

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023
(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2023 RM'000	2022 RM'000	% + / (-)	2023 RM'000	2022 RM'000	% + / (-)
Revenue	B1	47,379	40,374	17.4	142,091	114,660	23.9
Direct costs		(31,262)	(25,300)		(95,420)	(75,048)	
Gross profit		16,117	15,074	6.9	46,671	39,612	17.8
Other operating income		1	741		1	1,168	
Administrative expenses		(6,354)	(5,906)		(18,298)	(17,384)	
Other operating expenses		(1,754)	(1,806)		(5,600)	(5,377)	
Net (loss)/reversal on impairment of financial instruments		2	(53)		24	175	
Profit for the year from operations		8,012	8,050	(0.5)	22,798	18,194	25.3
Finance income		99	110		298	275	
Finance costs		(729)	(831)		(2,201)	(2,358)	
Share of results of associates		106	-		101	471	
Profit before taxation		7,488	7,329	2.2	20,996	16,582	26.6
Taxation	B4	(2,326)	(2,321)		(6,296)	(5,128)	
Profit for the financial period		5,162	5,008	3.1	14,700	11,454	28.3
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		(6)	18		61	13	
Total comprehensive income for the financial period		5,156	5,026	2.6	14,761	11,467	28.7
Profit for the financial period attributable to:-							
Owners of the Company		5,165	5,008	3.1	14,703	11,454	28.4
Non-controlling interests		(3)	-	(100.0)	(3)	-	(100.0)
		5,162	5,008		14,700	11,454	
Total comprehensive income attributable to:-							
Owners of the Company		5,156	5,026	2.6	14,761	11,467	28.7
Non-controlling interests		(3)	-	(100.0)	(3)	-	(100.0)
		5,153	5,026		14,758	11,467	
Earnings per share (sen)							
- Basic	B11	1.04	1.01	3.1	2.96	2.31	28.3
- Diluted	B11	1.04	1.01	3.1	2.96	2.31	28.3

**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023***(The figures have not been audited)*

	Unaudited as at 30.09.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,508	3,853
Intangible assets	490	592
Goodwill	163,357	162,677
Right-of-use assets	6,942	3,368
Investments in associates	2,537	2,416
Employee benefits	-	22
Deferred tax assets	449	2,998
	<u>177,283</u>	<u>175,926</u>
CURRENT ASSETS		
Trade and other receivables	57,807	56,506
Contract assets	123,593	135,322
Current tax assets	1,355	1,324
Derivative financial assets	239	494
Prepayment	8,102	3,760
Cash and cash equivalents	17,539	30,364
	<u>208,635</u>	<u>227,770</u>
TOTAL ASSETS	<u>385,918</u>	<u>403,696</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	283,688	254,291
Reserves	<u>(30,289)</u>	<u>(11,294)</u>
Equity attributable to owners of the Company	253,399	242,997
Non-controlling interest	(3)	-
TOTAL EQUITY	<u>253,396</u>	<u>242,997</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023 (cont'd)

(The figures have not been audited)

		Unaudited as at 30.09.2023 RM'000	Audited as at 31.12.2022 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	2,808	14,023
Lease liabilities	B8	3,975	522
Employee benefits		97	-
		<u>6,880</u>	<u>14,545</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	35,323	43,421
Lease liabilities	B8	3,033	3,004
Trade and other payables		72,569	79,209
Contract liabilities		9,618	16,560
Current tax liabilities		2,729	3,475
Provisions		2,370	485
		<u>125,642</u>	<u>146,154</u>
TOTAL LIABILITIES		<u>132,522</u>	<u>160,699</u>
TOTAL EQUITY AND LIABILITIES		<u>385,918</u>	<u>403,696</u>
Net assets per share (RM)		<u>0.51</u>	<u>0.49</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2023

(The figures have not been audited)

