

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

	Note	Quarter ended			Year to date ended		
		2024 RM'000	2023 RM'000	% + / (-)	2024 RM'000	2023 RM'000	% + / (-)
Revenue	B1	50,370	47,379	6.3	141,572	142,091	(0.4)
Direct costs		(31,551)	(31,262)		(94,498)	(95,420)	
Gross profit		18,819	16,117	16.8	47,074	46,671	0.9
Other operating income		22	1		118	1	
Administrative expenses		(7,293)	(6,354)		(21,040)	(18,298)	
Other operating expenses		(1,551)	(1,754)		(4,421)	(5,600)	
Net (loss)/reversal on impairment of financial instruments		(41)	2		(172)	24	
Profit for the year from operations		9,956	8,012	24.3	21,559	22,798	(5.4)
Finance income		69	99		253	298	
Finance costs		(780)	(729)		(2,264)	(2,201)	
Share of results of associates		(43)	106		102	101	
Profit before taxation		9,202	7,488	22.9	19,650	20,996	(6.4)
Taxation	B4	(2,024)	(2,326)		(5,288)	(6,296)	
Profit for the financial period		7,178	5,162	39.1	14,362	14,700	(2.3)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation gain/(loss)		(147)	(6)		(120)	61	
Total comprehensive income for the financial period		7,031	5,156	36.4	14,242	14,761	(3.5)
Profit for the financial period attributable to:-							
Owners of the Company		7,225	5,165	39.9	14,478	14,703	(1.5)
Non-controlling interests		(47)	(3)	(1,466.7)	(116)	(3)	(3,766.7)
		7,178	5,162		14,362	14,700	
Total comprehensive income attributable to:-							
Owners of the Company		7,078	5,159	37.2	14,358	14,764	(2.7)
Non-controlling interests		(47)	(3)	(1,466.7)	(116)	(3)	(3,766.7)
		7,031	5,156		14,242	14,761	
Earnings per share (sen)							
- Basic	B11	1.43	1.04	37.5	2.86	2.96	(3.4)
- Diluted	B11	1.43	1.04	37.5	2.86	2.96	(3.4)



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024**

(The figures have not been audited)

	Unaudited as at 30.09.2024 RM'000	Audited as at 31.12.2023 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	3,273	3,501
Intangible assets	1,090	1,162
Goodwill	162,677	162,677
Right-of-use assets	6,586	6,344
Investments in associates	1,556	2,604
Deferred tax assets	503	490
	<u>175,685</u>	<u>176,778</u>
CURRENT ASSETS		
Trade and other receivables	60,771	49,323
Contract assets	150,742	121,990
Current tax assets	548	1,363
Derivative financial assets	-	164
Prepayment	9,839	6,644
Cash and cash equivalents	12,869	19,963
	<u>234,769</u>	<u>199,447</u>
TOTAL ASSETS	<u>410,454</u>	<u>376,225</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	268,439	254,564
Reserves	12,758	4,553
Equity attributable to owners of the Company	<u>281,197</u>	<u>259,117</u>
Non-controlling interest	(123)	(7)
TOTAL EQUITY	<u>281,074</u>	<u>259,110</u>



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2024 (cont'd)

(The figures have not been audited)

		Unaudited as at 30.09.2024 RM'000	Audited as at 31.12.2023 RM'000
NON-CURRENT LIABILITIES	Note		
Loans and borrowings	B7	61	219
Lease liabilities	B7	3,745	4,197
Employee benefits		106	8
		<u>3,912</u>	<u>4,424</u>
CURRENT LIABILITIES			
Loans and borrowings	B7	42,074	39,212
Lease liabilities	B7	3,016	2,239
Trade and other payables		60,918	59,472
Contract liabilities		15,926	8,420
Current tax liabilities		1,875	2,880
Provisions		1,659	468
		<u>125,468</u>	<u>112,691</u>
TOTAL LIABILITIES		<u>129,380</u>	<u>117,115</u>
TOTAL EQUITY AND LIABILITIES		<u>410,454</u>	<u>376,225</u>
Net assets per share (RM)		<u>0.55</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 SEPTEMBER 2024

