

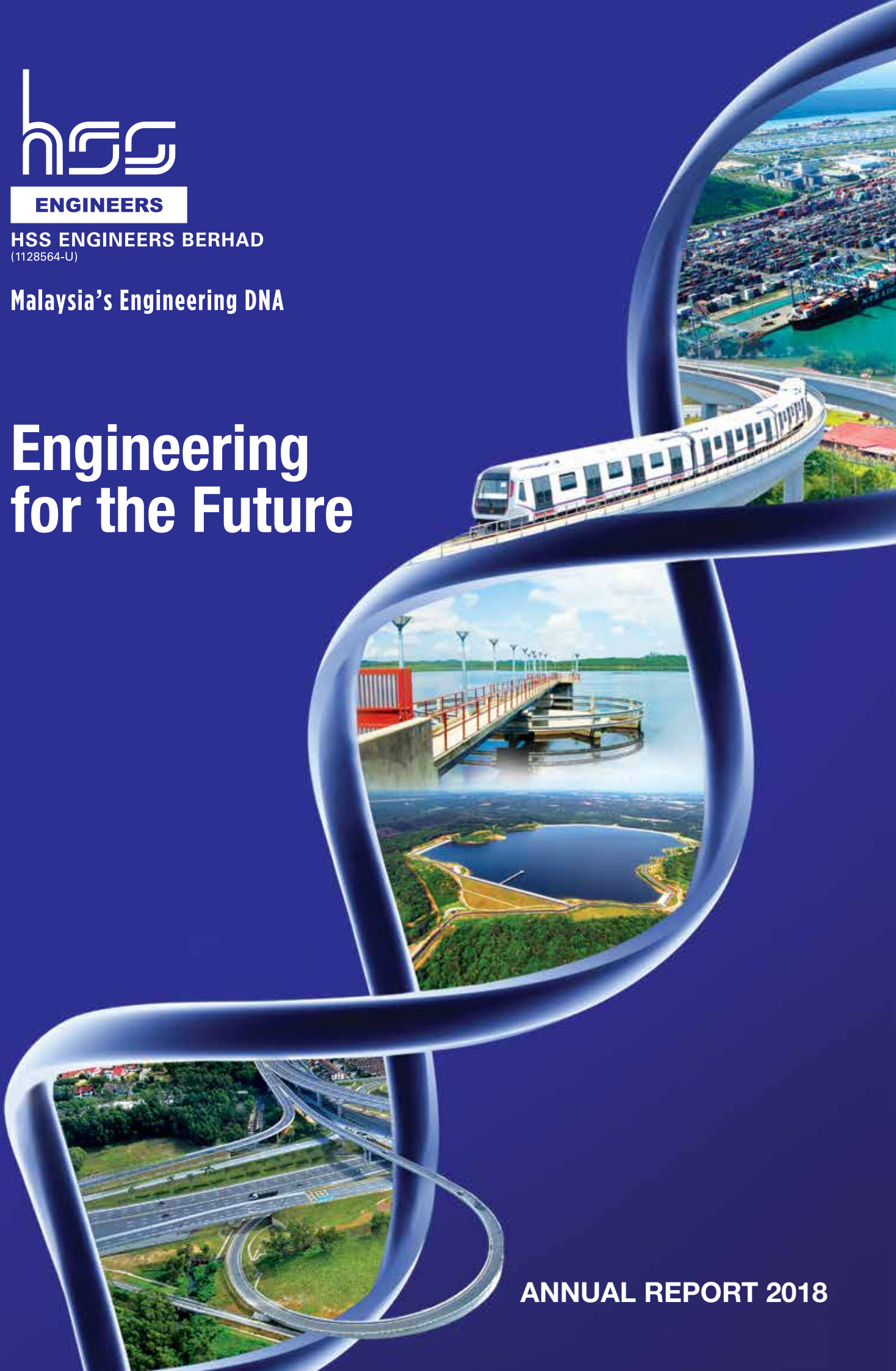


**ENGINEERS**

**HSS ENGINEERS BERHAD**  
(1128564-U)

**Malaysia's Engineering DNA**

# Engineering for the Future



**ANNUAL REPORT 2018**

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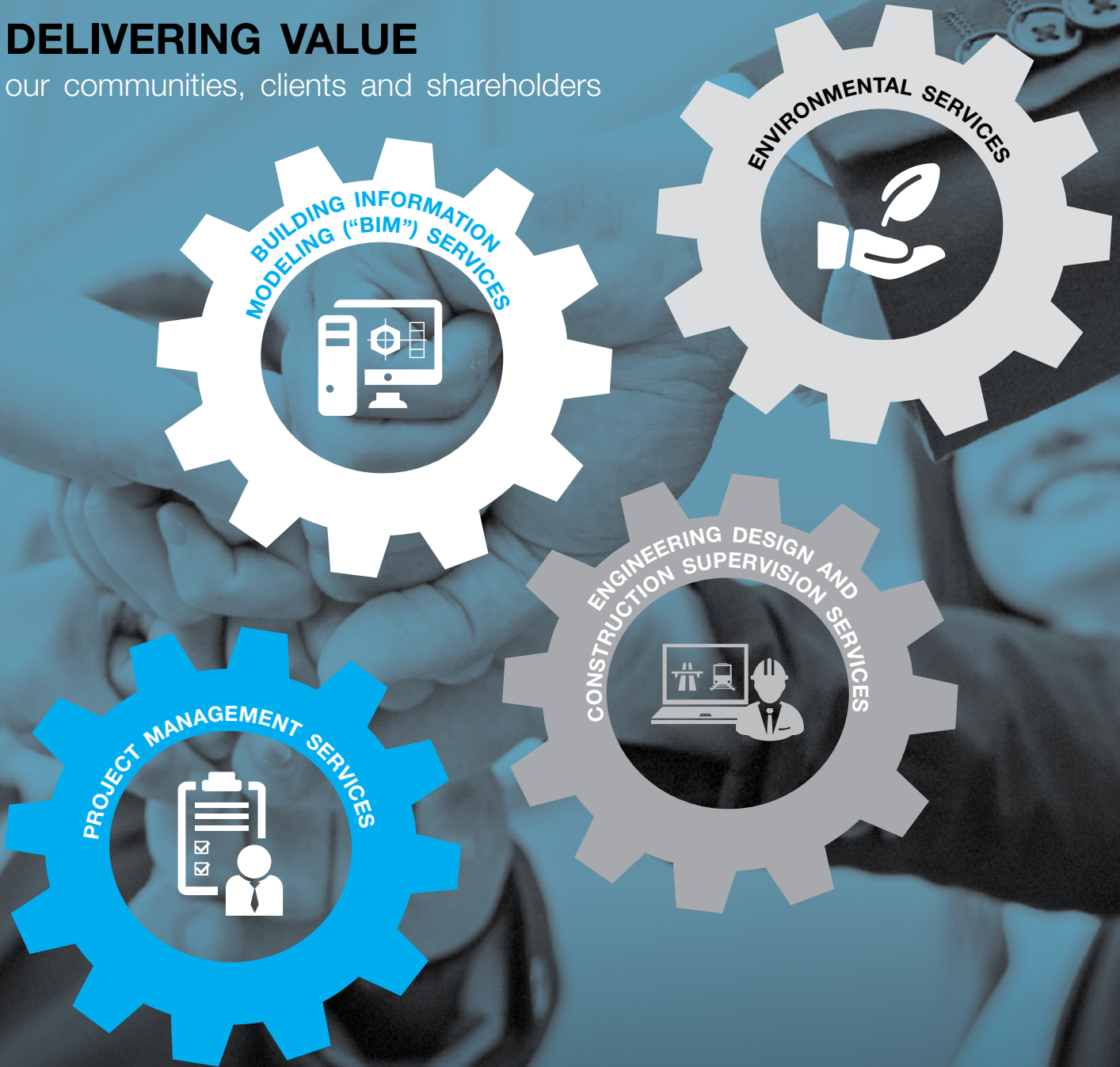
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Proxy Form

# CORE SERVICES

## DELIVERING VALUE

our communities, clients and shareholders



## HEB AT A GLANCE

### TOTAL REVENUE

2018  
**RM189.7 million**

2017  
RM145.7 million

### ORDER BOOK

2018  
**RM546.1 million**

2017  
RM434.3 million

# MISSION STATEMENT



**To maintain our position as Malaysia's Leading Engineering Consultant providing world class expertise through Sustainable Solutions, Innovative Technology and Revolutionary Skills and Services.**



# ABOUT HEB



**HSS ENGINEERS BERHAD (HEB OR THE COMPANY) IS AN INVESTMENT HOLDING COMPANY WHICH WAS INCORPORATED ON 23 JANUARY 2015 UNDER THE COMPANIES ACT, 1965 AS A PRIVATE LIMITED COMPANY UNDER THE NAME OF HSS ENGINEERS SDN. BHD. BEFORE IT WAS CONVERTED INTO A PUBLIC LIMITED COMPANY. THE COMPANY ASSUMED ITS PRESENT NAME ON 31 MARCH 2015.**

HEB, through its subsidiaries (HEB Group or the Group) and associates, is principally involved in the provision of engineering and project management services including engineering design, construction supervision, project management, environmental services and building information modeling services.