	Attributable to owner of the Company				Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Warrants Reserve RM'000	Foreign Currency Translation Reserve RM'000	Accumulated losses RM'000			
As at 1 January 2023	254,291	29,196	171	(40,661)	242,997	-	242,997
Other comprehensive income:							
- Foreign currency translation gain	-	-	61	-	61	-	61
Total other comprehensive income	-	-	61	-	61	-	61
Profit for the financial period	-	-	-	14,703	14,703	(3)	14,700
Total comprehensive income for the financial period	-	-	61	14,703	14,764	(3)	14,761
Transactions with owners of the Company:							
Warrants exercised during the period	273	(72)	-	-	201	-	201
Lapsed of warrants	29,124	(29,124)	-	-	-	-	-
Shares acquired by non-controlling interests	-	-	-	-	-	^	-
Dividend paid	-	-	-	(4,563)	(4,563)	-	(4,563)
Total transactions with owners for the financial period	29,397	(29,196)	-	(4,563)	(4,362)	-	(4,362)
As at 30 Sept 2023	283,688	-	232	(30,521)	253,399	(3)	253,396

^ Represents less than RM100.



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2023 (cont'd)

(The figures have not been audited)

	<u>Non-Distributable</u>		<u>Distributable</u>		
			Foreign Currency Translation Reserve	Accumulated losses	Total
	Share Capital RM'000	Warrants Reserve RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	254,291	29,196	224	(55,802)	227,909
Other comprehensive income:					
- Foreign currency translation gain	-	-	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 Sept 2022	254,291	29,196	237	(44,348)	239,376



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2023

(The figures have not been audited)

	Year to date ended	
	30 Sept 2023	30 Sept 2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,996	16,582
Adjustments for:		
Net reversal on impairment of financial instruments	(24)	(176)
Bad debts written off	1,136	-
Depreciation of property, plant and equipment	774	971
Depreciation of right-of-use assets	2,144	2,103
Amortisation of intangible assets	114	1,280
Finance income	(298)	(276)
Finance costs	2,201	2,319
Net fair value loss/(gain) on derivative	255	(440)
Gain on disposal of property, plant and equipment	-	(10)
Share of loss/(profit) of equity- accounted associates, net of tax	(101)	(471)
Operating profit before working capital changes	27,197	21,882
Changes in working capital:		
Change in employee benefits and provision	119	85
Change in trade and other receivables and prepayments	(6,755)	(13,114)
Change in trade and other payables	(4,775)	(8,512)
Change in contract assets	11,729	(785)
Change in contract liabilities	(6,942)	2,499
Cash generated from operations	20,573	2,055
Interest paid	(353)	-
Interest received	298	276
Net tax paid	(4,520)	(3,542)
Net cash from/(used in) operating activities	15,998	(1,211)



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2023 (cont'd)

(The figures have not been audited)

	Year to date ended	
	30 Sept 2023	30 Sept 2022
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(276)	(671)
Acquisition of intangible assets	(12)	(236)
Investment in associates	(20)	-
Net cash outflow from acquisition of a subsidiary	(680)	-
Proceeds from disposal of property, plant and equipment	-	10
Net cash used in investing activities	(988)	(897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(514)	(416)
Repayment of term loans	(10,249)	(15,025)
Net (repayment of)/proceeds from revolving credit	(5,434)	13,215
Proceeds from warrants exercised	201	-
Payment of lease liabilities	(2,234)	(2,080)
Deposit pledged of licensed bank	2,104	(12,302)
Dividend paid	(4,563)	-
Interest paid	(2,040)	(2,088)
Net cash (used in)/from financing activities	(22,729)	(18,696)
Net decrease in cash and cash equivalents during financial period	(7,719)	(20,804)
Effect of exchange rate fluctuation on cash held	49	12
Cash and cash equivalents at beginning of financial period	3,984	22,418
Cash and cash equivalents at end of financial period	(3,686)	1,626



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

(The figures have not been audited)

