





WATER INFRASTRUCTURE

A WORLD OF OPPORTUNITIES



SUSTAINABILITY STATEMENT

THIS MARKS THE SECOND YEAR OF REPORTING OF THE GROUP'S SUSTAINABILITY JOURNEY AS WE STRIVE TOWARDS CREATING A COMPREHENSIVE STRATEGY THAT WOULD GUIDE OUR SHORT- AND LONG-TERM SUSTAINABILITY OBJECTIVES AND ACTION PLANS.

The Group continues to aspire to be the industry leader driving engineering solutions vital for a low-carbon, climate-resilient future for the wider society. We endeavour to ensure our business operations are conducted in a responsible manner while creating value for our planet and the people. To this end, we incorporate relevant sustainability considerations within our strategy, policies, systems and processes in order to build a holistic sustainable business.

We have mapped our strategic business goal against the United Nations' 17 Sustainable Development Goals (SDGs), the universal targets set to direct growth towards a sustainable future. As an engineering consultancy group, we have identified the *SDG 9: Industry, Innovation & Infrastructure* as a goal that the Group can directly contribute to. We aim to do so by embedding sustainability in our design for more resilient infrastructures for Malaysia and countries we operate in. Using our Building Information Modeling (BIM) technology, we seek to harness the power of innovation to meet client expectations and reduce potential negative impacts on the planet and society.

Moving forward, we plan on further breathing sustainability into the Group. Currently, we are in the midst of laying out sustainability tasks that will lead to the building foundations for our sustainability committee. The new committee's task will include assessment of our consulting projects for positive environmental and social impact indicators.



Sustainable Solution Offerings

BIM is a system of processes that generates and utilises digital representation of physical and functional characteristics of a facility. The system is an integral part of the services that we provide as a Group. BIM is used in our projects from large to small scale, ranging from the MRT lines to mixed commercial development lots. The system aids in error identification and cost predictability, among many other functions of project design. From the angle of sustainability, HEB has benefitted from BIM usage in ways not limited to the following:



1. LOWERING ENVIRONMENTAL FOOTPRINT

Through our expertise and the adequate usage of BIM, we have recorded improved utilisation of resources across all disciplines involved with the project's design, leading to better savings in time and materials expended for each project in the form of lower rework and reduced construction changes. Ultimately, the benefits lead to an overall lower environmental footprint for the Group through relatively shorter working hours and material wastages which are minimised with better monitoring of project design.



2. ENHANCING INTERNAL TALENT

BIM has been a key driver for nurturing our internal talent pool because of the cooperative nature of the system in project design. We introduce to our younger staff the multiple facets of project design, indirectly providing them with on-the-job training and exposure to various disciplines of engineering.

In 2017, our sustainability initiative includes expanding our Sustainability Statement to further address matters that are important to both our internal and external stakeholders. This is done via our Stakeholders Materiality Survey, which highlighted several key priority sustainability themes that are relevant to our organisation and business. We have expanded the number of sustainability themes to include environmental topics for a more holistic coverage of sustainability within HEB. We believe that by adopting a more comprehensive sustainability reporting, we will be able to enhance and refine our sustainability framework.

Currently, the Group's operational environmental and social commitments, policies and processes are embedded within our Quality, Environmental, Safety and Health (QESH) Management Systems which are OHSAS 18001, ISO 9001, and ISO 14001 certified. During the year, we have also established a Green Task Force (Task Force) to champion various green initiatives within the Group. The Task Force is focused on spearheading a group-wide digitisation strategy that would improve resource efficiency and drive wastage reduction within all processes of the Group. The Task Force also embarked on an energy savings initiative for the headquarters.

We have also sought an external assessment on the Group's sustainability framework and disclosures. The exercise also involved identifying action plans that would enhance our group-wide sustainability practices.

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SCOPE

This statement has been prepared in accordance with (1) Bursa Malaysia's Main Market Listing Requirements Note 9; (2) Bursa Malaysia's Sustainability Toolkit; and (3) the Global Reporting Initiative (GRI) Standards – Core Option. Bursa Malaysia's Sustainability Toolkit and the GRI Standards serve as our primary reference points for disclosures on matters pertaining Economics, Environment and Social.

This statement includes data from HEB's subsidiaries and associates based in Malaysia.

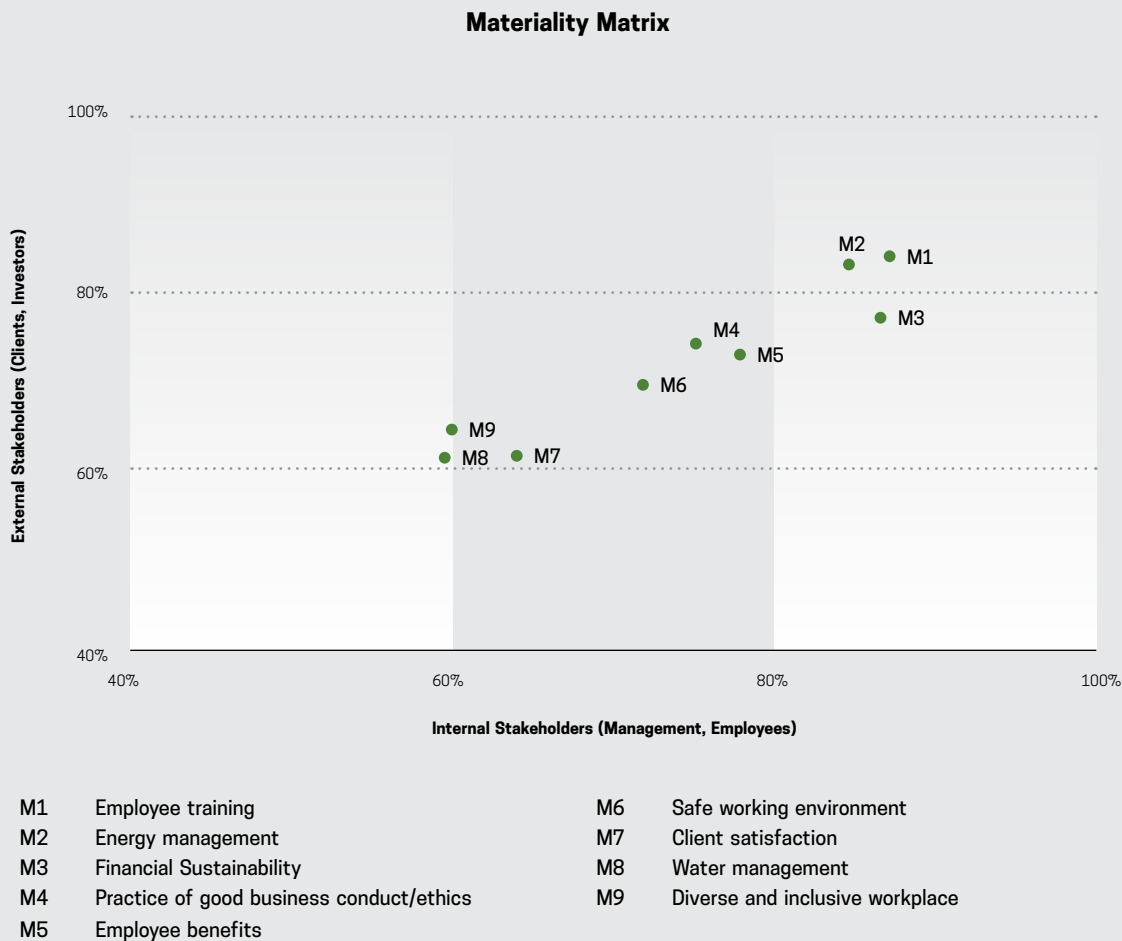
STAKEHOLDERS

The Group has engaged with its stakeholders throughout the year through different activities and frequency. Our stakeholders consist of the following groups.

STAKEHOLDERS	ENGAGEMENT ACTIVITIES	FREQUENCY	ISSUES OF INTEREST
	Induction training	Each new hire	▪ Employee benefits
	Stakeholders' materiality survey	Annually	▪ Employee training
	Safety briefings	Annually	
	Training	Annually	
	Customer feedback mechanisms	Per project	▪ Energy management
	Stakeholders' materiality survey	Annually	▪ Quality of service
	Meetings	Regularly	▪ Financial sustainability
	Stakeholders' materiality survey	Annually	
	Supplier assessments	Ad-hoc	▪ Updates on HEB's business standing ▪ Fair procurement practices
	Filings	Regularly	▪ Complying with relevant rules and regulations ▪ Updates on HEB's business standing

MATERIALITY

As part of our considerations of issues that matter to our stakeholders, we have sought feedback from internal stakeholders (management and employees) and external stakeholders (clients and investors) to create an inclusive Materiality Matrix. The diagram below outlines the result of our Stakeholders Materiality Survey and our key focus areas for this year's Sustainability Statement.



MATERIAL TOPIC 1 - EMPLOYEE TRAINING

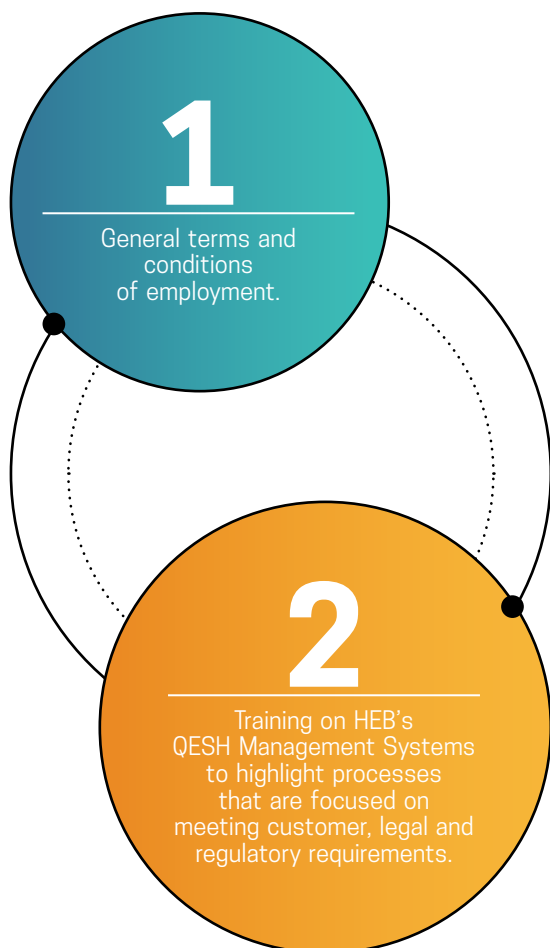
As we are a services-based company, human capital is integral to the continued success of our operations in our aspiration to be a leader in the engineering industry. As such, internal knowledge capacity building has the highest significance in our sustainability management. We have established a formal training structure to train employees within HEB. Employees are required to undergo training needs assessment to identify potential areas for skills and capacity building. Current activities under on-the-job and off-the-job trainings include:

TYPE	ACTIVITY
On-the-job	Close mentoring by supervisors
Off-the-job	In-house or external training courses
	Self-study using manuals and tutorial materials

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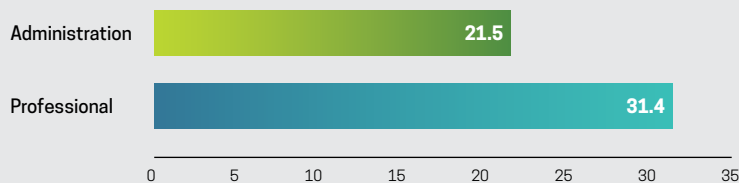
We have mandated a periodic review of all employees' training objectives and activities. This includes developing personalised follow-up actions and recommendations for employees. All Department Heads maintain a Training Log for employees within their respective functional units. The Log contains relevant training statistics and is primarily used to identify overall staff training needs. Further, management also reviews quarterly training statistics to shape critical strategies for learning across HEB.

Training initiatives are also targeted towards new employees joining the organisation. All new employees will undergo a staff induction programme that covers the following:



In addition, HEB also provides an in-house library that contains important resources for employees' learning and development. The library contains design manuals, literatures and periodicals that are relevant to the engineering field. Moving forward, HEB will continue refining our capacity-building framework to enhance competencies within the organisation.

AVERAGE HOURS OF TRAINING BY EMPLOYEE CATEGORY

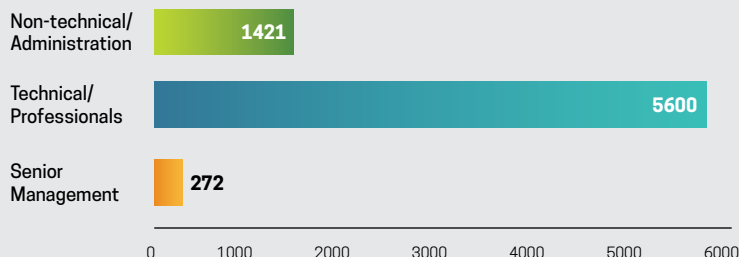


*Professionals category include Senior Management & Technical/Professionals.

AVERAGE HOURS OF TRAINING BY GENDER



TOTAL HOURS OF TRAINING BY DESIGNATION



Below are some snapshots of the Group's training activities for 2017



Training on First Aid



Training on Emergency/Fire Evacuation Drill

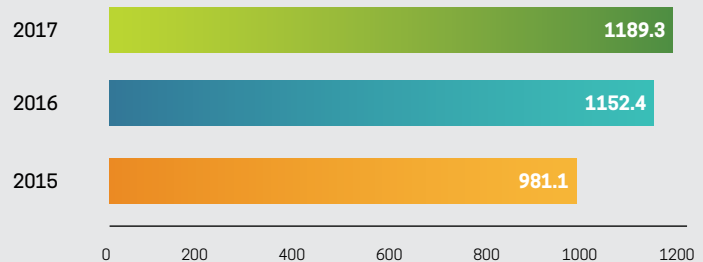
MATERIAL TOPIC 2 - ENERGY MANAGEMENT

Energy management is a significant sustainability theme for the organisation and is consistent with HEB's internal mission to preserve natural resources and manage costs. The Group has established a target to reduce year-on-year electricity usage by 5% over the next 5 years. To facilitate this, we have implemented monthly reviews of electricity consumption for our headquarters, which constitutes our biggest environmental footprint.

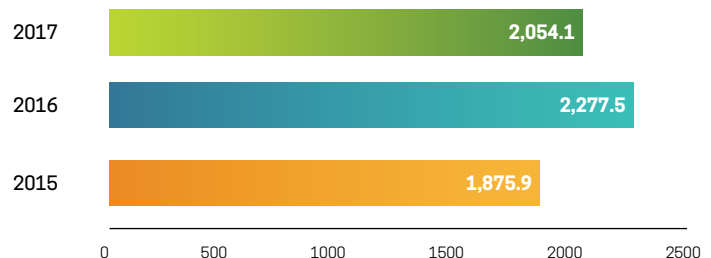
The Task Force is currently working to replace all our existing lights within headquarters with light-emitting diode (LED) bulbs. LED lights are far more energy-efficient when compared to traditional incandescent lightbulbs and are safer. In addition, LED lights last longer and provide better lighting quality.

In 2017, the Group has a marginal increase of electricity consumption by approximately 3% from 2016 levels. This is mainly due to increased business activities. We are in the midst of planning more green initiatives that are geared towards responsible energy management. The Group has conducted an energy audit in 2017 on the headquarters. The energy audit identified energy consumption patterns of the building facility which will provide a sound baseline for future improvement activities.

TOTAL ELECTRICITY CONSUMED (MWh)



ELECTRICITY CONSUMPTION PER EMPLOYEE (KWh)

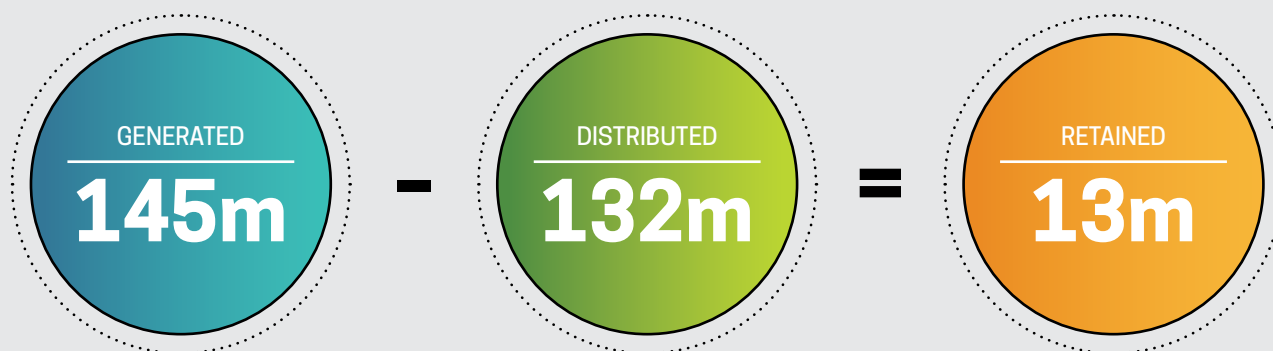


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MATERIAL TOPIC 3 – FINANCIAL SUSTAINABILITY

Financial sustainability provides a strong platform for the organisation to achieve its long-term vision and strategic objectives. Companies with sound financial sustainability are better positioned to create and maximise economic value for their stakeholders. The Group has consistently delivered strong financial performance over the years. For FYE2017, the Group recorded a profit (Economic Value Retained) of RM13 million. A breakdown of our financial information is given below. Further information on our financial sustainability can be examined in other areas within the Annual Report.

ECONOMIC VALUE* (BASED ON GRI STANDARD)



1. Direct Economic Value = Revenue
2. Economic Value Distributed = Operating Cost + Employee Wages and Benefits + Interest expense + Dividends Paid + GST expense + Tax expense
3. Economic Value Retained = Direct Economic Value Generated – Economic Value Distributed

MATERIAL TOPIC 4 – PRACTICE OF GOOD BUSINESS CONDUCT/ETHICS

As a responsible business entity, the Group practices good business conduct to ensure the integrity of its operations. HEB's commitment to good business conduct is highlighted through all of our established policies which include our Code of Ethics, Code of Conduct and Whistle-blower Policy.

Our Code of Ethics and Code of Conduct outline specific set of ethical conducts for our Directors and employees. The Code of Ethics guide directors in adopting social and environmental responsibilities throughout the Group. On the other hand, the Code of Conduct establishes specific guidelines for gifts and business courtesies for employees. A specific Whistle-Blower Policy has been established to provide a safe and secure mechanism for employees to report instances of ethical misconducts and professional wrongdoings.

All these policies are available online for transparency purposes.

1. Code of Ethics http://hssgroup.listedcompany.com/misc/code_of_ethics.pdf.
2. Code of Conduct http://hssgroup.listedcompany.com/misc/code_of_conduct.pdf.
3. Whistle-blower Policy http://hssgroup.listedcompany.com/misc/whistle_blower_policy.pdf.

Further, the Group is in the process of signing the MACC Corporate Integrity Pledge as part of our organisational commitment to combating corruption. The pledge requires us to act in honesty and transparency regarding all business dealings. In the same vein, the Group has conducted an anti-corruption training for our employees to reaffirm internal understandings of anti-corruptive behaviours and practices.

