

MANAGEMENT DISCUSSION & ANALYSIS



DEAR SHAREHOLDERS,

2018 saw HEB Group record a surge in revenue, an increase of 30.2%, to a high of RM189.7 million and a rise in core net profit to RM16.6 million for the year under review, up 10.3% from previous year including maiden contribution results from the newly-acquired subsidiary, SMHB Engineering Sdn Bhd (SMHB) despite 2018 being a challenging year for the construction sector and the Group.



DATO' IR. B. NITCHIANANTHAN

Executive Director / Group Chief Executive Officer







In 2018, the nation underwent a significant event in the change of Government for the first time ever in Malaysian history. While we believe this change will be beneficial to all going forward, there will be near term challenges with the ongoing reviews of large projects as government takes the necessary steps to improve its fiscal position. Despite the challenges posed, we continued to strive and deliver on our existing projects.

There was also a bright spot in the past year as the acquisition of SMHB was completed. The addition of SMHB will position us strategically for the water infrastructure projects that are expected to be rolled out for the upcoming year.

I am delighted to present our financial and operational performance for the financial year ended 31 December 2018 in more detail below.

OUR BUSINESSES

- 
1 **ENGINEERING SERVICES**
- 
2 **PROJECT MANAGEMENT SERVICES**
- 
3 **BIM SERVICES**
- 
4 **ENVIRONMENTAL SERVICES**

HEB is the investment holding company for the HEB Group (or the Group) including the newly-acquired SMHB Engineering. The Group is primarily involved in providing Engineering Services (Design and Construction Supervision), Project Management and Building Information Modeling (BIM). Going forward, the Group intends to pursue geographical diversification by expanding its regional footprint in ASEAN and India. In addition, the Group also aims to build a steady recurring income business model by venturing into recurring and long term based contracts with focus within the power sector mainly renewable energy.

The cumulative experience of the combined entity exceeds 80 years in providing engineering services and project management services in the transportation, water and other sectors. As at 31 December 2018, our workforce comprised approximately 1,000 employees across the Group, with more than half consisting of engineers.

Engineering Services

The Group's Engineering Services comprise Engineering Design and Construction Supervision activities. Engineering Design is done prior to implementing the project, and involves concept design, preliminary and detailed design, and specification and procurement.

Construction Supervision is conducted throughout the construction phase, and aims to ensure that construction works comply with the approved drawings and specifications as well as with relevant laws and guidelines. It is to also ensure works remain within the project schedule and budget.

With the addition of SMHB, the Group is able to provide these services for the water sector as well.

THE HEB GROUP RECORDED A SURGE IN REVENUE, AN INCREASE OF



30.2%
to a high of
RM189.7 million
in 2018

Key personnel in discussion on the group's activities



MANAGEMENT DISCUSSION & ANALYSIS

Project Management Services

Our Project Management Services offer a comprehensive solution, from pre-implementation to completion, including turnaround management solutions for under-performing projects. Our services cover project and design management, procurement and contract management, construction management, interface management and risk management.

BIM Services

BIM uses an intelligent 3D and computer simulation system to enable a building or infrastructure to be designed collaboratively. The system involves the integration of inputs of various project participants – builders, owners, architects, structural engineers, and Mechanical, Electrical and Plumbing (MEP) systems engineers. It also generates the characteristics of the structure being designed. Going beyond this, the Group's BIM Services covers the entire lifecycle of the structure, including such supporting processes as construction management, cost management, project management and operation/maintenance.

Environmental Services

With SMHB on board, the Group is now able to provide the full range of consultancy services including environmental studies. A comprehensive and multi-disciplinary approach is adopted in all our studies to ensure that every aspect of the environment that may be affected is adequately assessed against the activities relevant to a particular development project. Our studies are carried out by suitable qualified and experienced specialists in the areas of terrestrial and aquatic biodiversity and ecology, physical environment including water and air quality, hydrology, geology, noise and land planning as well as social and community issues.

Our scope of services include initial environmental scoping, detailed environmental impact assessments, pollution impact studies, catchment management studies, environmental management plans, environmental monitoring and audits.

FINANCIAL PERFORMANCE 2018

For FY2018, HEB reported a 30.2% growth in record revenue to RM189.7 million, from RM145.7 million previously. The rise in revenue was largely due to enlarged project base of the Group after the acquisition of SMHB, as well as further progress in key projects.

In line with revenue, the Group gross profit rose in tandem by 29.6% to RM64.7 million, compared to RM49.9 million from the previous year. The Group's direct costs largely comprised direct staff costs, sub-consultancy and reimbursable expenses. The Group maintained its double-digit gross profit margin at 34.1% in FY2018, in comparison to 34.3% in the financial year ended 31 December 2017 (FY2017). Other income increased during the year, rising 42.1% to RM1.8 million, versus RM1.3 million in FY2017, mainly resulting from higher interest income from

short term deposits. Besides this, administrative expenses also rose 14.1% to RM26.8 million, from RM23.5 million in FY2017 mainly due to business combination and corporate exercise expenses.

In accordance with MFRS 136, the Group recorded impairment loss on goodwill of RM119.4 million as non-cash accounting entry which led to an increase in other expenses to RM128.3 million in FY2018, compared to RM4.7 million previously. As a result of the impairment loss, the Group posted a pre-tax loss of RM94.5 million for the year under review, compared to a pre-tax profit of RM21.8 million in FY2017 and a net loss of RM102.8 million, compared to a net profit of RM15.0 million in the previous year. The Group has taken a prudent view by undertaking the impairment on goodwill of RM119.4 million and is confident the financial performance of the Group will be improved gradually in future premised on the encouraging prospect in the revival of the large infrastructure projects as well as new opportunities in the water sector.

Despite challenges in the business environment, excluding the impairment on goodwill, the Group's core net profit increased 10.3% to RM16.6 million, versus RM15.0 million a year ago, largely due to the contribution from SMHB. It is of note that the Group's core net profit also took into account higher interest expense of RM4.9 million and one-off expenses from corporate exercises of RM2.52 million, which were both related to the acquisition of SMHB.



THE GROUP'S
CORE NET
PROFIT
INCREASED
10.3%
TO
**RM16.6
MILLION**

ANALYSIS OF GROUP REVENUE AND PERFORMANCE REVIEW

(i) By Company

The contributions made by the two companies are set out in the table below:

Company	2018 Contribution (RM'mil)	2018 Contribution (%)
HSS	127.6	67.3
SMHB	62.1	32.7
Total	189.7	100.0

(ii) Core Services (Segments)

The revenue contributions made by the various segments are set out in the table below:

Segment	2018		2017		Variance (RM)
	(RM'mil)	(%)	(RM'mil)	(%)	
Engineering Design	66.9	35.3	55.2	37.9	11.7
Construction Supervision	66.2	34.9	23.6	16.2	42.6
Project Management	46.0	24.2	53.3	36.6	(7.3)
BIM Services	0.5	0.3	1.4	0.9	(0.9)
Reimbursable Income	10.1	5.3	12.2	8.4	(2.1)
Total	189.7	100.0	145.7	100.0	44.0



KL Sports City

Engineering Design

Revenue from the Group's Engineering Design segment increased by 21.3% to RM66.9 million, compared to RM55.2 million in FY2017. This is mainly attributable to the major ongoing projects which include Proposed Tun Razak Exchange (TRX) External Roads, West Coast Expressway and ECRL detailed design up to the date of suspension notice. In addition, our newly-acquired subsidiary, SMHB, commenced revenue contribution for the nine-month period following the completion of the acquisition exercise on 28 March 2018.

The increase in revenue was slightly offset by the completion or work progress of a few projects, namely ECRL scheme design and preliminary design, High Speed Rail Reference Design, Temporary Common Camp Facilities and Infrastructure for Refinery and Petrochemicals Integrated Development (RAPID) Project, and External Infrastructure Works for Bukit Bintang City Centre (BBCC). 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 project mix on certain projects led to Engineering Design gross profit margins to maintain at 23.7% in FY2018, versus 24.5% in the previous year.

Construction Supervision

The Group's Construction Supervision segment's revenue contribution rose significantly to RM66.2 million in FY2018, from RM23.6 million in the previous year. The increase was mainly due to the progress of our major ongoing supervision projects, which includes Maju Expressway Extension to KLIA, Sungei Besi-Ulu Kelang Elevated Expressway, West Coast Expressway and Proposed TRX External Roads. This segment also saw the completion of a couple of projects in the year under review, namely LRT Ampang Line Extension and Kuantan Port Expansion. SMHB had also contributed to the segment revenue post-acquisition.

The Construction Supervision segment maintained its gross profit margin level at 29.1%, compared to 27.4% in FY2017, attesting to its resilience despite a challenging operating environment.

Project Management

Revenue from the Project Management segment for FY2018 decreased to RM46.0 million, from RM53.3 million in the previous year. This is in line with the progress of the ongoing projects which include MRT Line 2-Jajaran Sg. Buloh-Serdang-Putrajaya and completed project, MRT Line 1-Jajaran Sg. Buloh-Kajang. Notably, this was mitigated by billings from East Klang Valley Expressway, which progressed as per schedule.

The segment's gross margin rose slightly to 53.4% in FY2018, from 52.7% in the year before, due to better project mix. The segment's cost components mainly consisted of salaries, allowances, overtime and other staff costs, sub-consultants and reimbursables.

BIM Services

BIM services accounted for a small proportion of the Group's revenue. The reduction in revenue for the year under review was mainly due to the completion of certain BIM projects.

(iii) Geographical Locations

In FY2018, the Malaysian market contributed 99.4% of the Group's total revenue, with the remaining 0.6% coming from ongoing projects in ASEAN, India & Middle East. The total value of the Malaysian contribution came to RM188.7 million. To reduce our dependence on a single market and to enhance our sustainable growth, we are aiming to increase our footprint in other countries, particularly those within the ASEAN region mainly Indonesia and Philippines.

MANAGEMENT DISCUSSION & ANALYSIS



Sources of Project Funding

For FY2018, 68% of the Group's projects were funded by the Malaysian government, in line with our major revenue contributions from infrastructure projects.

Market Discipline

Infrastructure projects in the transportation sector, namely transit, railway and highways, contributed 77.2% to the Group's FY2018 revenue, while the water sector due to the acquisition of SMHB, constituted the balance 13.5%. Going forward, it is envisioned that the water sector will play a more prominent role as the Government accelerates water projects to address the needs of the country.

FINANCIAL POSITION INDICATORS

Group Assets

As at 31 December 2018, the Group's total assets stood at RM376.7 million, growing from RM149.2 million in the previous year. This was largely due to RM162.7 million in goodwill resulted from the acquisition of SMHB, an engineering consultancy firm which is operating on an asset light model.

Liquidity and Capital Resources

At the same time, the Group's cash and cash equivalents stood at RM34.4 million compared with RM13.2 million as at 31 December 2017. The increase was mainly attributable to the higher collections recorded from customers for work done.

The Group's total borrowings rose to RM79.6 million, increasing from RM2.0 million in the previous year due to the partial-funding of acquisition of SMHB via term loan financing.

Gearing Ratio

The net gearing for the Group increased to 0.17 times as at 31 December 2018, from a net cash position a year before, due to borrowings purposed for the part-funding of the acquisition of SMHB acquisition. Despite this, the Group remains in financially strong position with manageable net gearing.

Capital Management, Future Commitments and Funding Sources

The details of the Group's capital management activities are disclosed in Note 39 of the consolidated financial statements in this Annual Report. The Group's capital commitment as at 31 December 2018 amounts to RM1.0 million.

*Alternative Water Supply
to KLIA, Sg Labu*

PROJECT HIGHLIGHTS

This section outlines the progress of key projects completed, ongoing and secured in FY2018, together with our total order book as at 31 December 2018.

Key Projects Completed in FY2018

Below is the major project completed in 2018:

Project Description	Contract value (RM'mil)
1. Kuala Lumpur-Singapore High Speed Rail - Reference Design Consultant 05 (RDC05)	17.4

Projects Ongoing in FY2018

Project Description	Contract value (RM'mil)	Accumulated billings up to 31 December 2018 (RM'mil)	Unbilled as at 31 December 2018 (RM'mil)	Commencement/Completion date
1. MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya)	190.8	106.6	84.2	April 2015/2022
2. Proposed Tun Razak Exchange (TRX) External Roads-Design and Construction Supervision	19.0	11.4	7.6	3 rd quarter 2017/ 3 rd quarter 2021
3. West Coast Expressway from Tg. Karang to Banting (Design)	21.9	15.3	6.6	June 2011/2021
4. West Coast Expressway from Tg. Karang to Banting (Section 3 & 5)-Supervision	19.2	8.7	10.5	December 2015/ 2021
5. West Coast Expressway from Tg. Karang to Banting (Selangor Alignment) (Section 1,2,6 & 7)-Supervision	40.8	5.0	35.8	4 th quarter 2016/ 2 nd quarter 2020
6. Sungai Besi-Ulu Kelang Elevated Expressway (SUKE)	58.6	24.4	34.2	January 2012/ August 2020
7. Maju Expressway (MEX) Extension to KLIA	17.8	13.9	3.9	May 2010/ December 2019
8. Independent Checking Consultant for rehabilitation and upgrading works on the railway line in the East Coast sector	13.2	5.4	7.8	3 rd quarter 2016/ 3 rd quarter 2021
9. Kwasa Damansara Township Development	17.3	9.2	8.1	July 2014/ 2022
10. Proposed Bridge Crossing Sg. Pulau & Link Road from Pelabuhan Tanjung Pelepas to Tg. Bin, Johor	13.9	7.2	6.7	September 2014/ December 2020
11. BBCC External Infrastructure Works (Civil & Structural and Mechanical & Electrical Engineering)	9.2	1.4	7.8	3 rd quarter 2017/ 4 th quarter 2021
12. Upgrade of High Priority Water Distribution System for the Iskandar Malaysia Region	4.9	0.5	4.4	3 rd quarter 2017/ 2 nd quarter 2022
13. Upgrade of Lubuk Buntar Lama, Kedah Water Treatment Plant (<i>Projek Menaiktaraf Loji Rawatan Air Lubuk Buntar Lama, Kedah</i>)	3.2	0.8	2.4	December 2016/ March 2021
14. Proposed Coronation Square Mixed Commercial Development at Johor Bahru	5.0	1.8	3.2	May 2016/2021
15. East Klang Valley Expressway ("EKVE")	6.1	4.4	1.7	April 2015/2020
16. Others	855.7	591.7	264.0	
TOTAL	1,296.6	807.7	488.9	