Components of cash and cash equivalents as at 30 September 2023 is as follows:

	30 Sept 2023	30 Sept 2022
	RM'000	RM'000
Cash and bank balances	1,814	12,517
Short term deposits with licensed banks	15,725	18,449
Bank overdrafts (secured)	<u>(10,622)</u>	<u>(10,892)</u>
	6,917	20,074
Less: short term deposits and bank balances pledged with licensed banks	<u>(10,603)</u>	<u>(18,448)</u>
	<u>(3,686)</u>	<u>1,626</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

A1. Basis of preparation

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

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

A2. Changes in accounting policies

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

MFRSs (Including The Consequential Amendments)

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

A3. Auditors' report on preceding audited financial statements

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

A4. Seasonal or cyclical factors

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

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

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

A6. Material changes in estimates

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

A7. Debt and equity securities

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

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

A8. Dividend paid

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

A9. Segmental information

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

A10. Valuation of property, plant and equipment

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

A11. Capital commitments

The capital commitments of the Group as at 30 September 2023 were as follows:-

	RM'000
Authorised but not contracted for:	<u>2,218</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 2023

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 except as follows:-

(a) On 28 August 2023, the Company incorporated a wholly-owned subsidiary, HSS Technologies Sdn Bhd ("HTSB") under the Companies Act 2016. The intended principal activities of HTSB include investment holding in technology and drone-related assets, specialized services for various sectors, research and development in software, technology, and drone advancements, consultancy, and support services, as well as diversification into complementary commercial activities aligned with its core objectives.

(b) Incorporation of a new wholly-owned subsidiary of HTSB

On 6 September 2023, a wholly owned subsidiary of the Company, HTSB entered into a binding Heads of Agreement ("HOA") with ProPick Digital Solutions & Consulting Sdn Bhd ("ProPick") for the incorporation of a joint venture company ("JVC") in Malaysia to provide comprehensive drone services and intellectual technology solutions, focused on data collection, analysis, reporting for diverse industries, specialized infrastructure inspections, and engaging in innovative research and development in drone technology. The JVC was incorporated on 27 September 2023 under the name "HSS Propick Technologies Sdn Bhd" ("HPTSB"). HPTSB issued a total of seventy (70) ordinary shares, each valued at RM1, to HTSB, which represents a 70% equity interest in HPTSB. This transaction was completed for a total consideration of RM680,000. The intended principal activities of HPTSB is for investment holding and provision of comprehensive drone services and intellectual technology solutions, focused on data collection, analysis, reporting for diverse industries, specialized infrastructure inspections, and engaging in innovative research and development in drone technology.

Details of the assets and net cash outflow arising from the acquisition of a subsidiary and businesses are as follows:

	RM'000
Goodwill	680
Purchase consideration	<u>680</u>

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 2023

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

B1. Review of performance

For the current quarter and current period under review, the Group recorded revenue of RM47.4 million and RM142.1 million respectively.

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

	Quarter ended			Year to date ended		
	30 Sept 2023	30 Sept 2022	Variance	30 Sept 2023	30 Sept 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	9,361	9,415	(0.6)	29,775	23,934	24.4
- Construction supervision	14,472	15,176	(4.6)	43,749	45,583	(4.0)
Project management	20,906	13,212	58.2	59,676	36,632	62.9
BIM services	217	385	(43.6)	711	1,153	(38.3)
Reimbursable income	2,423	2,186	10.8	8,180	7,358	11.2
TOTAL	47,379	40,374	17.4	142,091	114,660	23.9

Engineering design

In line with the progress of projects, engineering design revenue for current year to date increased to RM29.8 million as compared to RM23.9 million for the corresponding period ended 30 September 2022.

Construction supervision

Construction supervision revenue was RM RM14.5 million for the current quarter as compared to RM15.2 million for the corresponding quarter ended 30 September 2022. This was attributed to the decrease in revenue from Sungai Besi-Ulu Kelang Elevated Expressway in line with the completion status of this project. However, the decline was compensated by increased supervision revenue contributed by East Coast Rail Line which have been progressing in line with the construction stage of this project.