HEB Group's workforce grew to approximately 1,000, of which more than half are engineers, upon the completion of the acquisition of SMHB Engineering Sdn Bhd on 28 March 2018. With a combined experience of more than 80 years, the Group possess longstanding experience in a wide array of sectors including urban infrastructure, transportation planning, roads and highways, railways and metro systems, water resources and supply, waste management, building and structures and power generation.

As one of the leading and by far the largest listed engineering consultancy group in Malaysia, the Group is / has been involved in many notable large-scale projects including MRT 1 & 2, Maju Expressway 2, West Coast Expressway, SUKE Expressway, Pahang – Selangor Water Raw Transfer, Development of Sungai Selangor Phase 1, 2 and 3, Sarawak Water Grid Study and East Coast Rail Link.

The Group now operates from 4 main offices, based in Kuala Lumpur (2 offices) and Penang in Malaysia as well as Chennai in India.

# OUR STORY



**DEAR ESTEEMED  
SHAREHOLDERS,**

The unprecedented change in the Government administration on 9 May 2018 has brought renewed optimism and a new beginning for Malaysia. The Government's intent to place the economy on a stronger footing to resolve its fiscal position cast an immediate need for a thorough review of several on-going as well as mega projects that have been awarded in the infrastructure sector.



**TAN SRI IR. KUNA SITTAMPALAM**

Co-Founder / Executive Vice Chairman



Sg. Johor Barrage

I strongly believe that this fiscal exercise although painful in the short term will set New Malaysia on a strong growth path to ensure sustainable long term development.

In the same year, HSS Engineers Bhd (HEB or the Company) concluded the strategic acquisition of a prominent water engineering consultancy firm, namely SMHB Engineering Sdn Bhd (SMHB). I am pleased to highlight that the management's foresight in expanding our reach into the water sector in the year under review was a deft masterstroke, to broaden our expertise and potential to capture opportunities in the near future.

It is my privilege therefore to present you with the Annual Report of HEB Group for the year ended 31 December 2018 (FY2018).

### SUCCESSFUL INTEGRATION

On 29 September 2017, HEB Group had proposed the acquisition of SMHB which holds 30% equity in SMHB Sdn Bhd, an engineering consultancy firm with an exclusive teaming arrangement with SMHB. Founded since 1962, SMHB Sdn Bhd is widely known for its entrenched expertise in the water sector, encompassing treatment works, distribution, dams, flood mitigation, sewerage, river rehabilitation, irrigation and environmental services.

We were heartened by shareholders' overwhelming support for our maiden merger & acquisition exercise, as demonstrated by the vote of confidence in the Extraordinary General Meeting on 30 January 2018.

The acquisition exercise of SMHB was eventually concluded on 28 March 2018 and I am delighted to welcome SMHB on board to embark on this route with us as part of a listed entity.

In ensuring the success of this exercise, we spared no time and effort in integrating the culture to seek greater efficiencies within the enlarged teams of HSS and SMHB. A series of integration meetings were held among supporting departments to study the Group's policies, processes and internal controls in both entities with the intent to learn and adopt the best practices from each party. Further to that, Town Hall talks were held advocating joint team-building sessions to communicate like-minded culture of excellence and foster camaraderie.

Datuk Ir. Teo Chok Boo and Ir. Prem Kumar A/L M Vasudevan of SMHB were subsequently appointed as Executive Directors to the Board of Directors of HEB on 15 May 2018, followed by En. Ir. Syed Mohamed Adnan bin Mansor Alhabshi as Alternate Director to Datuk Ir. Teo on 21 February 2019, thus sealing the deal at the top management level.

### AWARDS & ACCOLADES

It gives me great pleasure to announce that HEB was named the winner of Best Enterprise Value Growth at the Best Under Billion Awards 2018 organized by Focus Malaysia.

The Best Enterprise Value Growth award seeks to give due recognition to listed companies which have shown highest year-on-year Enterprise Value growth over a period of two (2) years within a market capitalization range of RM150 million and RM950 million.