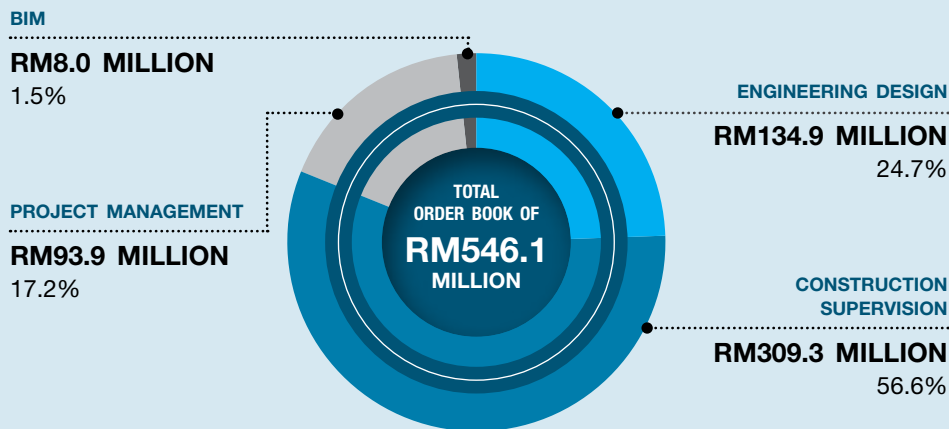
MANAGEMENT DISCUSSION & ANALYSIS

Projects Secured in FY2018

Project Description	Contract value (RM'mil)	Accumulated billings up to 31 December 2018 (RM'mil)	Unbilled as at 31 December 2018 (RM'mil)	Commencement/ Completion date
1. ECRL (KM0 to KM213.5) – Detailed Design	24.7	9.9	14.8	January 2018/ Suspended
2. MRT Line 1 – Jajaran Sg. Buloh-Kajang - VO	1.1	1.1	–	Completed
3. Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) - VO	7.7	0.5	7.2	4 th Quarter 2018/ 1 st Quarter 2020
4. New Chancery Complex comprising of Chancery Building, Cultural Centre and 16 staff residences for High Commission of India, Kuala Lumpur	1.5	0.2	1.3	August 2018/ June 2020
5. Proposed Asean Trade City (ATC) Mix Development on Lot PT 561, PT 565, 7149, 7150 and 9739 Mukim Setul, District of Seremban, Negeri Sembilan Darul Khusus	3.4	–	3.4	August 2018/ 2024
6. Proposed Ingress and Egress to Maju Kuala Lumpur Development	1.7	0.1	1.6	August 2018/ August 2020
7. Provision of Engineering, Procurement, Construction and Commissioning (EPCC) for the Interconnecting Road from Rapid Site to JKR Road (P1, North Ring Road & J52) Package No. 20C4-1	2.4	0.7	1.7	July 2018/ September 2019
8. Appointment for Civil and Structure Engineering Consultancy Services for Proposed Mix Development of MCKIP2 Industrial Park on Lot 4B Mukim sungai Karang, District of Kuantan, Pahang for Asas Panorama Sdn Bhd	3.6	0.2	3.4	October 2018/ December 2021
9. Proposed Bridge Crossing Sg. Pulau & Link Road from pelabuhan Tanjung Pelepas to Tg. Bin, Johor-Alternative design review	1.5	–	1.5	September 2018/ October 2020
10. Cadangan Pembangunan Bercampur Bukit Bintang City Centre Di Atas Lot PT143, Seksyen 56, Jalan Hang Tuah/Jalan Pudu, Wilayah Persekutuan Kuala Lumpur untuk tetuan BBCC Development Sdn Bhd ("Project") – Supervision fees	2.9	0.2	2.7	August 2018/ January 2020
11. Proposed Coronation Square Mixed Commercial Development at Johor Bahru – Supervision fees	1.5	0.1	1.4	January 2019/ December 2019
12. Route Selection and Design of Adaro Metcoal Eastern Coal Haul Road	1.0	–	1.0	September 2018/ Project on hold
13. Pembinaan Loji Rawatan Kumbahan Serantau & Rangkaian Paip Pembentukan di Kota Setar	3.8	–	3.8	October 2018/ February 2022
14. Sarawak GRID Study	1.7	0.3	1.4	April 2018/ October 2019
15. Pembinaan Baraj Sg Bernam Bgn Datuk- Study	0.4	0.04	0.36	April 2018/ July 2019
16. Built & Complete of Reservation Tank 2 to replace exist Concrete Tank – Lahat, Kinta Perak	0.5	0.1	0.4	July 2018/ March 2020
17. Others	12.7	1.46	11.24	
TOTAL	72.1	14.9	57.2	

Total Order Book

As at 31 December 2018, HEB had in hand an unbilled order book amounting to RM546.1 million as set out below:



RISK FACTORS

As the Group continues charting its corporate journey, we are aware of the inherent risks that may have material impact on our operations, performance, financial condition, and liquidity. As required by Bursa Malaysia’s new disclosure guidelines, these risks are identified and categorised according to severity and likelihood to happen. Appropriate strategies are then developed to address and/or mitigate these risks.

Risks of Cancellation of or Deferment in the Implementation of Transportation and Water Infrastructure Projects

Works undertaken for the transportation and water sectors remains the main income driver of the Group. In view of the Government’s overarching stance to maintain fiscal prudence by placing mega infrastructure projects under stringent evaluation, there lies a risk that the projects are cancelled or deferred in its implementation.

In mitigating this risk, HSS and SMHB, as leaders of their respective fields, will continue to engage with the relevant administrative parties and agencies to keep abreast of latest developments and requirements, provide adequate consultancy, and advise on the appropriate scope of works towards the eventual implementation of these necessary nation-building infrastructure projects.

Risks Relating to Expansion Abroad

The Group’s revenue is derived primarily from Malaysia, with secondary sources being India, ASEAN & Middle East. In broadening our geographical boundaries to mitigate against any country-specific risk, we are looking towards increasing our geographical exposure, with higher focus towards the ASEAN region, mainly Indonesia and Philippines.

As with new market exploits, we understand that extending our reach to other countries may carry economic, political and social risks that we may not face in Malaysia. To reduce this exposure, we hope to collaborate with reputable and highly-strategic international and local partners who possess a strong understanding of their local industry and a common objective to grow together.

Risks Relating to Further Sector Diversifications

In our quest to establish a recurring and long term income based business model for the Group, including but not limited to the power generation sector mainly renewable energy, we may face the potential risk of making investments into new markets generating the lesser-than-expected returns.

To alleviate this risk, the Group will undertake careful evaluation / due diligence of any potential investments alongside expert advice, establish partnerships only with reputable players and make investment decisions within our stringent cash flow-return ratio targets.



THE GROUP’S CONSTRUCTION SUPERVISION SEGMENT’S REVENUE CONTRIBUTION ROSE SIGNIFICANTLY TO **RM66.2 MILLION**, IN FY2018

MANAGEMENT DISCUSSION & ANALYSIS

MARKET OUTLOOK AND GROUP PROSPECTS

Global Outlook

After predicting upward trajectories in global growth rates in recent years, the International Monetary Fund (IMF) revised its forecast downwards by 0.2% to 3.5% in 2019, against the increasingly-volatile landscape. These included the economic and political uncertainties surrounding the on-off Brexit deal, the sharp slowdown in China, and the inconclusive trade negotiations between U.S. and China, resulting in tit-for-tat tariff impositions.

Inevitably, this dampened outlook had a cascading effect on commodities. While prices of metals and agricultural produce declined on tempered demand from China, prices of crude oil fluctuated on softer global expansion as well as U.S. policy on Iranian oil exports and oversupply influences.

Potential factors that may move the needle of IMF's forecasts are the outcome of various trade negotiations that would either facilitate or curb future global trade, investments and output; as well as deeper-than-anticipated slowdown in China that hold negative spillover effects for trading partners and commodity prices.

(Source: International Monetary Fund, World Economic Outlook Update, January 2019)

It is highly likely that against the backdrop of global trade tensions, more multinational companies would consider setting up alternative manufacturing and trading hubs in other regions apart from China. ASEAN is seen to be a key beneficiary given its abundance of skilled workers, competitive wage costs and proximity to China. The shift of operations to ASEAN will in turn further drive the region's infrastructure spending and domestic consumer demand.

Domestic Outlook

Compared to 2018's growth forecast ranging from 5.0 to 5.5%, the Ministry of Finance estimates for real GDP to expand by approximately 4.9%, remaining resilient despite domestic and external issues. The expansion will be largely supported by strong domestic demand and favourable external factors.

Private sector expenditure remains as the main growth driver, with new and ongoing projects in the services and manufacturing sectors leading the

way. On the supply side, the services sector is expected to be the biggest contributor with steady consumer spending. However, public expenditure is projected to record a slower growth with the Government deciding on lower capital spending in order to lower national debt levels.

The construction sector is expected to moderate to an annual average rate of 4.3% from 2019 onwards as certain large infrastructure projects reach near-completion and others undergo review by the Government. The recent announcement by the Government on the possibility of revival of the ECRL and Kuala Lumpur-Singapore High Speed Rail may move the anticipated sectoral growth rate.

On the other hand, the roll out of water sector projects is expected to accelerate, as Air Selangor completed the acquisition of SPLASH. The acquisition eases the process of Pengurusan Aset Air Berhad (PAAB) the national asset owner under the Ministry of Finance, to consolidate water assets in Selangor, thus allowing for capital works to begin.

(Source: Ministry of Finance Malaysia, Economic Outlook 2019)

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.

GROWTH STRATEGIES

Although the domestic landscape remains challenging in the near term, we are of the view that the Government will still give more emphasis towards or institute more social infrastructure projects for the '*rakyat*' or people of Malaysia in the areas of public transport, water infrastructure and public housing projects of low and medium costs which would provide potential opportunities to all local industry players.

By mid to late 2019, we believe the Government will provide a clearer direction on infrastructure spending.

In light of the changing landscape and to support our growth strategies, we have recently announced that we are seeking shareholders' approval to vary the proposed utilisation of our IPO proceeds.





• **Enhancing our Order Book**

The enlarged HEB Group possesses combined competencies in providing full-scale engineering consultancy services, particularly in the rail and road transport as well as the water infrastructure sectors.

Despite the uncertainties surrounding the status of public sector-funded rail and road infrastructure projects, we are nonetheless mindful of potential undertakings that could be initiated by individual states in the upcoming year. To this end, I am pleased to report that we have made significant inroads in delivering works for proposed undertakings in Peninsular and East Malaysia, which would conceivably lay the foundation for the upcoming order book in future.

That said, we believe that the domestic water sector holds great capacity for a promising pipeline. This is in tandem with the Government’s steady progress in sector restructuring and alignment of agencies to improve the sector’s long-term operational sustainability, as well as the development

of programmes to undertake previously-neglected infrastructure upgrading works. In this respect, we will continue to reprise our role through SMHB as the engineering consultant for various water sector projects to ably assist the Government in upholding the *rakyat’s* best interests.

Furthermore, the BIM space in Malaysia is set for an increase in adoption from 2020 thereon, as the Government enforces the mandatory usage of BIM for public infrastructure projects valued at RM100 million and upwards. As a pioneer user of BIM technology in the country, the Group is poised to capitalize on this strong experience as a key competitive edge as BIM capability is integrated within the deliverables.

• **Prospects in the Water Infrastructure Sector**

The newly-formed Ministry of Water, Land and Natural Resources (KATS) is reviewing the National Water Policy which will see some new reforms in the water sector for Malaysia. The integration of water, land and natural resources under one ministry can be expected to result in better planning and

Sandakan Water Supply, Sabah



MANAGEMENT DISCUSSION & ANALYSIS



management of the water infrastructure (including sewerage infrastructure) in the country, especially in bridging the gap between State and Federal jurisdictions.

In the post national budget forum held on 12th November 2018, KATS has indicated that there is an allocation of funds about RM690 million for the year 2019 for the water sector under the recent National budget for implementation of projects for water assets and for reducing Non-Revenue Water (NRW).

An important development that took place in the restructuring of the water infrastructure is that Suruhanjaya Pengurusan Air Negara (SPAN), the national water regulator, is already taking steps to gradually increase water tariff commencing 2019 as announced by the Minister of KATS, to move closer to the full cost recovery model for provision of water supply services.

At this stage, 8 out of the 11 states in Peninsular Malaysia have migrated to the asset light regime with PAAB taking on the ownership of the states' water assets. With the consolidation of water assets, PAAB should be able to increase their revenue from the leasing arrangements with the states for the acquired assets. The allocated budget from the Federal Government as well as PAAB's funds will be channelled towards more capital works in the water sector which will include source works, water treatment plants,

water distribution pipelines, and also towards reducing NRW.

It is important to note that major capitalization is urgently required for newly migrated Selangor, having the biggest consumer base in the country. With the very low reserve in the distribution system presently, there is an urgent need to increase treatment capacity in Selangor. The state would likely have to proceed with the provision of additional treatment plants to augment the current treated water capacity.

Other water-deficit states such as Pulau Pinang, Johor, Negeri Sembilan and Melaka are also expected to increase capital expenditure to develop new water resources and treatment capacities. As for East Malaysia, the implementation of the Sarawak Water Grid Projects would also mean capital works in several areas in the state of Sarawak to provide the rural communities with water supply services.

In terms of addressing the NRW, there have been a number of tenders called by KATS and water utilities operators for NRW works mainly involving pipe replacement, bulk and consumer meter replacements and reservoir/storage repair and replacement. In a dialogue with industry players on 19 March 2019, the Minister of KATS has indicated possible capital expenditure of between RM800 million and RM1 billion a year at the national level to reduce NRW to 31% by 2020.

*Teriang Water Supply,
Pahang*



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INTO THE
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For the sewerage sector, the allocated budget is RM590 million for the year 2019. The Government is also looking at improving their collection which should see more funds available for capital works to build more municipal treatment plants and sewerage network systems to connect households that are still utilising septic tanks and other traditional systems.

- **Expanding Overseas**

Regional expansion has always been our top priority and given the near term challenges in the domestic scene, we will actively pursue opportunities in ASEAN, particularly Indonesia and Philippines, as well as India in the areas of public transportation and water sectors.

Given our extensive expertise in these key engineering sectors, we are well-poised to participate in the immense opportunities in rapidly-developing ASEAN countries mainly Indonesia & Philippines. I am delighted to report that we had, in 2018, completed two engineering design projects for Indonesia's coal mining giant PT Adaro Energy Tbk, marking our first foray into the new market.

On top of targeting more contracts from Indonesia, we are also keen to extend our reach to Philippines to support its nation-building plans. According to Fitch Solutions, it is anticipated that the construction sector in Philippines is projected to grow 10.9% in 2019 on the back of a healthy project pipeline and growing foreign direct investments.

The report highlighted that the relative political stability within the country will be a plus for the sector as policies enacted by the current government will benefit from continuity over the next few years.

For FY2019, the Duterte Administration has set aside PHP909.7 billion to fund its Build, Build, Build Program that will usher in the Golden Age of Infrastructure in Philippines, an amount that is equivalent to 4.7% of GDP.

Our formidable and diversely experienced workforce of approximately 1,000 to date places us in prime position to serve the region's infrastructure development demand. Of note, we have (subject to shareholders' approval) set aside RM6.0 million from our IPO proceeds for expansion in ASEAN and India.

- **Establishing Recurring and Long-Term Income Based Model**

While the Group intends to reinforce our position in the areas of core competencies, we also aim to generate a long-term income source in a manner that is complementary to our existing capabilities. We are in various stages of exploring and evaluating propositions across a wide scope of activities from the power sector (mainly renewable energy sources) and with this strategic positioning, we have (subject to shareholders' approval) allocated RM12.0 million from our IPO proceeds for expansion in this sector.

We intend to keep our options open as to the method of engagement, collaboration and/or investment, while exploring routes of strategic alliances, joint ventures, mergers and acquisitions, and/or other forms of mutual cooperation in accordance with our financial capability and other factors.

Through it all, against the backdrop of the challenging year just past, we at HEB Group expect 2019 to be more fruitful, as we put in place strategies to grow from strength to strength.

ACKNOWLEDGEMENTS

I would like to thank our esteemed clients, valued business partners and stakeholders for their unwavering support rendered to HEB during the year under review.

My heartfelt gratitude also goes to our management team and employees for their continued dedication and commitment. Lastly, I would like to express my appreciation to our Board of Directors for guiding us through this tumultuous year, and I look forward to steering the Group's future direction towards greater ascension in long term sustainable value for you, our stakeholders and shareholders.

Thank you.

DATO' IR. B. NITCHIANANTHAN

Executive Director / Group Chief Executive Officer

BOARD OF DIRECTORS' PROFILE



DATO' MOHD ZAKHIR SIDDIQY BIN SIDEK, a Malaysian male, aged 52, is the Independent Non-Executive Chairman of the Company. He was appointed to the Board of Directors of the Company on 17 April 2015. He is a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He graduated from Kings College, University of London, UK with a Bachelor of Law in 1989. He was admitted as an associate to The Institute of Chartered Accountants in England and Wales in 1993 and is a member of the Malaysian Institute of Accountants.

Dato' Zakhir has accumulated over 30 years of working experience and has been involved in various industries. He started his career in 1989 with KPMG Peat Marwick in London working in audit, tax and corporate advisory, and was attached to the firm until 1993. He had served as the Vice President for Turnaround Managers Inc (M) Sdn Bhd, Kuala Lumpur from 1994 to 1995 where he was responsible for corporate advisory and restructuring.

Between 1995 and 1999, he has held senior positions in various public and private companies. Among the public companies, he acted as Managing Director in Renong Berhad, Non-Executive Director in United Engineers (M) Berhad, Director in Crest Petroleum Berhad, Director in Southern Steel Berhad, Executive Vice Chairman in Park May Berhad and Director in KLOFFE Berhad. During that time, he also held directorship in various private limited companies including Cyberview Sdn Bhd, Prolink Sdn Bhd, PUTRA Sdn Bhd, Marak Unggul Sdn Bhd, Renong Solutions Sdn Bhd and Teras Teknologi Sdn Bhd.