Currently, we aim to first exercise sustainability measures internally before further expanding the Group's sustainability activities outwards to the wider community.

MATERIAL TOPIC 5 - EMPLOYEE BENEFITS

We place great importance in our employees' wellbeing. We provide our employees a wide array of benefits ranging from Group insurance policies, outpatient medical treatments, allowances and claims. To create a lively working environment, we encourage our employees to participate and contribute to our Sports Club, an in-house association that ushers employee participation to Group-wide events such as sporting activities that are subsidised by the Group.

Below are some snapshots of the Group's employees activities for 2017



HEB Company Trip 2017 (Chiang Mai, Thailand)



HEB Tug of War Tournament 2017



HEB Tug of War Tournament 2017



HEB Volley Ball Tournament 2017



HEB Futsal Tournament 2017

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MATERIAL TOPIC 6 - SAFE WORKING ENVIRONMENT

Health and safety constitutes a significant risk within our industry. The Group has formalised an Emergency Preparedness and Responses plan that outlines necessary actions to minimise impact or risks during emergencies or accidents such as fire, personal injuries, property damage, etc.

We have designated persons of authority to identify hazards, implement proactive actions to prevent potential hazards and coordinate an efficient response during emergencies. Potential emergency situations are identified through our environmental risk and severity analyses, workplace inspections, management walkabouts and other applicable means.

As part of our group-wide Emergency Preparedness and Responses plan, we have a dedicated QESH Manager that spearheads training programmes for Emergency Response Team members and personnel. The training programmes are intended to enhance organisation-wide awareness levels on the procedures laid out in HEB's Emergency Response Plan.

A coordinated and efficient response during emergency situations are vital to create a safe working environment. In this regard, HEB conducts annual evacuation drills for the headquarters. The evacuation drills are analysed by the QESH Manager for continuous improvement opportunities. In addition, HEB also conducts routine maintenance and inspection of emergency equipment such as fire alarms, fire extinguishers, etc. at the headquarters.



Fire Drill Training 2018



OHS Trainings
Conducted in 2017

4



Absentee
Rate*

1.76%



Total
Accidents

0

* Absentee Rate calculated as Number of Medical Leaves/(Total number of employees x number of working days)

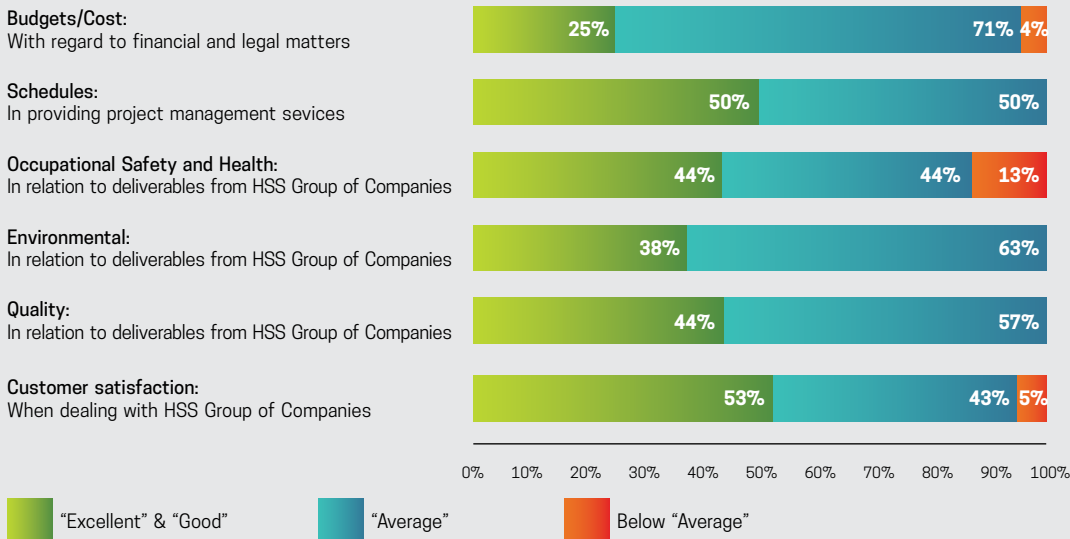
MATERIAL TOPIC 7 - CLIENT SATISFACTION

As an engineering consultancy company, client satisfaction is our highest priority. We work to ensure effective client engagement throughout all levels of the Group. HEB has established a customer complaint channel that serves as a platform for clients to relay issues and concerns pertaining their project. All highlighted concerns will be analysed internally for a systematic identification of root causes to devise potential solutions. In addition, all concerns are documented in HEB's Concern Register for record-keeping purposes. The complaint channel also serves as HEB's instrument to ensure quality in its service deliverables.

To ensure client satisfaction, we currently use an internal benchmark of not more than 5 complaints per project. The benchmark allows us to do a comparative analysis of client satisfaction across all HEB projects. In addition, the Group is also committed to responding to all client complaints within 3 working days upon lodgment in writing. We also prepare an internal Complaint Statistic Report, which is reviewed quarterly for identification of future improvements opportunities.

For client feedback, we request our customers to provide us with input and feedback via a customer survey process. Items covered in the survey include quality of work, occupational health and safety, and other important factors. Further, we conduct annual internal reviews on our operations. The results of observations are covered in our Customer Survey Report compiled by our QESH department and are tabled during Management Review meetings to explore improvement opportunities.

RESULTS OF CUSTOMER SURVEY REPORT



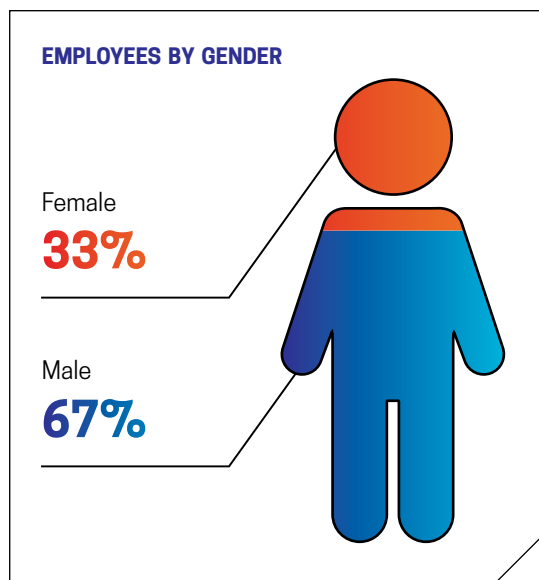
* HSS Group of Companies refer to HSS Engineering Sdn Bhd, HSS Integrated Sdn Bhd and HSS Mekanikal & Elektrikal Sdn Bhd.

MATERIAL TOPIC 8 - WATER MANAGEMENT

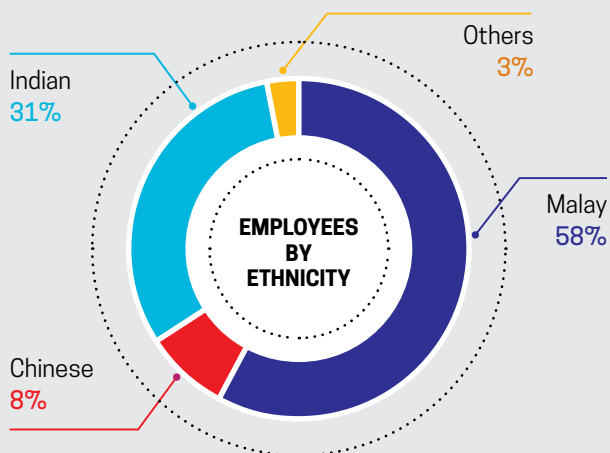
The Group is committed to reducing its environmental footprint. We will be extending our environmental monitoring process to include water consumption at our premises. Moving forward, the Group is strategising on implementing water conservation features at our headquarters.

MATERIAL TOPIC 9 - DIVERSE AND INCLUSIVE WORKPLACE

Diversity and inclusion are important components to create a sound working environment for an organisation. Diversity in the workforce broadens our skillsets and provides the necessary range of perspectives critical to the organisation. The charts below highlight the diversity measures monitored by HEB.



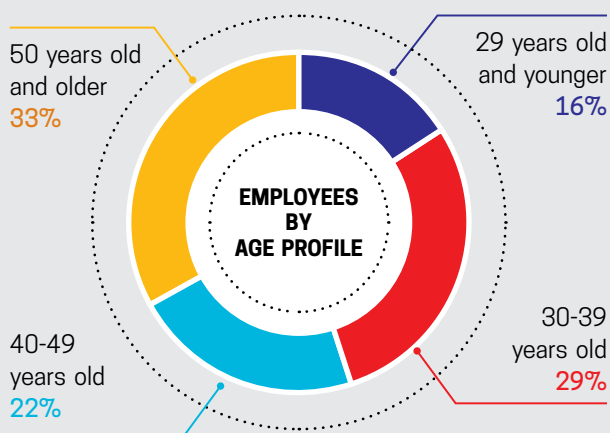
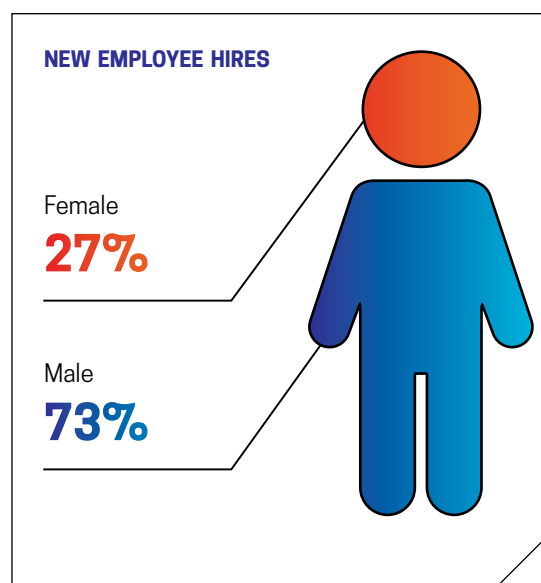
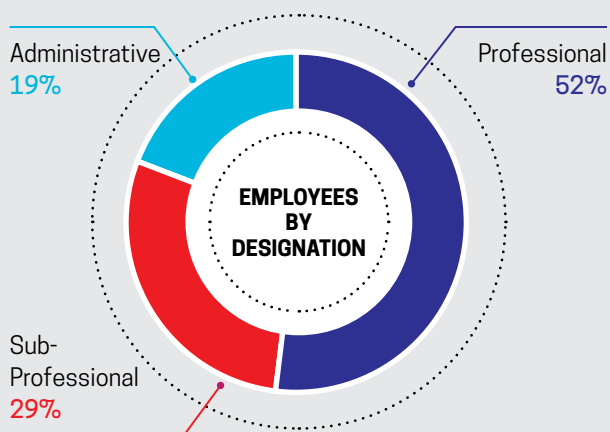
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Gender parity is increasingly becoming an important topic of conversation amongst corporate Malaysia. At HEB, we strive to be an Equal Opportunity Employer. We are currently looking into enhancing female participation across all levels of management.

In addition, HEB also strives to ensure all employees are accorded equal opportunities at the workplace by providing a safe and harmonious environment that is free from discrimination. Our General Terms & Conditions prescribes good standards of behavior for all HEB employees. The Group has outlined a commitment to support and respect principles of human rights at the workplace and condemns all forms of discrimination. Further, HEB also embedded equal opportunity principles within its formalised Hiring Policy.

As at-end 2017, HEB has 580 employees. This represents an increase of 73 staff members from 2016. We recorded an employee retention rate of 97% for male employees and 99% for female employees for the current financial year. To create a sustainable workforce, HEB places great emphasis on grooming internal talents to take up pivotal positions and responsibilities across the Group.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the Board) of HSS Engineers Berhad (HEB or the Company) is committed to exercise good corporate governance by supporting and applying the Principles and Practices set out in the Malaysian Code on Corporate Governance 2017 (the Code). The Board recognises that maintaining good governance ethics is critical to business integrity and performance, and key to delivering shareholders' value. In addition, the Board evaluates and where appropriate, implements relevant proposals to ensure that the Company and its subsidiaries (the Group) continue to adhere to good corporate governance with the aim of ensuring Board's effectiveness in enhancing shareholders' value. The Board is pleased to share the manner in which the three (3) Principles and Practices of the Code have been complied within the Group throughout the financial year ended 31 December 2017. HEB's application of each practices set out in the Code during the financial year 2017 is disclosed in HEB's Corporate Governance Report for the financial year ended 31 December 2017 which can be downloaded from HEB's website at www.hssgroup.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Board of Directors

The Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing the Group in an effective, good governance and ethical manner. Each director has a legal duty to act in the best interest of the Group. The Directors are collectively and individually aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed. The main role of the Board, amongst others:-

- (a) Together with Senior Management, promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior.
- (b) Review, challenge and decide on Management's proposals for the Group and monitor its implementation by Management.
- (c) Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
- (d) Supervise and assess management performance to determine whether the business is being properly managed.
- (e) Ensure that there is a sound framework for internal controls and risk management.
- (f) Understand the principal risks of the Group's business and recognize that decisions involve the taking of appropriate risks.
- (g) Set the risk appetite and establish a sound framework to manage risk.
- (h) Ensure that Senior Management has the necessary skills and experience and there are measures in place to provide for the orderly succession of the Board and Senior Management.
- (i) Ensure that the Company has in place procedures to enable effective communication with stakeholders.
- (j) Ensure the integrity of the Group's financial and non-financial reporting.

The Group's corporate governance structure consists of a set of structures, policies and systems. The first of these structures is the Board which is supported by three (3) Board Committees to which the Board has delegated specific responsibilities, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

The Board communicates its directions to Management through the Group Chief Executive Officer (GCEO), who oversees their implementation. Management is responsible for the day to day management of the Group pursuant to the powers delegated by the Board, subject to compliance with the applicable laws and regulations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board reserves to itself certain key matters to approve:

- (a) conflict of interest issues relating to substantial shareholders or Directors including approving related party transactions;
- (b) material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures;
- (c) strategic investments, mergers and acquisitions and corporate exercises;
- (d) limits of authority;
- (e) treasury policies;
- (f) risk management policies; and
- (g) key human resource issues.

2. Chairman, Executive Vice Chairman and Group Chief Executive Officer

The Chairman of the Board, Dato' Zakhir Siddiqy Bin Sidek is an Independent Non-Executive Director who leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matter being deliberated and that no Board member dominates the discussion. He further seeks to secure the provision of accurate, timely and clear information to the Board.

The Executive Vice Chairman, Tan Sri Ir. Kunasingam A/L V. Sittampalam and GCEO, Dato' Ir. Nitchiananthan A/L Balasubramaniam, also an Executive Director have the executive responsibility on the business and the day-to-day management of the Group. They act as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The GCEO implements the policies, strategies and decisions by the Board, and monitors the operating and financial results against plans and budgets.

The distinct and separate roles of the Chairman, Executive Vice Chairman and GCEO undertaken by three (3) different individuals with clear division of responsibilities have ensured the balance of power and authority, such that no one individual has unfettered powers of decision-making.

When running Board meetings, the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to debates.

The Executive Directors take on primary responsibility to spearhead and manage the overall business activities of the various business division of the Group to ensure optimum utilization of corporate resources and expertise by all the business divisions and at the same time achieve the Group's long term objectives. The Executive Directors are assisted by the heads of each division in implementing and running the Group's day-to-day business.

3. Company Secretary

The Board is assisted by qualified and competent Company Secretaries who play a vital role in advising the Board in relation to the Company's constitution, Board policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. All Directors have unrestricted access to the advice and services of the Company Secretaries for the purpose of the conduct of the Board's affairs and the business. If necessary, the Board is entitled to obtain independent professional advice, at the Company's cost, relating to the affairs of the Group or their responsibilities as Directors.

The Company Secretaries ensure that all Board and Board Committee meetings are properly convened and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and statutory registers are properly maintained at the registered office of the Company.

4. Board Charter

The Board has the following in place:-

(a) Board Charter and Code of Ethics for Directors

Clearly set out the key values, principles and ethos of the Company, as policy delineates the roles of the Board (including matters reserved for the Board), the Chairman, the Executive Vice Chairman, the GCEO, the Senior Independent Director (SID), and the Board Committees. It provides structure guidance and ethical standards for Directors and Management in discharging their duties towards the Company as well as the Board's operating practices. The Board will review the Board Charter every year and make any necessary amendments to ensure that they remain consistent with the Board objectives, current law and practices.

The SID, Mr. Mohan Ramalingam is responsible for providing support to the Chairman and provides an independent point of contact for shareholders.

(b) Code of Conduct and Code of Ethics

The Code of Conduct and Code of Ethics encompass all aspects of the Group's daily business operations. Directors and employees of the Group are expected to conform and observe an appropriate decorum and behaviour that promote honesty and integrity when engage with both employees and stakeholders.

The Board is provided guidance on disclosure of conflict of interest and other disclosure information/requirements to ensure that the Directors comply with the relevant regulations and practices. In order to address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to abstain from participating in deliberations during meetings and abstaining from voting on any matter in which they may also be interested or conflicted. The Directors of the Group are also required to disclose and confirm their directorships and shareholdings in the Group and any other entities where they have interests for the Company's monitoring on a half yearly basis or as and when required.

Notices on the closed period for trading in the Company's shares are sent to Directors, principal officers and the relevant employees on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares, unless they comply with the procedures for dealings during closed period as stipulated in Bursa Malaysia Bhd's Main Market Listing Requirements (MMLR).

(c) Whistle-Blower Policy and Procedures

The Policy serves as a guide to the employees on how to raise genuine concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. Board Meetings and Access to Information

The Board ordinarily schedules to meet quarterly with additional meetings to be convened when urgent and important decisions need to be made between the scheduled meetings. To facilitate the Directors' time planning, an annual meeting calendar will be prepared and circulated before the beginning of each year.

The Board had held 8 Board Meetings during the financial year and the attendance record is as follows:

Directors	Total number of meetings attended
Dato' Mohd Zakhir Siddiqy Bin Sidek (Independent Non-Executive Chairman)	8/8
Tan Sri Ir. Kunasingam A/L V. Sittampalam (Executive Vice Chairman)	8/8
Dato' Ir. Nitchiananthan A/L Balasubramaniam (Executive Director / GCEO)	8/8
¹ Dato' Ir. Khairudin Bin Sidek (Executive Director)	8/8
Mr Mohan A/L Ramalingam (Senior Independent Non-Executive Director)	7/8
Mr Foo Lee Khean (Independent Non-Executive Director)	8/8
² Ir Sharifah Azlina Bt Raja Kamal Pasmah (Executive Director / Group Chief Operating Officer)	-

¹ Resigned on 1 January 2018

² Appointed on 1 January 2018

There is a procedure in place for timely dissemination of Board and Board Committee papers to all Directors within a reasonable period prior to the Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Management may be invited to attend and speak at meetings on matters relating to their sphere of responsibility. The Board may also invite external parties such as the external auditors, solicitors and consultants as and when the need arises.

