation jobs to be accelerated in view of the massive recurring flash floods. The Government had earlier 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.

(ii) Order Book/Tender Book

As of 31st December 2022, our order book stood at RM 1.44 billion with project management segment being the biggest contributor of 75 % and our tender book value is approximately at RM 380 million.

(iii) 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 2023 to pump prime the economy as the Covid -19 pandemic fades. Over the years, the Group has executed over 800 projects in Malaysia and is considered as "**Central Digital Data Depository**" in the highway, road, rail and water sector and therefore able to support the Government of Malaysia 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2022
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B3. Prospects (cont'd)
(iii) Future Prospects in Highways, Public Transportation, Port & Water Sector (cont'd)

Going forward, we also see a lot of opportunities to be captured in the privatisation of tolled highways going forward, especially since we have been involved 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 yet 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
	Bayan Lepas LRT
PORT SECTOR	Westport Phase 2
WATER SECTOR	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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2022

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.

As detailed earlier, 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 a second 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, we foresee further opportunities in this sector for the Group.

As detailed earlier, on 16 January 2023, we received a letter of instruction from Yellowwood Properties Sdn. Bhd. (YPSB), to provide project management services for a new data centre campus and its electrical substation located at Sedenak Tech Park (STEP), Johor.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2022
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B4. Income tax expense

	Quarter ended		Year to date ended	
	31 Dec 2022 RM'000	31 Dec 2021 RM'000	31 Dec 2022 RM'000	31 Dec 2021 RM'000
<u>Income tax expense</u>				
- Current financial period	3,059	887	8,354	4,412
- Prior financial period	-	208	(135)	208
	<u>3,059</u>	<u>1,095</u>	<u>8,219</u>	<u>4,620</u>
<u>Deferred tax</u>				
- Current financial period	(1,697)	(709)	(1,747)	(1,577)
- Prior financial period	-	(6)	18	(6)
	<u>(1,697)</u>	<u>(715)</u>	<u>(1,729)</u>	<u>(1,583)</u>
Total tax expense	<u>1,362</u>	<u>380</u>	<u>6,490</u>	<u>3,037</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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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	18,000	-	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



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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	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 2022

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 31 Dec 2022 are as follows:-

	As at 31 Dec 2022 RM'000	As at 31 Dec 2021 RM'000
Current:		
Lease liabilities	3,001	2,778
Hire purchase payables	662	299
Bank overdrafts	13,673	2,946
Other bank facilities	15,251	2,347
Term loan	13,836	13,290
	<u>46,423</u>	<u>21,660</u>
Non-current:		
Lease liabilities	524	3,149
Hire purchase payables	375	401
Term loan	13,648	32,552
	<u>14,547</u>	<u>36,102</u>
Total borrowings:		
Lease liabilities	3,525	5,927
Hire purchase payables	1,037	700
Bank overdrafts	13,673	2,946
Other bank facilities	15,251	2,347
Term loan	27,484	45,842
	<u>60,970</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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,643	(746)	15,097	3,029
Weighted average number of ordinary shares in issue ('000)	495,862	495,862	495,862	495,862
Basic EPS (sen)	0.73	(0.15)	3.04	0.61
Diluted EPS (sen)	0.73	(0.15)	3.04	0.61

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.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	287	367	1,258	1,353
Depreciation of Right-of-use assets	769	706	2,872	2,793
Amortisation of intangible assets	431	908	1,711	3,620
Net loss on impairment of Financial instruments	6,977	3,040	6,801	3,214
Finance costs	815	862	3,173	3,540
Finance income	(147)	(145)	(422)	(506)
(Gain)/loss on disposal of property, plant & equipment	-	8	(10)	8
Loss/(gain) on derivatives	217	(165)	(223)	(562)
(Gain)/loss on foreign exchange	(7)	33	17	82

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 22 February 2023.