In the year 2000, he ventured out to start United Flagship Sdn Bhd where he is a director and shareholder to the present day. United Flagship Sdn Bhd is an investment company with subsidiaries in property development, construction and information technology.

Other than the Company, he is not a director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

Dato' Zakhir attended 4 of the 5 Board meetings of the Company held during the financial year 2018.



TAN SRI IR. KUNASINGAM A/L V. SITTAMPALAM, a Malaysian male, aged 66, is the co-founder and Executive Vice Chairman of the Company. He was appointed to our Board on 17 April 2015.

He graduated from the University of Sheffield, UK in 1977 with a Bachelor of Engineering and obtained his Masters in Engineering at the same university in 1979. He is a Fellow with the Institution of Engineers, Malaysia, a Professional Engineer with the Board of Engineers, Malaysia, a member of the Association of Consulting Engineers, Malaysia, Chartered Institution of Highways and Transportation, UK, and Institution of Engineers, Australia.

Tan Sri Ir. Kuna has accumulated over 39 years of experience within the engineering and project management services market. He started his career in 1980 as a Civil Engineer in C. H. Teoh & Partnership and was attached to the company up to 1981. He co-founded HSS Consult Partnership in 1984 which thereafter incorporated into HSS Consult Sdn Bhd in 1985. HSS Consult Sdn Bhd was principally involved in the provision of engineering design and project management services, but has since been struck off. During his tenure in HSS Consult Sdn Bhd, he was mainly involved in the design and project implementation of various infrastructure and construction projects. In 1988, he co-founded HSS Integrated Sdn Bhd, an engineering consultancy company registered under the Registration of Engineers Act 1967, and in 2001, he co-founded HSS Engineering Sdn Bhd.

Other than the Company, he is not a Director of any other public company or listed issuer in Malaysia.

Tan Sri Ir. Kuna is a major shareholder of the Company. He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 5 Board meetings of the Company held during the financial year 2018.

DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM, a Malaysian male, aged 56, is the Executive Director / Group Chief Executive Officer. He was appointed to the Board of Directors of the Company on 17 April 2015. He is also a Director of HSS Engineering Sdn Bhd and HSS BIM Solutions Pvt. Ltd.

He graduated from the Indian Institute of Technology of Roorkee, India with a Bachelor of Engineering in Civil Engineering in 1987. He obtained his Masters in Engineering majoring in Highway/Transportation from the University of New South Wales, Australia in 1989.

He is a Fellow of the Institution of Engineers, Malaysia ("IEM"), a Principal Interviewer for Corporate Membership applicants to IEM, a Professional Engineer with the Board of Engineers, Malaysia ("BEM") and has been on BEM's Scale of Fees Committee from 2013 till 2016.

Dato' Ir. Nitchiananthan is also a Fellow of the Chartered Institution of Highway and Transportation UK, and a Council Member of the Road Engineering Association of Malaysia.

Dato' Ir. Nitchiananthan has accumulated over 32 years experience in the engineering and project management consultancy industry. He started his career with Minconsult Sdn Bhd ("Minconsult") as an Assistant Engineer in 1987 for the Sabah Rural Trunk Road project. He left Minconsult in 1988 to pursue a Master's degree and re-joined Minconsult as a Highway Engineer in February 1989.

He joined HSS Integrated Sdn Bhd in October 1989 as a Highway Engineer and became an Associate in 1994 and also the Head of Highways. In 1996, he was promoted to Associate Director in HSS Integrated Sdn Bhd in charge of all highway and railway/transit projects. In 2001, he was transferred from HSS Integrated Sdn Bhd to HSS Engineering Sdn Bhd as Chief Operating Officer and was promoted to Chief Executive Officer in 2011.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 5 Board meetings of the Company held during the financial year 2018.

BOARD OF DIRECTORS' PROFILE



DATUK IR. TEO CHOK BOO, a Malaysian male, aged 65, is an Executive Director of the Company. He was appointed to the Board of Directors of the Company on 15 May 2018. He is also a Director of SMHB Engineering Sdn Bhd and SMHB Environmental Sdn Bhd, providing leadership to the top management of both companies.

He graduated from University of Aston, Birmingham, United Kingdom with a Degree in Civil Engineering in 1978. He obtained his Masters in Engineering from the Asian Institute of Technology, Bangkok in 1981. He is a Professional Engineer with the Board of Engineers, Malaysia, registered as Qualified Person with Suruhanjaya Perkhidmatan Air Negara, member of the Association of Consulting Engineers Malaysia, a Fellow of the Institution of Engineers Malaysia, and a member of the Malaysian Water Association.

Datuk Ir. Teo is also a Fellow of the Institution of Civil Engineers UK, a Fellow of the Chartered Institution of Water and Environmental Management UK and a member of the American Waterworks Association.

Datuk Ir. Teo has accumulated 41 years of experience in various sectors of engineering, particularly in dams and water-related projects, having been the project director for several mega water supply projects in Malaysia, including Raw Water Supply to Pengerang Integrated Petroleum Complex, Sungai Selangor Water Supply Scheme and the Interstate Water Transfer Schemes from Pahang to Selangor. He also oversees high profile projects such as the Klang Valley Mass Rapid Transit (KVMRT) Line 1 and Line 2 Projects.

He started his career with SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi and Binnie Sdn Bhd, in 1978 as an Engineer. And moved up the ranks to Associate Director, Director and Executive Director. He was made the Managing Director in 2000, a position which he still holds today.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 2 Board meetings of the Company held during the financial year 2018 subsequent to his appointment on 15 May 2018.



IR. SHARIFAH AZLINA BT RAJA KAMAL PASMAL, a Malaysian female, aged 52, is the Executive Director / Group Chief Operating Officer. On 1 January 2018 she was appointed as the Executive Director of the Company. Prior to that, she was an Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam. She is also a Director of HSS Engineering Sdn Bhd and BIM Global Ventures Sdn Bhd.

She graduated from the Christian Brothers University, Memphis, USA with a Bachelor of Science in Civil Engineering in 1990 and subsequently, completed her Master of Business Administration at Cardiff Metropolitan University, UK in 2012.

She is a Fellow of the Institution of Engineers Malaysia ("IEM"), Principal Interviewer for IEM's Professional Assessment Examination, a Professional Engineer with the Board of Engineers, Malaysia, an ASEAN Chartered Professional Engineer, a member of the Association of Consulting Engineers Malaysia, a member of the Chartered Institution of Highway and Transportation, UK, a member of the Intelligent Transport System of Malaysia and a member of Project Management Institute (Malaysian Chapter). She has also been appointed as a Corporate Member who provides advisory role to the Committee of IEM Women Engineers Session 2018-2019.

Puan Ir. Sharifah Azlina has over 29 years of experience within the engineering and project management services market, particularly in road and highway designs. She started her career in 1990 with the Memphis City Council in USA as an undergraduate trainee where she was involved in the redesign of an existing road intersection in the city of Memphis. Upon her return to Malaysia in the same year, she joined Dolomite Properties Sdn Bhd for a short stint before joining Minconsult Sdn Bhd as a Graduate Engineer. She left Minconsult Sdn Bhd in 1991 to join HSS Integrated Sdn Bhd as an Engineer and rose through the ranks to become Chief Engineer (Highway). She was transferred from HSS Integrated Sdn Bhd to HSS Engineering Sdn Bhd in 2002 as Chief Engineer (Highway), and again rose through the ranks to become our Chief Operating Officer in 2011.

Other than the Company, she is not a Director of any other public company or listed issuer.

She has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

She attended all 5 Board meetings of the Company held during the financial year 2018.



IR. PREM KUMAR A/L M VASUDEVAN, a Malaysian male, aged 59 is an Executive Director of the Company. He was appointed to the Board of Directors of the Company on 15 May 2018. He is also a Director of SMHB Engineering Sdn Bhd, responsible for Business Development.

He graduated from University Malaya, Malaysia with a Degree in Electrical Engineering in 1985. He is a Professional Engineer with the Board of Engineers Malaysia (“BEM”) and registered as Qualified Person with Suruhanjaya Perkhidmatan Air Negara. Ir. Prem was the President of the Association of Consulting Engineers Malaysia (“ACEM”) from 2014 to 2016 and currently serves as Immediate Past President of ACEM. He was a Board member of BEM from 2012 to 2016, Chairman of the Professional Competency Examination Committee from 2016 to date, and currently serves in the Scale of Fees Committee since 2007, Engineer’s Act Committee since 2010, Management Committee since 2012, Professional Practice Committee since 2013, and Examination & Qualification Committee since 2014.

Ir. Prem has over 34 years of experience in mechanical & electrical engineering and project management, in particular within the water, wastewater and transportation industry. He has managed several mega projects, notably the Klang Valley Mass Rapid Transit Line 2 Project and the Langat 2 Water Supply Project. He started his career with SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi dan Binnie Sdn Bhd, in 1985 and rose in ranks from Engineer to Associate Director, Technical Director and Executive Director, a position he still holds today.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 2 Board meetings of the Company held during the financial year 2018 subsequent to his appointment on 15 May 2018.



MOHAN A/L RAMALINGAM, a Malaysian male, aged 70, is the Senior Independent Non-Executive Director of the Company. He was appointed to the Board of Directors of the Company on 17 April 2015. He is the chairman of the Remuneration Committee and Nomination Committee, and a member of the Audit and Risk Management Committee.

He graduated from Leicester Polytechnic, UK with a Degree in Mechanical Engineering in 1972 and obtained his Master of Business Administration from Harvard University, USA in 1983.

Mr. Mohan started his career as an Engineer in Monsanto Electronics Sdn Bhd in 1973 where he rose to become Manufacturing Manager and was responsible for four (4) production departments. In 1978, he joined P A Consulting Services Sdn Bhd, an international management consulting firm and was responsible for the operation and supervision of a range of consultancy assignments. From 1984 to 1988, he was the Managing Director for Mewah Holdings Sdn Bhd, an investment holding company. He was responsible for overseeing the performance of the investee companies, troubleshooting poorly performing companies and evaluating potential new investments.

In 1989, he founded MRY Associates Sdn Bhd (“MRY”), an investment holding company, as a Managing Director and has held that position ever since. He is responsible for the research and development activities as well as identifying market trends and niches to be developed. MRY’s investee companies include JobStreet.com Bhd, BFM Radio and Agrinos A.S. He acted as an Independent Director in Oriental Capital Assurance from 2010 to 2012.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 5 Board meetings of the Company held during the financial year 2018.

BOARD OF DIRECTORS' PROFILE



DATO' SRI IR. HJ. ISMAIL BIN MD.SALLEH, a Malaysian male, aged 61, is the Independent Non-Executive Director of the Company. He was appointed to the Board of Directors of the Company on 6 July 2018. He also serves as a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He graduated from University of Technology Mara, Malaysia with B.Sc in Civil Engineering in 1981. He obtained his Master of Science in Highway Engineering from University of Strathclyde, United Kingdom in 1994. He is a registered Professional Engineer with Board of Engineers Malaysia, a Fellow with Institution of Engineers Malaysia, a Council Member of Road Engineering Asia and Australasia, Deputy President of Road of Engineering of Malaysia, President of Intelligent Transport System Association of Malaysia and Chairman of the Chartered Institution of Highways and Transportation (Malaysia Branch).

Dato' Sri Ir. Hj. Ismail has accumulated over 36 years of working experience in the government sector and was principally responsible for planning, construction, operation and monitoring of all privatized highways such as North-South Expressway, Penang Bridge and KL-Karak Highway.

He started his career in Malaysian Highway Authority ("MHA") in 1981 as a Civil Engineer, then move on as a Project Supervisor for the Lebuhraya Senai-Johor Bahru and in 1990, he was promoted as the Northern Region Director, and in 1995 he served as the Southern Region Director till 1997. In 1997, he served as the Director of Monitoring for all privatized toll highways and in 2006, he was promoted as Deputy Director General of Development. In 2009, he was promoted again as the Director General of MHA, a post he held until his retirement in June 2018.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all 2 Board meetings of the Company held during the financial year 2018 subsequent to his appointment on 6 July 2018.



NG KUAN YEE, a Malaysian female, aged 48, is the Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam / Group Chief Financial Officer. She was appointed as Alternate Director to Dato' Ir. Nitchiananthan on 1 January 2018. She is also a Director of HSS Engineering Sdn Bhd.

She is responsible for the Group's overall finance functions including the monitoring of business performance and results, profitability and cash flow, executions of financial reporting, treasury management and tax compliance to ensure that the Group meets its business objectives in terms of returns, profitability, and cash flow.

She is a Fellow member of the Association of Chartered Certified Accountants since March 2005. After graduated in 1995, she also became a member of the Malaysian Institute of Accountants in 2001 and a member of the Malaysian Institute of Certified Public Accountants in 2007.

Ms. Ng Kuan Yee has over 25 years of experience in accounting and finance functions. She has extensive experience in mergers & acquisitions, integration of regional based finance shared services function, corporate restructuring, corporate due diligence, software implementation and risk management. She began her career with Bell & Order Berhad in 1994 and left in 1996 to join Gula Perak Berhad for a short stint. Thereafter, in 1996, she joined Sunway Marketing Sdn Bhd as an assistant accountant and was attached to the company up to 1998. Between 1998 and 2003, she was attached to Baan Malaysia Sdn Bhd, a multinational software house as Finance Manager of the ASEAN region. Prior to joining HSSE in 2011, she worked in Tricor Services (Malaysia) Sdn Bhd as a Chief Financial Officer from 2003 to 2011 where she was responsible for the overall finance functions of the company.

Other than the Company, she is not a Director of any other public company or listed issuer.

She has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



IR. SYED MOHAMED ADNAN BIN MANSOR ALHABSHI, a Malaysian male, aged 59, is an Alternate Director to Datuk Ir. Teo Chok Boo since 21 February 2019. He is also a Director of SMHB Engineering Sdn Bhd, he is responsible for all the engineering services provided by the company.

He graduated from the University of Adelaide, Australia with a Bachelor degree in Civil Engineering in 1983. He is a Professional Engineer with Board of Engineers Malaysia, registered as Qualified Person with the Suruhanjaya Perkhidmatan Air Negara, a member of the Institution of Engineers Malaysia, a member of the Association of Consulting Engineers Malaysia and a Corporate Representative of the Road Engineering Association Malaysia. Ir. Syed Mohamed Adnan was the President of the Malaysian Water Association from 2013 to 2017.

Ir. Syed Mohamed Adnan has over 35 years of experience in planning, design, project management and construction supervision in particular within the water, highway and rail sectors, urban traffic dispersal schemes, common utility tunnels and land development projects. He started his career in 1983 with SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi dan Binnie Sdn Bhd, and he moved up the ranks from an Engineer to Associate Director, Technical Director and since 2000, he was appointed as Executive Director of SMHB Sdn Bhd.

Other than the Company, he is not a Director of any other public company or listed issuer.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

SENIOR MANagements' PROFILE

DATO' IR. KHAIRUDIN BIN SIDEK

Malaysian, Male, Aged 68

He has been the Director of the Group's associate company HSS Mekanikal & Elektrikal Sdn Bhd since 2011.

He is a member of the Institution of Engineers, Malaysia, and a Professional Engineer with the Board of Engineers, Malaysia, and a Steam Engineer Grade II. He is also a member of the Association of Consulting Engineers, Malaysia.

Dato' Ir. Khairudin has accumulated over forty five (45) years' experience in the field of mechanical and electrical engineering. He started his career in 1974 as a Pupil Engineer in in Tenaga Malaysia Berhad (formerly known as Lembaga Letrik Negara), Port Dickson and was subsequently promoted to Shift Engineer in 1978. He left Tenaga Malaysia Berhad in 1980. From 1980 to 1987, he was attached to Jurutera Konsultant (SEA) Sdn Bhd as a shareholder and director with the title of Mechanical Engineering Partner where he was the registered consultant for mechanical and electrical and civil and structural engineering projects. Between 1988 and 1990, he was attached with Hyco Worldwide (M) Sdn Bhd, which is principally involved in the oil-water emulsion technology for application in combustion of fuel used in power generation as its Managing Director.