6. Board Committees

The Board Committees are to examine specific issues within their respective approved terms of reference and report to the Board with their recommendations. However, the ultimate responsibility for decision making remains with the Board. The terms of reference of the Board Committees are available for reference on the Group's website at www.hssgroup.com.my

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) monitors internal control policies and procedures designed to safeguard the Group's assets and to maintain the integrity of financial reporting. ARMC maintains direct, and unfettered access to the Company's external auditor, internal auditor and Management.

A full ARMC report is set out on Pages 78 to 80 of this Annual Report.

Nomination Committee

The Nomination Committee oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

The Nomination Committee comprises entirely of Independent Non-Executive Directors. As at the date of this Statement, the members of the Nomination Committee are:

Director	Designation
Mr Mohan A/L Ramalingam	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member
Mr Foo Lee Khean	Member

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Director.

During the financial year ended 31 December 2017, the Nomination Committee held two (2) meetings and all members registered full attendance. Below is a summary of the key activities undertaken by the Nomination Committee in discharge of its duty:

- Reviewed the terms of reference;
- Re-election and retirement by rotation of Directors at the 2nd Annual General Meeting;
- Annual assessment of the Board, the Board Committees and the individual Directors;
- Reviewed the term of office of ARMC;
- Reviewed the constitution of the Board of Directors of the Group;
- Reviewed the Nomination Committee Report for inclusion into the Annual Report.
- Reviewed and considered proposals from Management on the appointment/ promotion/ re-designation of Directors and Senior Management of the Group. The Nomination Committee works closely with the Board in ensuring that a clear succession plan is established.
- Reviewed the Independence of Independent Directors
- Reviewed trainings accomplished as well as training needs for Directors

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the remuneration principles and the framework for members of the Board and Senior Management.

The Remuneration Committee comprises of three (3) members who are Independent Non-Executive Directors. As at the date of this Statement, the members of the Remuneration Committee are:

Director	Designation
Mr Mohan A/L Ramalingam	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member
Mr Foo Lee Khean	Member

During the financial year ended 31 December 2017, the Remuneration Committee held three (3) meetings and all members registered full attendance. Below is a summary of the key activities undertaken by the Remuneration Committee in discharge of its duties:

- Reviewed the terms of reference;
- Reviewed, assessed and recommended the remuneration and bonus of the Executive Directors and Senior Management;
- Reviewed and assessed the salaries and bonus of the employees;
- Reviewed the Directors' Fees and Meeting Allowances for Non-Executive Directors;
- Reviewed, assessed and recommended the salary revision of the Executive Directors;
- Discussion and recommendation of the Proposed Remuneration Packages of Senior Management;
- Discussion and recommendation of proposed staff salary revision;
- Reviewed the Remuneration Committee Report for inclusion into the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II BOARD COMPOSITION

1. Composition and Diversity

As at the date of this Statement, the Board consists of one (1) Independent Non-Executive Chairman, one (1) Executive Vice Chairman, two (2) Independent Non-Executive Directors, two (2) Executive Directors and one (1) Alternate Director (to an Executive Director), wherein at least half of the Board comprises Independent Directors. A brief profile of each Director is presented in Page 44 to 50 of this Annual Report. Thus far, the tenure of all Independent Directors did not exceed a cumulative term of nine (9) years. If the Board intends to retain an independent director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12th) year, the Board would seek annual shareholders' approval through a two-tier process.

The Directors bring to the Board extensive complementary knowledge and competencies, as well as expertise to make an active, informed and positive contribution to the management of the Group, the conduct of its business and the strategic direction of its development. The appointments of the Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Although the Board acknowledges the need to promote gender diversity within its composition and endeavour to increase female participation in the Board and Senior Management in the near future, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills at the Board and Senior Management. The Company has appointed Puan Ir. Sharifah Azlina Bt Raja Kamal Pasmah as an Executive Director and Group Chief Operating Officer and Ms Ng Kuan Yee as alternate director to Dato' Ir. Nitchiananthan A/L Balasubramaniam and Group Chief Financial Officer. The change of composition of the Board was part of the internal succession planning, composition dynamics and diversity. The Board recognizes the merits of gender diversity at board level on strengthening the performance of the Board and/or Board Committees. Currently, there is one (1) woman serving as member of the Board and another as an Alternate Director.

Diversity at Senior Management will provide constructive debates, which lead to better decisions and enabling discussion in an ever-changing environment. The Board also values the diversity of perspectives and experience at Senior Management level for better decision making and competitive advantage. Currently 23% of the Senior Management positions of the Company are held by women.

An ongoing focus on Board composition allows the Nomination Committee to maintain a balanced mix of fresh insights (from recently appointed Directors). Although a relatively mid-sized Board, it provides an effective blend of entrepreneurship, business and professional expertise in business and risk management, financial (including audit, tax and accounting) and technical areas of the industries of the Group is involved in. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspective on the Group's business and direction.

2. Independence

The Board recognises the importance of significant representation by Directors who are capable and willing to make decisions in the best interest of shareholders free from any conflict of interest, and are also independent of Management. Independent Non-Executive Directors are those who have the ability to exercise their duties and express their views unfettered by familiarity or business or other relationships.

In line with the Code and the Board Charter, the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as Non-Independent Director. The Board must justify and subject to obtaining the approval of the shareholders, retain an Independent Non-Executive Director who has served a cumulative term of nine (9) years as an Independent Non-Executive Director of the Company. As at the date of this Statement, none of the Independent Non-Executive Directors has reached nine (9) years of service since their appointment.

The independence of the Independent Non-Executive Directors is assessed on an annual basis under the annual Board assessment process. The assessment of independence is based on the criteria prescribed by Bursa Malaysia Securities Berhad (Bursa Securities) and the Board was satisfied with the level of independence demonstrated by all Independent Non-Executive Directors.

3. Board Appointments and Re-election of Directors

The Board, through the Nomination Committee, will consider the following for the appointment of new Director and re-election of retiring Director:

- (a) the composition requirements for the Board and its committees;
- (b) the candidate's age, education background, experience, skills, knowledge, expertise, integrity, any potential conflict of interest and other qualities which are relevant for the Board to discharge its responsibilities in an effective and competent manner;
- (c) the candidate's independence (for the appointment / re-election of Independent and Non-Executive Director);
- (d) the candidate's ability to allocate time and commitment to attend to the Group's affairs; and
- (e) the annual assessment of the candidate (for the re-election of retiring Director).

The Group is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity to the Board's decision making. However, the Board duly acknowledges the challenges in achieving the right balance of diversity and this will be done over time, taking into account the Board's current size, the knowledge and experience of the present Board members and the evolving challenges faced by the Group.

Pursuant to the Company's Articles of Associations ("Articles"), one-third of the Board is subject to retirement by rotation at each annual general meeting provided always that each Director shall retire at least once in every three years and the retiring Director shall be eligible for re-election at each annual general meeting of the Company. Further, a retiring Director shall retain office until the close of the annual general meeting at which he retires.

Upon the recommendation of the Nomination Committee, the Board has confirmed that the following directors who are retiring pursuant to the Articles and standing for re-election at the Third Annual General Meeting continue to perform effectively and demonstrate commitment:

Director	Designation
Tan Sri Ir. Kunasingam A/L V. Sittampalam	Executive Vice Chairman
Mohan A/L Ramalingam	Member
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	Member

Information on each of the Director standing for re-election is set out in Pages 45, 47 and 49 of this Annual Report.

4. Annual Assessment

The Nomination Committee is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on yearly basis. The evaluation process is led by the Nomination Committee Chairman and supported by the Company Secretary via questionnaires. The annual assessments for the Board, Board Committees and individual Directors (including Independent Directors) were conducted online and carried out on self and peer assessment basis. The results were summarised and discussed at the Nomination Committee meeting and also shared with the entire Board. The Nomination Committee reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the Annual General Meeting.

For the financial year ended 31 December 2017, the Nomination Committee assessed the effectiveness of the Board, its Committees and the contribution of each Director by identifying the strengths and weaknesses of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The assessment criteria used in the assessment of Board and individual Director include mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contribution of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency and length of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their function.

The Board is comfortable that the skills and experience of the current Directors satisfy the requirements of the skills matrix. The Directors have diverse and relevant range of skills, backgrounds, knowledge and experience to ensure effective governance of the business.

5. Board Evaluation

The Board's evaluation comprises of performance evaluation of the Board and various Board Committees, directors' peer evaluation and assessment of the independence of the Independent Directors. The assessment is based on 4 main areas relating to board structure, board operations, Board and Chairman's roles and responsibilities and Board Committees' role and responsibilities.

For directors' peer evaluation, the assessment criteria include abilities and competencies, caliber and personality, technical knowledge, objectivity and the level of participation at Board and Committee meetings including his or her contribution to Board's processes.

During the year, the Board conducted an internally facilitated Board assessment. The results and recommendations from the evaluation of the Board and Committees are reported to the Board for consideration and action. The Board was comfortable with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix and that the Chairman possess the leadership to safeguard the stakeholders' interest and ensure the Group's profitable performance. The Directors had also committed the time necessary to responsibly fulfill their commitment to the Company and Group during the year. The Nomination Committee also agreed on the re-appointment of the existing Board Committees' members for the ensuing year.

6. Directors Training

All Directors have attended the Mandatory Accreditation Programme as required by the MMLR.

The Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Group's operations and business. Listed below are the training programmes attended by Directors during the financial year ended 31 December 2017:

Digitizing Construction Process
Technical Talk on Ground Improvement for Highway Infrastructure
The Belt and Road Forum for International Cooperation
Rails Solutions Asia
SPAD Symposium
Crowe Horwath Tea-Talk on Integrated Reporting
Advocacy Sessions to Enhance Quality of MD&A for CEOs and CFOs
SIDC 2018 Budget: Implications to the Malaysian Economy and Capital Market
MIRA Annual Conference 2017: Thriving Or Just Surviving
Risk Awareness Workshop
The Importance of Corporate Culture in Sustaining Long Term Value
CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance
Sector-specific Sustainability Reporting Workshops
Essentials of Fundamental Analytics I : Analysing Company Performance
Economics and Capital Markets I : Forces Shaping Global Capital Markets
Case Study Workshop for Independent Directors - Rethinking - Independent Directors: A New Frontier
Integrating an Innovation Mindset with Effective Governance
Companies Act 2016

In addition, the Directors receive regular briefings and updates on the Group's businesses, operations, risk management activities, MMLR and relevant law updates.

III REMUNERATION

In determining the remuneration of the Directors and Senior Management, the Company's objective is to provide fair and competitive remuneration to its Board and Senior Management in order for the Company to benefit by attracting and retaining a high quality team. The remuneration packages for the Executive Directors and Senior Management comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances determined by the Group's Human Resource policies) and variable components (which would normally comprise of annual bonus) together with benefits-in-kind, if any to reward performance that supports the Group's strategy and creates sustainable long term value for shareholders.

When reviewing the structure and level of Directors' fees, the Nomination Committee takes into the consideration of Directors' roles and responsibilities and the Nomination Committee also compared against the peers' practices, demands, complexities and performance of the Company. Each of the Non-Executive Director receives a base fixed fee and each Director receive meeting allowance for each Board, Board Committee and general meetings that they attend. The fees for Directors are determined by the Board with the approval from shareholders at the Annual General Meeting.

The remuneration policy of Directors and Senior Management is being considered and looked into. The Board through the Remuneration Committee has identified this area as one of the key focus areas for further deliberation in the financial year ending 31 December 2018.

The Remuneration Committee also reviews the remuneration packages of the Senior Management annually taking into consideration, the Company/Group's performance, the individual performance against the key performance indicators determined as well as the required qualification, skills and experience and comparable market statistics.

Details of Remuneration of the Directors paid for financial year ended 31 December 2017 are as follows:

Non-Executive Directors	Salary (RM)	Bonus (RM)	Directors' Fees (RM)	Other Emoluments (RM)	Total (RM)
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	-	96,000	19,000	115,000
Mr Mohan A/L Ramalingam	-	-	84,000	17,000	101,000
Mr Foo Lee Khean	-	-	84,000	19,000	103,000
Total (for Non-Executive Directors)	-	-	264,000	55,000	319,000
Tan Sri Ir. Kunasingam A/L V. Sittampalam	1,130,000	370,000	-	308,000	1,808,000
Dato' Ir. Nitchiananthan A/L Balasubramaniam	680,000	192,500	-	147,960	1,020,460
¹ Dato' Ir. Khairudin Bin Sidek	125,912	70,000	-	69,000	264,912
Total (for Executive Directors)	1,935,912	632,500	-	524,960	3,093,372
Grand Total	1,935,912	632,500	264,000	579,960	3,412,372

¹ Resigned on 1 January 2018

Although the Code has stipulated that the Company should disclose on a named basis the top five (5) Senior Management's detailed remuneration including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000, the Board would like to provide for an advocacy period in the interim.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. Composition

Presently, the ARMC consists of three (3) Independent Non-Executive Directors and all are financially literate and have sufficient understanding of the Group's business. All the members of the ARMC undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules. The ARMC members are:

Director	Designation
Mr Foo Lee Khean	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member
Mr Mohan A/L Ramalingam	Member

Mr Foo Lee Khean, the Chairman of ARMC is a Fellow Member of the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants, UK, which is in compliance with Paragraph 15.09(1)(c)(i) of MMLR at Bursa Securities.

The ARMC has in its terms of reference that a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. Alongside, the ARMC has the procedures to assess the suitability, objectivity and independence of the external auditors which is contained in the Terms of Reference of the ARMC.

2. Summary of Key Activities

During the financial year ended 31 December 2017, the ARMC held six (6) meetings and the attendance records is as follows:

Director	Total number of meetings attended
Mr Foo Lee Khean (Chairman)	6/6
Dato' Mohd Zakhir Siddiqy Bin Sidek (Member)	6/6
Mr Mohan A/L Ramalingam (Member)	5/6

The members discharged their duties and responsibilities in accordance with its Terms of Reference. The key activities undertaken by the ARMC during the financial year ended 31 December 2017 were:

- (a) Terms of Reference
 - Reviewed the terms of reference
- (b) Internal Audit
 - Reviewed and discussed the internal audit reports containing the audit findings and recommendations made by the internal auditor and Management's responses on those issues and whether or not appropriate action is taken on the recommendations.
 - Monitor progress of actions taken by Management to address any significant issues identified by the internal auditor.
 - Met with the internal auditor in the absence of the Executive Board members and Management to discuss any significant issues which may have arisen in the course of their audit of the Group.
- (c) External Audit
 - Evaluate the performance of the external auditor (including assessment of their independence), Messrs Azman, Wong, Salleh & Co., and recommended their re-appointment and remuneration to the Board.
 - Procured from the external auditor the required confirmation that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements.
 - Reviewed and approved the external auditor's audit plan for the annual audit.

- Reviewed the unaudited quarterly financial statements and the annual audited financial statement of the Group, and made recommendations to the Board of Directors for approval.
 - Reviewed and discussed any issues or findings raised by the external auditor and management's response to the same.
 - Met with the external auditor in the absence of the Executive Board members and Management twice a year to facilitate free and honest exchange of views in relation to financial reporting and auditing process.
 - Reviewed with the External Auditor, his evaluation of the system of internal controls.
- (d) Risk Management
- Reviewed and approved the Group's Risk Management Framework and Risk Management Policy.
 - Deliberated on the Enterprise-Wide Risk Management Report prepared by Crowe Horwath Governance Sdn Bhd which identifies key business risks and the key controls to manage the risks identified which is consistent with the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") Enterprise Risk Management framework, the Statement on Risk Management and Internal Control – Guidelines⁴ for Directors of Listed Issuers, and Bursa Malaysia's Corporate Governance Guide.
 - Deliberated on the Enterprise Risk Management Implementation report prepared by the Group's external consultant, Grant Thornton Consulting Sdn Bhd, who was engaged to conduct an audit to review the implementation of key controls for the major risks identified in the Enterprise-Wide Risk Management Report.
- (e) Related Party Transaction
- Reviewed related party transactions within the Group.
- (f) Reviewed the audit and non-audit fees of the Group.
- (g) Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit functions.
- (h) Reviewed the statement on Risk Management and Internal Control, ARMC Reports and Corporate Governance Overview Statement for inclusion into the Annual Report.
- (i) Reviewed and recommended the single tier final dividend.

3. Internal Audit Function

The Group has appointed Messrs Crowe Horwath Governance Sdn Bhd ("Internal Auditor") to provide outsourced internal audit function for the Group. The Internal Auditor reports directly to the ARMC and the internal audit function is independent of the activities or operations of other operating units. The main role of the Internal Auditor is to provide the Board, through the ARMC, reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group.

The internal audit activities were carried out based on a risk-based internal audit plan presented by the Internal Auditor to the ARMC for approval. The establishment of the internal audit plan took into consideration the Group's risk profile and input from Senior Management and the ARMC members.

The following are the activities undertaken by the Internal Auditor during the financial year under review:

- (a) Conducted internal auditing and review on the operating unit in accordance with the approved internal audit plan; and
- (b) Presented Internal Audit Follow-Up Report on Engineering Services and Project Management Cycle for Highway Division, Internal Audit Report on Human Resources & Payroll, Information Technology General Controls, Procurement to Payment, Administration, Internal Audit Report on Infrastructure Division and Finance & Accounts Division, Draft Risk Management Policy, Enterprise Wide Risk Management Report to the ARMC during the financial year.

The cost of internal audit services rendered by the Internal Auditor in respective of the financial year 2017 amounted to RM48,353.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II Risk Management and Internal Control Framework

The Board is responsible for reviewing and approving the Group's overall risk philosophy and risk appetite, recognizing and understanding the major risks to which the Group is exposed and ensuring appropriate systems are in place to effectively identify, control and manage those risks.

The Statement on Risk Management and Internal Control of the Group in Page 82 to 84 of this Annual Report provides an overview of the risk management practices and internal controls implemented by the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Financial Reporting

The Board aims to present a clear and balanced assessment of the Group's financial position and future prospects that extends to the annual and quarterly financial statements. The Board ensures that the annual and interim financial statements are prepared so as to give a true and fair view of the current financial status of the Group in accordance with the applicable approved accounting standards.

In assisting the Board to discharge its duties on financial reporting, the ARMC is tasked with reviewing the quarterly results and the year-end financial statements of the Group, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and how these matters are being addressed;
- (c) the going concern assumption; and
- (d) compliance with accounting standards and other legal requirements.

II. Communication with Stakeholders

The Board believes that shareholders, regulators, the investment community and the media should be informed of all material business events and risks of the Group in a factual, timely and widely available manner. The Group has in place a Corporate Disclosure Policies and Procedures not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to the stakeholders. All Directors attended the Second Annual General Meeting.

The Group also has an investor relations program to facilitate effective two-way communication with investors and analysts and to provide a greater understanding of the Group's vision, strategies, developments and financial prospects. The Group engages with institutional investors, private investors, analysts throughout the year via scheduled and ad hoc interactions. The Company has a dedicated investor relations function which work closely with Group Chief Financial Officer and reports directly to GCEO.

When the Company makes announcements on major corporate exercise, it is typically accompanied by a press release. Press conferences are typically held following general meetings approving such major corporate exercise which provides an opportunity for the management team to meet existing and/or potential investors in a concentrated set of meetings.