As a Co-Founder and Executive Vice Chairman of the Company, I am deeply proud to be honoured with this achievement despite our short stint in Bursa Malaysia. HEB was listed only in 2016. I must point out that the award is testament of the Company's commitment towards growing the Company and that the management will continue to build and focus its efforts on becoming the top of its class in the near term.



**HSS ENGINEERS WAS NAMED THE WINNER OF BEST ENTERPRISE VALUE GROWTH AT THE RECENT BEST UNDER BILLION AWARDS 2018 ORGANIZED BY FOCUS MALAYSIA**

## OUR STORY

Further to that, we were also awarded with numerous accolades and appreciations as follows in 2018.

1. Best Project Award for the “Raw Water Supply Project to Rapid (PAMER)” by Construction Industry Development Board.
2. Business Excellence Award 2018 by Asean Indian Business Council in recognition of the huge contribution in promoting Malaysia-India business linkages.
3. Appreciation Certificate by PERKESO: Anugerah Hari Pekerja 2018 – Kategori Majikan Berdaya Saing Global - July 2018.
4. Appreciation Certificate by PERKESO: Anugerah Hari Pekerja 2018 – Kategori Majikan 1 Malaysia (Syarikat Besar / GLC) – July 2018.
5. Appreciation Certificate by LLM: Project Perintis Pelaksanaan Building Information Modeling (BIM) Lebuhraya Pantai Barat Persimpangan Bertingkat Assam Jawa – May 2018.

### CHAMPIONING THE SUSTAINABILITY MANDATE

We are cognizant that the principle of sustainability forms a pivotal tenet in any businesses, where its benefits go far beyond safeguarding the business for the long term, and extend into the wider objective of promoting the livelihood of the larger economy and society.

The Board continued its emphasis in 2018 to aspire to be the industry leader in sustainability in the near future. We also ensure our business operations are conducted in a responsible manner while creating value for our planet and clients.

To that end, we are proud to benchmark our strategic business goals against the United Nation’s 17 Sustainable Development Goals (SDGs). As an engineering consultancy firm, we selected SDG 9: Industry, Innovation and Infrastructure as a sustainability goal that the Group can directly contribute to.

The conclusion of the acquisition of SMHB in the first quarter of 2018, with their strength in the water industry, was a tremendous step towards our sustainability goals given the increasing importance placed by governments in fulfilling their commitments towards the environment, sustainability and innovative engineering.

Moving forward, given our combined strength in water treatment, distribution, dams, flood mitigation, irrigation and environmental services, we will be able to contribute to other SDGs such as the following,

- SDG 6 : Clean Water & Sanitation
- SDG 11 : Sustainable Cities and Communities
- SDG 12 : Responsible Consumption & Production
- SDG 17 : Partnerships for the Goals

Within our operations, we have made great strides in advocating, educating and encouraging sustainability practices across the Group. Our Green Task Force is in the forefront of executing a framework to guide energy-efficient practices and waste reduction programmes on a day-to-day basis.



Big Dutchman -  
Warehouse and  
Office Building





I am proud to mention that our associate company, HSS Integrated Sdn Bhd (HSSI), is being recognized as one of the first few companies in Malaysia that has been endorsed with an 'Independent Consultant or Checking Engineer' (ICE) discipline in our QESH certificates. A special thanks to our project team overseeing KVMRT Line 2, the pilot project towards getting the ICE certification from SIRIM QAS International.

In January 2018, we successfully attained the latest ISO 9001:2015 & ISO 14001:2015 which reflects a continuous improvement in our quality, environment and health system from the previous ISO 9001:2008 & ISO 14001:2004.

On top of that, we have also successfully pursued Quality Certification for HSS BIM Solutions (HBS), based in Chennai, in BIM consultancy services. This certification has elevated us to be amongst the very few BIM consultants with quality certification under the integrated companies and integrated systems.

Concurrently, SMHB is embarking on obtaining additional quality certification to ISO 14001: Environmental Management System and ISO 45001: Occupational Safety and Health Management System with the aim to eventually establish an integrated Quality, Environmental, Safety and Health (QESH) Management System by the end of 2019.

Another area that we are paying close attention to in our sustainability agenda is ensuring a sound risk management system within the organization. Risk management is of paramount importance to any businesses more so during challenging times and it is for this reason the agenda is embedded in our corporate governance framework.