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B1. Review of performance (cont'd)

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

Project management

Project management revenue rose by 58.2% and 62.9% for the current quarter and current period ended 30 September 2023 respectively as compared to the corresponding quarter and period in previous year. This was mainly attributable to revenue recognised 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 are progressing well and continue to contribute significantly to supervision revenue for current quarter.

BIM services

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

Reimbursable income

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



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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B1. Review of performance (cont'd)

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

	Quarter ended			Year to date ended		
	30 Sept 2023	30 Sept 2022	Variance	30 Sept 2023	30 Sept 2022	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	46,369	39,810	16.5	139,919	113,301	23.5
Overseas						
India	248	234	6.0	704	782	(10.0)
Philippines	341	330	3.3	999	577	73.1
Indonesia	421	-	100	469	-	100
TOTAL	47,379	40,374	17.4	142,091	114,660	23.9

Local market continues to contribute significant portion of revenue amounting to 98.5% of the Group's total revenue for period to date ended 30 September 2023.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM5.2 million for the current quarter as compared to a PAT of RM5.0 million for corresponding quarter in year 2022. This was mainly contributed from project management and construction supervision projects.

(d) Our unbilled order book as at 30 September 2023 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	223,037	14.9
- Construction supervision	144,658	9.7
Project management	1,118,656	75.0
	1,486,351	99.6
BIM services	5,767	0.4
Total	1,492,118	100

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 2023

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 30 Sept 2023 RM'000	Preceding Quarter 30 June 2023 RM'000	Variance %
Revenue	47,379	48,859	-3.0
Gross profit	16,117	16,223	-0.7
Profit before taxation	7,488	7,227	3.6

Although revenue for current quarter was lower at RM47.4 million as compared to immediate preceding quarter ended 30 June 2023 at RM48.9 million, the profit before tax for current quarter at RM7.5 million was higher than immediate preceding quarter at RM7.2 million although the latter was affected by bad debts written off.

B3. Prospects

(i) Current Scenario

The recent RM 393.8 billion budget for 2024 (RM 372.3 billion for Budget 2023) unveiled on 13 October 2023 is by far the largest in the country's history. With commitment towards fiscal consolidation, the Budget 2024 remains expansionary and pro-growth, with RM 90 billion set aside for development expenditure (RM 97 billion development expenditure under the Revised Budget 2023).

The pro-growth Budget augurs well for the infrastructure sector with allocation for new projects, such as the Klang Valley Light Rail Transit's five new stations worth RM 4.7 billion, Penang's first LRT project worth RM10 billion and widening of the North-South Expressway from four to six lanes, from Sedenak to Simpang Renggam at a cost of RM 931 million. Aside from this, the allocation includes the 19 packages of Pan Borneo Highway Sabah (phase 1B) tender, which involves RM 15.7 billion, RM 11.8 billion nationwide flood mitigation programme as well as Phase 2 of the Sarawak-Sabah Link Road costing RM 7.4 billion.

As part of the government's efforts to uphold the Malaysia Agreement 1963 (MA63), an amount totalling RM 12.4 billion was also set aside for both Sabah and Sarawak with an allocation of RM 6.6 billion and RM 5.8 billion for the state of Sabah and Sarawak respectively in Budget 2024. We have successfully set-up our presence in Sarawak through 'HSS Alliance Sarawak Sdn Bhd.

The digitalisation of the economy continues to receive emphasis in Budget 2024 which bodes well for HEB Group which has diversified into telecommunication and digital technology sector. To date, we have successfully secured 3 (three) project management consultancy contracts in data centres, namely Infinaxis Data Centre in Cyberjaya, K2 and Yellowwood Data Centre in Sedenak Tech Park, Johor Darul Takzim.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

The initiation by the government to solicit private sector interest to evaluate the construction of the high speed rail (HSR) from Kuala Lumpur to Singapore (KL-SG HSR), has generated much interest from the sector as close to 30 firms submitted their request to purchase the Request for Information (RFI) documents since July 2023. The RFI process will conclude on November 15, 2023.

