

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2024
(The figures have not been audited)

	Note	Quarter ended			Year to date ended		
		2024	2023	%	2024	2023	%
		RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	B1	43,824	48,859	(10.3)	91,202	94,712	(3.7)
Direct costs		<u>(30,829)</u>	<u>(32,636)</u>		<u>(62,947)</u>	<u>(64,158)</u>	
Gross profit		12,995	16,223	(19.9)	28,255	30,554	(7.5)
Other operating income		38	-		96	-	
Administrative expenses		(7,014)	(5,713)		(13,747)	(11,944)	
Other operating expenses		(1,305)	(2,485)		(2,870)	(3,846)	
Net (loss)/reversal on impairment of financial instruments		(29)	(84)		(131)	22	
Profit for the year from operations		<u>4,685</u>	<u>7,941</u>	(41.0)	<u>11,603</u>	<u>14,786</u>	(21.5)
Finance income		115	96		184	199	
Finance costs		(674)	(756)		(1,484)	(1,472)	
Share of results of associates		107	(54)		145	(5)	
Profit before taxation		<u>4,233</u>	<u>7,227</u>	(41.4)	<u>10,448</u>	<u>13,508</u>	(22.7)
Taxation	B4	<u>(1,430)</u>	<u>(1,918)</u>		<u>(3,264)</u>	<u>(3,970)</u>	
Profit for the financial period		2,803	5,309	(47.2)	7,184	9,538	(24.7)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		(4)	23		27	67	
Total comprehensive income for the financial period		<u>2,799</u>	<u>5,332</u>	(47.5)	<u>7,211</u>	<u>9,605</u>	(24.9)
Profit for the financial period attributable to:-							
Owners of the Company		2,838	5,309	(46.5)	7,253	9,538	(24.0)
Non-controlling interests		<u>(35)</u>	-	(100.0)	<u>(69)</u>	-	(100.0)
		<u>2,803</u>	<u>5,309</u>		<u>7,184</u>	<u>9,538</u>	
Total comprehensive income attributable to:-							
Owners of the Company		2,834	5,332	(46.8)	7,280	9,605	(24.2)
Non-controlling interests		<u>(35)</u>	-	(100.0)	<u>(69)</u>	-	(100.0)
		<u>2,799</u>	<u>5,332</u>		<u>7,211</u>	<u>9,605</u>	
Earnings per share (sen)							
- Basic	B11	<u>0.56</u>	<u>1.07</u>	(47.6)	<u>1.43</u>	<u>1.92</u>	(25.5)
- Diluted	B11	<u>0.56</u>	<u>1.07</u>	(47.6)	<u>1.43</u>	<u>1.92</u>	(25.5)



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

(The figures have not been audited)

	Unaudited as at 30.06.2024 RM'000	Audited as at 31.12.2023 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,214	3,501
Intangible assets	1,104	1,162
Goodwill	162,677	162,677
Right-of-use assets	7,325	6,344
Investments in associates	2,949	2,604
Deferred tax assets	553	490
	<u>177,822</u>	<u>176,778</u>
CURRENT ASSETS		
Trade and other receivables	61,928	49,323
Contract assets	136,530	121,990
Current tax assets	647	1,363
Derivative financial assets	-	164
Prepayment	8,212	6,644
Cash and cash equivalents	11,648	19,963
	<u>218,965</u>	<u>199,447</u>
TOTAL ASSETS	<u>396,787</u>	<u>376,225</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	268,439	254,564
Reserves	5,680	4,553
Equity attributable to owners of the Company	<u>274,119</u>	<u>259,117</u>
Non-controlling interest	(76)	(7)
TOTAL EQUITY	<u>274,043</u>	<u>259,110</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024 (cont'd)

(The figures have not been audited)