In 1991, he became the Regional Manager in South East Asia for Wahlco Environment Systems Incorporated and was attached to the company up to 1993. In 1991, he also became the principal partner for Perunding IMS, which provides mechanical and electrical consultancy services. He left Perunding IMS to join HSS Integrated Sdn Bhd, HSS Mekanikal & Elektrikal Sdn Bhd in 2011. He served as Chairman of HSS Integrated Sdn Bhd until 1 January 2018. From 2000 to 2005 he was the Executive Director and shareholder of Zelan Construction Sdn Bhd, a power plant specialist in civil works in more than 12 major power plant construction for Independent Power Plants and Tenaga Malaysia Berhad in Malaysia. Dato' Ir. Khairudin was an Executive Director of the Company from 17 April 2015 to 1 January 2018.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and / or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

IR. MATHEW PHILIP A/L V.C PHILIP

Malaysian, Male, Aged 60

He is the Group General Manager of HSS Engineering Sdn Bhd. He was appointed on 29 March 2014 and responsible for leading and managing projects undertaken by HSS Engineering Sdn Bhd.

He graduated from Universiti Malaya in 1983 with a Bachelor in Engineering and successfully completed his Master in Science in Highways and Transportation Engineering at Universiti Putra Malaysia in 2001. He is a Fellow and Principal Interviewer for Corporate Membership applicants with the Institution of Engineers Malaysia, a Professional Engineer with the Board of Engineers Malaysia, and Member of the Chartered Institution of Highway and Transportation.

Ir. Mathew Philip has over 36 years of experience in design, design management and project management in mass rail transit, light rail transit, monorail, heavy rails, expressways and highways. He began his career in 1983 with Minconsult Sdn Bhd as Highway Engineer where he was involved in various infrastructure design projects as a graduate engineer. He left Minconsult Sdn Bhd in 1991 and joined HSS Integrated Sdn Bhd in the same year as Principal Design Engineer. In 2003, he was transferred from HSS Intergrated Sdn Bhd to HSS Engineering Sdn Bhd as General Manager, and was subsequently promoted to become the Group General Manager.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group, and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

IR. TEN FUI CHAN @ KENNETH

Malaysian, Male, Aged 54

He is the Senior General Manager (Transportation) of HSS Engineering Sdn Bhd. He was appointed on 29 December 2016 and responsible in managing the Transportation Division, coordinating the design teams as well as providing technical supervision, guidance and reviewing design works. In addition, he also manages client and liaison with the relevant authorities and sub-consultants. He is also a Director of HSS Engineering Sdn Bhd.

He graduated with a Bachelor of Arts degree in 1988 and a Bachelor in Civil Engineering (1st Class Honours) degree in 1989 from Trinity College, University of Dublin, Ireland. He is a Fellow with the Institution of Engineers Malaysia, a Professional Engineer with the Board of Engineers Malaysia, a Corporate Member and Professional Engineer with the Institution of Engineers, Australia and a member of various professional societies including the Permanent Way Institution (Malaysian Section), Chartered Institution of Highway and Transportation UK, Associate Member of the Association of Consulting Engineers Malaysia and APEC & EMF International Professional Engineer. He also serves as a Principal Interviewer for the Professional Interview Board with the Institution of Engineers Malaysia.

Ir. Ten Fui Chan @ Kenneth has accumulated over 30 years of experience within the engineering and project management services market, particularly in design, design management and project management. He started his career in Minconsult Sdn Bhd as a graduate engineer in 1989, and subsequently joined HSS Integrated Sdn Bhd in 1989 as a Highway Engineer. He was transferred to HSS Engineering Sdn Bhd in 2001, and promoted to Senior General Manager (Transportation) in 2016.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group, and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

IR. MD JAMIL BIN HJ ISHAK

Malaysian, Male, Aged 49

He is the General Manager (Infrastructure) of HSS Engineering Sdn Bhd. He was appointed on 1 July 2014 and responsible in managing the Infrastructure Division, coordinating the design teams as well as providing technical supervision, guidance and reviewing design works. In addition, he also manages client and liaison with the relevant authorities and sub-consultants. He is also a Director of BIM Global Ventures Sdn Bhd.

He graduated with a Bachelor of Engineering (Civil Engineering - Honours) degree in 1992 from Universiti Teknologi Malaysia. He is a Professional Engineer with the Board of Engineers Malaysia and Professional Engineer with The Institution of Engineers Malaysia.

Ir. Md Jamil has accumulated over 26 years of experience within the engineering and project management services market locally and overseas, particularly in planning, design, design management, construction supervision and project management. He started his career in Kedeco Berhad as a Civil Engineer in 1992, and subsequently joined HSS Integrated Sdn Bhd in 1993 as a Civil Engineer and was promoted to Senior Engineer in 1997. In 2002 he was transferred to HSS Engineering Sdn Bhd as Principal Engineer, promoted to Chief Engineer-Civil in 2008 and became General Manager (Infrastructure) in 2014.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group, and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

TAN SRI DATO' IR. SYED MUHAMMAD SHAHABUDIN PSM, DSDK, PJK

Malaysian, Male, Aged 83

He is a Director of SMHB Engineering Sdn Bhd and was appointed on 9 April 2018.

He graduated from Plymouth College of Technology, UK in 1962 with a Diploma in Civil Engineering.

He is a Professional Engineer with the Board of Engineers Malaysia, a Board Member of Lembaga Urus Air Selangor (LUAS) since 1999, Fellow of the Academy of Sciences, Malaysia and currently Chairman of the Task Force on Water Demand Management and member of the Institution of Engineers Malaysia. He was also a Board Member of the Suruhanjaya Perkhidmatan Air Negara (SPAN) from 2007 to 2017.

He has over 55 years of experience in project planning, management and financial planning of water resources and water supply projects, drainage and irrigation project, sewerage projects and oil & gas projects in Malaysia, Brunei and Singapore. Tan Sri started his career with Jabatan Kerjaya Malaysia in 1963 and he served the Government for 12 years. His last post with the Government was as Chief Executive Engineer for the Penang Water Authority for 2 years before joining Binnie dan Rakan Malaysia as a partner in 1975. In 1980, Tan Sri was made the Executive Chairman of SMHB Sdn Bhd and till today he continues to serve as the Chairman of SMHB Sdn Bhd.

Tan Sri was involved in the formulation of policies governing water and wastewater services at state and federal levels that relate to economic and technical regulations by SPAN.

He does not hold any directorship in public company or listed issuer and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

IR. MOHD ROUSDIN BIN HASSAN

Malaysian, Male, Aged 69

He is a Director of SMHB Engineering Sdn Bhd. He was appointed on 9 April 2018 to the Board of SMHB Engineering and responsible for the Human Resources and Administration matters of the company.

Ir. Mohd Rousdin graduated from the University of Westminster, UK with a Bachelor of Science in Civil Engineering and obtained his Masters of Science in Water Resources Technology in 1990 from the University of Birmingham, UK.

He is a Professional Engineer with the Board of Engineers Malaysia (BEM), registered as Qualified Person with Suruhanjaya Perkhidmatan Air Negara, Steering Committee Member of BEM Professional Competency Examination, member of the Institution of Engineers Malaysia and member of the Institution of Civil Engineers UK.

He is currently Chairman of the Sub Finance Committee of BEM since 2012, member of the Working Group on Amendment of Engineer's Act since 2010, and member of the Management Committee since 2005 to date.

Ir. Mohd Rousdin has over 42 years of experience in planning, design, project management and construction supervision of water supply and infrastructure projects. He started his career with Jabatan Kerjaya Malaysia in 1977 and served the Malaysian Government for 14 years before joining SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi dan Binnie Sdn Bhd, in 1992 as an Associate Director. He was promoted to Director in 1994 and subsequently to Executive Director of SMHB Sdn Bhd in 1997.

He does not hold any directorship in public company or listed issuer and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

SENIOR MANagements' PROFILE

IR. LOO AI CHOO

Malaysian, Female, Aged 60

She is a Director of SMHB Engineering Sdn Bhd. She was appointed on 9 April 2018 to the Board of SMHB Engineering Sdn Bhd. She is responsible for corporate matters, as well as the Process and Environmental Division. She is also a Director of SMHB Environmental Sdn Bhd.

She graduated from Monash University, Australia with a Bachelor of Chemical Engineering in 1981 and obtained her Masters of Engineering Science in 1984 from the same university.

She is a Professional Engineer with the Board of Engineers Malaysia, registered as Qualified Person with Suruhanjaya Perkhidmatan Air Negara, member of the Association of Consulting Engineers Malaysia, member of the Institution of Engineers Malaysia, and a registered Environmental Impact Assessment Consultant with the Department of Environment Malaysia.

Ir. Loo Ai Choo has over 37 years of experience in water and wastewater treatment process, environmental impact assessment, environmental management and environmental monitoring works. She started her career as a lecturer with Mara Institute of Technology College from 1985 to 1987 and with the Leicester University Engineering programme at Sunway College during the period from 1987 to 1989. She joined SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi dan Binnie Sdn Bhd, in 1989 as a Senior Engineer and thereafter rose in ranks to Chief Engineer, Associate Director, Technical Director and Director.

She does not hold any directorship in public company or listed issuer and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

IR. ZULKIFLEE BIN AB. HAMID

Malaysian, Male, Aged 57

He is a Director of SMHB Engineering Sdn Bhd. He was appointed on 9 April 2018 to the Board of SMHB Engineering Sdn Bhd and responsible for the Wastewater and Drainage Division.

He graduated from Portsmouth Polytechnic, UK with a Bachelor of Science in Civil Engineering in 1984.

He is a Professional Engineer with the Board of Engineers Malaysia, registered as Qualified Person with Suruhanjaya Perkhidmatan Air Negara, member of the Association of Consulting Engineers Malaysia and the Institution of Engineers Malaysia. He was the Vice President of the Malaysian Water Association (MWA) from 2015 to 2017 and is currently the Honorary Secretary of MWA for the term from 2017 to 2019.

Ir. Zulkiflee has over 35 years of experience in water supply, sewerage and sewage treatment works, water re-use, urban drainage and pollution control works, infrastructure and mass rail transit projects. He started his career as an Engineer in B-W Perunding Sdn Bhd in 1984. In 1988 he joined SMHB Sdn Bhd, formerly known as Syed Muhammad, Hooi dan Binnie Sdn Bhd, as an Engineer and was thereafter promoted to Senior Engineer in 1991. He joined Ranhill Bersekutu Sdn Bhd as a Senior Engineer in 1993 before re-joining SMHB Sdn Bhd in 1995 as an Associate Director. He was promoted to Technical Director in 1997 and to Director in 2008.

He does not hold any directorship in public company or listed issuer and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

SULIANA BINTI ROSLI

Malaysian, Female, Aged 45

She is the Senior Legal Manager for the Group. She was appointed on 1 October 2014 and responsible for providing services in the areas of legal, governance and company secretarial to the Group. She graduated with Bachelor of Laws from University of Hull, UK in 1997 and an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators.

She has over 20 years of experience in legal, commercial, governance and regulatory functions. She began her career in 1997 as Business Development Executive in The Network Connections Sdn Bhd. She left the company in 1999 to join Golden Arches Restaurants Sdn Bhd as a Legal Manager where she provided legal support to the company and its charitable arm, and was with the company up to 2007. In 2007, she joined HSBC Data Processing (M) Sdn Bhd ("HSBC") as Senior Legal Counsel where she headed the offshore legal team for HSBC Bank plc's operations in UK covering the segments of retail, commercial and corporate banking. She left HSBC in 2012 to join Ambank (M) Bhd as Senior Legal Counsel where she headed the legal department which provides legal support and services to the bank's business banking for a year and thereafter led the legal department supporting the bank's retail banking segment. She left the bank in 2014 to join HSS Engineering Sdn Bhd.

She does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group, and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regards to convictions for offences (other than traffic offences, if any) within the past 5 years.

SUSTAINABILITY STATEMENT

2018 marked another important year in HSS Engineers Bhd’s (HEB or the Company) sustainable journey. We are proud to benchmark our strategic business goals against the United Nation’s 17 Sustainable Development Goals (SDG’s). As an engineering consultancy group, we initially selected SDG 9: Industry, Innovation and Infrastructure as a sustainability goal that the Group can directly contribute to. Sustainability is part of what we do every day, wherever we operate, either in our design office or at our client’s construction sites located across Malaysia. The acquisition of SMHB Engineering Sdn Bhd (SMHB) which was completed within 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 aspire to contribute to other SDG’s in the future such as the following.

- SDG 6: Clean Water & Sanitation
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption & Production (including waste management)

Areas for project sustainability reporting include carbon savings, energy savings, biodiversity conservation and land savings. A Green Task Force (Taskforce) was formalized and setup in 2018 consisting of an advisory and working group to operationalize sustainability, provide focus, measure and highlight areas of sustainability to senior management and the board of directors.



SUSTAINABILITY IN DESIGN

Using building information modeling (BIM) data generated, the Group is able to design more cost effective solutions throughout the entire project life cycle from the initial planning, through to preliminary and detailed design and ensure sustainable operations and maintenance of the facility. The Group’s usage of BIM allows us to make design changes and value engineer projects while the project design development and definition is still flexible, compared to making costly changes during the construction stage. The Group has provided value to our clients in the following ways but not limited to:

1. Data Driven Improvement

BIM allows all designers to collaborate and learn from each other’s experience. The knowledge gained and the data generated minimizes and in some cases eliminate mistakes from being repeated in the future. Having a single source for data on a project also facilitates future operations and maintenance of the completed project for facilities management.

2. Better Streamlining in Delivery

The Group’s use of BIM in projects allows us to assist our clients in minimizing wastage resulting in minimal on-site variation. BIM allows for automatic clash detection with resulting savings in time, cost and construction materials. The visualization tools and quantity take-off functions within BIM also assists in improving the productivity of construction activities at site.

SUSTAINABILITY STATEMENT

In 2018, our sustainability initiative addressed matters that are important to both our internal and external stakeholders. We believe that by adopting a 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 either of the following:

- (a) our Quality, Environmental, Safety and Health (QESH) Management Systems which are OHSAS 18001: 2007, ISO 9001: 2015, and ISO 14001: 2015 certified;
- (b) ISO Quality 9001 : 2015

SMHB is in the process of obtaining certification to MS ISO 14001: 2015 Environmental Management System (EMS) and MS ISO 45001 : Occupational Safety and Health Management System (OSHMS).

The Taskforce formed during the year is to champion various green initiatives within the Group, with focus on spearheading a group-wide digitization strategy that would improve resource efficiency and drive wastage reduction within all processes of the Group. The Taskforce also embarked on an energy savings initiative for the headquarters.

SCOPE

This statement has been prepared in accordance with (1) Bursa Malaysia's Main Market Listing Requirements Note 9; (2) Bursa Malaysia's Sustainability Reporting Guide (2nd Edition) (Bursa Guide); and (3) the Global Reporting Initiative (GRI) Standards – Core Option. Bursa Guide and the GRI Standards serve as our primary reference points for disclosures on matters pertaining Economics, Environment and Social. No external assurances have been made for this statement.

All information within this statement includes all subsidiaries & associates of HEB based in Malaysia.