It is the Group's practice that any material for public announcement, including annual and quarterly financial statements, press releases, and presentations to investors, analysts and media are factual, reviewed internally before issuance to ensure accuracy, and expressed in a clear and objective manner.

The Group's corporate website includes an Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Securities, share price information as well as the corporate and governance structure of the Group. There is also the ability to subscribe to email alerts from the Group via the Group's corporate website.

During the year, Malaysia Investors Relations Association had recognised the Company and its Management of its achievements as top investor relations ("IR") performer among listed companies in the following awards:-

1. Best Company for IR
2. Best IR Professional
3. Best Chief Executive Officer for IR
4. Quality of One-on-One Meetings

III Conduct of Annual General Meeting

1. Shareholder Participation at Annual General Meeting

The Board is aware that the Annual General Meeting is the primary platform for two-way communication between the shareholders and Management of the Group. The notice of Annual General Meeting together with the annual report and details of the resolutions proposed are sent out to the shareholders at least twenty-one (21) days before the date of the Annual General Meeting in accordance with the Company's Articles of Association.

During the Annual General Meeting, the Board will present the Group's overview strategy, performance and major developments. Shareholders are encouraged and will be given the opportunity to raise questions and provide suggestions or comments. Shareholders are given opportunities to participate in the question and answer session on the proposed resolutions and the Group's operations.

2. Voting

The Company has implemented and will continue to implement poll voting as well as to appoint an independent scrutineer to validate the votes cast at the Annual General Meeting.

Currently, the Company is implementing an electronic voting system which encourages and facilitate greater shareholder participation. During the Annual General Meeting, the shareholders, upon the instruction given by the Chairman, lined up and cast their votes via an electronic screen. Each shareholder would be provided with a wristband upon registration which would be scanned during the voting process. The scanned code allows the shareholders to access the voting page and register their votes. The process would then be completed and the results would be announced later.

Shareholders who are unable to attend the Annual General Meeting are encouraged to vote on the proposed motions by appointing a proxy.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the results and cash flow of the Company and the Group for the financial year then ended.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- Adopted and applied the appropriate and relevant accounting policies consistently;
- Made judgments and estimates that are prudent and reasonable;
- Complied with the applicable approved financial reporting standards, i.e. Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), MMLR and the provisions of the Companies Act 2016; and
- Prepared the financial statements on a going concern basis.

The Board is satisfied that in preparing the financial statements of the Company and the Group as of 31 December 2017, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements have prepared in accordance with all relevant approved financial reporting standards and have been prepared on a going concern basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the MMLR of Bursa Malaysia Securities Berhad, the Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control ("Statement") of the Group, which has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges and affirms its responsibility in maintaining a sound system of risk management and internal control within the Group and to continuously review and evaluate its adequacy and integrity. The risk management and internal control system is designed to identify, evaluate and manage risks that may hinder the achievement of the Group's objectives, rather than eliminate these risks. Therefore, the system can only provide reasonable but not absolute assurance against material misstatement of financial reporting, fraud, error or loss, and this is achieved through preventive, detective and corrective measures designed in the system.

The Audit and Risk Management Committee ("ARMC") has been delegated and empowered by the Board to oversee the implementation of the risk management and internal control system within the Group and to assist the Board in reviewing the adequacy and effectiveness of the system throughout the year.

RISK MANAGEMENT

The Group has formalised its Enterprise Risk Management ("ERM") Framework with the assistance of an independent professional firm which has performed an enterprise-wide risk profiling and rating covering all spectrum of operations of the Group during the year. The ERM Framework encapsulates the Group's risk governance structure, policy and procedures to systematically identify, assess, monitor and report on the risks that may affect the Group.

Accountability for risk management is aligned with Group's management organizational structure. Departmental managers and heads act as risk owners tasked with the responsibility to identify, evaluate, monitor and report risks as well as implementing the mitigating controls / risk treatment plan to deal with the risks. Risk management information including new risk identified or changes in risk profile, mitigation plans and progress of plans are reported to the Group Chief Executive Officer scheduled half-yearly and as when necessary. The Group Chief Executive Officer will report to ARMC on an annual basis and as when necessary; ARMC will then report and advise the Board the same.

The Company has also engaged another independent professional firm to review the status of measures implemented to mitigate the identified business and operational risks during the year. The report on the outcome of the review shows that all mitigating controls against major risks have been implemented and operating effectively.

INTERNAL CONTROL SYSTEM

The following are key areas of governance which defines the values, ethics and conduct of the Group and policies and procedures in place to assist in ensuring that a sound system of internal control is maintained within the Group.

Organisational Structure

The business of the Group is managed by the Board which provides direction and oversight to the Group and management. The Board is supported by a number of Board Committees namely the ARMC, Nomination Committee ("NC") and Remuneration Committee ("RC"). Each committee has formal defined terms of reference and responsibilities and report on activities of each committee is presented to the Board on a regular basis.

There is a clearly defined organizational structure aligned to the operational requirements of the business of the Group within management, which provides the levels of authority limits, accountability and responsibility of the respective job functions of management.

Audit and Risk Management Committee and Internal Audit

The Group has outsourced the internal audit function to an independent professional firm which assists the ARMC to review the key business processes, check compliance with policies / procedures set by the Board, and evaluate the adequacy and effectiveness of risk management, internal control and governance processes established by the Board, through implementation of internal audits. The ARMC oversees the function of the Internal Auditor (IA), its independence, scope of work and resources.

The annual risk-based audit plan prepared by the IA is reviewed and approved by the ARMC. Based on the audits performed, significant findings and areas of improvement are reported periodically to the ARMC and management. A follow up audit is conducted to assess the implementation of the corrective action plans to address the internal control lapses which have been identified. Further details on the activities of the ARMC and the IA during the year are set out in the ARMC Report.

Integrity Framework

The Group is committed to upholding integrity and ethical values within the Group and has put in place a framework consisting of a Code of Conduct and Whistle-Blower Policy. The Code of Conduct and Whistle-Blower Policy have been clearly disseminated to the employees and also made available on the Group's website.

The Code of Conduct prescribes the Group's values and principles and sets the Group's expectations of its employees to act with integrity, professionalism and respect in performing their duties and in dealing with key stakeholders in the Company, workplace, industry and external stakeholders.

The Whistle-Blower Policy encourages and provides a channel for reporting possible improprieties without fear of reprisals and sets out the process to be undertaken upon receipt of any such reports. It also includes provisions to safeguard the confidentiality of the Whistleblower with the objective of ensuring no retaliation against the Whistleblower, if he or she has acted in good faith.

Quality, Environmental, Safety and Health ("QESH") Management Systems

The Group has established the QESH Management Systems which has been certified with ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 standards. Compliance with the processes and procedures set out in the QESH Management Systems helps to ensure high quality service, safe working environment and promote business activities which minimize negative impact on the environment.

As per the requirement of the ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 certifications, scheduled audits are conducted internally as well as by a certification body. Issues arising from these audits (if any) are presented to the management for review and further action, if any.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Human Capital

Talent plays a critical role in enabling the Group to achieve its business objectives. Succession planning has been put in place to ensure the Group has a strong management and technical team vital to maintaining the quality of the Group's services whilst retaining the clients' confidence.

The Group has established procedures and guidelines for human capital development and training, recruitment and performance appraisal to enhance staff competency and productivity.

Credit and Liquidity Risk Management

Such risks may arise from the inability to recover debts in a timely manner which may affect the Group's profitability and cash flow.

The Group minimizes such risks with the following measures:

- Assessing the project profile and contract period before determining the payment schedule and payment terms for each project
- Close monitoring of collections and overdue debts on a regular basis
- Adopts strict credit control policy

Insurance

The Group has in place adequate insurance coverage to minimize the adverse impact of potential claims on its results of operations or financial condition.

Legal

The Legal department plays a pivotal role in ensuring the interests of the Group are preserved and safeguarded from a legal perspective in its transactions with third parties. It also plays a key role in advising the Board on legal matters of the Group.

Company Secretary

The Company Secretary provides the necessary advice and guidance on matters relating to the Company's constitution, Board policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations.

Annual Budget

Comprehensive budgets are prepared on an annual basis by the operations units and presented to the Board for approvals. The Group's performance is tracked and measured against the approved budget on a quarterly basis. The quarterly results are reviewed by the Board to enable the directors to gauge the Group's overall performance as compared to the approved budgets and past results.

CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the risk management and internal control system adopted by the Group is operating adequately and effectively, in all material aspects, based on their observations in the course of their management of day-to-day operations of the Group.

The Board is pleased to report for the financial year under review and up to the date of this report, that the state of the internal control system and risk management practices are able to meet the objectives of the Group and to facilitate good corporate governance. There was no material control failure or weakness that would have a material adverse impact on the results of the Group for the period under review and up to the date of this report that would require a separate disclosure in the Group's annual report or financial statements.

This statement is made in accordance with a resolution of the Board dated 26 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company was listed on the ACE Market of Bursa Securities on 10 August 2016 in conjunction with its Initial Public Offering ("IPO") and subsequently was transferred to Main Market of Bursa Securities on 8 September 2017. In conjunction with the IPO, the Company undertook a public issue of 63,816,200 new ordinary shares of RM0.10 each at an issue price of RM0.50 per share, raising gross proceeds of RM31,908,100 ("IPO proceeds"). On 6 February 2018, the Company announced its intention to vary the utilisation of the IPO proceeds. The details of the variations of the IPO Proceeds are as set out below:

No	Details of Utilisation	IPO Proceeds ⁽ⁱ⁾ (RM'000)	Actual Utilisation ⁽ⁱⁱ⁾ (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation (RM'000)	Proposed Variations of IPO Proceeds Utilisation (RM'000)	Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1	(a) Expansion into India	15,000	-	15,000	(10,000) ⁽ⁱⁱⁱ⁾	5,000	18 months	Up to 36 months
	(b) Venture into the water sector in Malaysia	6,000	-	6,000	(6,000) ⁽ⁱⁱⁱ⁾	-	18 months	-
	(c) Venture into the power sector in Malaysia	3,000	-	3,000	-	3,000	18 months	Up to 36 months
	(d) Building Information Modeling	-	-	-	8,000	8,000	-	Up to 36 months
	(e) Facility Management	-	-	-	8,000	8,000	-	Up to 36 months
	Subtotal	24,000	-	24,000	-	24,000		
2	Repayment of bank borrowings	4,000	4,000	-	-	n/a	3 months	-
3	General working capital	708	708	-	-	n/a	12 months	-
4	Estimated listing expenses	3,200	3,200	-	-	n/a	1 month	-
	Total	31,908	7,908	24,000	-	24,000		

Notes:

(i) As per HEB's IPO Prospectus dated 29 June 2016

(ii) As at 26 March 2018

(iii) The excess amount of RM16,000,000 has been re-allocated to Building Information Modeling and Facility Management which form part of the HEB's existing business as well as its future plans and prospects as disclosed in the IPO Prospectus.

ADDITIONAL COMPLIANCE INFORMATION

RATIONALE

The Board has decided to re-allocate the utilisation of the IPO Proceeds for the following reasons:

- (a) In line with HEB's proposed expansion into the water industry, HEB has entered into a conditional Share Sale Agreement for the acquisition of 100% equity interest in SMHB Engineering Sdn Bhd ("SMHB Acquisition") at RM270 million. Instead of utilising the IPO Proceeds, SMHB Acquisition will be financed by debt, private placement of ordinary shares and rights issue which had been approved by the shareholders of HEB at the Extraordinary General Meeting held on 30 January 2018;
- (b) Present market development and geographical growth within Malaysia, ASEAN and India;
- (c) Building Information Modeling will be made mandatory in 2019 for public projects worth RM100 million in Malaysia; and
- (d) Develop a steady long-term income business model through facility management.

In addition, the revised timeframe for the utilisation of the IPO Proceeds will allow HEB to carefully assess its proposed investment into the identified areas of growth.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2017, the amount of audit fees and non-audit fees paid/payable by the Company and the Group to the Company's external auditors, Messrs Azman, Wong, Salleh & Co. and a corporation affiliated to Messrs Azman, Wong, Salleh & Co are as follows:

	Company RM	Group RM
Audit fees :		
- Messrs Azman, Wong, Salleh & Co.	25,000	125,000
Non-audit fees :		
- Messrs Azman, Wong, Salleh & Co.	46,000	46,000
- Corporation affiliated to Messrs Azman, Wong, Salleh & Co.	5,000	19,600
Total	51,000	65,600

The non-audit fees was mainly for the assurance services rendered by the external auditors for limited review on the Company's quarterly announcement on financial information to Bursa Malaysia.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year are as follows:

- (a) The Supplemental Shareholding Agreement entered into between HSS Engineering Sdn Bhd ("HSSE") with HSS Integrated Sdn Bhd ("HSSI") and all the current shareholders of HSSI on 6 April 2016, namely Tan Sri Ir. Kunasingam A/L V. Sittampalam, Dato' Ir. Nitchiananthan A/L Balasubramaniam and Dato' Ir. Khairudin Bin Sidek to safeguard the interest of HSSE pursuant to the Teaming and Support Services Agreement dated 2 January 2015 (as supplemented by the Supplemental Agreement dated 19 June 2015).
- (b) The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Dominant Sphere Sdn Bhd and ADI Capital Sdn Bhd for the acquisition by the Company of the entire equity interest of HSSE for a total consideration of RM22,739,776.
- (c) The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Tan Sri Ir. Kunasingam A/L V. Sittampalam, Vanessa A/P Santhakumar, Dato' Ir. Nitchiananthan A/L Balasubramaniam, Ir. Sharifah Azlina Binti Raja Kamal Pasmah, Ganesh Balasubramanian and Jagannathan Ragunathan for the acquisition by the Company of the entire equity interest of HSS BIM Solutions Private Limited for a total consideration of RM1,644,102.
- (d) The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Tan Sri Ir. Kunasingam A/L V. Sittampalam, Vanessa A/P Santhakumar, Dato' Ir. Nitchiananthan A/L Balasubramaniam, Ir. Sharifah Azlina Binti Raja Kamal Pasmah, Ganesh Balasubramanian and Jagannathan Ragunathan for the acquisition by the Company of the entire equity interest of BIM Global Ventures Sdn Bhd for a total consideration of RM1,142,593.
- (e) The Share Subscription Agreement dated 11 April 2016 between the Company and Ganesh Balasubramanian and Jagannathan Ragunathan for the subscription of a total of 4,932,306 the Company's shares at the issue price of RM0.10 per share.
- (f) The Share Sale Agreement dated 30 May 2016 entered into between HSSE, Tan Sri Ir. Kunasingam A/L V. Sittampalam and Dato' Ir. Nitchiananthan A/L Balasubramaniam for the acquisition by HSSE of 30% of equity interest in HSSI for a total consideration of RM897,710.
- (g) The Share Sale Agreement dated 30 May 2016 entered into between HSSE and Ir. Azman Bin Ab. Rahman for the acquisition by HSSE of 30% of equity interest in HSS Mekanikal & Elektrikal Sdn Bhd for a total consideration of RM8,784.
- (h) The Supplemental Shareholding Agreement entered into between HSSE with HSSI and shareholders of HSSI on 18 January 2018, namely Tan Sri Ir. Kunasingam A/L V. Sittampalam, Dato' Ir. Nitchiananthan A/L Balasubramaniam and Ir. Sharifah Azlina binti Raja Kamal Pasmah to safeguard the interest of HSSE pursuant to the Teaming and Support Services Agreement dated 2 January 2015 (as supplemented by the Supplemental Agreement dated 19 June 2015).

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs")

There were no RRPTs of a revenue or trading nature entered into during the financial year 31 December 2017 by the Group.

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and other details of the subsidiaries are as disclosed in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the year.

2. FINANCIAL RESULTS

The financial results of operations during the year are as follows:-

	Group RM	Company RM
Profit before taxation	21,826,629	7,330,237
Taxation	(6,797,821)	(176,852)
Profit for the year	15,028,808	7,153,385

3. DIVIDENDS

Dividends declared and paid since the end of the previous financial year are as follows :-

- (a) A final single tier dividend of 0.63 sen per ordinary share amounting to RM2,010,210 in respect of the financial year ended 31 December 2016 as dealt with in the Directors' Report for that financial year, paid on 31 May 2017 pursuant to declaration by the directors on 4 April 2017 and approval of the shareholders at the Annual General Meeting held on 27 April 2017.
- (b) An interim single tier dividend of 0.79 sen per ordinary share amounting to RM2,520,740 in respect of the financial year ended 31 December 2017, declared by the directors on 27 December 2017 and paid on 23 January 2018.

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2017.

4. SHARE CAPITAL

The Company did not issue any shares during the financial year.

Upon the commencement of the Companies Act 2016 ("Act") on 31 January 2017, which abolished the concept of authorised share capital and par value of share capital, the Company's share premium of RM22,326,480 became part of the Company's share capital as of that date pursuant to the transitional provision set out in Section 618(2) of the Act. Consequently, the issued and paid-up share capital of the Company became RM54,234,581 comprising 319,081,010 ordinary shares as at 31 January 2017. Notwithstanding and pursuant to Section 618(3) of the Act, the Company may, within twenty-four months upon commencement of the Act, use the amount standing to the credit of the share premium account for the purposes provided for under that section of the Act.

5. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 December 2017.

6. DIRECTORS OF THE COMPANY

The names of the directors in office during the financial year and during the period from the end of the financial year to the date of this report are:-

Dato' Mohd Zakhir Siddiqy Bin Sidek

Tan Sri Ir. Kunasingam A/L V. Sittampalam

Dato' Ir. Nitchiananthan A/L Balasubramaniam

Mohan A/L Ramalingam

Foo Lee Khean

Ir. Sharifah Azlina Bt Raja Kamal Pasmah

(Resigned as alternate director to Dato' Ir. Nitchiananthan A/L Balasubramaniam and appointed as director on 1 January 2018)

Ng Kuan Yee

(Appointed as alternate director to Dato' Ir. Nitchiananthan A/L Balasubramaniam on 1 January 2018)

Dato' Ir. Khairudin Bin Sidek (Resigned on 1 January 2018)

The following represents the interests of the directors in office at the end of the financial year in the shares of the Company:-

Director	No. of Ordinary Shares		
	Balance as at 1.1.2017	Acquired	Balance as at 31.12.2017
Dato' Mohd Zakhir Siddiqy Bin Sidek	500,000	-	500,000
Tan Sri Ir. Kunasingam A/L V. Sittampalam			
- Indirect interest *	100,000,000	-	100,000,000
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500,000	-	8,500,000
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000,000	-	4,000,000
Dato' Ir. Khairudin Bin Sidek	500,000	-	500,000
Mohan A/L Ramalingam	1,000,000	-	1,000,000
Foo Lee Khean	-	-	-

* Indirect interest by virtue of his shareholdings in Victech Solutions Sdn Bhd.

By virtue of his substantial shareholdings in the Company, Tan Sri Ir. Kunasingam A/L V. Sittampalam is deemed to have interests in the shares in all the wholly owned subsidiaries of the Company.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the director or his nominees or with a firm of which he is a member or with a company in which he has a substantial financial interest other than (i) benefits included in the aggregate amount of fees and remuneration received or due and receivable by the directors as disclosed in Note 24(a) to the financial statements; and (ii) by virtue of transactions entered into in the ordinary course of business.