(The figures have not been audited)

	Attributable to owner of the Company		Retained earnings	Total	Non-controlling interests	Total Equity
	Non-Distributable	Distributable				
	Share Capital	Foreign Currency Translation Reserve	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	-	(120)	-	(120)	-	(120)
Total other comprehensive income	-	(120)	-	(120)	-	(120)
Profit for the financial period	-	-	14,478	14,478	(116)	14,362
Total comprehensive income for the financial period	-	(120)	14,478	14,358	(116)	14,242
Transactions with owners of the Company:						
Issuance of new shares	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 September 2024	268,439	87	12,671	281,197	(123)	281,074



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Company No: 201501003232 (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2024 (cont'd)

(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 September 2023	283,688	-	232	(30,521)	253,399	(3)	253,396



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Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	Year to date ended	
	30 Sept 2024	30 Sept 2023
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,650	20,996
Adjustments for:		
Net reversal on impairment of financial instruments	172	(24)
Bad debts written off	-	1,136
Depreciation of property, plant and equipment	725	774
Depreciation of right-of-use assets	2,176	2,144
Amortisation of intangible assets	107	114
Finance income	(253)	(298)
Finance costs	2,264	2,201
Net fair value loss on derivative	164	255
Gain on disposal of property, plant and equipment	(19)	-
Write off of Property, plant and equipment	16	-
Share of profit of equity- accounted associates, net of tax	(102)	(101)
Operating profit before working capital changes	24,900	27,197
Changes in working capital:		
Change in employee benefits and provision	98	119
Change in trade and other receivables and prepayments	(14,815)	(6,755)
Change in trade and other payables	2,637	(4,775)
Change in contract assets	(28,752)	11,729
Change in contract liabilities	7,506	(6,942)
Cash generated (used in)/from operations	(8,426)	20,573
Interest paid	(375)	(353)
Interest received	253	298
Net tax paid	(5,491)	(4,520)
Net cash (used in)/from operating activities	(14,039)	15,998



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Company No: 201501003232 (1128564-U)

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

(The figures have not been audited)

	Year to date ended	
	30 Sept 2024	30 Sept 2023
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(520)	(276)
Acquisition of intangible assets	(34)	(12)
Investment in associates	(200)	(20)
Net cash outflow from acquisition of a subsidiary	-	(680)
Dividend received from associate	1,350	-
Proceeds from disposal of property, plant and equipment	19	-
Net cash from/(used in) investing activities	615	(988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(421)	(514)
Repayment of term loans	(13,550)	(10,249)
Net drawdown/(repayment) of from revolving credit	12,819	(5,434)
Proceeds from new shares issued pursuant to Placement	13,875	-
Proceeds from warrants exercised	-	201
Payment of lease liabilities	(2,080)	(2,234)
Deposit pledged of licensed bank	35	2,104
Dividend paid	(6,153)	(4,563)
Interest paid	(1,821)	(2,040)
Net cash from/(used) in financing activities	2,704	(22,729)
Net decrease in cash and cash equivalents during financial period	(10,720)	(7,719)
Effect of exchange rate fluctuation on cash held	(127)	49
Cash and cash equivalents at beginning of financial period	(9,928)	3,984
Cash and cash equivalents at end of financial period	(20,775)	(3,686)



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

(The figures have not been audited)

Components of cash and cash equivalents as at 30 September 2024 is as follows:

	30 Sept 2024	30 Sept 2023
	RM'000	RM'000
Cash and bank balances	1,104	1,814
Short term deposits with licensed banks	11,765	15,725
Bank overdrafts (secured)	<u>(21,879)</u>	<u>(10,622)</u>
	(9,010)	6,917
Less: short term deposits and bank balances pledged with licensed banks	<u>(11,765)</u>	<u>(10,603)</u>
	<u>(20,775)</u>	<u>(3,686)</u>

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 was 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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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 September 2024 were as follows:-

	RM'000
Authorised but not contracted for:	<u>2,786</u>



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HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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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**ENGINEERS****HSS ENGINEERS BERHAD****Company No: 201501003232 (1128564-U)****NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 RM50.4 million and RM141.6 million respectively.