		Unaudited as at 30.06.2024 RM'000	Audited as at 31.12.2023 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B8	108	219
Lease liabilities	B8	4,611	4,197
Employee benefits		123	8
		<u>4,842</u>	<u>4,424</u>
CURRENT LIABILITIES			
Loans and borrowings	B8	33,761	39,212
Lease liabilities	B8	2,863	2,239
Trade and other payables		63,593	59,472
Contract liabilities		13,126	8,420
Current tax liabilities		2,985	2,880
Provisions		1,574	468
		<u>117,902</u>	<u>112,691</u>
TOTAL LIABILITIES		<u>122,744</u>	<u>117,115</u>
TOTAL EQUITY AND LIABILITIES		<u>396,787</u>	<u>376,225</u>
Net assets per share (RM)		<u>0.54</u>	<u>0.52</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2024

(The figures have not been audited)

	Attributable to owner of the Company					
	Non-Distributable		Distributable		Non-controlling interests	Total Equity
	Share Capital	Foreign Currency Translation Reserve	Retained earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2024	254,564	207	4,346	259,117	(7)	259,110
Other comprehensive income:						
- Foreign currency translation gain	-	27	-	27	-	27
Total other comprehensive income	-	27	-	27	-	27
Profit for the financial period	-	-	7,253	7,253	(69)	7,184
Total comprehensive income for the financial period	-	27	7,253	7,280	(69)	7,211
Transactions with owners of the Company:						
Issuance of new shares	A7 13,875	-	-	13,875	-	13,875
Dividend paid	-	-	(6,153)	(6,153)	-	(6,153)
Total transactions with owners for the financial period	13,875	-	(6,153)	7,722	-	7,722
As at 30 June 2024	268,439	234	5,446	274,119	(76)	274,043



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2024 (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	Reserve RM'000	RM'000	RM'000
As at 1 January 2023	254,291	29,196	171	(40,661)	242,997
Other comprehensive income:					
- Foreign currency translation gain	-	-	67	-	67
Total other comprehensive income	-	-	67	-	67
Profit for the financial period	-	-	-	9,538	9,538
Total comprehensive income for the financial period	-	-	67	9,538	9,605
Transactions with owners of the Company:					
Warrants exercised during the period	273	(72)	-	-	201
Lapsed of warrants	29,124	(29,124)	-	-	-
Dividend paid	-	-	-	(4,563)	(4,563)
Total transactions with owners for the financial period	29,397	(29,196)	-	(4,563)	(4,362)
As at 30 June 2023	283,688	-	238	(35,686)	248,240



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2024

(The figures have not been audited)

	<u>Year to date ended</u>	
	30 June 2024	30 June 2023
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,448	13,508
Adjustments for:		
Net reversal on impairment of financial instruments	131	(22)
Bad debts written off	-	972
Depreciation of property, plant and equipment	470	524
Depreciation of right-of-use assets	1,448	1,452
Amortisation of intangible assets	74	77
Finance income	(184)	(199)
Finance costs	1,484	1,472
Net fair value loss on derivative	164	187
Write off of Property, plant and equipment	16	-
Share of profit of equity- accounted associates, net of tax	(145)	5
Operating profit before working capital changes	13,906	17,976
Changes in working capital:		
Change in employee benefits and provision	115	119
Change in trade and other receivables and prepayments	(14,304)	(4,658)
Change in trade and other payables	5,227	(1,259)
Change in contract assets	(14,540)	9,045
Change in contract liabilities	4,706	(2,040)
Cash generated (used in)/from operations	(4,890)	19,183
Interest paid	(243)	(150)
Interest received	184	199
Net tax paid	(2,506)	(1,059)
Net cash (used in)/from operating activities	(7,455)	18,173



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2024 (cont'd)

(The figures have not been audited)