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The insurances effected for the purpose of indemnifying the directors and officers of the Company and its subsidiaries against liability cover amount up to a total limit of RM60,000,000 for the financial year.

DIRECTORS' REPORT

7. OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:-
 - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records have been written down to an amount which they might be expected so to realise.
- (b) As at the date of this report:-
 - (i) the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate;
 - (iv) the directors are not aware of any circumstances that would render any amount stated in the financial statements of the Group and of the Company misleading;
 - (v) there does not exist any charge on the assets of the Group and of the Company that has arisen since 31 December 2017 which secures the liabilities of any other person; and
 - (vi) there does not exist any contingent liability in respect of the Group and of the Company that has arisen since 31 December 2017.
- (c) No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months from 31 December 2017 which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
- (d) In the opinion of the directors:-
 - (i) the results of the operations of the Group and of the Company for the year ended 31 December 2017 were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between 31 December 2017 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

8. AUDITORS

- (a) Details of auditors' remuneration in respect of the Group and of the Company are disclosed in Note 24(a) to the financial statements. No indemnity was given to nor was there any insurance effected for the auditors during the financial year.
- (b) The auditors, Messrs. Azman, Wong, Salleh & Co. have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Board of Directors,

TAN SRI IR. KUNASINGAM A/L V. SITTAMPALAM
 Director

DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM
 Director

Kuala Lumpur,
 26 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

			Group		Company
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	5,387,934	5,684,470	-	-
Intangible assets	5	689,919	812,571	-	-
Investment in subsidiaries	6	-	-	25,526,471	25,526,471
Investment in associates	7	1,263,164	1,113,403	-	-
Deferred tax assets	8	89,728	36,984	-	-
		7,430,745	7,647,428	25,526,471	25,526,471
CURRENT ASSETS					
Trade receivables	9	87,987,303	72,739,962	-	-
Other receivables, deposits and prepayments	10	5,174,751	2,942,200	1,588,397	88,814
Amount due from a subsidiary	11	-	-	8,083,975	3,524,220
Tax recoverable		138,437	215,310	-	1,500
Short term deposits with licensed banks	12	42,808,751	41,108,237	24,000,000	24,000,000
Cash and bank balances		5,682,094	539,407	52,901	132,535
		141,791,336	117,545,116	33,725,273	27,747,069
TOTAL ASSETS		149,222,081	125,192,544	59,251,744	53,273,540
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	13	54,234,581	31,908,101	54,234,581	31,908,101
Share premium	14	-	22,326,480	-	22,326,480
Foreign currency translation reserve	16	283,000	300,732	-	-
Retained profits/(Accumulated losses)		34,683,287	24,173,065	1,189,759	(1,432,676)
		89,200,868	78,708,378	55,424,340	52,801,905

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

ABOUT US
OUR PERFORMANCE
LEADERSHIP
OUR COMMITMENT TO BUSINESS SUSTAINABILITY
OUR COMMITMENT TO GOOD GOVERNANCE
FINANCIAL STATEMENTS
SHAREHOLDERS' INFORMATION

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
NON-CURRENT LIABILITIES					
Retirement benefit obligations	17	53,760	63,465	-	-
Deferred tax liabilities	8	330,000	151,000	-	-
Term loan (unsecured)	18	80,730	-	-	-
Hire purchase payables	19	938,939	644,359	-	-
		1,403,429	858,824	-	-
CURRENT LIABILITIES					
Trade payables	20	24,859,692	18,188,457	-	-
Other payables, accruals and provisions	21	12,410,289	8,835,323	3,796,468	471,635
Term loan (unsecured)	18	34,593	-	-	-
Hire purchase payables	19	899,288	705,651	-	-
Taxation		887,989	1,524,486	30,936	-
Bank overdrafts (secured)	22	19,525,933	16,371,425	-	-
		58,617,784	45,625,342	3,827,404	471,635
TOTAL LIABILITIES		60,021,213	46,484,166	3,827,404	471,635
TOTAL EQUITY AND LIABILITIES		149,222,081	125,192,544	59,251,744	53,273,540

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

			Group		Company
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Operating revenue	23	145,666,146	139,004,536	8,500,000	-
Direct costs		(95,724,165)	(90,527,958)	-	-
Gross profit		49,941,981	48,476,578	8,500,000	-
Other operating income		1,260,374	854,070	777,711	444,717
Administrative expenses		(23,466,832)	(24,435,646)	(1,412,881)	(1,241,485)
Other operating expenses		(4,728,570)	(3,774,657)	(534,593)	(622,929)
Profit/(Loss) for the year from operations	24	23,006,953	21,120,345	7,330,237	(1,419,697)
Finance costs	25	(1,330,085)	(1,436,740)	-	-
Share of result of associates		149,761	206,909	-	-
Profit/(Loss) before taxation		21,826,629	19,890,514	7,330,237	(1,419,697)
Taxation	26	(6,797,821)	(5,872,869)	(176,852)	(6,000)
Profit/(Loss) for the year		15,028,808	14,017,645	7,153,385	(1,425,697)
Other comprehensive (loss)/income:					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation (loss)/gain		(17,732)	35,878	-	-
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Actuarial gain on defined benefit obligations		17,893	9,697	-	-
Deferred tax effect on actuarial gain on defined benefit obligations		(5,529)	(2,996)	-	-
Total other comprehensive (loss)/income for the year, net of tax		(5,368)	42,579	-	-
Total comprehensive income/(loss) for the year		15,023,440	14,060,224	7,153,385	(1,425,697)
Earnings per share (sen)					
Basic	27	4.71	4.97		

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Non-Distributable					Distributable Retained Profits RM	Total RM
	Share Capital (Note 13) RM	Share Premium (Note 14) RM	Invested Equity (Note 15) RM	Foreign Currency Translation Reserve (Note 16) RM			
As at 1 January 2016	10	-	6,302,164	264,854		29,373,026	35,940,054
Other comprehensive income:							
- Actuarial gain on defined benefit obligations, net of tax	-	-	-	-		6,701	6,701
- Foreign currency translation gain	-	-	-	35,878		-	35,878
Total other comprehensive income	-	-	-	35,878		6,701	42,579
Profit for the year	-	-	-	-		14,017,645	14,017,645
Total comprehensive income for the year	-	-	-	35,878		14,024,346	14,060,224
Issuance of new shares	31,908,091	25,526,480	-	-		-	57,434,571
Share issue expenses	-	(3,200,000)	-	-		-	(3,200,000)
Effects of merger	-	-	(6,302,164)	-		(19,224,307)	(25,526,471)
Total transactions with owners for the year	31,908,091	22,326,480	(6,302,164)	-		(19,224,307)	28,708,100
As at 31 December 2016	31,908,101	22,326,480	-	300,732		24,173,065	78,708,378

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Share Capital (Note 13) RM	Share Premium (Note 14) RM	Non-Distributable		Total RM
			Foreign Currency Translation Reserve (Note 16) RM	Distributable Retained Profits RM	
As at 1 January 2017	31,908,101	22,326,480	300,732	24,173,065	78,708,378
Effect of change to no par value shares on 31 January 2017	22,326,480	(22,326,480)	-	-	-
Other comprehensive loss:					
- Actuarial gain on defined benefit obligations, net of tax	-	-	-	12,364	12,364
- Foreign currency translation loss	-	-	(17,732)	-	(17,732)
Total other comprehensive loss	-	-	(17,732)	12,364	(5,368)
Profit for the year	-	-	-	15,028,808	15,028,808
Total comprehensive income for the year	-	-	(17,732)	15,041,172	15,023,440
Dividends (Note 28)	-	-	-	(4,530,950)	(4,530,950)
As at 31 December 2017	54,234,581	-	283,000	34,683,287	89,200,868

Company	Share Capital (Note 13) RM	Share Premium (Note 14) RM	Non-Distributable (Accumulated Losses)/		Total RM
			Share Premium (Note 14) RM	Retained Profits RM	
As at 1 January 2016	10	-	-	(6,979)	(6,969)
Issuance of new shares	31,908,091	25,526,480	-	-	57,434,571
Share issue expenses	-	(3,200,000)	-	-	(3,200,000)
Loss for the year representing total comprehensive loss for the year	-	-	-	(1,425,697)	(1,425,697)
As at 31 December 2016	31,908,101	22,326,480	(1,432,676)	-	52,801,905
Effect of change to no par value shares on 31 January 2017	22,326,480	(22,326,480)	-	-	-
Profit for the year representing total comprehensive income for the year	-	-	-	7,153,385	7,153,385
Dividends (Note 28)	-	-	-	(4,530,950)	(4,530,950)
As at 31 December 2017	54,234,581	-	1,189,759	55,424,340	55,424,340

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	21,826,629	19,890,514	7,330,237	(1,419,697)
Adjustments for:				
Allowance for impairment losses				
on trade receivables, net of reversal	645,074	216,459	-	-
Depreciation of property, plant and equipment	1,095,729	1,049,465	-	-
Amortisation of intangible assets	319,351	386,957	-	-
Interest on hire purchase	102,278	119,020	-	-
Interest on bank overdrafts	1,221,415	1,317,720	-	-
Interest on term loan	6,392	-	-	-
Interest income from short term deposits	(1,206,489)	(541,804)	(777,295)	(217,774)
Other interest income	(416)	(16,943)	(416)	(16,943)
Dividend income from a subsidiary	-	-	(8,500,000)	-
Loss/(Gain) on disposal of property, plant and equipment	1,710	(55,146)	-	-
Trade receivables written-off	108,101	-	-	-
Other receivables written-off	95,000	-	-	-
Defined benefit cost	10,403	12,475	-	-
Provision for compensated absences	225,608	311,696	-	-
Reversal of provision for compensated absences	(549,168)	(196,100)	-	-
Share of results of associates	(149,761)	(206,909)	-	-
Operating profit/(loss) before working capital changes	23,751,856	22,287,404	(1,947,474)	(1,654,414)
Changes in working capital:				
Increase in trade receivables	(16,000,516)	(19,632,984)	-	-
(Increase)/Decrease in other receivables, deposits and prepayments	(1,460,273)	3,018,283	(1,499,583)	1,340,870
Decrease in amount due to related parties	-	(2,367,547)	-	(1,433,163)
Decrease/(Increase) in amount due from a subsidiary	-	-	1,440,245	(3,524,220)
Increase/(Decrease) in trade payables	6,671,235	(1,028,344)	-	-
Increase in other payables, accruals and provisions	1,377,786	4,683,220	804,093	468,135
Cash generated from/(used in) operations	14,340,088	6,960,032	(1,202,719)	(4,802,792)
Taxation paid	(7,240,455)	(4,092,921)	(144,416)	(7,500)
Net cash generated from/(used in) operating activities	7,099,633	2,867,111	(1,347,135)	(4,810,292)

The notes on pages 99 to 140 form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment [Note 33(a)]	(458,523)	(858,881)	-	-
Purchase of intangible assets [Note 33(b)]	(197,194)	(33,484)	-	-
Proceeds from disposal of property, plant and equipment	58,833	55,146	-	-
Purchase of investment in associates	-	(906,494)	-	-
Dividend paid	(2,010,210)	-	(2,010,210)	-
Dividend received from a subsidiary	-	-	2,500,000	-
Interest received on short term deposits	1,206,489	541,804	777,295	217,774
Other interest income received	416	16,943	416	16,943
Net cash (used in)/generated from investing activities	(1,400,189)	(1,184,966)	1,267,501	234,717
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	31,908,100	-	31,908,100
Payment of share issue expenses	-	(3,200,000)	-	(3,200,000)
Payment of hire purchase financing	(783,140)	(819,134)	-	-
Drawdown of term loan	129,490	-	-	-
Repayment of term loan	(11,932)	-	-	-
Placement of fixed deposits pledged	(3,433,890)	(4,790,733)	-	-
Interest paid on hire purchase	(102,278)	(119,020)	-	-
Interest paid on term loan	(6,392)	-	-	-
Interest paid on bank overdrafts	(1,221,415)	(1,317,720)	-	-
Net cash (used in)/generated from financing activities	(5,429,557)	21,661,493	-	28,708,100
Net increase/(decrease) in cash and cash equivalents during the year	269,887	23,343,638	(79,634)	24,132,525
Effect of exchange rate changes on cash and cash equivalents	(15,084)	14,764	-	-
Cash and cash equivalents at beginning of year	12,901,357	(10,457,045)	24,132,535	10
Cash and cash equivalents at end of year [Note 33(d)]	13,156,160	12,901,357	24,052,901	24,132,535

The notes on pages 99 to 140 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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1. GENERAL INFORMATION

HSS Engineers Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company was initially listed on the ACE Market of Bursa Malaysia Securities Berhad on 10 August 2016. During the year, the listing of the Company was transferred to the Main Market of Bursa Malaysia Securities Berhad on 8 September 2017.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan and its principal place of business is located at Wisma HSS Integrated, B1 (1-4), Block B, Plaza Dwtasik, No. 21, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associates are set out in Notes 6 and 7 to the financial statements respectively.

These financial statements comprise the consolidated financial statements and the financial statements of the Company and they are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors on 26 March 2018.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistent with those applied in the previous financial year other than the application of amendments to MFRSs adopted as disclosed in Note 2.2 below, where applicable.

2.2 Adoption of Amendments to MFRSs

During the financial year, the Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 January 2017:-

Amendments to MFRS 107 - Disclosure Initiative

Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to MFRS 12, Disclosure of Interests in Other Entities classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"

The adoption of the above amendments to MFRSs did not result in any changes to the Group's accounting policies and their initial application where applicable have no significant impact on the financial statements of the Group and of the Company other than as described below :-

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of Amendments to MFRSs (cont'd)

Amendments to MFRS 107 - Disclosure Initiative

The Amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in the entity's liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are liabilities for which the attributable cash flows are reflected as cash flows from financing activities in the entity's statement of cash flows.

The Group's liabilities arising from financing activities consist of term loan and hire purchase financing as disclosed in Notes 18 and 19 respectively. A reconciliation between the opening and closing balances of these liabilities for the current year is provided in Note 33(c). The Group has not provided comparative information for the prior period in accordance with the transitional provision of the Amendments. Apart from the additional disclosure in Note 33(c), the initial application of the Amendments has no financial impact on the financial statements of the Group and of the Company.

2.3 New MFRSs and Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group has not early adopted the following new MFRSs and Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective:-

Effective for annual periods beginning on or after 1 January 2018

MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

MFRS 15, Revenue from Contracts with Customers

Clarifications to MFRS 15, Revenue from Contracts with Customers

Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 140 - Transfers of Investment Property

Amendments to MFRS 128 - Investments in Associates and Joint Ventures classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures

Amendments to MFRS 9 - Prepayment Features with Negative Compensation

Amendments to MFRS 3 and MFRS 11 - Previously Held Interest in a Joint Operation,

Amendments to MFRS 112 - Income Tax Consequences of Payments on Financial Instruments Classified as Equity, and

Amendments to MFRS 123 - Borrowing Costs Eligible for Capitalisation, classified as "Annual Improvements to MFRSs 2015 - 2017 Cycle"

IC Interpretation 23, Uncertainty Over Income Tax Treatments

Effective for annual periods beginning on or after a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above new MFRSs and amendments to MFRSs and IC interpretations that are applicable when they become effective. The main features of the significant new standards and amendments and their possible impact on the financial statements of the Group and of the Company upon initial application based on assessments to-date are set out below :-

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (cont'd)

(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) (cont'd)

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.
- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139, i.e., fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

The new requirements on classification and measurement of financial assets and financial liabilities under MFRS 9 are not expected to have any impact on the financial statements of the Group and of the Company. However, the Group expects the application of the new expected credit losses impairment on its financial assets and also contract assets arising from the application of MFRS 15, Revenue from Contracts with Customers to result in additional allowance for impairment losses for these items in the financial statements of the Group and of the Company.

(b) MFRS 15 and Clarifications to MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps :-

- | | |
|--------|---|
| Step 1 | Identify the contract(s) with a customer |
| Step 2 | Identify the performance obligations in the contract |
| Step 3 | Determine the transaction price |
| Step 4 | Allocate the transaction price to the performance obligations in the contract |
| Step 5 | Recognise revenue when (or as) the entity satisfies a performance obligation |

NOTES TO THE FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRSs and Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (cont'd)

(b) MFRS 15 and Clarifications to MFRS 15, Revenue from Contracts with Customers (cont'd)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

The Clarifications to MFRS 15 clarify how certain principles should be applied in:-

- (i) identifying whether performance obligations are distinct;
- (ii) determining whether an entity is a principal or an agent; and
- (iii) assessing whether revenue from a licence of intellectual property is recognised over time or at a point in time.

The Group does not expect the application of the new revenue recognition model to result in any significant impact on the financial statements of the Group and of the Company as the current revenue recognition for contracts of services based on stage of completion of the services will continue to be appropriate under MFRS 15. However, revenue recognised for services rendered which is conditional on further performance obligation and progress billings of which performance obligation has yet to be satisfied relating to such contracts in progress shall be classified as contract assets and contract liabilities respectively with the contract assets to be subject to impairment assessment for expected credit losses under MFRS 9. In addition, there will be new disclosures on balance of transaction price allocated to performance obligations yet to be satisfied on contracts in progress and the timing of their recognition as revenue, and reconciliation of contract asset and liability balances with revenue recognised for the period.

(c) MFRS 16, Leases

MFRS 16 will supersede the existing MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

MFRS 16 also requires a more extensive disclosures.

The Group has yet to complete its assessment of the potential impact of the initial application of MFRS 16 on the financial statements of the Group and of the Company. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Other than as described above, the initial application of the other standards, amendments and interpretations is not expected to have any significant impact on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method except for combinations of entities or businesses under common control. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Business Combinations (cont'd)

Subsidiaries arising from common control combinations are consolidated using the principles of merger accounting. The common control combinations are business combinations in which all the combining entities have common ultimate controlling parties prior to and immediately after such combinations. Under the principles of merger accounting, the assets and liabilities of the combining entities are consolidated using the existing book values from the controlling parties' perspective and the results of each of the combining entity are presented as if the combination had been effected throughout the current and previous comparative periods presented. On consolidation, the cost of investment is matched against the nominal value of ordinary shares acquired and any resulting credit difference (merger reserve) is classified under equity as a non distributable reserve and any resulting debit difference (merger deficit) is adjusted against suitable consolidated reserves.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2.6 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.7 Foreign Currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Foreign Currencies (cont'd)

Foreign currency transactions and balances (cont'd)

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Associates

An associate is an entity, including an unincorporated entity, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investments in associates are initially recognised at cost and adjusted thereafter for the Group's share of the profit or loss and changes in the associates' other comprehensive income after the date of acquisition. Equity accounting is discontinued when the Group's share of losses of an associate equals or exceeds its interest in the associate. Once the Group's interest in such associate is reduced to zero, additional losses are provided for and a liability recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment.

NOTES TO THE FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Associates (cont'd)

On acquisition of an investment in an associate, any excess between the cost of the investment and the Group's share of net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at the end of each reporting date whether there is any objective evidence that the investments in associates are impaired. If such evidence exists, the Group determines the amount of impairment by comparing the investment's recoverable amount with its carrying amount (including goodwill) and the impairment loss is recognised to profit or loss as part of the Group's share of results of associates.