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

	Quarter ended			Year to date ended		
	30 Sept 2024	30 Sept 2023	Variance	30 Sept 2024	30 Sept 2023	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Engineering services						
- Engineering design	9,702	9,361	3.6	28,587	29,775	(4.0)
- Construction supervision	12,073	14,472	(16.6)	38,613	43,749	(11.7)
Project management	25,124	20,906	20.2	65,365	59,676	9.5
BIM services	91	217	(58.1)	1,186	711	66.8
Reimbursable income	3,380	2,423	39.5	7,821	8,180	(4.4)
TOTAL	50,370	47,379	6.3	141,572	142,091	(0.4)

Engineering design

The revenue from engineering design for current quarter slightly increased by 3.6% to RM9.7 million as compared to RM9.4 million for the corresponding quarter ended 30 September 2023. This was attributed to the revenue contributed as the lead consultant for civil and structural engineering for the Sultan Abdul Aziz Shah airport redevelopment project. However, this was partially offset by 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 projects, engineering design revenue for current period slightly decreased to RM28.6 million as compared to RM29.8 million for the corresponding period ended 30 September 2023.

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Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 RM12.1 million for the current quarter as compared to RM14.5 million for the corresponding quarter ended 30 September 2023. This was attributed to the decrease in revenue from Langat II Water Supply Scheme – Phase 1.

Construction supervision revenue for current period has decreased to RM38.6 million as compared to RM43.7 million for the corresponding period ended 30 September 2023.

Project management

Project management revenue increased by 20.2% for the current quarter ended 30 September 2024 as compared to the corresponding quarter in previous year. This was mainly attributable to revenue recognised from Project Management Consultancy Services and Supervision for the Railway / Metro Project within the Capital City Baghdad. However, this was partially offset by the 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 9.5% for the current period ended 30 September 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 THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 Sept 2024	30 Sept 2023	Variance	30 Sept 2024	30 Sept 2023	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Local						
Malaysia	38,329	46,369	(17.3)	126,825	139,919	(9.4)
Overseas						
India	279	248	12.5	1,065	704	51.3
Middle East	11,056	-	100.0	11,056	-	100.0
Philippines	454	341	33.1	1,407	999	40.8
Indonesia	252	421	(40.1)	1,219	469	>100
TOTAL	50,370	47,379	6.3	141,572	142,091	(0.4)

Local market continues to contribute significant portion of revenue amounting to 89.6% of the Group's total revenue for period to date ended 30 September 2024.

(c) Profit After Tax ("PAT")

The Group recorded PAT of approximately RM7.2 million for the current quarter as compared to a PAT of RM5.2 million for corresponding quarter in year 2023. This was primarily due to increase in gross profit in the current quarter.

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

	Unbilled order book RM'000	%
Engineering services		
- Engineering design	243,116	11.5
- Construction supervision	111,166	5.3
Project management	1,753,288	82.9
	<u>2,107,570</u>	<u>99.7</u>
BIM services	6,045	0.3
Total	<u>2,113,615</u>	<u>100</u>

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



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 Sept 2024 RM'000	Preceding Quarter 30 June 2024 RM'000	Variance %
Revenue	50,370	43,824	14.9
Gross profit	18,819	12,995	44.8
Profit before taxation	9,202	4,233	>100

The profit before tax for current quarter was RM9.2 million as compared to RM4.2 million for immediate preceding quarter ended 30 June 2024 due to higher revenue achieved in current quarter.