HEB Group was awarded the contract as the Project Management Consultant for MRT 3, in August 2022, valued at RM 998 million for a duration of 11 years. At this juncture, we are carrying out Alignment Optioneering Studies in 10 (ten) areas with a view to minimize social impact with land acquisition making progress.

The Pan Borneo Sabah project (15 packages under Phase 1A), where we secured the Project Management Consultancy Services (PMC) role in April 2021, is progressing well with 70.8% completion in September 2023 given full mobilization at site.

Further to the ongoing works on East Coast Rail Link (ECRL), the Group was awarded a RM 16.6 million Variation Order (VO) for Section 9 of the ECRL from Serendah to Port Klang as the Supervising Consultant. Under this VO scope, the Group is responsible for the construction of the works for Section 9 of the ECRL which covers a 53.5 km section consisting 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.

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

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. PAAB have selected the options presented in the Concept Design Report and we are proceeding with detailed design for the new water treatment plant and upgrading works of Water System in Batu Pahat, Johor.

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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

As Panel Consultant to Air Selangor, our term has been extended for another year from July 2023 to July 2024 for both C&S and M&E works. Currently we are undertaking engineering consultancy services for 5 (five) work packages, namely:

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

We have completed the detailed design of flood mitigation works for the critical stretches of East Coast Highway Phase 1 that had been severely impacted by the flood event in December 2021 and the construction works are ongoing. The design works for the remaining stretches of the highway are still ongoing. In addition, we submitted an offer on 24 July 2023 to look at flood mitigation solution along 56 km stretch of Sg Langat in Selangor under the Selangor Maritime Gateway (SMG) initiative.

Further to this, we have completed the design for the Proposed Raw Water Transfer from Sg Sedili Besar to Sg Gembut in the district of Kota Tinggi in Johor and the works will be tendered tentatively in January 2024. We are undertaking the design of cofferdams for the Nenggiri Hydroelectric Project that is implemented under Design & Build contract by TNB and in addition to this we are responsible for submission of and obtaining approval for relevant reports from Jabatan Pengairan Dan Saliran Negeri Kelantan (JPK).

As for Westports 2 project, the client, Westport is currently in the final stage of discussion with the Government on the signing of the Concession Agreement, which is targeted to be completed by year end.

In line with Budget 2024, we anticipate the tender for the Phase 1B (19 packages) of the Pan Borneo Sabah to be completed in November 2023 whilst the tenders for the thirty-three (33) high-priority flood mitigation projects across multiple states involving a total cost of RM11.8 billion will commence next year.

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

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

On top of this, we foresee positive developments in the telecommunication and digital technology sector given the investment commitments by industry players to set up data centres in the country which would lead to increased infrastructure activities in Malaysia.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

Further to that, **we have formed a new entity with emerging provider Propick Digital Solutions to provide Contemporary Digital Solutions in current and future projects across various industries in Malaysia and SEA. The new entity HSS-ProPick Technologies** will enable HSS to continue our Group-wide technological advancement, benefitting all current and future projects in our purview. **We are not only embracing but also accelerating the adoption of contemporary techniques to advance the evolution of the construction industry and build an organic growth trajectory in Digital Construction.** Similar to our adoption of Building Information Modeling ("BIM") since inception, harnessing ProPick's expertise in providing drone-driven solutions elevates our core competencies in the engineering industry, providing an even greater degree of accuracy and monitoring across our undertakings. We estimate the application of drone-driven technologies will only expand in the future, with the Global Delivery Drones market projected to be worth in excess of USD5.0 billion by the year 2030. This move sets us on a path to be a significant solutions provider to the Unmanned Aerial Vehicles ("UAVs")- related industry in Southeast Asia.