	Year to date ended	
	30 June 2024	30 June 2023
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(197)	(161)
Acquisition of intangible assets	(15)	(12)
Investment in associates	(200)	(4)
Net cash used in investing activities	(412)	(177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(349)	(335)
Repayment of term loans	(13,550)	(6,795)
Net repayment of from revolving credit	(59)	(7,066)
Proceeds from new shares issued pursuant to Placement	13,875	-
Proceeds from warrants exercised		201
Payment of lease liabilities	(1,391)	(1,492)
Deposit pledged of licensed bank	1,738	2,172
Dividend paid	(6,153)	(4,563)
Interest paid	(1,173)	(1,446)
Net cash used in financing activities	(7,062)	(19,324)
Net decrease in cash and cash equivalents during financial period	(14,929)	(1,328)
Effect of exchange rate fluctuation on cash held	24	61
Cash and cash equivalents at beginning of financial period	(10,835)	3,984
Cash and cash equivalents at end of financial period	(25,740)	2,717



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 JUNE 2024 (cont'd)**

(The figures have not been audited)

	30 June 2024 RM'000	30 June 2023 RM'000
Cash and bank balances	679	1,814
Short term deposits with licensed banks	10,969	16,536
Bank overdrafts (secured)	<u>(26,419)</u>	<u>(5,098)</u>
	(14,771)	13,252
Less: short term deposits and bank balances pledged with licensed banks	<u>(10,969)</u>	<u>(10,535)</u>
	<u>(25,740)</u>	<u>2,717</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 2023 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 2023 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 2024:

MFRSs (Including The Consequential Amendments)

- Amendments to MFRS 7, Financial Instruments:Disclosures, MFRS 16, Leases, MFRS 101, Presentation of Financial Statements, and MFRS 107, Statement of Cash Flows.

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, HEB Energy Sdn Bhd and HSS International 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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 2024, the Company has issued 12,500,000 new ordinary shares through first tranche of private placement.

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 1.21 sen per ordinary share for the financial year ended 31 December 2023 totalling RM6,152,607 was paid on 26 June 2024.

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 June 2024 were as follows:-

	RM'000
Authorised but not contracted for:	<u>3,058</u>



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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

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

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

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 RM43.8 million and RM91.2 million respectively.

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

	Quarter ended			Year to date ended		
	30 June 2024	30 June 2023	Variance	30 June 2024	30 June 2023	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	9,812	11,135	(11.9)	18,885	20,414	(7.5)
- Construction supervision	12,351	14,164	(12.8)	26,540	29,277	(9.3)
Project management	18,992	21,399	(11.2)	40,241	38,770	3.8
BIM services	599	194	>100	1,095	494	>100
Reimbursable income	2,070	1,967	5.2	4,441	5,757	(22.8)
TOTAL	43,824	48,859	(10.3)	91,202	94,712	(3.7)

Engineering design

The revenue from engineering design for current quarter decreased by 11.9% to RM9.8 million as compared to RM11.1 million for the corresponding quarter ended 30 June 2023. This was attributed to the decrease in revenue from IM-Pelaksanaan Projek Perintis Iskandar Rapid Transit Merangkumi Pembinaan Laluan Khas Bas Berkapasiti Tinggi, Stesen dan Fasiliti Berkaitan in line with the progress of project.

In line with the progress of projects, engineering design revenue for current period slightly decreased to RM18.9 million as compared to RM20.4 million for the corresponding quarter period 30 June 2023.

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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

Construction supervision revenue was RM12.4 million for the current quarter as compared to RM14.1 million for the corresponding quarter ended 30 June 2023. This was attributed to the decrease in revenue from Sungai Besi-Ulu Kelang Elevated. However, the decline was partly offset by increased supervision revenue contributed by East Coast Rail Line.

Construction supervision revenue for current period has slightly decreased to RM26.5 million as compared to RM29.3 million for the corresponding quarter period 30 June 2023.

Project management

Project management revenue marginally decreased by 11.2% for the current quarter ended 30 June 2024 as compared to the corresponding quarter in previous year. This was mainly attributable to deceleration of revenue recognised from, Project Management Consultancy Services for the "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran" (MRT 3 Project).