In applying the equity method of accounting, the latest audited financial statements of the associate are used. Where the reporting dates of the Group and the associate are not coterminous, equity accounting is applied on the management accounts made to the financial year end of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group reduces its equity interest in an associate but continues to apply the equity method, the Group reclassifies to profit or loss the proportion of gain or loss that had previously been recognised in other comprehensive income.

The Group discontinues the use of equity method from the date when its investment ceases to be an associate. If the Group retains interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date. The Group recognises in profit or loss the difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued.

2.9 Investments in Subsidiaries and Associates

In the Company's separate financial statements, investments in subsidiaries and associates are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.12. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

2.10 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, Plant and Equipment (cont'd)

The annual depreciation rates used are as follows:-

Furniture and fittings	10%
Motor vehicles	20%
Office equipment	15% to 20%
Renovation	10%
Computer	15% to 33.3%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.12.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.11 Intangible Assets - Computer Software

The costs of computer software licences that are acquired separately are capitalised as an intangible asset and are carried at costs less accumulated amortisation and any accumulated impairment losses. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight-line basis over the period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

The annual amortisation rate used are as follows:-

Computer software	15% to 33.3%
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The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis.

2.12 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified. For intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill arising from a business combination allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of Non-Financial Assets (cont'd)

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.13 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned.

Trade date accounting refers to :

- the recognition of an asset to be received and the liability to pay for it on the trade date, i.e., the date the Company commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Classification and measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if:-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial Assets (cont'd)

Classification and measurement (cont'd)

(a) Financial assets at fair value through profit or loss (cont'd)

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans, other receivables and cash and bank balances are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial Assets (cont'd)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e., the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statement of cash flows is prepared using the indirect method.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Cash and Cash Equivalents (cont'd)

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2.13(c).

2.15 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared at or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.16 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if:-

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial Liabilities (cont'd)

Derecognition of a financial liability

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.17 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

Assets acquired under hire purchase and finance lease arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are recognised in profit or loss over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment and intangible assets acquired under hire purchase arrangements are consistent with the Group's depreciation policy as set out in Note 2.10 and Note 2.11 above.

Operating lease

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the period of the relevant leases.

2.19 Employee Benefits

Short-term employee benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

Defined contribution plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee Benefits (cont'd)

Defined contribution plans (cont'd)

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined on an annual basis by independent qualified actuaries using the Projected Unit Credit Method.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2.20 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable profit for the year and is calculated using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

NOTES TO THE FINANCIAL STATEMENTS

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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Income Taxes (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.21 Provisions

Provisions for liabilities are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

2.22 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of qualifying assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.23 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group.

The following specific recognition criteria must also be met before revenue is recognised:-

(a) Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the services at the end of the reporting period. The stage of completion is determined based on the proportion of cumulative staff time costs utilised over the allocated budgeted costs for the services to be rendered.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue (cont'd)

(b) Interest

Interest income is recognised on an accrual basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment has been established.

2.24 Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

2.25 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are amortised in profit or loss using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.26 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Chief Executive Officer who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

2.27 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the MFRSs and IFRSs requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements made in the process of applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management is of the opinion that any instances of application of judgement are not expected to have significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with in Note 3.2 below.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of trade receivables

The Group assesses at each reporting date, on an individual basis, whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables and the allowance for impairment losses are disclosed in Note 9.

Retirement benefit obligations

The Group's retirement benefit obligations for eligible employees were measured by an actuarial valuation using the Projected Unit Credit Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligations. All these assumptions are disclosed in Note 17.

The amount of the Group's retirement benefit obligations as at 31 December 2017 is RM53,760 (2016: RM63,465). A sensitivity analysis showing the effects of changes in the estimates used on the amount of the obligations at the end of the reporting period is disclosed in Note 17.

Revenue recognition

The Group determines revenue to be recognised based on the stage of completion of the services rendered at the reporting date. Significant judgement based on past experiences of similar type of services is required in this revenue recognition method as it involves estimation of costs allocation to budgets and recoverability of staff time costs incurred as well as variation work recoverable from customers.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and fittings RM	Motor Vehicles RM	Computer RM	Office Equipment RM	Renovation RM	Total RM
<u>Cost</u>						
At 1 January 2016	620,978	612,031	3,683,263	867,154	4,702,486	10,485,912
Additions	20,632	97,900	557,937	249,465	316,960	1,242,894
Disposal	-	(249,209)	-	-	-	(249,209)
Exchange differences	3,222	-	5,599	1,411	3,124	13,356
At 31 December 2016	644,832	460,722	4,246,799	1,118,030	5,022,570	11,492,953
Additions	22,055	165,094	332,364	253,122	89,967	862,602
Disposal	(76,576)	(183,355)	-	(20,614)	-	(280,545)
Written-off	-	-	-	-	(185,708)	(185,708)
Exchange differences	(3,653)	-	(13,287)	(2,665)	2,076	(17,529)
At 31 December 2017	586,658	442,461	4,565,876	1,347,873	4,928,905	11,871,773
<u>Accumulated Depreciation</u>						
At 1 January 2016	162,611	549,603	2,365,805	481,581	1,434,360	4,993,960
Charge for the year	60,587	40,407	390,834	119,759	437,878	1,049,465
Eliminated on disposal	-	(249,209)	-	-	-	(249,209)
Exchange differences	1,948	-	7,176	1,709	3,434	14,267
At 31 December 2016	225,146	340,801	2,763,815	603,049	1,875,672	5,808,483
Charge for the year	59,209	38,780	390,034	149,761	457,945	1,095,729
Eliminated on disposal	(23,049)	(183,354)	-	(13,599)	-	(220,002)
Eliminated on written-off	-	-	-	-	(185,708)	(185,708)
Exchange differences	(2,001)	-	(12,469)	(2,268)	2,075	(14,663)
At 31 December 2017	259,305	196,227	3,141,380	736,943	2,149,984	6,483,839
<u>Net Book Value</u>						
At 31 December 2016	419,686	119,921	1,482,984	514,981	3,146,898	5,684,470
At 31 December 2017	327,353	246,234	1,424,496	610,930	2,778,921	5,387,934
<u>Net book value of assets acquired under hire purchase arrangements</u>						
At 31 December 2016	30,016	119,920	655,290	111,959	829,492	1,746,677
At 31 December 2017	26,527	246,234	619,626	217,613	721,648	1,831,648

The carrying amount of property, plant and equipment which have been charged to a licensed bank as security for banking facilities granted to a subsidiary, as disclosed in Note 22 amounted to RM5,069,674 (2016: RM5,256,507).

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5. INTANGIBLE ASSETS

Computer Software	Group	
	2017 RM	2016 RM
<u>Cost</u>		
At 1 January	3,133,039	3,042,659
Additions	197,194	81,424
Exchange differences	(21,548)	8,956
At 31 December	3,308,685	3,133,039
<u>Accumulated Amortisation</u>		
At 1 January	2,320,468	1,920,962
Charge for the year	319,351	386,957
Exchange differences	(21,053)	12,549
At 31 December	2,618,766	2,320,468
Carrying amount	689,919	812,571

Computer software with carrying amount of RM241,856 (2016: RM418,438) were acquired under hire purchase arrangements.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares - at cost	25,526,471	25,526,471

Details of the subsidiaries which are incorporated and have their principal place of business in Malaysia unless otherwise stated are as follows:-

Name of Subsidiaries	Principal Activities	Percentage of Equity Interest	
		2017	2016
HSS Engineering Sdn Bhd	Provision of engineering and project management services.	100%	100%
BIM Global Ventures Sdn Bhd	Provision of Building Information Modeling ("BIM") services.	100%	100%
HSS BIM Solutions Private Limited * (Incorporated in India)	Provision of BIM services.	100%	100%

* Not audited by Azman, Wong, Salleh & Co.

7. INVESTMENT IN ASSOCIATES

	Group 2017 RM	2016 RM
Unquoted shares - at cost	906,494	906,494
Accumulated share of post acquisition reserve	356,670	206,909
Carrying amount	1,263,164	1,113,403

- (a) Details of the associates, which are incorporated and have their principal place of business in Malaysia, with financial year ending 31 December are as follows:-

Name of Associates	Principal Activities	Percentage of Equity Interest	
		2017	2016
HSS Integrated Sdn Bhd	Provision of civil and structural engineering consultancy services	30%	30%
HSS Mekanikal & Elektrikal Sdn Bhd	Provision of mechanical and electrical engineering consultancy services	30%	30%

- (b) The summarised financial information of the associates which are accounted for by the Group using the equity method are as follows :

	HSS Integrated Sdn Bhd		HSS Mekanikal & Elektrikal Sdn Bhd	
	2017 RM	2016 RM	2017 RM	2016 RM
Assets and Liabilities				
Current assets	99,224,462	79,291,188	1,080,500	1,427,471
Current liabilities	(95,013,917)	(75,644,623)	(1,092,714)	(1,362,694)
Net asset/(liabilities)	4,210,545	3,646,565	(12,214)	64,777
Financial Results				
Revenue	144,550,800	135,532,743	162,840	1,285,894
Profit/(Loss) for the year/Total comprehensive income/(loss)	563,981	654,198	(76,991)	35,498
Share of profit/(loss) for the year	169,194	196,260	(19,433)	10,649
Reconciliation of Group's share of net assets/(liabilities) to carrying amount as at 31 December				
Group's share of net assets/(liabilities)	1,263,164	1,093,970	(3,664)	19,433
Group's cumulative unrecognised share of losses	-	-	3,664	-
Carrying amount	1,263,164	1,093,970	-	19,433

The Group's share of loss for the year of HSS Mekanikal & Elektrikal Sdn Bhd has been restricted to its interest in the associate. The share of loss for the year not recognised by the Group amounted to RM3,664.

- (c) Contingent liabilities incurred by the Group relating to its interest in associates are disclosed in Note 32(d).

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8. DEFERRED TAXATION

	Group	
	2017 RM	2016 RM
At 1 January	114,016	129,272
Recognised in profit or loss (Note 26)		
- property, plant and equipment	72,765	109,796
- intangible assets	13,000	(78,000)
- unabsorbed tax losses	7,297	(16,652)
- unutilised capital allowances	(11,456)	1,622
- retirement benefit obligations	(42,616)	(2,980)
- provisions	78,000	(31,992)
	116,990	(18,206)
Recognised in other comprehensive income		
- retirement benefit obligations	5,529	2,996
Exchange differences	3,737	(46)
At 31 December	240,272	114,016

The components of deferred tax liabilities are as follows:-

Taxable temporary differences		
- property, plant and equipment	545,289	453,130
- intangible assets	159,000	146,000
	704,289	599,130
Offsetting	(374,289)	(448,130)
After offsetting	330,000	151,000

The components of deferred tax assets are as follows:-

Deductible temporary differences		
- property, plant and equipment	55,014	37,903
- unutilised capital allowances	13,934	2,478
- retirement benefit obligations	34,714	(919)
- provisions	347,000	425,000
	450,662	464,462
Unabsorbed tax losses	13,355	20,652
	464,017	485,114
Offsetting	(374,289)	(448,130)
After offsetting	89,728	36,984
Presented after appropriate offsetting as follows:-		
Deferred tax liabilities	330,000	151,000
Deferred tax assets	89,728	36,984

The unabsorbed tax losses of a subsidiary for which deferred tax assets have not been recognised in the financial statements are amounting to RM866,699 (2016: RM429,942).

9. TRADE RECEIVABLES

	2017 RM	Group 2016 RM
Trade receivables	89,310,295	73,417,880
Allowance for impairment losses	(1,322,992)	(677,918)
	87,987,303	72,739,962

The normal credit terms of trade receivables range from 30 to 90 days (2016: 30 to 90 days).

The ageing analysis of the Group's trade receivables is as follows:-

	2017 RM	Group 2016 RM
Neither past due nor impaired	72,068,027	60,196,973
1 to 90 days past due not impaired	10,038,638	5,732,888
91 to 365 days past due not impaired	1,975,259	4,517,995
More than 365 days past due not impaired	3,905,379	2,292,106
	15,919,276	12,542,989
Impaired	1,322,992	677,918
	89,310,295	73,417,880

Trade receivables that are individually determined to be impaired comprised those customers who have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

Trade receivables not impaired including those that are past due are considered to be creditworthy and are able to settle their debts.

The Group does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group did not renegotiate the terms of any trade receivable.

Movements in allowance for impairment losses on trade receivables during the year:-

	2017 RM	Group 2016 RM
As at 1 January	677,918	461,459
Allowance for impairment losses	686,776	230,938
Reversal of allowance for impairment losses	(41,702)	(14,479)
As at 31 December	1,322,992	677,918

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9. TRADE RECEIVABLES (CONT'D)

	2017 RM	Group 2016 RM
The currency exposure profile of the carrying amount of trade receivables is as follows:-		
Ringgit Malaysia	85,570,436	70,009,510
United Arab Emirates Dirham	1,272,302	1,774,667
Saudi Arabia Riyal	-	46,420
Brunei Dollar	61,230	-
Indian Rupee	585,652	909,365
United States Dollar	497,683	-
	87,987,303	72,739,962

Included in the carrying amount of trade receivables are amount due from related parties amounting to RM87,172,272 (2016: RM70,507,419) as disclosed in Note 32(b).

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	495,380	577,575	26,000	-
Deposits	764,950	790,934	2,000	2,000
Prepayments	3,914,421	1,573,691	1,560,397	86,814
	5,174,751	2,942,200	1,588,397	88,814

The currency exposure profile of other receivables, prepayments and deposits is as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	4,930,346	2,615,966	1,588,397	88,814
Brunei Dollar	-	310	-	-
Indian Rupee	244,405	325,924	-	-
	5,174,751	2,942,200	1,588,397	88,814

11. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

12. SHORT TERM DEPOSITS WITH LICENSED BANKS

The short term deposits have a maturity period of 12 months and the effective interest rate for short term deposits during the year is 3.60% (2016: 3.60%) per annum.

Short term deposits amounting to RM15,808,752 (2016: RM12,374,862) have been pledged under lien to secure banking facilities as disclosed in Note 22.

All short term deposits with licensed banks are denominated in Ringgit Malaysia.

13. SHARE CAPITAL

	Group and Company	
	2017	2016
	RM	RM
Authorised:		
1,000,000,000 ordinary shares of RM0.10 each [Note 13(a)]	-	100,000,000
	Group and Company	
	2017	2016
	No. of shares	No. of shares
	2017	2016
	RM	RM
Issued and fully paid:		
Ordinary shares		
At beginning of year	319,081,010	100
Issuance of new shares [Note 13(b)]	-	319,080,910
Effect of change to no par value shares on 31 January 2017 [Note 13(a)]	-	-
At end of year	319,081,010	319,081,010
	54,234,581	31,908,101

- (a) The new Companies Act 2016 ("Act") which became effective from 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act provides that all shares issued before or upon commencement of the Act shall have no par or nominal value. In accordance with the transitional provision under Section 618(2) of the Act, any amount standing in the credit of the share premium account shall become part of the share capital. Notwithstanding, the share premium amount can be utilised for purposes as set out in Section 618(3) of the Act within 24 months upon commencement of the Act. Pursuant to the aforesaid, the share premium of RM22,326,480 arising from the Company's public issue of shares as disclosed in Note 14 was transferred to the share capital account and formed part of the share capital of the Company upon commencement of the Act on 31 January 2017. The change to no par value shares has no effect on the number of ordinary shares in issue of the Company.
- (b) The new ordinary shares were issued in connection with the Company's acquisition of the subsidiaries which formed an integral part of its scheme for the Initial Public Offering ("IPO") of shares and listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad in 2016, and the public issue of new shares by the Company under the IPO.

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14. SHARE PREMIUM

	Group and Company 2017 RM	2016 RM
At beginning of year	22,326,480	–
Arising from public issue of shares	–	25,526,480
Share issue expenses charged	–	(3,200,000)
Effect of change to no par value shares on 31 January 2017 [Note 13(a)]	(22,326,480)	–
At end of year	–	22,326,480

The share premium arose from the public issue of 63,816,200 new ordinary shares of RM0.10 each at the issue price of RM0.50 per share pursuant to the Company's IPO of shares in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad in 2016.

Share issue expenses include fees to auditors amounting to RM415,000 for services rendered in connection with the aforesaid exercise.

15. INVESTED EQUITY

Invested equity of the Group as at 1 January 2016 represented the aggregate of the share capital and share premium of the Company's subsidiaries constituting the Group as at that date. Upon the application of merger method of accounting as described in Note 2.5 in the preparation of the consolidated financial statements when the Group was legally constituted on 14 June 2016, the amount was set-off against the total purchase consideration of RM25,526,471 for the acquisitions of the subsidiaries and the resulting difference of RM19,224,307 being a merger deficit was charged directly to equity of the Group against retained profits.

16. FOREIGN CURRENCY TRANSLATION RESERVE

This represents foreign currency exchange differences arising from the translation of the financial statements of foreign operation where the functional currency is different from that of the Group's presentation currency in the preparation of these consolidated financial statements.

17. RETIREMENT BENEFIT OBLIGATIONS

	Group 2017 RM	2016 RM
Present value of unfunded defined benefit obligations	53,760	63,465

The Group's provision for employees' retirement benefit obligations is attributable to a foreign subsidiary namely HSS BIM Solutions Private Limited (Incorporated in India) which operates an unfunded retirement gratuity plan for its eligible employees. The amount of provision is determined by an independent actuarial valuation performed annually.

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The movements in the present value of unfunded defined benefit obligations are as follows:-

	Group 2017 RM	2016 RM
Balance as at 1 January	63,465	59,463
Defined benefit cost recognised in profit or loss [Note 24(b)]		
- Current service cost	3,263	9,010
- Interest cost	7,140	3,465
	10,403	12,475
Defined benefit cost recognised in other comprehensive income		
- Actuarial gain	(17,893)	(9,697)
Exchange differences	(2,215)	1,224
Balance as at 31 December	53,760	63,465

The significant actuarial assumptions used to determine the present value of the unfunded defined benefit obligations are as follows:-

	2017	2016
Discount rate	8.00%	8.00%
Rate of increase in salary	4.00%	4.00%
Expected average remaining working lives of employees	26.8 years	28.7 years

Sensitivity analysis

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligations Increase/(Decrease) 2017 RM	2016 RM
Discount rate (1% increase)	(10,559)	(10,816)
Future average salary increase rate (1% increase)	5,682	6,254

A decrease of 1% on the average discount rate and future salary increase rate will give the opposite result from the above analysis.

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18. TERM LOAN (UNSECURED)

	2017 RM	Group 2016 RM
Current liabilities:		
Amount due within one year	34,593	–
Non-current liabilities:		
Amount due after one year and not later than two years	43,540	–
Amount due after two years and not later than five years	37,190	–
	80,730	–
	115,323	–

The term loan attributable to a subsidiary of the Company is unsecured, repayable over 36 instalments and bears interest at the rate of 15% per annum.

The term loan is denominated in Indian Rupee.