B3. Prospects

(i) Current Scenario

The recent RM 421 billion budget for 2025 (RM 407.5 billion under Revised Budget 2024), which was unveiled on 18 October 2024, is the largest ever budget tabled in the country. Whilst the Budget 2025 remains expansionary, the Government is committed towards narrowing the fiscal deficit progressively and as such allocated RM 86 billion for development expenditure. Apart from the government development expenditure, public-private partnership projects worth RM 9 billion will be implemented, along with domestic direct investments by Government-linked Investment Companies (GLIC) worth RM 25 billion. This brings the total public investment for development to RM 120 billion under Budget 2025 which augurs well for the infrastructure sector.

It is pertinent to note that the development expenditure has been strategically allocated to benefit all states with focus on projects of public interest in line with state priorities. Some of these key projects are Penang LRT, Perak-Penang Raw Water Transfer, Penang International Airport expansion, North-South Expressway (PLUS) expansion (four to six lanes on the Simpang Renggam-Machap stretch), Johor-Singapore RTS Link, Port Klang port expansion, high-priority flood mitigation projects in Pahang, Selangor, Terengganu as well as several water projects in Johor, Kelantan and Terengganu.

The development allocation for Sabah and Sarawak under Budget 2025 are the highest among the states, which is RM 6.7 billion (RM 6.6 billion in 2024) and RM 5.9 billion (RM 5.8 billion in 2024) respectively. Some of the major infrastructure projects to be implemented in Sabah and Sarawak include the Pan Borneo Highway Sabah Phase 1B (17 work packages worth RM 9.7 billion), Sarawak-Sabah Link Road Phase 2 (RM 7.4 billion) as well as expansion of Tawau, Sabah and Miri, Sarawak airports (RM 253 million).



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

We have secured our first project in Sarawak via our subsidiary, HSS Alliance Sarawak Sdn Bhd (HSS Alliance) in Serian, which entails the upgrading of a 4-kilometre road. The project has entered the Preliminary Design phase with the design scope targeted for completion by April 2025. This milestone marks an important step in our strategic growth within Sarawak, laying a solid foundation for future collaborations with JKR Sarawak and other state development bodies.

HSS Alliance is strategically positioned to capture imminent infrastructure opportunities in sectors prioritised by the Sarawak government, including urban transportation, highways, ports, and renewable energy to align with Sarawak's 2030 vision of becoming a high-income state. We are optimistic that this project marks the beginning of our continued contribution to Sarawak's ambitious development plans.

On the digital technology segment, the Group has 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 78.79% completion in September 2024 given full mobilization at site.

For the East Coast Rail Link (ECRL), the design work on Package A, spanning approximately 210 km from Kota Bharu to Dungun, is nearing completion. Presently, our team of experienced personnel is fully engaged in active supervision for both Package A and Section 9 (Serendah to Port Klang) ensuring continuous progress across these sections.

We have been appointed as the Special Independent Technical Consultant (SITC) for the Klang Valley Double Tracking Phase 2 (KVDT2) for the 100km between Salak Selatan to Port Klang (40km) and Salak Selatan to Seremban (60km). The construction works are currently at approximately 15% progress.

In the water sector, we have been appointed by Pengurusan Aset Air Berhad (PAAB) as the Consultant for several capital works, comprising of new water treatment plants and bulk supply works in Kulim District, Kedah; Kuantan, Pekan and Rompin Districts in Pahang; and in Batu Pahat District, Johor. The projects in Johor are targeted to be completed in year 2026 and 2027 for Kedah and Pahang.

We are the Supervising Engineer for the ongoing construction of Pelubang Water Supply Scheme in Kedah. Upon completion, these water supply Projects will enhance treated water availability and improve reserve margins in the states of Kedah, Pahang and Johor. The construction of Jernih dam in Melaka, supervised by us, is ongoing.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

In Selangor, we are Owner Engineer for the implementation of Sungai Rasau scheme, currently in the construction stage. The "Skim Jamin Air Selangor" that provides solution to pollution threats at Sungai Selangor Phase 1,2 and 3 Schemes as well as Sungai Semenyih Scheme, designed and supervised by us, is in various stages of construction completion.