Project management revenue increased by 3.8% for the current period ended 30 June 2024 as compared to the corresponding period in previous year. This was mainly attributable to our major on-going 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 progressing well and continuing to contribute significantly to project management revenue for current period.

BIM services

BIM services accounted for a small proportion of the group's revenue.

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 June 2024	30 June 2023	Variance	30 June 2024	30 June 2023	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	42,789	48,085	(11.0)	88,496	93,550	(5.4)
Overseas						
India	365	180	>100	786	456	72.4
Philippines	303	546	(44.5)	953	658	44.8
Indonesia	367	48	>100	967	48	>100
TOTAL	43,824	48,859	(10.3)	91,202	94,712	(3.7)

Local market continues to contribute significant portion of revenue amounting to 97.0% of the Group's total revenue for period to date ended 30 June 2024.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM2.8 million for the current quarter as compared to a PAT of RM5.3 million for corresponding quarter in year 2023. This was primarily due to decrease in gross profit in the current quarter.

(d) Our unbilled order book as at 30 June 2024 was as follows:

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	257,027	12.2
- Construction supervision	115,368	5.5
Project management	1,730,464	82.0
	<u>2,102,859</u>	<u>99.7</u>
BIM services	7,274	0.3
Total	<u>2,110,133</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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 June 2024 RM'000	Preceding Quarter 31 Mar 2024 RM'000	Variance %
Revenue	43,824	47,378	-7.5
Gross profit	12,995	15,260	-14.8
Profit before taxation	4,233	6,215	-31.9

The profit before tax for current quarter was RM4.2 million as compared RM6.2 million for immediate preceding quarter ended 31 March 2024 due to lower revenue achieved in current quarter.

B3. Prospects

(i) Current Scenario

The outlook of the sector remains positive as rollout of major infrastructure projects, led by the government's push for infrastructure development as well as private sector expansion, is expected to drive contract flows in the second half (2H) of 2024. These potential large-scale projects include Penang LRT project (more than RM 10 billion), Pan Borneo Highway Sabah Phase 1B (RM 15.7 billion), Sabah-Sarawak Link Road Phase 2 (RM7.4 billion), Penang airport expansion, flood mitigation packages (RM 11.8 billion) and various water scheme projects. Further to this, the positive development on the Kuala Lumpur-Singapore high-speed rail (KL-SG HSR) project given the proposals by the Transport Ministry to the Cabinet for decision by the end of fourth quarter could spell immense opportunities for the sector.

In line with Sarawak's aspiration to be a developed and high-income state, the state government has earmarked significant allocation in sectors such as the urban rail transportation, highways, ports, green and renewable energy, to boost its infrastructure enhancements to achieve its 2030 growth targets. To this, the Group has set up a Sarawak based subsidiary, namely HSS Alliance Sarawak Sdn Bhd, to capitalise on the imminent opportunities taking place in the state.

Malaysia has emerged as the preferred destination for data centre investments in the region given its robust physical and digital infrastructure including forward looking policies in the country. This bodes well for HEB Group which has diversified into digital technology segment. The Group recently secured 2 (two) new awards namely GDS and Yondr (subsequent phase) in Johor. The other 5 (five) data centres which we are currently working on are namely Infinaxis and Basis Bay Data Centre in Cyberjaya, whilst StarHill (GDS), K2, Yellowwood Data Centre are in Sedenak Tech Park, Johor Darul Takzim.

The Pan Borneo Sabah project (15 packages under Phase 1A), where we secured the Project Management Consultancy Services (PMC) role in April 2021, is progressing well with 77.41% completion in June 2024 given full mobilization at site.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

On East Coast Rail Link (ECRL), the design portions on Package A which is from Kota Bharu to Dungun (approximately 210 km long) are near completion. We have also been awarded the Supervision Works for Section 9 (Serendah to Port Klang). Currently, the supervision works by a team of experienced personnel are going full swing for both Package A and Section 9.