Whilst we have an enterprise risk management framework as part of our continuing process towards better risk management, we have appointed KPMG during the year to carry out risk assessment and update, as well as identify appropriate mitigation measures to be recommended for implementation within the Group.

Further development on risk management and sustainability will be explained in detail in the Statement on Risk Management and Internal Control and Sustainability Statement respectively in this Annual Report.

Going forward, we shall embark on the migration of OHSAS 18001:2007 to ISO 45001:2018 to enable us to be one of the few companies to be certified and recognized with the latest systems certification in the construction industry that is accredited globally.

### THE FUTURE IS OURS

As much as 2018 was a watershed year for Malaysia, it was also a crucial turning point for HEB Group to realise our aspirations and seize the opportunities within and beyond our shores.

Do allow me to extend my sincerest appreciation to shareholders for their continued support for the HEB Group.

Looking ahead, we trust that 2019 holds promise of continued growth even more significant accomplishments, culminating from our steadfast commitment in creating long term value and returns for our shareholders.

**TAN SRI IR. KUNA SITTAMPALAM**

Co-Founder / Executive Vice Chairman

MRT Line 1 -  
Jajaran Sg. Buloh -  
Kajang

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **DATO' MOHD ZAKHIR SIDDIQY BIN SIDEK**

Independent Non-Executive Chairman

### **TAN SRI IR. KUNASINGAM A/L V. SITTAMPALAM**

Co-Founder /  
Executive Vice Chairman

### **DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM**

Executive Director /  
Group Chief Executive Officer

### **DATUK IR. TEO CHOK BOO**

Executive Director

### **IR. SHARIFAH AZLINA BT RAJA KAMAL PASMAH**

Executive Director /  
Group Chief Operating Officer

### **IR. PREM KUMAR A/L M VASUDEVAN**

Executive Director

### **MOHAN A/L RAMALINGAM**

Senior Independent  
Non-Executive Director

### **DATO' SRI IR. HJ. ISMAIL BIN MD.SALLEH**

Independent  
Non-Executive Director

### **NG KUAN YEE**

Alternate Director to  
Dato' Ir. Nitchiananthan A/L  
Balasubramaniam /  
Group Chief Financial Officer

### **IR. SYED MOHAMED ADNAN BIN MANSOR ALHABSHI**

Alternate Director to  
Datuk Ir. Teo Chok Boo

## AUDIT AND RISK MANAGEMENT COMMITTEE

Dato' Mohd Zakhir Siddiqy Bin Sidek  
Mohan A/L Ramalingam  
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh

## REMUNERATION COMMITTEE

Mohan A/L Ramalingam (Chairman)  
Dato' Mohd Zakhir Siddiqy Bin Sidek  
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh

## NOMINATION COMMITTEE

Mohan A/L Ramalingam (Chairman)  
Dato' Mohd Zakhir Siddiqy Bin Sidek  
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh

## REGISTERED OFFICE

### **Boardroom Corporate Services Sdn Bhd (3775-X)**

(formerly known as Boardroom  
Corporate Services (KL) Sdn Bhd)  
Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 - 7720 1188  
Fax : +603 - 7720 1111

## HEAD OFFICE

### **Wisma HSS Integrated**

B1 (1-4) Block B, Plaza Dwitasik  
No. 21, Jalan 5/106  
Bandar Sri Permaisuri  
56000 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : +603 - 9173 0355  
Fax : +603 - 9173 0939  
Email : heb@hss.com.my  
Website : www.hssgroup.com.my

## COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)  
Tan Ai Ning (MAICSA 7015852)  
Ng Kuan Yee (MIA 17693)

## AUDITORS

### **Azman, Wong, Salleh & Co. (AF0012)**

12th Floor, Wisma Tun Sambanthan  
No. 2, Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : +603 - 2273 2688  
Fax : +603 - 2274 2688

## PRINCIPAL BANKER

### **Maybank Islamic Berhad (787435-M)**

15th Floor, Tower A,  
Dataran Maybank,  
1, Jalan Maarof,  
59000 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : +603 - 2297 2000  
Fax : +603 - 2282 4492