STAKEHOLDERS & ISSUES OF INTEREST

As part of its sustainability process, especially in determining key matters that is important for the Group and its environment, the Group continues to actively engage various stakeholders. This enables the Group to be more encompassing and able to capture varied and even differing viewpoints that serve to further refine our sustainability related concerns and materiality matters,

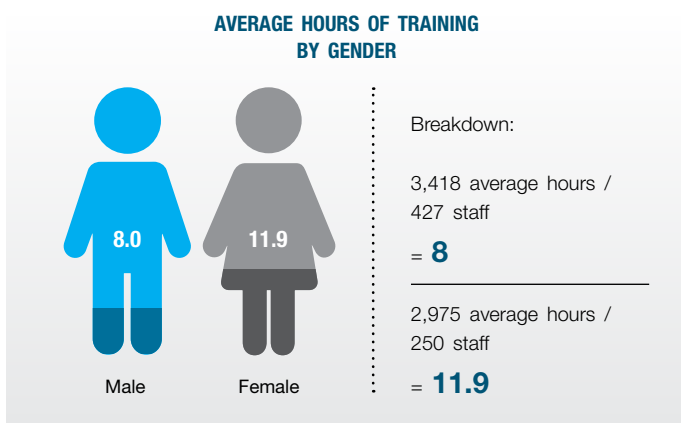
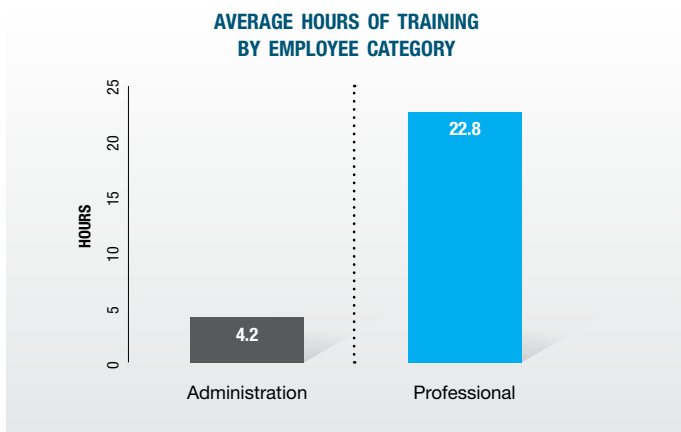
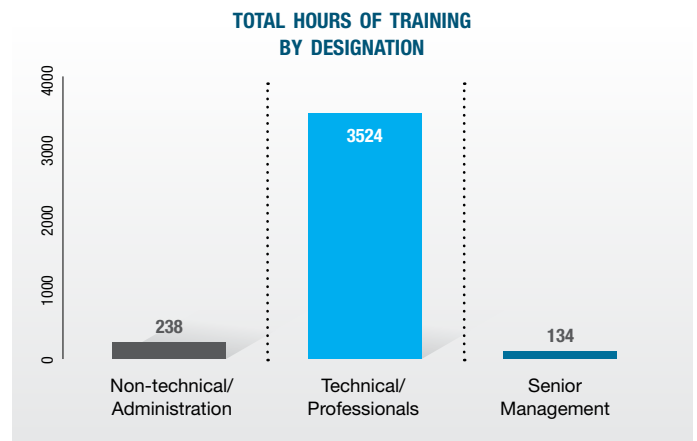
STAKEHOLDERS	ENGAGEMENT ACTIVITIES	FREQUENCY	ISSUES OF INTEREST
Employees	Induction training Safety briefings Training	Each new hire, Annually Annually	<ul style="list-style-type: none"> • Employee benefits • Employee training
Clients	Customer feedback mechanisms	Per project	<ul style="list-style-type: none"> • Quality of service
Investors	Meetings	Regularly	<ul style="list-style-type: none"> • Financial sustainability
Suppliers	Supplier assessments	Ad-hoc	<ul style="list-style-type: none"> • Updates on the Group's business standing • Fair procurement practices
Regulators	Filings	Regularly	<ul style="list-style-type: none"> • Complying with relevant rules and regulations

MATERIAL TOPIC 1 - EMPLOYEE TRAINING

Training is crucial for organizational development and success. Training leads to enhancement of employees’ skills as well as improve quality of work. The diversity of the board of directors within the Group especially in terms of skills and experience is important in order to help the Group move forward. As we are a services-based group of companies, human capital is integral to the continued success of our operations in our aspiration to be a leader in the engineering industry. The Group views employees training as a continuous process of capacity building and updating employees on changes and advances in technology, techniques and processes, thus keeping the employees and the companies abreast at all times. As such, internal knowledge capacity building has the highest significance in our sustainability management. Training needs of the employees within the Group are identified by the respective department heads in accordance with the individual competency level of the employees in meeting their “Basic Skills”, “Core Skills” and “Specialised Skills”. At the Group, 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
	Employees are trained in the actual working scenario
OFF-THE-JOB	In-house or external training courses
	Training is provided away from the actual working condition. Self-study using manuals and tutorial manuals

* Professionals Category includes Senior Management & Technical/Professionals



The total hours of training have shown a drop in the figures as compared to the previous year of 2017, the total number of training either external or internal (in-house) has been reduced to half of the previous year figures. The reason was due to the Group implementing cost management initiatives in 2018 which also affected the training budget. Among other trainings that the Group had conducted in 2018 was Business Communication Skills for Engineers- Module 3. This in-house training was a continuation of Module 1 & Module 2 which were organized in the previous years. Besides soft-skills training our Engineers and Senior Engineers also attended several other technical trainings and conferences to further enhance their skills and knowledge and contributed to their overall work performance.

The Group keeps “Training Logs” for all employees training record. After several trainings are completed the results are monitored and additional follow-up recommendation will be given by the respective supervisors.

The Group provides an in-house library for employees Learning and Development (L&D) purpose. It boasts a few thousand technical books, government reports, copies of project proposals and numerous related documents. Books and reports are being continuously purchased based on recommendation from the senior management and professional employees. A full-time librarian is stationed to record all the books and provide necessary services to all employees.

SUSTAINABILITY STATEMENT

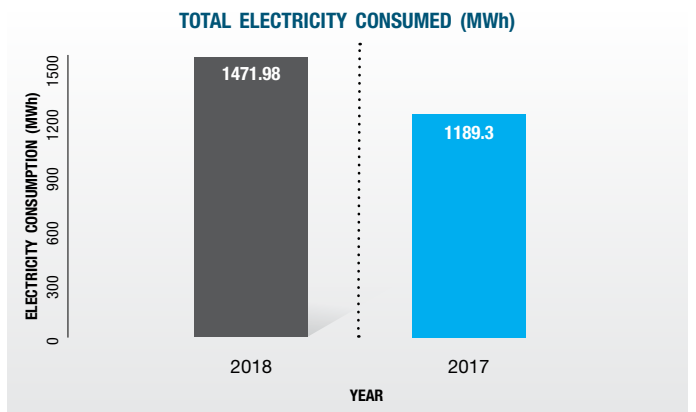


1. An in-house training: Business Communication Skills for Engineers - by British Council • 2. Basic Occupational First Aid, CPR and AED Training in April 2018 • 3. Fire Drill Briefing in March 2018 • 4. Essential Fire Fighting Training in April 2018

MATERIAL TOPIC 2 - ENERGY MANAGEMENT

TOTAL ELECTRICITY CONSUMED

No.	Year	Electricity Consumption (MWh)	Percentage Increase / (Decrease)	Remarks
1	2018	1471.98	23.7%	This includes consumption by newly acquired subsidiary, SMHB.
2	2017	1189.3		



The Group has always operated based on a general philosophy to conserve and protect nature's resources. The Group strives to ensure each project undertaken is in keeping with the principles of sustainable development and conserving the environment for future generations.

The Group targets to reduce usage of electricity by 5% over the next 5 year. In February 2018 the existing lights on two floors of the Group's headquarter were replaced with LED lights. The remaining floors will be installed with LED lights in stages.

In October 2018, initiatives were established towards Energy Conservation by departments and employees by creating 'Work Zones' for lighting to conserve energy where possible and circulated 'Workplace Etiquette' as a guide towards managing operating costs.

The Taskforce will continue to monitor monthly energy consumption to ensure proper energy conservation is carried out to achieve significant reduction.

MATERIAL TOPIC 3 - FINANCIAL SUSTAINABILITY

Financial sustainability allows the Group to grasp opportunities and address future market challenges, whilst maintaining a good balance between growth and stability. The key financial indicators below highlight the economic value of the Group. Further information on our financial sustainability can be examined in other areas within the Annual Report.



MATERIAL TOPIC 4 – PRACTICE OF GOOD BUSINESS CONDUCT / ETHICS

We continue to promote good governance and business ethics through the Group's corporate governance structure.

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

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

Non-adherence or non-compliance to the above codes will result in reprimand by management against any parties found guilty.

In FY2018, there were no cases of misconduct reported.

MATERIAL TOPIC 5 – EMPLOYEE BENEFITS

We place great importance in our employees' wellbeing. A positive work environment is not only important for employees' physical, mental and emotional health but is also important for the results that employees produce for the Group. 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, family day and company trips (some subsidized by the Group), Health Week, as well as community service activities. The employees participation and engagement activities are important because it helps not only the Group to grow but also very useful for the overall growth of the employees besides creating a positive work environment.

Further, the Group provides a range of benefits to the employees including Group insurance policies, outpatient medical treatment and allowances.

Below are some of the snapshots of the Group's activities for year 2018.

SUSTAINABILITY STATEMENT

Below are some of the snapshots of the Group's activities for year 2018.



1. Tug of War Tournament 2018 • 2. Trip to Desaru, Johor • 3. Bowling Tournament • 4. Treasure Hunt • 5. Badminton Tournament • 6. Futsal Tournament • 7. Health Week • 8. Trip to Sungai Klah, Perak

HEB organised Blood Donation Campaign among the Staff on 26 April 2018

In conjunction with Corporate Social Responsibility (CSR), HEB collaborated with Pusat Darah Negara and organised Blood Donation Campaign in April 2018. HEB organises blood donation campaign annually during the Health Week.





1



3



2

1. SMHB FC vs Sunday Social FC • 2. Maccaferri Futsal Championship • 3. Annual Gathering

MATERIAL TOPIC 6 – SAFE WORKING ENVIRONMENT

Health and safety constitutes a significant risk within our industry. The Group has formalized an Emergency Preparedness and Response plan that outlines necessary actions to minimize 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 hazards, environmental impacts, and emergency situations are identified through HIRADC Register, EAI Register, Workplace Inspections/ Safety walkabouts and other applicable means.

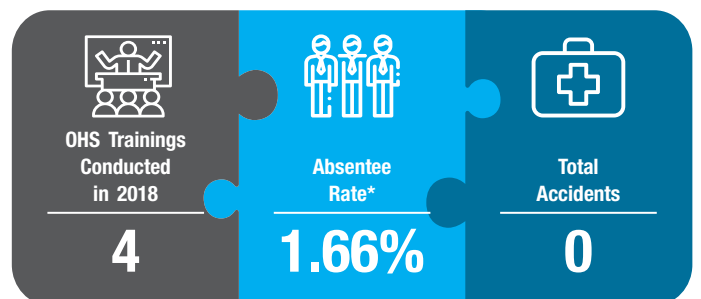
As part of the Group’s Emergency Preparedness and Response plan, we have dedicated Administration Department and QESH Department which spearhead training programs for Emergency Response Team members and personnel. The training programs are intended to enhance the Group’s awareness levels on the procedures laid out in the Emergency Response Plan.

A coordinated and efficient response during emergency situations is vital to create a safe working environment. In this regard, the Group conducts annual evacuation drills for its offices. The evacuation drills are analyzed by the Administration Department and QESH Department for continuous improvement opportunities. In addition, the Group conducts routine maintenance and inspection of emergency equipment such as fire alarms, fire extinguishers, etc. at its offices.

Occupational Health and Safety (OHS) Trainings conducted in 2018 consists of Basic Occupational First Aid, CPR and AED, Essential Fire Fighting, Fire & Emergency and Fire Prevention.

Absentee rate is calculated by The total number of Medical Leaves divided by Total Number of Employees times the Number of Working Days for 2018. Below is the calculation for absentee rate.

$$\frac{4074 \text{ MEDICAL LEAVES}}{932 \text{ STAFFS X 263 DAYS}} \times 100\% = 1.66\%$$



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

SUSTAINABILITY STATEMENT

MATERIAL TOPIC 7 – CLIENT SATISFACTION

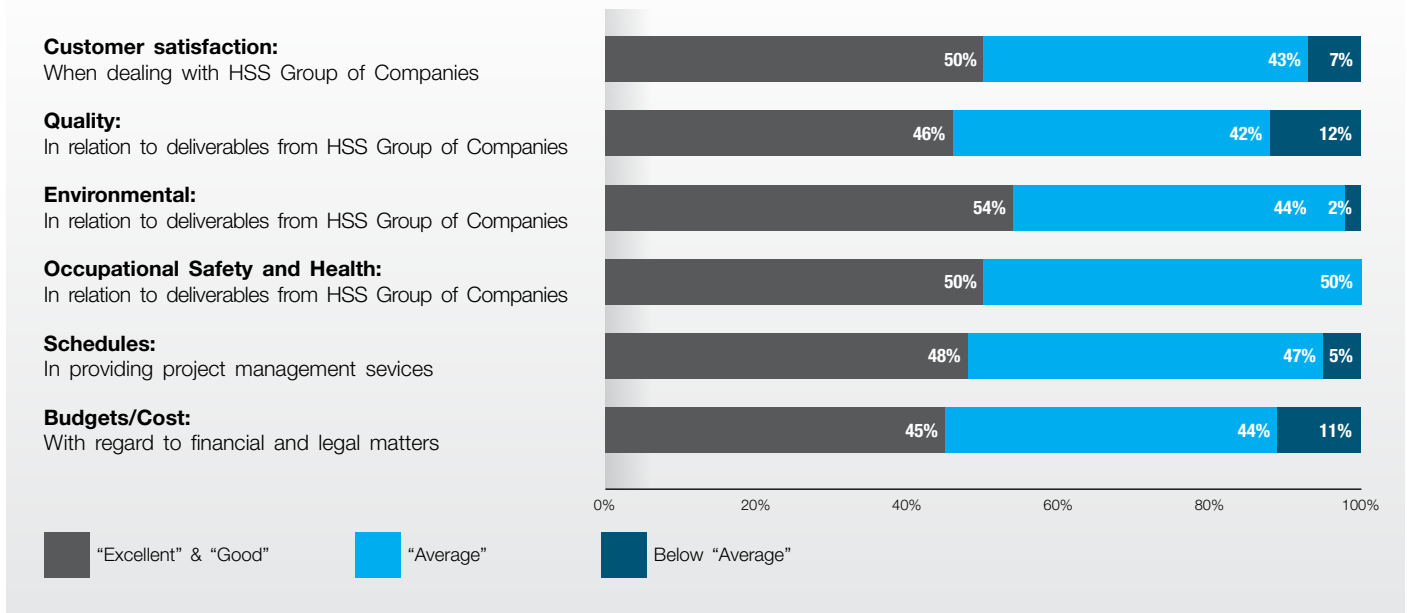
As an engineering consultancy group, client satisfaction is one of our highest priorities. We work to ensure effective client engagement throughout all levels of the Group. There is a customer complaint channel serving as a platform for clients to relay issues and concerns pertaining their project. All highlighted concerns will be analyzed internally for a systematic identification of root causes to devise potential solutions. In addition, all concerns are documented in the Concern Register for record-keeping purposes. The complaint channel also serves as an 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 projects. In addition, the commitment is to respond to all client complaints within 3 working days upon lodgment in writing.

For client feedback, we request our customers to provide us with inputs and feedback via a customer survey process. Issues covered in the survey include overall client’s satisfaction, quality of work, environmental, occupational health and safety, schedule, and budget/cost. Further, an annual internal review is conducted on operations. The results of surveys are covered in our Customer Survey Report compiled and analyzed by QESH department. The report is tabled during Management Review meetings to explore improvement opportunities.

Results of Customer Survey 2018

RESULTS OF CUSTOMER SURVEY REPORT



MATERIAL TOPIC 8 – WATER MANAGEMENT

TOTAL WATER CONSUMPTION

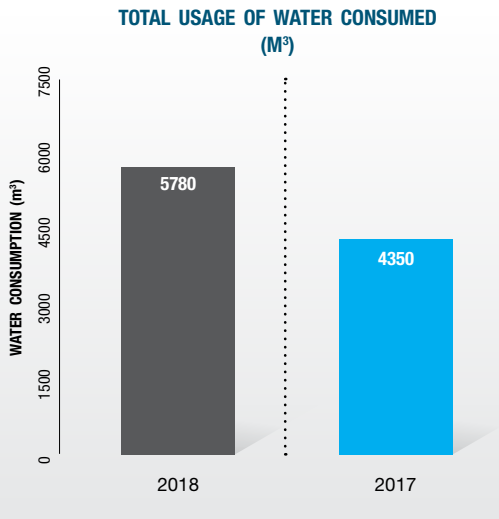
No.	Year	Water Consumption (m³)	Percentage Increase / (Decrease)	Remarks
1	2018	5780	32.9%	This includes consumption by newly acquired subsidiary, SMHB
2	2017	4350		

In line with the Group’s principles of sustainable development and conserving the environment, all water-related projects undertaken by the Group are developed taking into consideration the need to ensure long-term viability of the precious resource.