As Panel Consultant to Air Selangor since July 2021, we have been awarded eight (8) work packages involving pipe replacement and upgrading/refurbishment works. These capital works will improve Selangor State's reserve margin, build up asset and reduce Non-Revenue Water to 30% by 2030.

In joint venture with an international consulting firm, as Owner Engineer to TNB, we are supervising the implementation of work packages for the Life Extension Programme of Sungai Perak Hydroelectric Schemes, targeted for completion in 2028. We are also the Consultant for the water supply scheme for the Kulai Data Centre in Johor which is currently under construction. The expected capital works by water operators to secure water supply for data centres will provide opportunities in Selangor and other states.

The flood mitigation works for the critical stretches impacted by the 2021 flood event of East Coast Highway Phase 1 are in various stages of construction. The highway concessionaires have also identified potential flooding areas along this highway. The flood mitigation works for such stretches are in design stage. The flood mitigation works at the existing Batu Dam in Kuala Lumpur, implemented based on Design and Build concept, is ongoing for Jabatan Pengairan dan Saliran.

On the Port Sector, we have been appointed by Westports for the Project Management and Engineering Consultancy Services of the Westport 2 Expansion Development (Phase 1: CT10 – CT13) involving construction and completion of Dredging, Land Reclamation & Slope Protection works at Westports, Pulau Indah, Port Klang, Selangor.

In addition, 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.

As for Pan Borneo Sabah Phase 1B project, letters of acceptance have been issued for 17 work packages with a combined contract value of RM 9.7 billion as announced in Budget 2025. These works cover the areas of Kota Belud to Kudat; Tawau to Kampung Lot M and Telupid to Ranau.

We have submitted our pre-requisite Phase 1 proposal for PMC role for the Pan Borneo Highway Sabah Phase 1B in October 2024.

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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B3. Prospects (cont'd)

(i) Current Scenario (cont'd)

Privatisation will continue to play a pivotal role in funding some of the key infrastructure undertakings going forward. The recent unveiled Public-Private Partnership Master Plan 2030 (PPP Master Plan 2030) reflects the country's commitment to leverage on Public-Private Partnerships (PPPs) as a strategic tool to drive sustainable development and enhance national prosperity. With sectors expanding to include tourism infrastructure, renewable energy, smart agriculture as well as science and technology, the Group anticipates potential mega project roll-outs to come on stream through PPPs.

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.

(ii) Order Book/Tender Book

As at 30 September 2024, our order book stood at approximately RM 2.11 billion with project management segment being the biggest contributor at 83% and our tender book value is approximately 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 going forward will be largely driven through PPPs given the Government's fiscal position. The ongoing mega projects such as ECRL, Pan Borneo Highway Sabah, Johor Bahru-Singapore RTS Link among others will continue to support the activities in the infrastructure sector. Further to this, the PPP projects worth RM 9 billion to be implemented under Budget 2025 will allow the government to accelerate infrastructure spending.

With privatisation of tolled highways, we foresee likelihood of a few projects coming on stream given our involvement in more than 60% of Malaysia's tolled highway projects since inception.

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).



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

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

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.

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
	Submarine Pipelines



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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	
FLOOD MITIGATION SECTOR	Over RM 12 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

(iv) Growth Strategies

A) Regional Expansion

As part of an ongoing expansion plan, the Group signed a Joint Venture and Shareholders' Agreement (JVSA) on 22 October 2024 with OPUS International (M) Berhad, a leading engineering and asset management consultancy, to accelerate expansion into high-growth infrastructure markets across Southeast Asia (SEA) and the Middle East.

This strategic partnership brings together the combined expertise of both parties to deliver comprehensive solutions across engineering and technical services, project management and asset management consultancy and energy efficiency solutions in diverse infrastructure sectors.

The Group had earlier acquired a 12% equity stake in PT Oriental Consultants Indonesia (PT Oriental), to tap into the thriving construction sector in Indonesia, along with partner Oriental Consultants Global Co. Ltd (OC Global). 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 OC Global, a leading Japanese integrated engineering consulting firm, which signed a preferred partnership with HEB Group in 2022 to explore potential infrastructure projects in the region.