## SHARE REGISTRAR

### **Tricor Investor & Issuing House Services Sdn Bhd (11324-H)**

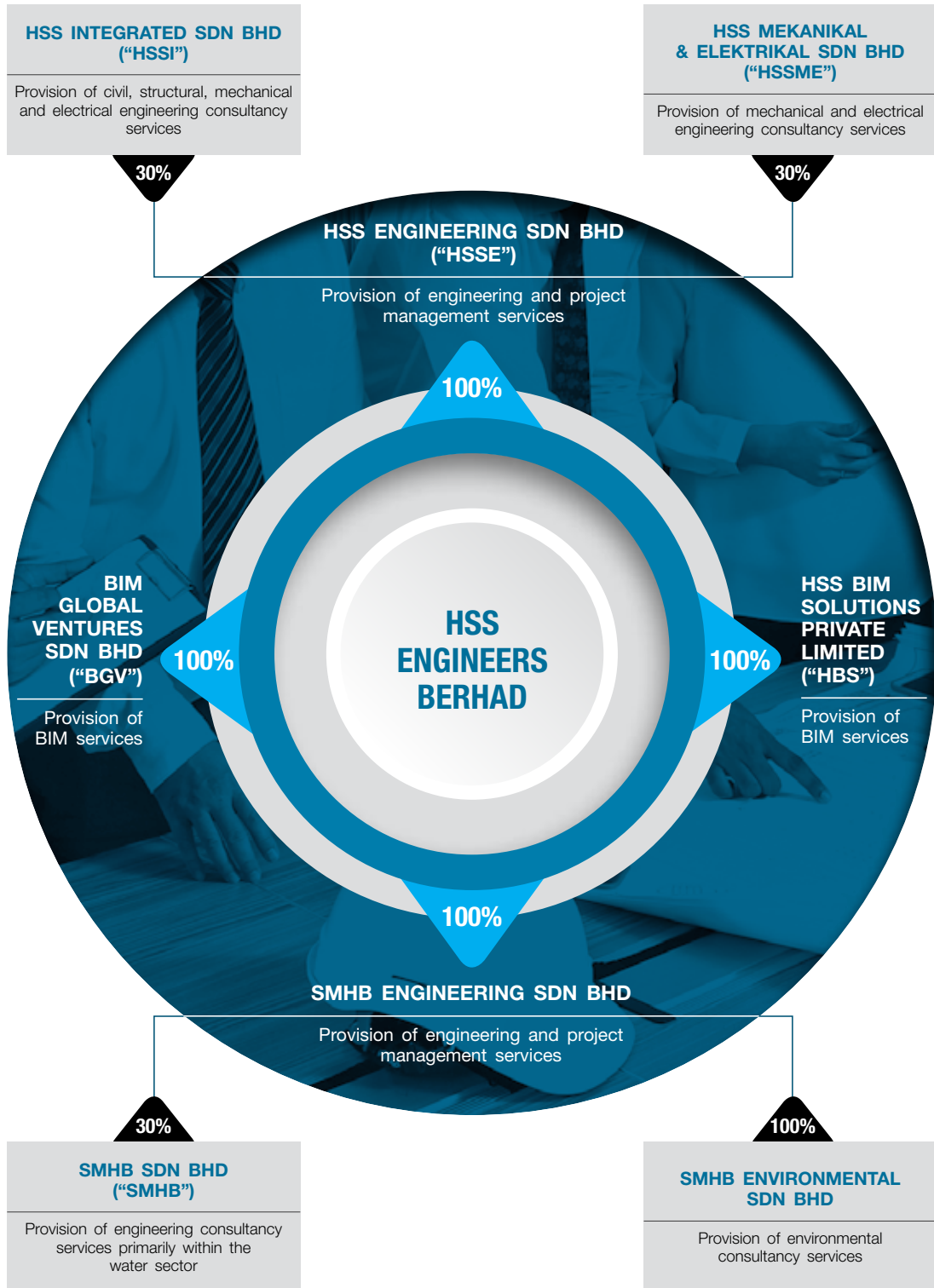
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : +603 - 2783 9299  
Fax : +603 - 2783 9222

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : HSSEB  
Stock Code : 0185  
Stock Sector : Industrial Products &  
Services  
Sub-Sector : Industrial Engineering