Within the the Group’s operations, reducing water consumption is a key target towards reducing the Group’s environmental footprint.

Moving forward, the Group will be including ways to help understand usage of water more efficiently by:

- Establish water usage benchmark to monitor the highest and lowest consumption.
- Identify water leakage.
- To install water flow controller which is a simple water saving device when fitted onto water tap, can help to reduce water consumption.

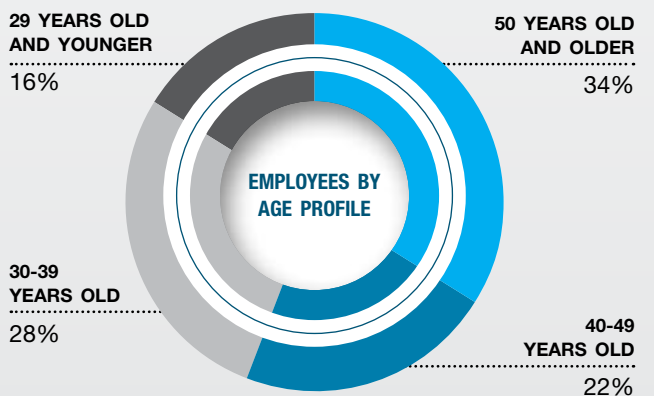
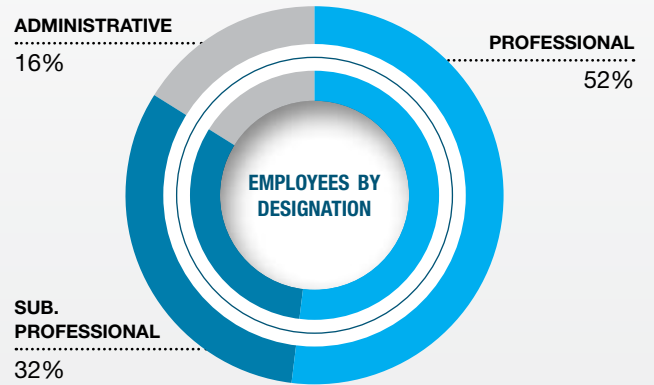


MATERIAL TOPIC 9: DIVERSE AND INCLUSIVE

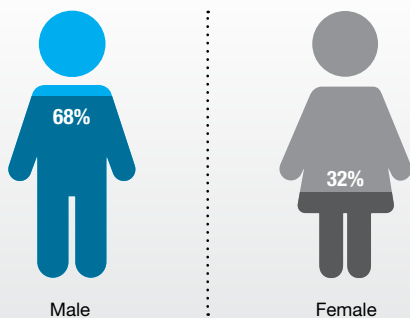
The employees are the lifeblood of the Group. Having diverse and more inclusive employees from different races and backgrounds with different views and skills is good for an organisation. The Group’s diverse team contributes a blend of their own unique work styles and approaches into a cohesive entity that empowers our employees to contribute their best skill sets and capabilities in their daily work. A diverse workforce will bring different ideas and new ways of thinking. The charts below highlight the diversity measures monitored by the Company.

The Group strives to be an Equal Opportunity Employer. Creating ideal conditions for an enhanced work family life balance and stimulating gender diversity in the workplace is important for economic growth and sustainability.

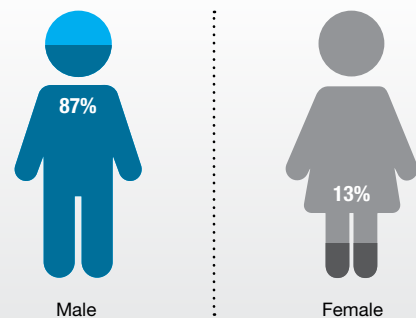
In addition, the Group also strives to ensure all employees are accorded equal opportunities at the workplace by providing a safe and harmonious environment that is free from discrimination. The Group has outlined a commitment to support and respect principles of human rights at the workplace and condemns all forms of discrimination. The Group also embedded equal opportunity principles within its formalised Hiring Policy and there is Diversity Policy in place.



EMPLOYEES BY GENDER



NEW EMPLOYEES HIRES



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 recognizes 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.

This statement is prepared in compliance with the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and is to be read together with Corporate Governance Report 2018 which can be downloaded from HEB’s website at www.hssgroup.com.my or from Bursa Securities’ website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

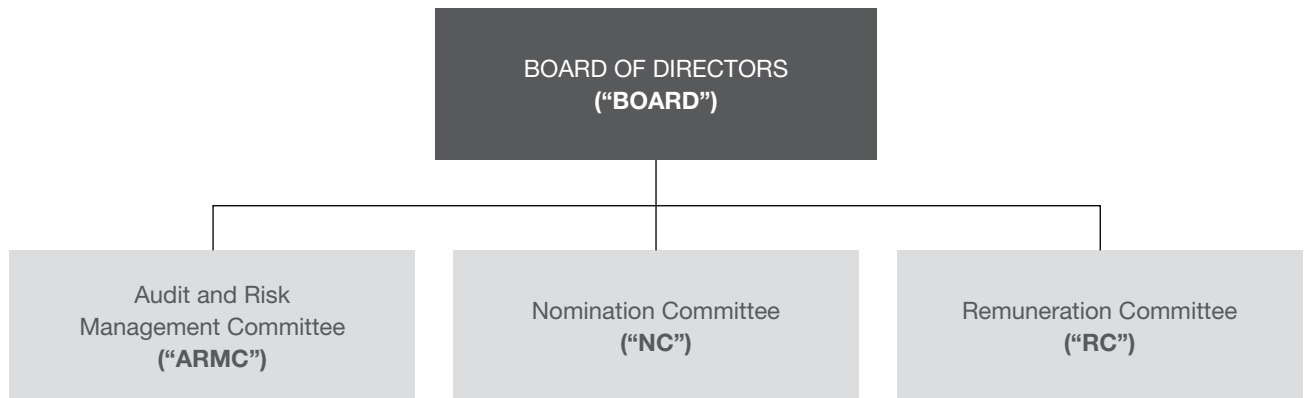
I. BOARD RESPONSIBILITIES

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 effectively and ethically. Each Director has a legal duty to act in the best interest of the Group and ultimately enhancing shareholder’s value. The Directors collectively and individually are aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed, details of which are set out in the Board Charter which is published on the Company’s website at www.hssgroup.com.my.

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 Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

The following diagram shows a brief overview of the three (3) Board committees of the Company, each of which is explained in further details below:-



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.

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 GCEO

The Chairman of the Board, Dato' Mohd 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 shall take the role as the acting Chairman if the Chairman is absent and the normal functions of the Chairman cannot be carried out. The GCEO, Dato' Ir. Nitchianathan A/L Balasubramaniam, also an Executive Director has the executive responsibility on the business and the day-to-day management of the Group. He acts as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The GCEO leads the management and 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.

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 the applicable laws and regulations are complied with. 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. The Board is also regularly updated, kept informed of the latest developments of the Listing Requirements, circulars from Bursa Securities and other legal and regulatory developments.

4. Board Charter

The Board has the following in place:-

(a) Board Charter

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"), the Board Committees and individual Directors. 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. A copy of the Board Charter is published on the Company's website at www.hssgroup.com.my.

The SID, Mr. Mohan A/L Ramalingam who is also the NC Chairman is responsible for providing support to the Chairman and provides an independent point of contact for shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(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.

All Directors and employees of the Group are expect to exercise caution and due care to safeguard confidential and price-sensitive information of the Company and its business associates from being misused including for personal benefits, at all times.

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 MMLR. Both the Code of Conduct and Code of Ethics can be found on the Company's website at www.hssgroup.com.my.

(c) Whistle-Blower Policy

The Whistle-Blower 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 practices at the earliest opportunity and in an appropriate way. This policy is available on the Company's website at www.hssgroup.com.my.

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 five (5) Board Meetings during the financial year ended 31 December 2018 ("FYE 2018") and the attendance record is as follows:

Directors	Total number of meetings attended
Dato' Mohd Zakhir Siddiqy Bin Sidek (Independent Non-Executive Chairman)	4/5
Tan Sri Ir. Kunasingam A/L V. Sittampalam (Executive Vice Chairman)	5/5
Dato' Ir. Nitchiananthan A/L Balasubramaniam (Executive Director / GCEO)	5/5
Ir. Sharifah Azlina Bt Raja Kamal Pasmah (Executive Director / Group Chief Operating Officer)	5/5
Mohan A/L Ramalingam (Senior Independent Non-Executive Director)	5/5
¹ Foo Lee Khean (Independent Non-Executive Director)	4/5
² Datuk Ir. Teo Chok Boo (Executive Director)	2/2
² Ir. Prem Kumar A/L M Vasudevan (Executive Director)	2/2
³ Dato' Sri Ir. Hj. Ismail Bin Md.Salleh (Independent Non-Executive Director)	2/2

¹ Resigned on 1 March 2019

² Appointed on 15 May 2018

³ Appointed on 6 July 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 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 Auditors, Internal Auditors and Management.

A full ARMC report is set out on Pages 56 to 58 of this Annual Report.

Nomination Committee

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

NC Members	Designation
Mohan A/L Ramalingam <i>Senior Independent Non-Executive Director</i>	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek <i>Independent Non-Executive Director</i>	Member
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh <i>Independent Non-Executive Director</i>	Member
* Foo Lee Khean <i>Independent Non-Executive Director</i>	Member

* Ceased as a member of NC following his resignation as Director on 1 March 2019

The Chairman of the NC is the SID.

In FYE 2018, the NC had held two (2) meetings and the attendance record is as follows:

NC Members	Total number of meetings attended
Mohan A/L Ramalingam	2/2
Dato' Mohd Zakhir Siddiqy Bin Sidek	2/2
# Foo Lee Khean	2/2
* Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-

Ceased as a member of NC on 1 March 2019

* Appointed as a member of NC on 3 August 2018. There was no NC meeting held subsequent to his appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Below is the summary of the key activities undertaken by the NC in discharge of its duties:-

- (a) Reviewed the NC's terms of reference;
- (b) Reviewed and recommended to the Board for approval, the re-election and retirement by rotation of Directors at the Third Annual General Meeting ("**AGM**");
- (c) Conducted the annual assessment of the Board, the Board Committees and the individual Directors;
- (d) Reviewed terms of office of ARMC and each ARMC member;
- (e) Reviewed and assessed the ARMC's activities, performance and the NC Statement for inclusion into the Annual Report;
- (f) 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;
- (g) Reviewed and recommended the appointment of Datuk Ir. Teo Chok Boo, Ir. Prem Kumar A/L M Vasudevan and Dato' Sri Ir. Hj. Ismail Bin Md.Salleh as Directors of the Company;
- (h) Reviewed and recommended to the Board the appointment of Dato' Sri Ir. Hj. Ismail Bin Md.Salleh as member of ARMC, NC and RC;
- (i) Reviewed the independence of Independent Directors; and
- (j) Reviewed trainings accomplished as well as training needs for Directors.

Remuneration Committee

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

The RC comprises of three (3) members who are Independent Non-Executive Directors:

RC Members	Designation
Mohan A/L Ramalingam <i>Senior Independent Non-Executive Director</i>	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek <i>Independent Non-Executive Director</i>	Member
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh <i>Independent Non-Executive Director</i>	Member
* Foo Lee Khean <i>Independent Non-Executive Director</i>	Member

* Ceased as a member of RC following his resignation as Director on 1 March 2019

During FYE 2018, the RC held two (2) meetings and the attendance record is as follows:

RC Members	Total number of meetings attended
Mohan A/L Ramalingam	2/2
Dato' Mohd Zakhir Siddiqy Bin Sidek	2/2
# Foo Lee Khean	2/2
* Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-

Ceased as a member of RC on 1 March 2019

* Appointed as a member of RC on 3 August 2018. There was no RC meeting held subsequent to his appointment.

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, four (4) Executive Directors and two (2) Alternate Directors (to Executive Directors). A brief profile of each Director is presented in Page 26 to 31 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. 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, 22.22% of the Senior Management positions of the Company are held by women.

An ongoing focus on Board composition allows the NC 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 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.

The Board had adopted a Diversity Policy on 26 March 2018 and is published on the Company's website.

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.

Presently, the Board has three (3) Independent Non-Executive Directors, namely Dato' Mohd Zakhir Siddiqy Bin Sidek, Mohan A/L Ramalingam and Dato' Sri Ir. Hj. Ismail Bin Md.Salleh. They are neither the substantial shareholders nor employees of the Group and have no relationships which are likely to affect or impact their independent judgment.

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 Securities and the Board was satisfied with the level of independence demonstrated by all Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

3. Board Appointments and Re-election of Directors

The Board, through the NC, 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.

In FYE 2018, there were additional three (3) Directors appointed to the Board of the Company, namely Datuk Ir. Teo Chok Boo and Ir. Prem Kumar A/L M Vasudevan, both appointed as Executive Directors on 15 May 2018 whilst Dato' Sri Ir. Hj. Ismail Bin Md.Salleh as Independent Non-Executive Director on 6 July 2018. Their appointments were approved by the Board upon assessment by the NC.

Pursuant to the Company's Articles of Associations ("Articles"), one-third (1/3) 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 (3) 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 NC, the Board has confirmed that the following Directors who are retiring pursuant to the Articles and standing for re-election at the Fourth AGM continue to perform effectively and demonstrate commitment:

Directors	Designation
Dato' Mohd Zakhir Siddiqy Bin Sidek (Article 88)	Independent Non-Executive Chairman
Dato' Ir. Nitchiananthan A/L Balasubramaniam (Article 88)	Executive Director/ GCEO
Datuk Ir. Teo Chok Boo (Article 95)	Executive Director
Ir. Prem Kumar A/L M Vasudevan (Article 95)	Executive Director
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh (Article 95)	Independent Non-Executive Director

Information on each of the Director standing for re-election is set out in Pages 26, 27, 28, 29 and 30 of this Annual Report.

4. Annual Assessment

The NC 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 NC Chairman and supported by the Company Secretary via questionnaires. The annual assessments for the Board, Board Committees and individual Directors (including Independent Directors) were carried out on self and peer assessment basis. The results were summarised and discussed at the NC meeting and also shared with the entire Board. The NC 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 AGM.

The NC had on 21 February 2019 assessed the effectiveness of the Board, its Committees and the contribution of each Director by identifying the strengths and weaknesses of the Board for the period from 1 January 2018 to 31 December 2018.

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 four (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, calibre 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 possesses the leadership to safeguard the stakeholders' interest and ensure the Group's profitable performance. The Directors had also committed the time necessary to responsibly fulfil their commitment to the Company and Group during the year. The NC 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 FYE 2018:

- One Day In-house Seminar on Construction All Risks Policy Coverage & Claims by Lembaga Jurutera Malaysia
- An overview of MFRS 15: Revenue from Contracts with Customers and MFRS 9: Financial Instruments
- Seminar on Procurement Policy of Malaysia by C4 (The Centre to Combat Corruption & Cronyism)
- Seminar on Building Better Road-Base with Recycled Materials by REAM/Lafarge Malaysia in collaboration with Public Works Department of Malaysia
- Briefing on ISO 37001: Anti-Bribery Management System Certification by SIRIM
- 10th Malaysian Road Conference & Exhibition 2018 and PIARC International Seminar on Asset Management
- Malaysian Water Infra Corporate Day: Water Sector Reform by Macquarie
- Professional Interior Training & Certificate Course
- Seminar on Construction All Risks Policy Coverage & Claim
- The 4th Industrial Revolution: Empowering STEM, Surpassing Challenges and Transcending Boundaries
- Seminar on Transformation of Engineering Services & Construction Industry
- Risk Management ISO 9001:2015
- ISO 14001:2015 and ISO45001:2018 Awareness Training
- FIDIC Conference, Berlin
- Networking Session with Chambers of Commerce Business & Industry Association
- 3rd Asean India Business Conference
- Investment Opportunities in Northeast States of India

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 RC takes into the consideration of Directors' roles and responsibilities and the RC also compared against the peers' practices, demands, complexities and performance of the Company. Each Non-Executive Director receives a base fixed fee and each Director receives 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 AGM and the respective Director will also abstain from voting to approve his fees.