We have been appointed as the Special Independent Technical Consultant (SITC) for the Klang Valley Double Tracking 2 (KVDT2) for the 100km between Salak Selatan to Port Klang (40km) and Salak Selatan to Seremban (60km). The construction works are currently in progress.

In the water sector, we were appointed by PAAB as Consultant for the Proposed Sg Karangan Water Treatment Plant in Kulim, Kedah and Proposed Water Systems Upgrade in Kuantan, Pekan and Rompin Districts in Pahang in June 2024 and February 2024 respectively. The works are expected to be completed in June 2027 and July 2027 respectively.

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

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

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

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 2024 to July 2025 (1st extension from July 2023 to July 2024) for both C&S and M&E works. Currently we are undertaking engineering consultancy services for 8 (eight) work packages, namely:

1. Upgrading of Electricity Supply for Ampang Intake Water Treatment Plant (M&E)
2. Pipe Replacement in Klang – Package 66 (C&S)
3. Pipe Replacement in Kuala Lumpur – Package 50 (C&S)
4. Refurbishment of M&E Works at Semantan Intake and Kelau Dam
5. Electrical Supply Improvement at Wangsa Maju Pump House and WTP
6. Distribution Improvement Works for Sg Kerdas, Gombak.
7. Upgrading of Upstream Electrical Works at Sg. Batu, Sg. Semenyih and SSP2 Water Treatment Plants
8. Upgrading of Mechanical Works at Residual Treatment Facilities for Sg. Dusun, Sg. Langat and Sg Semenyih Water Treatment Plants.

As for flood works, 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.

In the ports sector, we are currently the Project Management Consultant for the Port Klang Cruise Terminal for the extension of their existing wharf to cater for cruise vessels and roll-in and roll-out (RORO) vessels.

In the 1Q of 2024, we were appointed as the Design Consultant (Mechanical & Electrical) for the flood mitigation works at the existing Batu Dam in Kuala Lumpur implemented by Jabatan Pengairan dan Saliran Malaysia on a Design and Build basis. As for Pan Borneo Sabah Phase 1B project, a total of 4 (four) construction packages were awarded in the first quarter of 2024 whilst 15 (fifteen) work packages are anticipated to be awarded by end of the year.

The Group will continue to pursue contemporary digital techniques to enhance its core expertise embarking on provision of intelligent drone-driven solutions across various undertakings through its newly formed entity, HSS ProPick Technologies. With the Global Delivery Drones market projected to be worth in excess of USD 5.0 billion by the year 2030, we are of the view that this organic expansion plan will set us on a path to be a significant player in being a solutions provider to the Unmanned Aerial Vehicles (UAVs) related industry in Southeast Asia.

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

On the regional front, the Group (together with our 50% joint venture partner, Consultant HSS LLC) secured its largest ever contract win amounting to USD315.9 million (equivalent to RM1.5 billion) in the Middle Eastern region which involves providing Project Management Consultancy and Supervision Services for the Baghdad Metro rail system in Iraq's capital. The Baghdad Metro project, a five-year undertaking, entails the construction of a comprehensive seven-line, 148-km driverless metro network across 64 stations that will traverse underground, surface and elevated sections for seamless city-wide connectivity.

This contract win follows a recent overseas award secured by the Group in May 2024 to provide consultancy services for the Phnom Penh-Bavet Expressway Project in Cambodia.

Earlier in the year, the Group together with joint venture partner Oriental Consultants Global Co., Ltd., Japan (OC Global) successfully made inroads into Indonesia to provide consultancy services for the Jakarta Light Rail Transit systems as well as 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 30 June 2024, our order book stood at approximately RM 2.11 billion with project management segment being the biggest contributor of 82% and our tender book value is approximately at RM 483 million.