# CORPORATE STRUCTURE

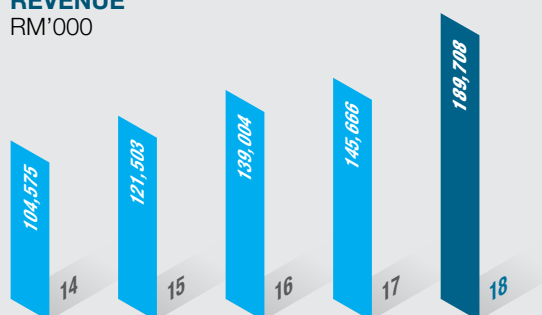
AS AT 17 APRIL 2019



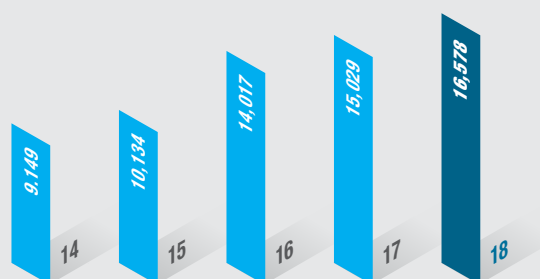
# FINANCIAL HIGHLIGHTS

Financial Year Ended 31 December	2018	2017	2016	2015	2014
Revenue (RM'000)	<b>189,708</b>	145,666	139,004	121,503	104,575
Gross profit ("GP")(RM'000)	<b>64,717</b>	49,942	48,476	40,728	37,202
(Loss)/Profit before taxation ("LBT"/"PBT")(RM'000)	<b>(94,525)</b>	21,826	19,890	13,720	13,420
(Loss)/Profit after taxation ("LAT"/"PAT")(RM'000)	<b>(102,836)</b>	15,029	14,017	10,134	9,149
Core Profit After Tax ("Core PAT")	<b>16,578</b>	15,029	14,017	10,134	9,149
EBITDA (RM'000)	<b>(82,464)</b>	24,572	22,763	16,446	15,767
No. of shares in issue ('000)	<b>495,862</b>	319,081	319,081	255,265	255,265
Total assets (RM'000)	<b>376,770</b>	149,222	125,192	77,302	64,469
GP margin (%)	<b>34.11</b>	34.28	34.88	33.52	35.57
(LBT)/PBT margin (%)	<b>(49.82)</b>	14.98	14.31	11.29	12.83
(LAT)/PAT margin (%)	<b>(54.21)</b>	10.32	10.08	8.34	8.75
(LPS)/EPS (sen)	<b>(22.12)</b>	4.33	4.97	3.97	3.58
Core EPS (sen)	<b>3.57</b>	4.33	4.97	3.97	3.58

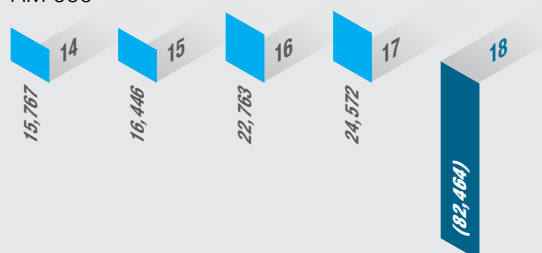
**REVENUE**  
RM'000



**CORE PROFIT AFTER TAX**  
RM'000



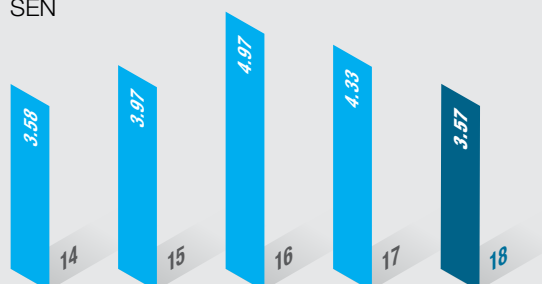
**EBITDA**  
RM'000



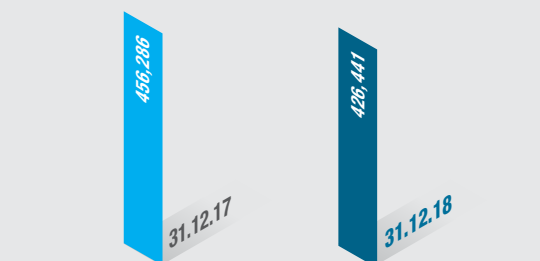
**SHAREHOLDERS' EQUITY**  
RM'000



**CORE EPS**  
SEN



**MARKET CAPITALISATION**  
RM'000



# CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

2018 was a defining year for Malaysia as well as HSS Engineers Berhad, (HEB or the Company) considering the significant developments that have taken place which will shape the outlook of the country and Company going forward.



**DATO' MOHD ZAKHIR SIDDIQY  
BIN SIDEK**

Independent Non-Executive Chairman



## CHAIRMAN'S STATEMENT



HEB & SMHB Share  
Sale Agreement

The emergence of a new ruling party as the administrator of the country after more than six long decades has led to changes in policies which along the way spells challenges and opportunities to the public and private sector.