19. HIRE PURCHASE PAYABLES

	2017 RM	Group 2016 RM
Instalments payable:		
- not later than one year	1,003,664	783,531
- later than one year but not later than two years	590,890	542,838
- later than two years but not later than five years	412,744	137,926
	2,007,298	1,464,295
Finance charges allocated to future periods	(169,071)	(114,285)
Present value of hire purchase payables	1,838,227	1,350,010
Disclosed under:		
- Current liabilities	899,288	705,651
- Non-current liabilities	938,939	644,359
	1,838,227	1,350,010

20. TRADE PAYABLES

Credit terms of trade payables range from 30 to 90 days (2016: 30 to 90 days).

The currency exposure profile of trade payables is as follows:-

	2017 RM	Group 2016 RM
Ringgit Malaysia	24,194,026	17,506,696
Brunei Dollar	665,666	681,761
	24,859,692	18,188,457

Included in trade payables are amount due to related parties amounting to RM24,571,401 (2016: RM18,188,457) as disclosed in Note 32(b).

21. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other payables	5,520,850	3,984,646	1,173,401	119,679
Accruals	2,920,855	3,079,273	102,327	351,956
Dividend payable	2,520,740	-	2,520,740	-
Provision for compensated absences	1,447,844	1,771,404	-	-
	12,410,289	8,835,323	3,796,468	471,635

Included in accruals of the Group and of the Company as at 31 December 2016 were directors' fees amounting to RM264,000.

Movements in provision for compensated absences during the year:-

	2017 RM	Group 2016 RM
As at 1 January	1,771,404	1,655,808
Provision during the year [Note 24(b)]	225,608	311,696
Reversal of provision during the year [Note 24(b)]	(549,168)	(196,100)
As at 31 December	1,447,844	1,771,404

The currency exposure profile of other payables, accruals and provisions is as follows:-

	2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Ringgit Malaysia	11,794,319	8,368,375	3,796,468	471,635
Brunei Dollar	12,549	12,835	-	-
Australian Dollar	9,036	-	-	-
United States Dollar	132,912	-	-	-
Indian Rupee	461,473	454,113	-	-
	12,410,289	8,835,323	3,796,468	471,635

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22. BANK OVERDRAFTS (SECURED)

The bank overdrafts with total limit of RM43,750,000 (2016: RM43,750,000) are secured against short term deposits as disclosed in Note 12 and debentures covering fixed and floating charges over present and future assets of the subsidiary, HSS Engineering Sdn Bhd. The facilities are also secured by corporate guarantee issued by the Company.

The bank overdrafts bear interest at rates ranging from 0.75% to 1.25% (2016: 0.75% to 1.25%) above the Base Lending Rate of the lending banks. The effective interest rates ranged from 7.46% to 7.96% (2016: 7.60% to 8.10%) per annum.

23. OPERATING REVENUE

Operating revenue of the Group represents the fee earned in respect of engineering and project management services and BIM services rendered and the reimbursable of the Group during the year.

Operating revenue of the Company comprised dividend income from a subsidiary.

24. PROFIT/(LOSS) FOR THE YEAR FROM OPERATIONS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(a) This is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	1,095,729	1,049,465	-	-
Amortisation of intangible assets	319,351	386,957	-	-
Auditors' remuneration				
- statutory audit				
<i>Current year</i>	176,598	156,008	30,000	25,000
<i>Overprovision in prior year</i>	(2,000)	-	(5,000)	-
- other services	46,000	10,000	46,000	10,000
Directors' remuneration				
- Directors of the Company				
<i>Salaries</i>	2,393,912	2,133,786	-	-
<i>Bonus</i>	328,071	1,129,279	-	-
<i>Fees</i>	264,000	264,000	264,000	264,000
<i>Other emoluments</i>	1,067,100	810,160	81,000	40,000
- Directors of subsidiaries				
<i>Salaries</i>	956,313	265,280	-	-
<i>Bonus</i>	115,250	-	-	-
<i>Other emoluments</i>	253,590	-	-	-
Rental of equipment	232,662	256,513	-	-
Rental of premises	2,814,149	2,829,166	-	-
Allowance for impairment losses on trade receivables	686,776	230,938	-	-
Trade receivables written-off	108,101	-	-	-
Other receivables written-off	95,000	-	-	-
Reversal of allowance for impairment losses on trade receivables	(41,702)	(14,479)	-	-
Interest income on short term deposits	(1,206,489)	(541,804)	(777,295)	(217,774)
Other interest income	(416)	(16,943)	(416)	(16,943)
Dividend income from a subsidiary	-	-	(8,500,000)	-
Loss on foreign exchange	126,530	153,349	152	11,930
Loss/(Gain) on disposal of property, plant and equipment	1,710	(55,146)	-	-

24. PROFIT/(LOSS) FOR THE YEAR FROM OPERATIONS (CONT'D)

	2017 RM	Group 2016 RM
(b) Employee benefits expense (including directors' remuneration):-		
Salaries, wages, bonuses and allowances	69,442,113	61,422,346
Amount contributed under defined contribution plan		
- Employees Provident Fund	5,931,796	4,856,535
Defined benefit cost (Note 17)	10,403	12,475
Provision for compensated absences (Note 21)	225,608	311,696
Reversal of provision for compensated absences (Note 21)	(549,168)	(196,100)
Social security contribution	403,304	410,684
Other benefits	2,973,128	3,044,718
	78,437,184	69,862,354
Employee benefits expense are included in the following:-		
- Direct costs	67,596,433	57,000,610
- Administrative expenses	10,840,751	12,861,744
	78,437,184	69,862,354

25. FINANCE COSTS

	2017 RM	Group 2016 RM
Hire purchase interest	102,278	119,020
Interest on bank overdrafts	1,221,415	1,317,720
Term loan interest	6,392	-
	1,330,085	1,436,740

26. TAXATION

	2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current year tax	6,876,420	5,921,714	178,670	6,000
Overprovision of tax in prior year	(195,589)	(30,639)	(1,818)	-
Deferred tax (Note 8)	116,990	(18,206)	-	-
	6,797,821	5,872,869	176,852	6,000

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26. TAXATION (CONT'D)

The general statutory income tax rate in Malaysia for the year under review is 24% (2016: 24%) of taxable income. Taxation for foreign jurisdiction is calculated at rate prevailing in the foreign jurisdiction.

Reconciliations between tax expense/(income) applicable to the profit/(loss) before taxation at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before taxation	21,826,629	19,890,514	7,330,237	(1,419,697)
Tax calculated at statutory tax rate of 24% (2016: 24%)	5,238,391	4,773,723	1,759,257	(340,727)
Tax effects of:				
- expenses not deductible for tax purposes	1,339,819	1,039,599	459,413	350,793
- income not taxable	-	(4,066)	(2,040,000)	(4,066)
- deferred tax assets not recognised	433,715	103,186	-	-
- profit from foreign operation not taxable	(18,515)	(8,934)	-	-
Overprovision of tax in respect of prior year	(195,589)	(30,639)	(1,818)	-
Tax expense	6,797,821	5,872,869	176,852	6,000

27. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	2016
Profit for the financial year attributable to owners of the Company (RM)	15,028,808	14,017,645
Weighted average number of ordinary shares in issue during the financial year	319,081,010	281,942,074
Basic earnings per share (sen)	4.71	4.97

No diluted earnings per share is computed as the Company does not have dilutive potential ordinary shares as at the end of financial year.

Ordinary share transactions and potential ordinary share transactions that occurred after the end of the current financial year and that would have changed significantly the number of ordinary shares and potential ordinary shares outstanding at the end of the financial year if those transactions had occurred before the end of the financial year are as described in Note 37(a).

28. DIVIDENDS

	Group and Company 2017 RM	2016 RM
In respect of the financial year ended 31 December 2016, a final single tier dividend of 0.63 sen per ordinary share	2,010,210	–
In respect of the financial year ended 31 December 2017, an interim single tier dividend of 0.79 sen per ordinary share	2,520,740	–
	4,530,950	–

29. CAPITAL COMMITMENTS

	Group 2017 RM	2016 RM
Authorised but not contracted for:-		
In respect of purchase of:		
- property, plant and equipment	–	1,760,000
- intangible assets - computer software	–	681,000
	–	2,441,000

30. CONTINGENT LIABILITIES

	Company 2017 RM	2016 RM
Corporate guarantees given to licensed financial institutions for credit facilities of a subsidiary		
- limit of guarantees	48,550,000	–
- amount utilised	21,364,160	–

The Company's exposure to credit risk arising from the abovementioned corporate guarantees is limited to the amount utilised by the subsidiary at any point of time. As at the reporting date, there was no indication that the subsidiary would not be able to fulfill its financial obligations for the amount of credit facilities utilised.

31. SEGMENT 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 involving the generation and management of digital representations of physical and functional characteristics of places which can be exchanged or networked to support decision making. BIM services extend beyond planning and design phase of a project, extending throughout the building life cycle, supporting processes, including cost management, construction management, project management and facility operation. As such, the operating revenue and results of this segment is reflected in the statement of profit or loss and other comprehensive income of the Group. The segment assets and liabilities are as presented in the statement of financial position of the Group.

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32. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party or when both parties are under the common control of another party.

Other than those already disclosed elsewhere in these financial statements, significant transactions carried out with related parties during the financial year and balances at end of financial year and their relationships with the Group are stated below.

Related parties	Relationships
HSS Integrated Sdn Bhd ("HSSI")	Associate which has common shareholders with the Company
HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME")	Associate which has common shareholders with the Company
Matmer Corporation Sdn Bhd ("Matmer")	Common major shareholders with the Company
HSSI-SNC Lavalin Joint Venture ("HSSI-SNCL")	An unincorporated joint venture of HSSI
SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL")	Joint venturer in HSSI-SNCL

The Group through its subsidiary, HSS Engineering Sdn Bhd ("HSSE") has an exclusive arrangement with HSSI and HSSME to collaborate, co-operate and work together to bid for, procure, obtain, or otherwise provide services for potential engineering and construction works and projects and to undertake all professional engineering services related to the projects as registered professional engineers under the Registration of Engineers Act 1967 with each party contributing to the collaboration, their relevant area of competency and expertise.

(a) Significant transactions with related parties

	2017 RM	Group 2016 RM
(i) Provision of engineering and project management services to:		
- HSSI	143,302,766	134,298,758
- HSSME	160,874	1,269,880
(ii) Rental of premises and reimbursables charged by:		
- Matmer	2,739,440	2,741,546

(b) Significant balances with related parties

	2017 RM	Group 2016 RM
(i) Amount included in trade receivables; including accrued billings (Note 9)		
- HSSI	86,076,946	69,149,716
- HSSME	1,095,326	1,357,703
(ii) Amount included in trade payables; including accrued costs (Note 20)		
- HSSI	24,245,131	17,863,003
- HSSME	326,270	325,454

32. RELATED PARTY DISCLOSURES (CONT'D)

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group comprised the directors and senior management of the Group and of the Company, and their remuneration for the financial year are as disclosed below:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term employee benefits	8,181,363	6,794,760	345,000	304,000
Post-employment benefits				
- Defined contribution plan	736,533	595,790	-	-
	8,917,896	7,390,550	345,000	304,000

(d) Provision of guarantee to a related party

	Group	
	2017 RM	2016 RM
Guarantee provided to SNCL in respect of payment obligations of HSSI to SNCL in connection with services to be provided by HSSI-SNCL:		
- amount of guarantee at inception	-	64,793,762
- amount of guarantee at year end	-	10,134,406

The abovementioned guarantee pursuant to a Guarantee Agreement dated 12 February 2014 arose from additional scope of services ("Variation Order") awarded to HSSI-SNCL but which was to be executed solely by HSSI. The Group shall be liable for the outstanding payment obligations of HSSI to SNCL under the guarantee in the event the payments were withheld by the project's employer due to default on the part of HSSI in the execution of the Variation Order only. SNCL could only demand payments for its portion of the billings rendered by HSSI-SNCL which had yet to be paid by the employer at any time due to the default. The Company's exposure to the outstanding payment obligations of HSSI to SNCL at 31 December 2016 was RM1,470,120.

As SNCL had completed its portion of the services for the aforesaid project during the current year and had fully recovered its billings for services as at 31 December 2017, HSSI and hence the Group have no further obligation for the guarantee as at that date.

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33. NOTES TO STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment acquired during the year were by the following means:-

	2017 RM	Group 2016 RM
Cash payments	458,523	858,881
Hire purchase financing	404,079	384,013
Aggregate at cost	862,602	1,242,894

Property, plant and equipment acquired by hire purchase financing are reflected as cash flows from financing activities based on the principal amount of instalments made.

(b) Purchase of intangible assets

Intangible assets acquired during the year were by the following means:-

	2017 RM	Group 2016 RM
Cash payments	197,194	33,484
Hire purchase financing	-	47,940
Aggregate at cost	197,194	81,424

Intangible assets acquired by hire purchase financing are reflected as cash flows from financing activities based on the principal amount of instalments made.

33. NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

(c) Liabilities arising from financing activities

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, during the financial year are analysed in the reconciliation below :-

Group	Term Loan RM	Hire Purchase Financing RM	Total RM
At 1 January 2017	-	1,350,010	1,350,010
New hire purchase financing obtained :			
- for purchase of property, plant and equipment	-	404,079	404,079
- for software subscription expenses	-	867,278	867,278
	-	1,271,357	1,271,357
Drawdown of term loan	129,490	-	129,490
Repayment of term loan	(11,932)	-	(11,932)
Payment of hire purchase financing	-	(783,140)	(783,140)
Net changes in cash flows	117,558	(783,140)	(665,582)
Net exchange differences	(2,235)	-	(2,235)
At 31 December 2017	115,323	1,838,227	1,953,550

(d) Cash and cash equivalents at end of year

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	5,682,094	539,407	52,901	132,535
Short term deposits	42,808,751	41,108,237	24,000,000	24,000,000
Bank overdrafts (secured)	(19,525,933)	(16,371,425)	-	-
	28,964,912	25,276,219	24,052,901	24,132,535
Less: Short term deposits (pledged)	(15,808,752)	(12,374,862)	-	-
	13,156,160	12,901,357	24,052,901	24,132,535

34. FAIR VALUE AND CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of all financial assets and liabilities of the Group at the end of the reporting period approximate their fair values.

As at the reporting date, no values were placed on the corporate guarantees provided by the Company as disclosed in Note 30 because the Directors regard the value of the credit enhancement promised by the corporate guarantees to be minimal.

All financial assets of the Group are classified as loans and receivables and all financial liabilities of the Group are classified as other financial liabilities.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, liquidity and cash flow risk and credit risk. The Group has formulated a financial risk management framework with the principal objectives of minimising the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are established and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with the deployment of financial instruments by the Group.

(a) Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of the contract which the Group has entered into.

The management has its credit policy in place to ensure that transactions are conducted only with creditworthy counterparties.

Exposure to credit risk arising from sales is managed through the applications of credit approvals, credit limits and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collateral or other security from counterparties as a mean of mitigating losses in the event of default. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position at the reporting date, except as disclosed in Note 30.

(b) Interest Rate Risk

The Group has interest rate risk in respect of its deposits with licensed banks, hire purchase financing, term loan, and bank overdrafts.

The Group's bank overdrafts are subject to interest based on floating rates while its deposits with licensed banks, hire purchase financing and term loan are subject to interest based on fixed rates.

Market interest rates movements are monitored with a view to ensure that the most competitive rates are secured and where appropriate interest bearing instruments and borrowings arrangements are restructured or reduced.

Sensitivity analysis for interest rate risk

As the Group's deposits with licensed banks, hire purchase financing and term loan at the end of the reporting period are based on fixed rates, a change in interest rates at the end of the reporting period would not affect profit or loss or equity.

The Group's profit or loss and equity will be affected by a change in market interest rate as at the end of the reporting period due to its floating rate bank overdrafts. An increase of 50 basis points in the market interest rate at the end of the reporting period would have decreased the profit or loss and equity by RM48,300 (2016: RM76,900). A decrease of the same basis points would have the equal but opposite effect on the profit or loss and equity. This sensitivity analysis assumes that all other risk variables as at the end of the reporting period remain constant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity and Cash Flow Risks

The Group practises prudent liquidity risk management by maintaining sufficient cash balances and availability of funding through certain committed credit facilities.

Maturity analysis

The maturity profile of the financial liabilities of the Group and of the Company as at the end of the reporting period based on undiscounted contractual payments are as follows:-

Group	Maturity profile			Total RM
	Within 1 year RM	Later than 1 year but not later than 2 years RM	Later than 2 years but not later than 5 years RM	
<u>2017</u>				
Trade payables	24,859,692	-	-	24,859,692
Other payables and accruals	8,441,705	-	-	8,441,705
Dividend payable	2,520,740	-	-	2,520,740
Term loan	48,342	52,737	39,553	140,632
Hire purchase payables	1,003,664	590,890	412,744	2,007,298
Bank overdrafts	19,525,933	-	-	19,525,933
<u>2016</u>				
Trade payables	18,188,457	-	-	18,188,457
Other payables and accruals	7,063,919	-	-	7,063,919
Hire purchase payables	783,531	542,838	137,926	1,464,295
Bank overdrafts	16,371,425	-	-	16,371,425
<u>Company</u>				
<u>2017</u>				
Other payables and accruals	1,275,728	-	-	1,275,728
Dividend payable	2,520,740	-	-	2,520,740
<u>2016</u>				
Other payables and accruals	471,635	-	-	471,635

(d) Foreign Currency Exchange Risk

The Group is exposed to currency risk on its sales and cost of sales that are denominated in a currency other than its functional currency. The currencies giving rise to this risk are primarily the Brunei Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal, United States Dollar and Indian Rupee. The Group monitors the risk arising from foreign currency exposure regularly and formulates the appropriate strategies to mitigate the risk as and when necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign Currency Exchange Risk (cont'd)

Foreign currency risk sensitivity analysis

A 10 percent strengthening or weakening of the Brunei Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal, United States Dollar and Indian Rupee against the Ringgit Malaysia currency at the end of the reporting period would have increased or decreased profit or loss and equity by the amount shown below. This analysis assumes all other variables remain constant..

	2017 RM	Group 2016 RM
Brunei Dollar	61,699	69,429
United Arab Emirates Dirham	127,230	177,467
Saudi Arabia Riyal	-	4,642
Indian Rupee	25,326	78,118
United States Dollar	36,477	-

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while seeking to maximise benefits to shareholders and other stakeholders. Capital is equity attributable to owners of the Company as shown in the statement of financial position of the Group.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. The Group monitors the return on capital of the Group as follows:-

	2017 RM	Group 2016 RM
Profit for the year attributable to owners of the Company	15,028,808	14,017,645
Total shareholders' equity	89,200,868	78,708,378
Return on Capital	17%	18%

The Board regularly reviews the Group's capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments.

No significant changes were made in the objectives, policies or processes relating to the management of the Group's capital structure during the year.

The Group is not subject to any externally imposed capital requirements.