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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

(iv) Growth Strategies

Recurring Income

The government's aspiration to achieve 70% Renewable Energy (RE) in the country as outlined in the National Energy Transition Roadmap (NETR) 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 our recurring income strategy, we have submitted a bid proposal for the fifth round of the Large Scale Solar programme (LSS5) which offers a total generation quota of 2,000MW. The outcome of the bidding process is anticipated to be announced in the fourth quarter of 2024 (4Q 2024) or first quarter of 2025 (1Q 2025).

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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 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 Sept 2024 RM'000	30 Sept 2023 RM'000	30 Sept 2024 RM'000	30 Sept 2023 RM'000
<u>Income tax expense</u>				
- Current financial period	2,543	2,370	5,870	6,257
- Prior financial period	(569)	(2,513)	(569)	(2,513)
	<u>1,974</u>	<u>(143)</u>	<u>5,301</u>	<u>3,744</u>
<u>Deferred tax</u>				
- Current financial period	50	1	(13)	84
- Prior financial period	-	2,468	-	2,468
	<u>50</u>	<u>2,469</u>	<u>(13)</u>	<u>2,552</u>
Total tax expense	<u>2,024</u>	<u>2,326</u>	<u>5,288</u>	<u>6,296</u>

The effective tax rate for the current financial period 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.



ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B7. Group's borrowings and debt securities

The Group's borrowings as at 30 September 2024 are as follows:-

	As at 30 Sept 2024 RM'000	As at 31 Dec 2023 RM'000
Current:		
Lease liabilities	3,016	2,239
Hire purchase payables	227	490
Bank overdrafts	21,879	18,091
Revolving Credit	19,968	7,149
Term loan	-	13,482
	<u>45,090</u>	<u>41,451</u>
Non-current:		
Lease liabilities	3,745	4,197
Hire purchase payables	61	219
	<u>3,806</u>	<u>4,416</u>
Total borrowings:		
Lease liabilities	6,761	6,436
Hire purchase payables	288	709
Bank overdrafts	21,879	18,091
Revolving Credit	19,968	7,149
Term loan	-	13,482
	<u>48,896</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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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B8. 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.

B9. Dividend Payable

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

B10. Earnings per share ("EPS")

The basic and diluted EPS are computed as follows:

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 Sept 2024</u>	<u>30 Sept 2023</u>	<u>30 Sept 2024</u>	<u>30 Sept 2023</u>
Net profit attributable to ordinary equity holders of the Company (RM'000)	7,225	5,165	14,478	14,703
Weighted average number of ordinary shares in issue ('000)	506,740	495,955	506,740	495,955
Basic EPS (sen)	<u>1.43</u>	<u>1.04</u>	<u>2.86</u>	<u>2.96</u>
Diluted EPS (sen)	<u>1.43</u>	<u>1.04</u>	<u>2.86</u>	<u>2.96</u>

Diluted earnings per share of the Group is equivalent to the basic earnings per share as the Company does not have convertible options as at the end of the reporting period.

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ENGINEERS

HSS ENGINEERS BERHAD

Company No: 201501003232 (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2024

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

B11. 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 2024 RM'000	30 Sept 2023 RM'000	30 Sept 2024 RM'000	30 Sept 2023 RM'000
Depreciation of property, plant and equipment	255	250	725	774
Depreciation of Right-of-use assets	728	692	2,176	2,144
Amortisation of intangible assets	33	37	107	114
Property, plant and equipment written off	-	-	16	-
Gain on disposal of property, plant & equipment	(19)	-	(19)	-
Bad debts written off	-	164	-	1,136
Net loss/(reversal) on impairment of Financial instruments	41	(2)	172	(24)
Finance costs	780	729	2,264	2,201
Finance income	(69)	(99)	(253)	(298)
Loss on derivatives	-	68	164	255
Loss on foreign exchange	31	24	65	39

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

B12. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 20 November 2024.