The Remuneration Policy of Directors and Senior Management is available for reference on the Group's website at www.hssgroup.com.my.

The RC 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 FYE 2018 are as follows:

Directors	Salary (RM)	Directors' Fees (RM)	Other Emoluments (RM)	Total (RM)
Dato' Mohd Zakhir Siddiqy Bin Sidek	–	101,300	14,000	115,300
Mohan A/L Ramalingam	–	89,600	15,000	104,600
¹ Foo Lee Khean	–	89,600	14,000	103,600
² Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	–	–	4,000	4,000
Total (for Non-Executive Directors)	–	280,500	47,000	327,500
Tan Sri Ir. Kunasingam A/L V. Sittampalam	1,045,210	–	403,846	1,449,056
Dato' Ir. Nitchiananthan A/L Balasubramaniam	728,665	–	219,625	948,290
Ir. Sharifah Azlina bt Raja Kamal Pasmah	492,979	–	166,501	659,480
³ Datuk Ir. Teo Chok Boo	720,000	–	278,750	998,750
³ Ir. Prem Kumar A/L M Vasudevan	450,000	–	153,200	603,200
Ng Kuan Yee	313,107	–	109,183	422,290
Total (for Executive Directors)	3,749,961	–	1,331,105	5,081,066
Grand Total	3,749,961	280,500	1,378,105	5,408,566

¹ Resigned on 1 March 2019

² Appointed on 6 July 2018

³ Appointed on 15 May 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 is of the opinion that the disclosure would not be in the best interest of the Group as it would affect the Group's efforts in talent retention and management within the competitive industry as well as for confidentiality reason.

In accordance with the Remuneration Policy, the Board recognizes the importance of compensating Senior Management with a competitive remuneration package based on their scope of responsibilities and performance. The Board ensures that the remuneration is in the best interests of the Company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed Senior Management staff.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition

The ARMC comprises only the Independent Non-Executive Directors and the Chairman of the ARMC is not the Chairman of the Board. All ARMC members are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the ARMC.

The ARMC's Terms of Reference ("**TOR**") requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of ARMC.

2. External Auditors

The ARMC assesses the suitability, objectivity and independence of the external auditors on annual basis. The ARMC will take into consideration the adequacy of the experience and resources of the audit firm and obtains the written assurance from the external auditors confirming that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The assessment procedures are spelt out in the ARMC's TOR which is published on the Company's website.

3. 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.

A full ARMC report is set out on Pages 56 to 58 of this Annual Report.

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 Company has in place an Enterprise Risk Management Framework and adopted a Risk Management Policy for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its ARMC reviews and monitors the key risks identified by its outsourced Internal Auditors, KPMG Management & Risk Consulting Sdn Bhd to ensure proper management and mitigation of risks and report to the Board.

The Statement on Risk Management and Internal Control of the Group in Page 59 to 61 of this Annual Report provides an overview of the risk management practices and internal controls implemented by the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

I. 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.

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 led by the General Manager, Corporate Communication and Business Development Unit 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 at www.hssgroup.com.my.

II. CONDUCT OF GENERAL MEETINGS

1. Shareholder Participation at AGM

The Board is aware that the AGM is the primary platform for two-way communication between the shareholders and Management of the Group. Pursuant to MMLR, the notice of AGM shall be given to all shareholders at least 21 days before the meeting. Notwithstanding that, the Code strongly advised that the notice of AGM shall be given to the shareholders at least 28 days prior to the meeting. Hence, HEB had issued its last year AGM's Notice on 5 April 2018, which was 31 days prior to the meeting on 7 May 2018.

During the AGM, 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. All Directors attended last year's Third AGM and responded to the questions raised by the shareholders.

2. Voting

In compliance with the MMLR, 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 AGM.

Currently, the Company is implementing an electronic voting system which encourages and facilitates greater shareholder participation. During the AGM, 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 AGM are encouraged to vote on the proposed motions by appointing a proxy.

At the Third AGM in 2018, all the resolutions were put to vote by poll voting and duly passed. Thereafter, the outcome of the meeting together with the independent scrutineer was announced to Bursa Securities on the same day. A summary of the key matters discussed at the AGM is available on the Company's website.

This statement was approved by the Board on 17 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF ANNUAL AUDITED 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, International Financial Reporting Standards, 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 2018, 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 been prepared in accordance with all relevant approved financial reporting standards and on a going concern basis.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. Composition

The Audit and Risk Management Committee (“**ARMC**”) currently 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:

ARMC Members	Designation
Dato’ Mohd Zakhir Siddiqy Bin Sidek <i>Independent Non-Executive Director</i>	Member
Mohan A/L Ramalingam <i>Senior Independent Non-Executive Director</i>	Member
# Dato’ Sri Ir. Hj. Ismail Bin Md.Salleh <i>Independent Non-Executive Director</i>	Member
* Foo Lee Khean <i>Independent Non-Executive Director</i>	Chairman

Appointed as a member of ARMC on 3 August 2018

* Ceased as Chairman of ARMC following his resignation as Director on 1 March 2019

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 the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad. On 1 March 2019, he resigned as a Director of the Company. Hence, he also ceased as the Chairman of ARMC. The ARMC will elect a new Chairman to lead the ARMC within 3 months from Mr Foo Lee Khean’s date of resignation. Following the departure of Mr Foo Lee Khean, the ARMC is still complying with Paragraph 15.09(1)(c) of the MMLR as Dato’ Mohd Zakhir Siddiqy Bin Sidek is also a member of the Malaysian Institute of Accountants.

The ARMC has in its Terms of Reference (“**TOR**”) 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 TOR of the ARMC. A copy of the TOR is available on the Company’s website at www.hssgroup.com.my.

2. Attendance at Meetings

During the financial year ended 31 December 2018, the ARMC had five (5) meetings and the attendance record is as follows:

ARMC Members	Total number of meetings attended
Dato’ Mohd Zakhir Siddiqy Bin Sidek	4/5
Mohan A/L Ramalingam	5/5
# Dato’ Sri Ir. Hj. Ismail Bin Md.Salleh	2/2
* Foo Lee Khean	4/5

Appointed as a member of ARMC on 3 August 2018

* Ceased as a member of ARMC on 1 March 2019

3. Summary of Key Activities

The key activities undertaken by the ARMC in discharging its functions and duties during the financial year ended 31 December 2018 were as follows:-

(a) Financial Reporting and Annual Reporting

- Reviewed the unaudited quarterly financial results with Management to ensure that they are in compliance with the Malaysian Financial Reporting Standards and MMLR before recommendation to the Board of Directors for approval.
- Reviewed the audited financial statement for the financial year ended 31 December 2017 before recommendation to the Board of Directors for approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(b) Internal Audit

- Appointed KPMG Management & Risk Consulting Sdn Bhd as the Group's outsourced Internal Auditors.
- Reviewed and approved the internal audit plan for the financial year ended 31 December 2018.
- Reviewed and discussed the internal audit reports containing the audit findings and recommendations made by the Internal Auditors 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 Auditors.
- Met with the Internal Auditors 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.
- Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit functions.

(c) External Audit

- Evaluated the performance of the External Auditors (including assessment of their independence, objectivity and their services including non-audit services), Messrs Azman, Wong, Salleh & Co., ("External Auditors") and recommended their re-appointment and audit fees to the Board.
- Procured from the External Auditors 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 Auditors' audit plan together with their scope of work prior to the commencement of 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 Auditors and Management's response to the same.
- Met with the External Auditors 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.

(d) Risk Management

- Deliberated on the Enterprise Risk Management Report prepared by the Group's external consultant, KPMG Management & Risk Consulting Sdn Bhd, who was engaged to update the risk profile of the Group's principal business risks and the corresponding action plans.

(e) Related Party Transaction

- Reviewed related party transactions within the Group.

(f) Reviewed the TOR

(g) Reviewed the audit and non-audit fees of the Group

(h) Reviewed the Statement on Risk Management and Internal Control, ARMC Report and Corporate Governance Overview Statement for inclusion into the Annual Report and the Corporate Governance Report

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

4. Internal Audit Function

The Group had on 13 February 2018 appointed KPMG Management & Risk Consulting Sdn Bhd as the Internal Auditors to provide outsourced internal audit function for the Group. The Internal Auditors report 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 Auditors 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 Auditors 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 Auditors during the financial year under review:

- (a) Tabled the internal audit plan for the financial year ended 31 December 2018 for the ARMC's review and approval;
- (b) Conducted internal auditing and review on the operating units in accordance with the approved internal audit plan; and
- (c) Presented Internal Audit Report Cycle 1: Managing of Projects focusing on Engineering Design and Construction Supervision to the ARMC during the financial year.

The cost of internal audit services rendered by the Internal Auditors in respective of the financial year 2018 amounted to RM68,654.00.

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 an Enterprise Risk Management ("ERM") Framework which 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 Risk Management Working Committee led by the Group Chief Executive Officer on a half-yearly basis 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 engaged an independent professional firm during the year to assist the ARMC to facilitate and update the risk profile for identified principal business risks applying across the majority of the departments of entire Group. The outcome of the update enables the Group to rank and prioritise the key business risks in relation to their risk consequence, likelihood of occurrence and control effectiveness.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 and Quality Management System

The Group's subsidiary, HSS Engineering Sdn Bhd has established the QESH Management Systems which has been certified with ISO 9001: 2015, OHSAS 18001:2007 and ISO 14001:2015 standards. In addition, the Group's other subsidiaries, namely SMHB Engineering Sdn Bhd, SMHB Environmental Sdn Bhd and HSS BIM Solutions Private Limited have been certified on the implementation and maintenance of a Quality Management System (ISO 9001:2015). Compliance with the processes and procedures set out in the QESH Management Systems and Quality Management System 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.

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 17 April 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad 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 17 April 2019

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

RATIONALE

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

- In line with HEB's proposed expansion into the water industry, HEB has recently 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;
- Present market development and geographical growth within Malaysia, ASEAN and India;
- Building Information Modeling will be made mandatory in 2019 for public projects worth RM100 million in Malaysia;
- 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 2018, the amount of audit 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.	35,000	200,000
Non-audit fees:		
- Messrs Azman, Wong, Salleh & Co.	132,100	132,100
- Corporation affiliated to Messrs Azman, Wong, Salleh & Co.	4,000	18,100
Total	171,100	350,200

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 and services rendered by the external auditors related to the Company's business combination and corporate exercise.

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 2018 or entered into since the end of the previous financial year are as follows:

- (a) The Share Sale Agreement entered into between the Company with Datuk Ir. Teo Chok Boo, Ir. Prem Kumar A/L M Vasudevan, Ir. Syed Mohamed Adnan Bin Mansor Alhabshi, Ir. Teo Koon Hau, Tan Sri Dato' Ir. Syed Muhammad Shahabudin, Ir. Mohd Rousdin Bin Hassan, Ir. Zulkiflee Bin Ab Hamid, Ir. Loo Ai Choo, Ir. Saiful Hazmi Bin Abu Hasan, Ir. Pritam Singh A/L Mahinder Singh, Ir. Ang Eng Kiat, Ir. Philip Gunn Kean Su, and Ir. Ganeshalingam A/L Rasiah on 27 October 2017 for the acquisition by the Company of the entire equity interest of SMHB Engineering Sdn Bhd ("SMHBE") for a total consideration of RM270,000,00.00.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs")

There were no RRPTs of a revenue or trading nature entered into during the financial year 31 December 2018 by the Group.

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2018.

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 7 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
Loss before taxation	(94,524,728)	(119,123,400)
Taxation	(8,311,767)	(44,975)
Loss for the year	(102,836,495)	(119,168,375)

3. DIVIDENDS

Since the end of the previous financial year, the Company paid 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 on 23 January 2018, as dealt with in the Directors' Report for the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2018.

4. SHARE CAPITAL

The Company increased its issued and paid-up share capital from RM54,234,581 comprising 319,081,010 ordinary shares to RM254,291,378 comprising 495,862,018 ordinary shares during the year by way of the following:-

- (a) an issue of 34,182,000 new ordinary shares through private placement at an issue price of RM1.53 per ordinary share ("Placement").
- (b) a renounceable rights issue of 31,908,101 new ordinary shares at an issue price of RM1.30 each ("Rights Shares") on the basis of one (1) Rights Share for every ten (10) existing ordinary shares held together with a bonus issue of 15,954,050 new ordinary shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and 47,862,151 free new detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ("Rights with Bonus Issue and Warrants").
- (c) an issue of 94,736,842 new ordinary shares at an issue price of RM1.43 per ordinary share ("Shares Consideration") to the vendors as part of the purchase consideration for the acquisition of a new subsidiary, SMHB Engineering Sdn Bhd as detailed in Note 7(b) to the financial statements.
- (d) an issue of 15 new ordinary shares pursuant to the exercise of the Warrants 2018/2023 as further described below.

The movements in the issued and paid-up share capital of the Company for the year arising from the above issuance of new ordinary shares are shown in Note 16 to the financial statements.

The issuance of the new ordinary shares under the Placement and Rights with Bonus Issue and Warrants for cash are for the purpose of part-financing the acquisition of the new subsidiary. All the new ordinary shares issued including Bonus Shares, Shares Consideration and those from the exercise of Warrants 2018/2023 rank pari passu in all respects with the existing issued ordinary shares of the Company.

Warrants 2018/2023

On 16 March 2018, the Company issued 47,862,151 new warrants ("Warrants 2018/2023") pursuant to the aforesaid Rights with Bonus Issue and Warrants. The new warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 March 2018.

4. SHARE CAPITAL (CONT'D)

Warrants 2018/2023 (cont'd)

The Warrants 2018/2023 are constituted by a Deed Poll dated 5 February 2018. Each warrant entitles the registered holder, at any time during its exercise period of 5 years from 16 March 2018 to 15 March 2023, to subscribe for 1 new ordinary share in the Company at an exercise price of RM1.70 per warrant. Any warrants not exercised by its expiry date will lapse thereafter and cease to be valid for any purpose.

The movements in the Warrants 2018/2023 during the year are as follows: -

	Balance as at 1.1.2018	No. of Warrants		Balance as at 31.12.2018
		Issued	Exercised	
Warrants 2018/2023	-	47,862,151	(15)	47,862,136

5. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 December 2018.

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
 Ir. Sharifah Azlina Bt Raja Kamal Pasmah
 Mohan A/L Ramalingam
 Ng Kuan Yee
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)
 Datuk Ir. Teo Chok Boo (Appointed on 15 May 2018)
 Ir. Prem Kumar A/L M Vasudevan (Appointed on 15 May 2018)
 Dato' Sri Ir. Hj. Ismail Bin Md.Salleh (Appointed on 6 July 2018)
 Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (Appointed on 21 February 2019)
(Alternate Director to Datuk Ir. Teo Chok Boo)
 Foo Lee Khean (Resigned on 1 March 2019)

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

Director	Balance as at 1.1.2018	No. of Ordinary Shares		Balance as at 31.12.2018
		Acquired	Disposed	
Dato' Mohd Zakhir Siddiqy Bin Sidek	500,000	82,950	-	582,950
Tan Sri Ir. Kunasingam A/L V. Sittampalam				
- Indirect interest *	100,000,000	15,308,632	-	115,308,632
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500,000	1,126,500	(524,000)	9,102,500
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000,000	450,000	-	4,450,000
Mohan A/L Ramalingam	1,000,000	163,800	-	1,163,800
Ng Kuan Yee	461,300	79,195	(100,000)	440,495
<i>(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)</i>				
Datuk Ir. Teo Chok Boo				
- direct interest	-	33,516,895	-	33,516,895
- Indirect interest #	-	16,944,106	-	16,944,106
Ir. Prem Kumar A/L M Vasudevan	-	7,760,447	(359,000)	7,401,447

DIRECTORS' REPORT

6. DIRECTORS OF THE COMPANY (CONT'D)

Director	No. of Warrants 2018/2023			Balance as at 31.12.2018
	Balance as at 1.1.2018	Acquired	Disposed	
Dato' Mohd Zakhir Siddiqy Bin Sidek	–	82,950	–	82,950
Tan Sri Ir. Kunasingam A/L V. Sittampalam				
- Indirect interest *	–	15,308,632	–	15,308,632
Dato' Ir. Nitchiananthan A/L Balasubramaniam	–	1,126,500	–	1,126,500
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	–	450,000	–	450,000
Mohan A/L Ramalingam	–	163,800	–	163,800
Ng Kuan Yee	–	69,195	–	69,195
<i>(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)</i>				
Ir. Prem Kumar A/L M Vasudevan	–	1,500	–	1,500

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

Indirect interest by virtue of interests held by his spouse and child.