The Group anticipates project roll-outs to come on stream with privatization playing a pivotal role in funding some of the key infrastructure undertakings in the country as in the likes of Kuala Lumpur to Singapore High Speed Rail (KL-SG HSR) including various privatization of urban highways in the northern and southern states in Peninsular Malaysia.

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

(ii) Order Book/Tender Book

As at 30th September 2023, our order book stood at RM 1.49 billion with project management segment being the biggest contributor of 75 % and our tender book value is approximately at RM 442 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 2024 to pump prime the economy as the Covid -19 pandemic eases. Over the years, the Group has executed over 800 projects in Malaysia and therefore 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B3. Prospects (cont'd)
(ii) Future Prospects in Highways, Public Transportation, Port & Water Sector

Going forward, we also see a lot of opportunities in the privatisation of tolled highways, 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 undertake infrastructure development projects.

FUTURE PROSPECTS	
ROADS & HIGHWAY SECTOR	Pan Borneo Highway Sabah- Phase 1B
	PJD Link Highway (34.3 km Fully Elevated Expressway)
	Various Other Privatisation Proposals (Urban Highways)
RAILWAY AND AIRPORT SECTOR	Johor LRT
	Penang LRT
PORT SECTOR	Westport Phase 2 / Pulau Carey
	Port Klang Cruise Terminal Development
WATER SECTOR	Penang Island Reclamation Water Supply
	Dam Safety Review of Hydroelectric Dams
	Integrated River Basin Management Plan (IRBM)
	Pelan Induk Saliran Mesra Alam
	Off-River Storages
	Submarine Pipelines
FLOOD MITIGATION SECTOR	Over RM 12.0 billion allocation for Flood Mitigation projects More than RM300 billion will be needed for long-term solutions to the country's flood problems over the next 50 years



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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.

The Group has inked MOUs with several leading Japanese engineering consultancy firms including CTI Engineering International Co. Ltd. (CTII) and Index Strategy, Inc. (Index) in July and June 2023 respectively whilst in 2022 the Group signed similar MOUs with Yachiyo Engineering Co. Ltd., Oriental Consultants Global Co. Ltd. and Shizen International Inc.

During the second quarter of 2023, the Group together with joint venture partner Oriental Consultants Global Co., Ltd., Japan ("OCG"), successfully forayed into Indonesia with the appointment by PT Jakarta Propertindo to provide consultancy services for the Jakarta Light Rail Transit systems.

On 14 February 2023, the Group together with joint venture partners Oriental Consultants Global Co., Ltd., Japan ("OCG") and EGIS Rail S.A., France ("EGIS") made inroads into Bangladesh with the award by the Bangladesh Railway to provide consulting and technical services for the Asian Development Bank (ADB)-funded Railway Connectivity Improvement Preparatory Facility Project in Dhaka.

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 centres as well as the 5G telecommunications space, in support of the Government's focus on accelerating the digital economy in the wake of the COVID-19 pandemic. As DNB ramps up the 5G roll out, we foresee further opportunities in this sector for the Group.

On 16th 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. Further to this, we have secured another 2 (two) project management consultancy contracts in data centres, namely Infinaxis Data Centre in Cyberjaya and K2 Data Centre in Sedenak, Johor.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

B3. Prospects (cont'd)

(iv) Growth Strategies

Recurring Income

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 has seen positive results. On 14 August 2023, the Group together with consortium partners, Shizen International Inc ("Shizen"), Solarvest Asset Management Sdn Bhd and Aziho Trading Sdn Bhd was awarded a contract by the Energy Commission to develop a 29.99 Megawatt Solar PV Plant ("The Project") in Kuala Muda, Kedah. The Project involves the proposed development, financing, construction, ownership, operation and maintenance of the PV Plant on a build, operate and transfer basis with estimated commercial operation of the PV Plant in December 2025. The Group will be involved in the engineering design and project management services scope in the project.