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

We are of the view that the implementation of mega infrastructure projects as well as award of new contracts will be accelerated in the 2H of 2024 driven by deferment of big-ticket infrastructure projects in the first half of the year. HEB Group is well regarded as the "Central Digital Data Depository" in the highway, roads, rail and water sector having executed over 800 projects in Malaysia over the years. As a key industry player, the Group will continue to leverage on its depth of expertise and track record to partake in the upcoming nation- building infrastructure projects.

The government has approved RM 4 billion in expenditure to address the needs of the Kerian Integrated Green Industrial Park (KIGIP) in Perak and fulfill water requirements in Penang. This follows the announcement by the government to implement the Perak-Penang Water project through the development of the KIGIP to supply water to Penang state. This positive development augurs well for the Group as we were involved in the feasibility studies of the Sungai Perak Raw Water Transfer Scheme (SPRWTS).

We foresee opportunities in the privatisation of tolled highways going forward. 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. We are in various stages of progress following our consultations with UKAS with likelihood of a few projects coming on stream given our involvement in more than 60% of Malaysia's tolled highway projects since inception.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024
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)

FUTURE PROSPECTS	
ROADS & HIGHWAY SECTOR	Pan Borneo Highway Sabah- Phase 1B
	PLUS Highway widening
	Various Other Privatisation Proposals (Urban Highways)
RAILWAY AND AIRPORT SECTOR	Johor LRT
	Penang LRT
PORT SECTOR	Westport Phase 2 / Pulau Carey
	Miri Port
	Kuching Port
WATER SECTOR	Penang Island Reclamation Water Supply
	Dam Safety Review of Hydroelectric Dams
	Integrated River Basin Management Plan (IRBM)
	Pelan Induk Saliran Mesra Alam
	Rasau Water Supply Scheme Stage 2 and Langat WTP & Reticulation System Phase 2
	Off-River Storages
FLOOD MITIGATION SECTOR	Submarine Pipelines
	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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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

B3. Prospects (cont'd)

(iv) Growth Strategies

A) Regional Expansion

As part of an ongoing expansion plan, the Group acquired a 12% equity stake in PT Oriental Consultants Indonesia (PT Oriental), to tap into the thriving construction sector in Indonesia, along with partner OC Global Co. Ltd. PT Oriental is an Indonesian firm specialising in engineering consultancy services, including engineering design, urban planning services, and construction consultancy.

PT Oriental is also a 55% subsidiary of Oriental Consultants Global Co. Ltd (OC Global), a leading Japanese integrated engineering consulting firm, who signed a preferred partnership with HEB Group in 2022 to explore potential infrastructure projects in the region.

Recurring Income

The government's aspiration to achieve 70% Renewable Energy (RE) in the country as outlined in the National Energy Transition Roadmap augurs well for HEB Group as we aim to establish a fourth vertical of recurring revenue stream particularly in the RE space.

In line with the strategy, we have recently submitted a bid proposal for the fifth round of the Large Scale Solar programme (LSS5) which offers a total generation quota of 2,000MW. Currently, the Group is involved in the engineering design and project management for a Solar PV Plant in Kuala Muda, Kedah together with consortium partners, Shizen International Inc, Solarvest Asset Management Sdn Bhd and Aziho Trading Sdn Bhd to develop a 29.99 Megawatt Plant ("Project") in the state of Kedah. The Project involves the proposed development, financing, construction, ownership, operation and maintenance of the PV Plant on a build, operate and transfer basis.