37. SIGNIFICANT EVENTS DURING THE YEAR / SUBSEQUENT EVENTS

(a) Acquisition of Entire Equity Interest in SMHB Engineering Sdn Bhd and Related Corporate Exercises

On 27 October 2017, the Company announced that it has entered into a conditional share sale agreement ("SSA") with the shareholders ("vendors") of SMHB Engineering Sdn Bhd ("SMHB Engineering") to acquire the entire equity interest in SMHB Engineering for a purchase consideration of RM270,000,000 to be satisfied via the issuance of 94,736,842 new ordinary shares in the Company ("HEB Shares") at an issue price of RM1.14 per HEB Share and RM162,000,000 in cash ("SMHB Acquisition"). Post an internal reorganisation of SMHB Engineering to facilitate the SMHB Acquisition, SMHB Engineering together with its wholly owned subsidiary namely SMHB Environmental Sdn Bhd and a 30% owned associate namely SMHB Sdn Bhd shall be involved in the provision of engineering and project management services.

To part-finance the cash consideration for the SMHB Acquisition, the Company announced on the same date the following corporate exercises:

- (i) Placement of new HEB Shares to investors to be identified to raise gross proceeds of up to RM52,300,000 ("Placement"); and
- (ii) Renounceable rights issue of up to 31,908,101 new HEB Shares ("Rights Shares") on the basis of one (1) Rights Share for every ten (10) HEB Shares held on an entitlement date and at an issue price to be determined later together with a bonus issue of up to 15,954,050 new HEB Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and up to 47,862,151 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ("Rights With Bonus Issue and Warrants")

Each Warrant entitles the registered holder, at any time during the exercise period of five years from the date of issuance of the Warrants, to subscribe for one new HEB Share at the exercise price of the Warrants.

On 11 January 2018, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") has vide its letter dated 11 January 2018 approved the admission of the Warrants to the Official List of Bursa Securities and the listing and quotation of the Warrants and all the new HEB Shares to be issued as aforesaid including new HEB Shares from the exercise of the Warrants on the Main Market of Bursa Securities.

The SMHB Acquisition, Placement and Rights With Bonus Issue and Warrants have obtained the approvals from the shareholders of the Company at the Extraordinary General Meeting held on 30 January 2018.

On 5 February 2018, the Company announced that its Board of Directors ("Board") has fixed the issue price for the Rights Shares at RM1.30 each based on entitlement as at 5.00 pm on 21 February 2018 and the exercise price for the Warrants at RM1.70 each.

On 21 February 2018, the Company announced that the issue price for the new HEB Shares under Placement has been fixed by the Board at RM1.53 each and a total of 34,182,000 new HEB Shares shall be issued under the Placement. The Placement has been completed with the listing and quotation of the 34,182,000 new HEB Shares on the Main Market of Bursa Securities on 8 March 2018.

On 14 March 2018, the Company announced that the 31,908,101 Rights Shares under the Rights with Bonus Issue and Warrants have been over-subscribed based on valid acceptances of Rights Shares and applications for excess Rights Shares received by the Company as at the closing date of 8 March 2018. The Rights with Bonus Issue and Warrants has been completed with the listing and quotation of the 47,862,151 new HEB Shares (including Bonus Shares) and 47,862,151 Warrants on the Main Market of Bursa Securities on 21 March 2018.

As at the date of this report, the completion of the SMHB Acquisition is pending completion.

The completion of the Placement and Rights with Bonus Issue and Warrants have increased the share capital of the Company from RM54,234,581 comprising 319,081,010 HEB Shares as at 31 December 2017 to RM98,086,585 comprising 401,125,161 HEB Shares as at the date of this report. Upon completion of the SMHB Acquisition, the share capital of the Company will increase further to RM206,086,585 comprising 495,862,003 HEB Shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

37. SIGNIFICANT EVENTS DURING THE YEAR / SUBSEQUENT EVENTS (CONT'D)

(b) Commodity Murabahah Term Financing-I of up to RM85.0 Million to Part-finance the Cash Consideration for the SMHB Acquisition

On 2 November 2017, the Company has accepted a Commodity Murabahah Term Financing-I ("CMTF-i") facility of up to RM85.0 million from a financial institution to part-finance the cash consideration for the SMHB Acquisition as detailed in Note 37(a). The facility has a tenure of 5 years from the date of first drawdown and bears an effective profit rate of 2.25% above the financier's cost of fund per annum. The facility is to be secured by charge and assignment of shares in SMHB Engineering including all rights and benefits to the pledged shares, assignment of contract proceeds of the Company, assignment of contract proceeds and contracts by the Company's subsidiaries and associates, debenture over the Company's fixed and floating assets, negative pledge over the Group's present and future assets, undertaking by the Company to prepay the CMTF-i with any proceeds raised from the exercise of the Warrants and assignment of designated bank accounts. As at the date of this report, the facility has yet to be utilised by the Company.

38. COMPARATIVE FIGURES

The following comparatives figures have been restated to conform with the current year's presentation:-

	As previously stated RM	Group As restated RM
Statement of Profit or Loss and Other Comprehensive Income		
Direct costs	88,403,345	90,527,958
Administrative expenses	26,560,259	24,435,646

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Tan Sri Ir. Kunasingam A/L V. Sittampalam** and **Dato' Ir. Nitchiananthan A/L Balasubramaniam**, being two of the directors of **HSS Engineers Berhad**, state that in the opinion of the directors, the financial statements set out on pages 92 to 140 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Board of Directors,

TAN SRI IR. KUNASINGAM A/L V. SITTAMPALAM

Director

DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM

Director

Kuala Lumpur,
26 March 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Ng Kuan Yee**, being the director primarily responsible for the financial management of **HSS Engineers Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 92 to 140 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **Ng Kuan Yee** at Kuala Lumpur)
in the Federal Territory on 26 March 2018.)

NG KUAN YEE

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD

(COMPANY NO: 1128564-U)

(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HSS Engineers Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 92 to 140.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit approach to address the key audit matter
<p><i>Revenue recognition</i></p> <p>The Group recognises revenue from rendering of services by reference to their stage of completion at the end of the reporting period, which is determined based on the proportion of cumulative staff time costs utilised as at that date over the budgeted time costs allocated for the services being rendered. In applying this accounting policy, the Group has recognised accrued billings for the portion of services rendered but yet to be billed as revenue for the year and correspondingly as trade receivables as at the end of the reporting period.</p>	<p>Our audit approach included the following: -</p> <ul style="list-style-type: none">- we assessed the internal controls over the Group's budgetary process for projects as part of our risk assessment to determine the reliability of project budgets adopted by management.- we performed test of controls over the Group's process of issuing progress billings to support our placement of reliance on their operating effectiveness when performing verification of revenue.- we verified contract sums and cost elements recorded in the budgets against underlying documentations including contracts, key assumptions and detailed workings of cost summaries computed based on estimated cumulative time involvement in projects.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter (cont'd)	Our audit approach to address the key audit matter (cont'd)
<p><i>Revenue recognition (cont'd)</i></p> <p>As disclosed in Note 3.2 on critical accounting judgements and estimation uncertainty, significant judgement by management based on past experiences of similar type of services is required in the revenue recognition as it involves estimation of costs allocation to budgets and recoverability of staff time costs incurred as well as variation work recoverable from customers.</p> <p>The aforesaid exercise of judgement and estimation by management have significant effects on the amount of revenue and trade receivables recognised, and hence the financial results of the Group for the year.</p>	<p>Our audit approach included the following:- (cont'd)</p> <ul style="list-style-type: none"> - we checked the stage of completion for individual contracts in progress to the project utilisation report (a compilation of actual time costs against approved time based budgets to arrive at the utilisation rate) prepared by management and performed enquiries of management to ensure that the approved budgets have been updated or revised where appropriate. - we checked cumulative progress billings of contracts in progress to contract payment schedules and to supporting invoices, and performed recomputation of accrued billings of significant projects based on the stage of completion determined for the relevant projects. - we checked significant accrued billings at the end of the reporting period to subsequent invoicing to determine the recoverability of trade receivables at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD
(COMPANY NO: 1128564-U)
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in note 6 to the financial statements

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

AZMAN, WONG, SALLEH & CO.

AF: 0012

Chartered Accountants

NG YONG CHIN

03051/05/2019 J

Chartered Accountant

Kuala Lumpur,
26 March 2018

ANALYSIS OF SHAREHOLDINGS

AS AT 2 MARCH 2018

Issued and fully paid : RM 31,908,101
 Type of shares : Ordinary shares
 Voting rights : 1 vote per share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	37	2.049	391	0.000
100 - 1,000	325	18.005	213,800	0.067
1,001 - 10,000	892	49.418	4,491,524	1.407
10,001 - 100,000	415	22.991	14,389,360	4.509
100,001 - 15,954,049 (*)	133	7.368	99,985,935	31.335
15,954,050 AND ABOVE (**)	3	0.166	200,000,000	62.680
TOTAL	1,805	100.000	319,081,010	100.000

Remark:

* - Less than 5% of issued shares

** - 5% And above of issued shares

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Flamingo Works Sdn Bhd	100,000,000	31.34	-	-
Victech Solutions Sdn Bhd	100,000,000	31.34	-	-
Tan Sri Ir. Kunasingam A/L V. Sittampalam	-	-	100,000,000	31.34 ¹
Vanessa A/P Santhakumar	-	-	100,000,000	31.34 ²

Notes:

¹ Deemed interest by virtue of his interests in Victech Solutions Sdn Bhd pursuant to Section 8(4) of Companies Act 2016

² Deemed interest by virtue of her interests in Flamingo Works Sdn Bhd pursuant to Section 8(4) of Companies Act 2016

DIRECTORS' INTEREST IN ORDINARY SHARES OF THE COMPANY

(as per Register of Directors' Shareholdings)

Name of Director	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Mohd Zakhir Siddiqy Bin Sidek	500,000	0.16	-	-
Tan Sri Ir. Kunasingam A/L V. Sittampalam	-	-	100,000,000	31.34 ¹
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500,000	2.66	-	-
Mohan A/L Ramalingam	1,000,000	0.31	-	-
Foo Lee Khean	-	-	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000,000	1.25	-	-
Ng Kuan Yee	461,300	0.14	-	-

By virtue of his total indirect interest in the Company, Tan Sri Ir. Kunasingam A/L V. Sittampalam is deemed to have interests in the shares in all the subsidiaries of the Company.

Notes:

¹ Deemed interest by virtue of his interests in Victech Solutions Sdn Bhd pursuant to Section 8(4) of Companies Act 2016

LIST OF TOP 30 HOLDERS

as at 2 March 2018

(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Shares held	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN BHD</i>	100,000,000	31.340
2	VICTECH SOLUTIONS SDN BHD	78,000,000	24.445
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD</i>	22,000,000	6.894
4	NITCHIANANTHAN A/L BALASUBRAMANIAM	8,000,000	2.507
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR VIJAYA KUMAR A/L T.CHORNALINGAM</i>	6,740,000	2.112
6	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND</i>	4,683,300	1.467
7	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	4,000,000	1.253
8	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM NASIONAL PERMODALAN NASIONAL BERHAD</i>	3,789,200	1.187
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (GROWTH)</i>	3,195,000	1.001
10	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM NASIONAL 2 PERMODALAN NASIONAL BERHAD</i>	3,087,000	0.967
11	MAYBANK NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR RAGUNATHAN JAGANNATHAN</i>	2,786,695	0.873
12	AMANAHRAYA TRUSTEES BERHAD <i>PMB SHARIAH AGGRESSIVE FUND</i>	2,600,000	0.814
13	M & A NOMINEE (TEMPATAN) SDN BHD <i>GENTING UTAMA SDN BHD FOR CHAN YOK PENG</i>	2,600,000	0.814
14	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (UNITLINKED GF)</i>	2,418,800	0.758
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)</i>	2,385,700	0.747
16	AMANAHRAYA TRUSTEES BERHAD <i>AMANA SAHAM NASIONAL 3 IMBANG PERMODALAN NASIONAL BERHAD</i>	2,113,800	0.662
17	UOBM NOMINEES (TEMPATAN) SDN BHD <i>UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND</i>	1,910,400	0.598
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR ARECA EQUITYTRUST FUND (211882)</i>	1,707,400	0.535
19	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (UNITLINKED BCF)</i>	1,652,300	0.517
20	GANESH BALASUBRAMANIAN	1,526,500	0.478

ANALYSIS OF SHAREHOLDINGS

AS AT 2 MARCH 2018

No.	Name	No. of Shares held	%
21	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT-HW SHARIAH FLEXI FUND</i>	1,510,000	0.473
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)</i>	1,500,000	0.470
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)</i>	1,470,300	0.460
24	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND</i>	1,300,000	0.407
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (PREM EQUITY)</i>	1,214,800	0.380
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR RHB DYNAMIC FUND (200188)</i>	1,180,300	0.369
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC)</i>	1,000,000	0.313
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ)</i>	1,000,000	0.313
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (LIFE PAR)</i>	920,000	0.288
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MOHAN A/L RAMALINGAM (8059306)</i>	800,000	0.250
TOTAL		267,091,495	83.706

GRI CONTENT INDEX

CUSTOM CONTENT INDEX - CORE OPTION

This Content Index provides an overview of items disclosed within this Sustainability Statement and within our Annual Report 2017 in accordance with the GRI Standards.

GENERAL STANDARD DISCLOSURES (CORE)

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
Organisational Profile			
102-1	Name of the organisation	Cover page, 5	None
102-2	Activities, brands, products, and services	5	None
102-3	Location of headquarters	12	None
102-4	Location of operations	5, 28	None
102-5	Ownership and legal form	12-13, 146-148	None
102-6	Markets served	5, 28	None
102-7	Scale of the organisation	2-5, 64	None
102-8	Information on employees and other workers	68	None
102-9	Supply chain	60	None
102-10	Significant changes to the organisation and its supply chain	Not applicable – HEB did not have significant changes to supply chain for the year	None
102-11	Precautionary principle or approach	-	None
102-12	External initiatives	Not applicable – HEB does not have any relevant initiatives	None
102-13	Membership of associations	Not applicable – HEB is not a member of any associations	None
Strategy			
102-14	Statement from senior decision-maker	8-11, 18-37	None
Ethics and Integrity			
102-16	Values, principles, standards and norms of behavior	69	None
Governance			
102-18	Governance structure	12	None
Stakeholder Engagement			
102-40	List of stakeholder groups	60	None
102-41	Collective bargaining agreements	Not applicable – HEB in an industry that does not require such agreements	None
102-42	Identifying and selecting stakeholders	60	None
102-43	Approach to stakeholder engagement	60	None
102-44	Key topics and concerns raised	61	None
102-45	Entities included in the consolidated financial statements	22, 88, 92, 94, 96, 97, 99	Yes

GRI CONTENT INDEX

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
Reporting Practice			
102-46	Defining report content and topic Boundaries	60, 61	None
102-47	List of material topics	61	None
102-48	Restatements of information	Not applicable – There were no restatements for the year.	None
102-49	Changes in reporting	Not applicable – There were no changes for the year.	None
102-50	Reporting period	Fiscal year. (1 st Jan to 31 st Dec 2017)	None
102-51	Date of the most recent report	HEB's most recent report on sustainability was its 2016 Annual Report.	None
102-52	Reporting cycle	Annual	None
102-53	Contact point for questions regarding the report	12	None
102-54	Claims of reporting in accordance with the GRI Standards	60	None
102-55	GRI Content Index	149-151	None
102-56	External assurance	Not applicable.	None

MATERIAL TOPICS

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
Economic Performance			
103	Management Approach	64	None
201-1	Direct economic value generated and distributed	64	Yes
Energy			
103	Management Approach	63	None
302-1	Energy consumption within the organisation	63	None
Water			
103	Management Approach	67	None
303-1	Water withdrawal by source	Information unavailable – HEB does not currently track total volume of water withdrawn	None
Employment			
103	Management Approach	67	None
401-1	New employee hires and employee turnover	67	None
Occupational Health and Safety			
103	Management Approach	66	None
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	66	None

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
Training and Education			
103	Management Approach	61, 62	None
404-1	Average hours of training per year per employee	HEB does not currently track this ratio by gender, but will do so in the future.	None
404-3	Percentage of employees receiving regular performance and career development reviews	HEB does not currently track this ratio by gender, but will do so in the future.	None
Diversity and Equal Opportunity			
103	Management Approach	68	None
405-1	Diversity of governance bodies and employees	68	None

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of HSS Engineers Berhad will be held at The Summit 1, Level M1, Connexion Conference & Event Centre @ The Vertical, No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Monday, 7 May 2018 at 10.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**
2. To approve the payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM300,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 1**
3. To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM168,000 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 2**
4. To re-elect the following Directors retiring pursuant to Article 88 of the Articles of Association of the Company:
 - (i) Mohan A/L Ramalingam **Ordinary Resolution 3**
 - (ii) Tan Sri Ir. Kunasingam A/L V. Sittampalam **Ordinary Resolution 4**
5. To re-elect Ir. Sharifah Azlina Bt Raja Kamal Pasmah who is retiring pursuant to Article 95 of the Articles of Association of the Company. **Ordinary Resolution 5**
6. To re-appoint Messrs Azman, Wong, Salleh & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, to pass the following resolution:

7. **Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares** **Ordinary Resolution 7**

"THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance."
8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
NG KUAN YEE (MIA 17693)
Company Secretaries

Selangor Darul Ehsan
Date: 5 April 2018

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 April 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. To receive the Audited Financial Statements

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution 7 on the Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares

The Ordinary Resolution 7 proposed under item 7 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Companies Act 2016. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia

CDS Account No.	
No. of Shares Held	

I/We, _____ NRIC No./ Passport No./ Company No. _____
of _____

being a member/members of **HSS ENGINEERS BERHAD**, hereby appoint

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/*or failing him/her (*delete as appropriate)

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Third Annual General Meeting of the Company to be held at The Summit 1, Level M1, Connexion Conference & Event Centre @ The Vertical, No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Monday, 7 May 2018 at 10.00 a.m. or any adjournment thereof and *my/our proxy is to vote as indicated below:-

	RESOLUTIONS		FOR	AGAINST
1.	Approval on the payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM300,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 1		
2.	Approval on the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM168,000 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
3.	Re-election of Mohan A/L Ramalingam as Director	Ordinary Resolution 3		
4.	Re-election of Tan Sri Ir. Kunasingam A/L V. Sittampalam as Director	Ordinary Resolution 4		
5.	Re-election of Ir. Sharifah Azlina Bt Raja Kamal Pasmah as Director	Ordinary Resolution 5		
6.	Re-appointment of Messrs Azman, Wong, Salleh & Co as Auditors of the Company	Ordinary Resolution 6		
7.	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares	Ordinary Resolution 7		

(Please indicate with an "X" in the spaces provided on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this _____ day of _____ 2018.

Signature/Common Seal of Member

NOTES:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
- The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 April 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2018.

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AFFIX
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Share Registrar’s Office

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Wilayah Persekutuan (KL)

FOLD HERE

HSS Engineers Berhad (1128564-U)

Wisma HSS Integrated, B1 (1-4), Block B, Plaza Dwtasik, No. 21, Jalan 5/106
Bandar Sri Permaisuri, 56000 Kuala Lumpur

Tel : +603 9173 0355 | **Fax :** +603 9173 0939 | **Email :** heb@hss.com.my

Website : www.hssgroup.com.my