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

B4. Income tax expense

	Quarter ended		Year to date ended	
	30 Sept 2023 RM'000	30 Sept 2022 RM'000	30 Sept 2023 RM'000	30 Sept 2022 RM'000
<u>Income tax expense</u>				
- Current financial period	2,370	2,428	6,257	5,295
- Prior financial period	(2,513)	(135)	(2,513)	(135)
	<u>(143)</u>	<u>2,293</u>	<u>3,744</u>	<u>5,160</u>
<u>Deferred tax</u>				
- Current financial period	1	10	84	(50)
- Prior financial period	2,468	18	2,468	18
	<u>2,469</u>	<u>28</u>	<u>2,552</u>	<u>(32)</u>
Total tax expense	<u>2,326</u>	<u>2,321</u>	<u>6,296</u>	<u>5,128</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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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 2023

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

B7. Status of utilisation of proceeds from corporate exercise

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

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

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

No.	Details of Utilisation	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1.	(a) Expansion into India	15,000	5,000	-	-	-	-	-	n/a
	(b) Expansion into India & ASEAN	-	-	6,000	3,000	-	-	-	n/a
	(c) Venture into the water sector in Malaysia	6,000	-	-	-	-	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	6,000	6,000	18,000	18,000	-	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 2023

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

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

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

No.	Details of Utilisation	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation ^(b) (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	12,000	15,000	-	-	-	n/a
	(i) Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	-	-	-	-	6,000	-	6,000	Up to 4 th Quarter 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 30 September 2023

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B8. Group's borrowings and debt securities

The Group's borrowings as at 30 September 2023 are as follows:-

	As at 30 Sept 2023 RM'000	As at 31 Dec 2022 RM'000
Current:		
Lease liabilities	3,033	3,004
Hire purchase payables	536	661
Bank overdrafts	10,622	13,673
Revolving Credit	9,817	15,251
Term loan	14,348	13,836
	38,356	46,425
Non-current:		
Lease liabilities	3,975	522
Hire purchase payables	132	375
Term loan	2,676	13,648
	6,783	14,545
Total borrowings:		
Lease liabilities	7,008	3,526
Hire purchase payables	668	1,036
Bank overdrafts	10,622	13,673
Revolving Credit	9,817	15,251
Term loan	17,024	27,484
	45,139	60,970

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 2023

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

B9. Material litigation

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

B10. Dividend Payable

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

B11. Earnings per share ("EPS")

The basic and diluted EPS are computed as follows:

	Quarter ended		Year to date ended	
	30 Sept 2023	30 Sept 2022	30 Sept 2023	30 Sept 2022
Net profit attributable to ordinary equity holders of the Company (RM'000)	5,165	5,008	14,703	11,454
Weighted average number of ordinary shares in issue ('000)	495,955	495,862	495,955	495,862
Basic EPS (sen)	<u>1.04</u>	<u>1.01</u>	<u>2.96</u>	<u>2.31</u>
Diluted EPS (sen)	<u>1.04</u>	<u>1.01</u>	<u>2.96</u>	<u>2.31</u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2023

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

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

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

	Quarter ended		Year to date ended	
	30 Sept 2023	30 Sept 2022	30 Sept 2023	30 Sept 2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	250	296	774	971
Depreciation of Right-of-use assets	692	701	2,144	2,103
Amortisation of intangible assets	37	430	114	1,280
Bad debts written off	164	-	1,136	-
Net loss/(reversal) on impairment of Financial instruments	(2)	52	(24)	(176)
Finance costs	729	831	2,201	2,358
Finance income	(99)	(110)	(298)	(275)
Gain on disposal of property, plant & equipment	-	(10)	-	(10)
Loss/(gain) on derivatives	68	(22)	255	(440)
Loss on foreign exchange	24	8	39	24

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 16 November 2023.