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B4. Income tax expense

	Quarter ended		Year to date ended	
	30 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
<u>Income tax expense</u>				
- Current financial period	1,405	1,860	3,327	3,887
	<u>1,405</u>	<u>1,860</u>	<u>3,327</u>	<u>3,887</u>
<u>Deferred tax</u>				
- Current financial period	25	58	(63)	83
	<u>25</u>	<u>58</u>	<u>(63)</u>	<u>83</u>
Total tax expense	<u>1,430</u>	<u>1,918</u>	<u>3,264</u>	<u>3,970</u>

The effective tax rate for the current quarter and financial year is higher than the statutory tax rate of 24% mainly due to one-off non-deductible expenses incurred for Corporate Exercise on listing of and quotation for up to 49,590,000 new ordinary shares in the Company. Losses incurred in newly set up subsidiary in September 2023: - HSS Propick Technologies Sdn Bhd, which resulted in lower profit before tax of the Group has also indirectly increased the effective tax rate. In addition, recurring non-deductible expenses such as legal and professional fees, business development and entertainment and restriction on certain interest expenses which are non-deductible has also contributed to the increase in effective tax rate.

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

On 11 December 2023, the Company had obtained Bursa Securities' approval for the listing of and quotation for up to 49,590,000 new ordinary shares in the Company, representing up to 10% of the total issued and paid-up share capital of the Company. ("Private Placement").

The first tranche of the Private Placement was completed on 8 February 2024 following the listing of and quotation for 12,500,000 ordinary shares on the Main Market of Bursa Malaysia Securities Berhad, at an issue price of RM1.11 per Placement Share.

Save for the above and the Proposed Variation of Utilisation of Proceeds from the Initial Public Offering ("IPO"), there is no other outstanding corporate exercise which have been announced but not completed as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 5 April 2024, the Company announced its intention to seek shareholders' approval 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)	5 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	18,000	-	n/a
	(e) Venture into the power sector in Malaysia	3,000	3,000	-	-	-	-	-	-	n/a
	(f) Building Information Modeling ("BIM")	-	8,000	-	-	-	-	-	-	n/a
	(g) Facility Management	-	8,000	-	-	-	-	-	-	n/a



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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)	5 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	205	205	-	n/a
	Partial repayment of wholly-owned subsidiary's overdraft facilities	-	-	-	-	-	5,795	5,795	-	Up to 4 th Quarter 2024
	Subtotal	24,000	24,000	24,000	24,000	24,000	24,000	24,000	-	
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	24,000	31,908	-	

Notes:

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

(b) As at 30 June 2024



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 June 2024 are as follows:-

	As at 30 June 2024 RM'000	As at 31 Dec 2023 RM'000
Current:		
Lease liabilities	2,863	2,239
Hire purchase payables	252	490
Bank overdrafts	26,419	18,091
Revolving Credit	7,090	7,149
Term loan	-	13,482
	<u>36,624</u>	<u>41,451</u>
Non-current:		
Lease liabilities	4,611	4,197
Hire purchase payables	108	219
	<u>4,719</u>	<u>4,416</u>
Total borrowings:		
Lease liabilities	7,474	6,436
Hire purchase payables	360	709
Bank overdrafts	26,419	18,091
Revolving Credit	7,090	7,149
Term loan	-	13,482
	<u>41,343</u>	<u>45,867</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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 June 2024	30 June 2023	30 June 2024	30 June 2023
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,838	5,309	7,253	9,538
Weighted average number of ordinary shares in issue ('000)	505,856	495,941	505,856	495,941
Basic EPS (sen)	0.56	1.07	1.43	1.92
Diluted EPS (sen)	0.56	1.07	1.43	1.92

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 SECOND (2ND) QUARTER ENDED 30 JUNE 2024

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 June 2024 RM'000	30 June 2023 RM'000	30 June 2024 RM'000	30 June 2023 RM'000
Depreciation of property, plant and equipment	239	257	470	524
Depreciation of Right-of-use assets	723	726	1,448	1,452
Amortisation of intangible assets	36	38	74	77
Property, plant and equipment written off	16	-	16	-
Bad debts written off	-	972	-	972
Net loss/(reversal) on impairment of Financial instruments	29	84	131	(22)
Finance costs	674	756	1,484	1,472
Finance income	(115)	(96)	(184)	(199)
Loss on derivatives	-	60	164	187
Loss on foreign exchange	19	9	34	15

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 August 2024.