In the same year, HEB concluded the acquisition of a prominent water engineering consultancy firm, SMHB Engineering Sdn Bhd (SMHB), a move which consolidated two power houses from the engineering consultancy field which created a much stronger HEB Group.

Interestingly, the opportune exercise by Bursa Malaysia Securities Berhad (Bursa Malaysia) to restructure the industry classifications during the year under review also worked in our favour.

HEB was reclassified to the 'Industrial Products and Services' sector from 'Trading/Services' sector by Bursa Malaysia in November 2018 which better reflects the services provided by the enlarged Group to our clientele and investing community.

### FINANCIAL PERFORMANCE

Continuing from our strong performance last year, HEB Group posted a revenue of RM189.7 million in FY2018, growing 30.2% from RM145.6 million previously, with major contribution from the Engineering Services division from HSS Engineering Sdn Bhd (HSS), as well as maiden revenue from SMHB for the last nine months of FY2018. In line with revenue growth, HEB Group's core net profit also rose to RM16.6 million from RM15.0 million last year, with significant contributions from both HSS and SMHB.

Although the Government's review of major infrastructure projects of Klang Valley Mass Rapid Transit Line 3 and East Coast Rail Link impeded further progress, HEB Group's order book still grew to RM546.1 million as at 31 December 2018, from RM434.3 million a year ago. This was largely due to the diversity of our project base, as well as the inclusion of projects from SMHB. At the time of printing, the Prime Minister's Office has announced on the resumption of the ECRL project as of 12 April 2019. Further details to be shared vide announcements.

The Company will continue extending efforts in increasing the order book going forward, and will now also have the added advantage of leveraging on SMHB's unrivalled expertise in the water industry.

The salient features of projects completed, ongoing and secured in 2018, together with other operational matters, are elaborated in the Management Discussion and Analysis (MD&A) section on pages 14 to 25 of this Annual Report.



HEB GROUP'S  
**ORDER BOOK**  
GREW TO  
**RM546.1**  
**MILLION**  
AS AT  
31  
DECEMBER  
2018

## DIVIDENDS

The Board of HEB is grateful for your continued trust and confidence in us since our listing in 2016. However, given the prevailing business climate, the Board did not propose any dividend payout for FY2018.

The Board will endeavour to keep an open view of formulating a formal dividend policy at the right time after taking into consideration the necessary funding requirements for future expansion plans of the Group.

## APPOINTMENTS TO HEB'S BOARD

I welcome Datuk Ir. Teo Chok Boo, Ir. Prem Kumar, and Ir. Syed Mohamed Adnan bin Mansor Alhabshi (Alternate Director to Datuk Ir. Teo Chok Boo) from SMHB, as well as Dato' Sri Ir. Hj. Ismail bin Md.Salleh as new directors of HEB.

I am confident their expertise and knowledge in the industry will be invaluable to us in expanding the breadth of the HEB Group's experience, and add tremendous insight into new methods to forge the path going forward.

Indeed, the new composition of the Board aptly represents a formidable and stronger entity that we are today.

## FUTURE OUTLOOK

We expect more water infrastructure projects to be rolled out in 2019 and subsequent years albeit in smaller project value as Pengurusan Asset Air Berhad (PAAB) seeks to complete the acquisition of water assets in all states of Peninsular Malaysia in their bid to restructure the water services industry.

With SMHB on board, we are confident of gaining increased participation in upcoming feasibility studies and tenders floated on water services projects.

Apart from the water sector, we strongly believe that the Government will provide directions for further infrastructure development in the country particularly the railway and roadworks sectors after addressing the current debt level of the country.

## GIVING THANKS

On behalf of HEB Group, I would like to offer my sincere thanks to everyone who has supported us since our listing in 2016 and those who have made significant contributions to our milestones this year.

I would like to personally thank my fellow members of the Board of Directors, whose guidance and advice have ensured another successful year for HEB Group.

On behalf of the Board of HEB, I would like to extend my deepest appreciation to the management team and employees throughout the region for their dedication and sheer hard work which resulted in another year of positive performance.

We are grateful for the support of all shareholders for their continued confidence in us, and aim to better our results going forward. Again, our profound gratitude to our clients, business partners, associates, bankers and financiers for their enduring support.

## DATO' MOHD ZAKHIR SIDDIQY BIN SIDEK

Independent Non-Executive Chairman