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.

Other than as disclosed above, none of the Directors in office at the end of the financial year have any interest in the shares and warrants of the Company and its subsidiaries.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of fees and remuneration received or due and receivable by the Directors) 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 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 particulars of remuneration paid to the Directors and past Directors of the Group and of the Company are disclosed in Note 27(a) to the financial statements.

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.

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.

7. OTHER STATUTORY INFORMATION (CONT'D)

- (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 2018 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 2018.
- (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 2018 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 2018 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 2018 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 27(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,
17 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	6,048,752	5,387,934	-	-
Intangible assets other than goodwill	5	13,148,901	689,919	-	-
Goodwill	6	162,676,704	-	-	-
Investment in subsidiaries	7	-	-	210,825,671	25,526,471
Investment in associates	8	1,544,379	1,263,164	-	-
Deferred tax assets	9	53,949	89,728	-	-
		183,472,685	7,430,745	210,825,671	25,526,471
CURRENT ASSETS					
Trade receivables	10	71,937,199	87,987,303	-	-
Contract assets	11	59,426,257	-	-	-
Other receivables, deposits and prepayments	12	3,536,636	5,174,751	169,102	1,588,397
Amount due from subsidiaries	13	-	-	5,430,134	8,083,975
Amount due from an associate	14	167,369	-	-	-
Tax recoverable		346,840	138,437	109,634	-
Short term deposits with licensed banks	15	57,547,356	42,808,751	32,941,262	24,000,000
Cash and bank balances		336,170	5,682,094	78,692	52,901
		193,297,827	141,791,336	38,728,824	33,725,273
TOTAL ASSETS		376,770,512	149,222,081	249,554,495	59,251,744

The notes on pages 75 to 123 form part of these financial statements.

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	16	254,291,378	54,234,581	254,291,378	54,234,581
Warrants reserve	18	29,195,903	–	29,195,903	–
Foreign currency translation reserve	19	252,322	283,000	–	–
(Accumulated losses)/Retained profits		(70,820,231)	34,683,287	(120,616,318)	1,189,759
		212,919,372	89,200,868	162,870,963	55,424,340
NON-CURRENT LIABILITIES					
Other payables, accruals and provisions	24	7,894,131	–	7,894,131	–
Retirement benefit obligations	20	56,675	53,760	–	–
Deferred tax liabilities	9	3,312,000	330,000	–	–
Term loans (unsecured)	21	67,071,757	80,730	67,040,662	–
Hire purchase payables	22	616,860	938,939	–	–
		78,951,423	1,403,429	74,934,793	–
CURRENT LIABILITIES					
Trade payables	23	26,707,251	24,859,692	–	–
Contract liabilities	11	10,386,216	–	–	–
Other payables, accruals and provisions	24	6,946,951	12,410,289	501,950	3,796,468
Amount due to a subsidiary	13	–	–	67,200	–
Amount due to an associate	14	11,958,945	–	–	–
Term loans (unsecured)	21	11,220,800	34,593	11,179,589	–
Hire purchase payables	22	727,841	899,288	–	–
Taxation		2,534,116	887,989	–	30,936
Bank overdrafts (secured)	25	14,417,597	19,525,933	–	–
		84,899,717	58,617,784	11,748,739	3,827,404
TOTAL LIABILITIES		163,851,140	60,021,213	86,683,532	3,827,404
TOTAL EQUITY AND LIABILITIES		376,770,512	149,222,081	249,554,495	59,251,744

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Operating revenue	26	189,708,889	145,666,146	5,396,400	8,500,000
Direct costs		(124,991,347)	(95,724,165)	-	-
Gross profit		64,717,542	49,941,981	5,396,400	8,500,000
Other operating income		1,791,129	1,260,374	1,183,246	777,711
Administrative expenses		(26,772,732)	(23,466,832)	(9,787,553)	(1,412,881)
Other operating expenses		(128,314,355)	(4,728,570)	(111,210,711)	(534,593)
(Loss)/Profit for the year from operations	27	(88,578,416)	23,006,953	(114,418,618)	7,330,237
Finance costs	28	(6,227,523)	(1,330,085)	(4,704,782)	-
Share of result of associates		281,211	149,761	-	-
(Loss)/Profit before taxation		(94,524,728)	21,826,629	(119,123,400)	7,330,237
Taxation	29	(8,311,767)	(6,797,821)	(44,975)	(176,852)
(Loss)/Profit for the year		(102,836,495)	15,028,808	(119,168,375)	7,153,385
Other comprehensive loss:					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation loss		(30,678)	(17,732)	-	-
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Actuarial (loss)/gain on defined benefit obligations		(39,623)	17,893	-	-
Deferred tax effect on actuarial (loss)/gain on defined benefit obligations		10,302	(5,529)	-	-
Total other comprehensive loss for the year, net of tax		(59,999)	(5,368)	-	-
Total comprehensive (loss)/income for the year		(102,896,494)	15,023,440	(119,168,375)	7,153,385
(Loss)/Earnings per share (sen)					
Basic	30	(22.12)	4.33		
Diluted	30	(22.12)	4.33		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Non-Distributable				Total RM
	Share Capital (Note 16) RM	Share Premium (Note 17) RM	Foreign Currency Translation Reserve (Note 19) RM	Distributable (Accumulated Losses)/ 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 31)	-	-	-	(4,530,950)	(4,530,950)
As at 31 December 2017	54,234,581	-	283,000	34,683,287	89,200,868

Group	Non-Distributable				Total RM
	Share Capital (Note 16) RM	Warrant Reserve (Note 18) RM	Foreign Currency Translation Reserve (Note 19) RM	Distributable (Accumulated Losses)/ Retained Profits RM	
As at 1 January 2018	54,234,581	-	283,000	34,683,287	89,200,868
Transactions with owners of the Company:					
- Issuance of shares pursuant to:					
- Placement	52,298,460	-	-	-	52,298,460
- Rights with Bonus Issue and Warrants	12,284,619	29,195,912	-	-	41,480,531
- Shares Consideration	135,473,684	-	-	-	135,473,684
- Exercise of warrants	34	(9)	-	-	25
	200,056,797	29,195,903	-	-	229,252,700
- Share issue expenses	-	-	-	(2,637,702)	(2,637,702)
Other comprehensive loss:					
- Actuarial loss on defined benefit obligations, net of tax	-	-	-	(29,321)	(29,321)
- Foreign currency translation loss	-	-	(30,678)	-	(30,678)
Total other comprehensive loss	-	-	(30,678)	(29,321)	(59,999)
Loss for the year	-	-	-	(102,836,495)	(102,836,495)
Total comprehensive loss for the year	-	-	(30,678)	(102,865,816)	(102,896,494)
As at 31 December 2018	254,291,378	29,195,903	252,322	(70,820,231)	212,919,372

The notes on pages 75 to 123 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Share Capital (Note 16) RM	Non-Distributable		Distributable (Accumulated)	Total RM
		Share Premium (Note 17) RM	Warrants Reserve (Note 18) RM	Losses)/ Retained Profits RM	
As at 1 January 2017	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 31)	–	–	–	(4,530,950)	(4,530,950)
As at 31 December 2017	54,234,581	–	–	1,189,759	55,424,340
Transactions with owners of the Company:					
- Issuance of shares pursuant to:					
- Placement	52,298,460	–	–	–	52,298,460
- Rights with Bonus Issue and Warrants	12,284,619	–	29,195,912	–	41,480,531
- Shares Consideration	135,473,684	–	–	–	135,473,684
- Exercise of warrants	34	–	(9)	–	25
	200,056,797	–	29,195,903	–	229,252,700
- Share issue expenses	–	–	–	(2,637,702)	(2,637,702)
Loss for the year representing total comprehensive loss for the year	–	–	–	(119,168,375)	(119,168,375)
As at 31 December 2018	254,291,378	–	29,195,903	(120,616,318)	162,870,963

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(94,524,728)	21,826,629	(119,123,400)	7,330,237
Adjustments for:				
Allowance for impairment losses on trade receivables, net of reversal	1,287,745	645,074	-	-
Depreciation of property, plant and equipment	1,446,767	1,095,729	-	-
Amortisation of intangible assets	4,386,088	319,351	-	-
Allowance for impairment loss on investment in a subsidiary	-	-	110,731,058	-
Impairment loss on goodwill	119,414,808	-	-	-
Interest on hire purchase	141,140	102,278	-	-
Interest on bank overdrafts	1,366,936	1,221,415	-	-
Interest on Deferred Cash Consideration	337,557	-	337,557	-
Interest on term loans	4,381,890	6,392	4,367,225	-
Interest income from short term deposits	(1,753,750)	(1,206,489)	(1,183,128)	(777,295)
Other interest income	(3,433)	(416)	(118)	(416)
Dividend income from a subsidiary	-	-	-	(8,500,000)
Business combination and corporate exercise expenses	2,516,815	-	2,516,815	-
(Gain)/Loss on disposal of property, plant and equipment	(3,119)	1,710	-	-
Trade receivables written-off	-	108,101	-	-
Other receivables written-off	221,381	95,000	-	-
Defined benefit cost	19,634	10,403	-	-
Provision for compensated absences	86,339	225,608	50,508	-
Reversal of provision for compensated absences	(412,320)	(549,168)	-	-
Share of results of associates	(281,211)	(149,761)	-	-
Operating profit/(loss) before working capital changes	38,628,539	23,751,856	(2,303,483)	(1,947,474)
Changes in working capital:				
Decrease/(Increase) in trade receivables	14,761,879	(16,000,516)	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	1,979,684	(1,460,273)	1,419,295	(1,499,583)
Increase in contract assets	(59,426,257)	-	-	-
Increase in contract liabilities	10,386,216	-	-	-
Decrease in amount due from subsidiaries	-	-	2,653,841	1,440,245
Increase in amount due to an associate (net)	11,782,376	-	-	-
Increase in amount due to a subsidiary	-	-	67,200	-
Increase in trade payables	1,847,559	6,671,235	-	-
(Decrease)/Increase in other payables, accruals and provisions	(2,616,617)	1,377,786	(824,286)	804,093
Cash generated from/(used in) operations	17,343,379	14,340,088	1,012,567	(1,202,719)
Defined benefits paid	(53,034)	-	-	-
Taxation paid	(7,922,980)	(7,240,455)	(185,545)	(144,416)
Net cash generated from/(used in) operating activities	9,367,365	7,099,633	827,022	(1,347,135)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment [Note 36(a)]	(811,381)	(458,523)	-	-
Purchase of intangible assets	(139,897)	(197,194)	-	-
Proceeds from disposal of property, plant and equipment	5,135	58,833	-	-
Net cash outflow from acquisition of a subsidiary [(Note 7(b))]	(152,990,800)	-	(153,000,000)	-
Dividend paid	(2,520,740)	(2,010,210)	(2,520,740)	(2,010,210)
Dividend received from a subsidiary	-	-	-	2,500,000
Business combination and corporate exercise expenses paid	(2,516,815)	-	(2,516,815)	-
Interest received on short term deposits	1,753,750	1,206,489	1,183,128	777,295
Other interest income received	3,433	416	118	416
Net cash (used in)/generated from investing activities	(157,217,315)	(1,400,189)	(156,854,309)	1,267,501

The notes on pages 75 to 123 form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from new shares issued pursuant to:				
- Placement	52,298,460	–	52,298,460	–
- Rights with Bonus Issue and Warrants	41,480,531	–	41,480,531	–
- Exercise of warrants	25	–	25	–
Payment of share issue expenses	(2,637,702)	–	(2,637,702)	–
Payment of hire purchase financing	(1,056,476)	(783,140)	–	–
Drawdown of term loan	83,112,543	129,490	83,112,543	–
Repayment of term loans	(4,927,681)	(11,932)	(4,892,292)	–
Upliftment/(Placement) of fixed deposits pledged (net)	6,727,337	(3,433,890)	(6,819,925)	–
Interest paid on hire purchase	(141,140)	(102,278)	–	–
Interest paid on term loans	(4,381,890)	(6,392)	(4,367,225)	–
Interest paid on bank overdrafts	(1,366,936)	(1,221,415)	–	–
Net cash generated from/(used in) financing activities	169,107,071	(5,429,557)	158,174,415	–
Net increase/(decrease) in cash and cash equivalents during the year	21,257,121	269,887	2,147,128	(79,634)
Effect of exchange rate changes on cash and cash equivalents	(28,767)	(15,084)	–	–
Cash and cash equivalents at beginning of year	13,156,160	12,901,357	24,052,901	24,132,535
Cash and cash equivalents at end of year [Note 36 (c)]	34,384,514	13,156,160	26,200,029	24,052,901

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. GENERAL INFORMATION

HSS Engineers Berhad is a public company limited by shares, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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 7(a) and 8(a) 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 17 April 2019.

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 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 new MFRSs and IC Interpretation and amendments to MFRSs adopted as disclosed in Note 2.2 below, where applicable.

2.2 Adoption of New MFRSs and IC Interpretation and Amendments to MFRSs

During the financial year, the Group has adopted the following new MFRSs and IC Interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period 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 MFRS Standards 2014 - 2016 Cycle"
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The adoption of the abovementioned new MFRSs and IC Interpretation and amendments to MFRSs have no significant effect on the financial statements of the Group and of the Company except as discussed below.

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

MFRS 9 superseded MFRS 139, *Financial Instruments: Recognition and Measurement* and introduced a new approach to classification and measurement of financial instruments and a forward-looking "expected loss" model for impairment of financial assets for the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2.2 Adoption of New MFRSs and IC Interpretation and Amendments to MFRSs (cont'd)

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

The adoption of MFRS 9 has resulted in changes in accounting policies on financial instruments disclosed in Notes 2.15, 2.16 and 2.19. MFRS 9 has been applied retrospectively as at the date of its initial application on 1 January 2018 to financial instruments that have not been derecognised as at that date. In accordance with the transitional provisions of MFRS 9, the Group elected not to restate comparative information presented for prior periods arising from the new classification and measurement requirements, including impairment. Any changes to the classification of financial instruments and adjustments to their carrying amount on application of the new requirements of MFRS 9 are instead recognised in the opening balances as at 1 January 2018 with any difference adjusted to opening retained profits. Accordingly, information on financial instruments presented for prior period in these financial statements are accounted for in accordance with MFRS 139.

Under MFRS 9, financial assets are subsequently measured at amortised cost or at fair value either through other comprehensive income or profit or loss depending on both the entity's business model for managing the financial assets and the cash flow characteristics of the financial assets. At the date of initial application of MFRS 9, the Group has assessed that all its debt instruments comprising receivables represent financial assets that are held to collect their contractual cash flows and give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding in accordance with the new measurement categories under MFRS 9. These receivables previously classified as loans and receivables measured at amortised cost under MFRS 139 continue to be measured at amortised cost and classified as financial assets at amortised cost in accordance with MFRS 9.

The Group has not designated any financial liabilities at fair value through profit or loss and continues to measure all its financial liabilities at amortised cost on initial application of MFRS 9.

MFRS 9 replaced the incurred loss approach under MFRS 139 with a forward-looking expected credit loss ("ECL") approach for impairment of financial assets. MFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. At the date of initial application of MFRS 9, the Group has assessed that impairment of its financial assets measured at amortised cost under the ECL approach did not have significant effect on the previous impairment loss allowance in accordance with MFRS 139. Accordingly, the new ECL impairment model has no significant impact on the carrying amount of these financial assets on initial application.

In summary, other than the change in the categorisation for financial assets measured at amortised cost, the initial application of MFRS 9 has not resulted in any adjustment to the carrying amount of all financial assets and financial liabilities of the Group and of the Company as at the date of initial application.

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

MFRS 15 which superseded MFRS 111, *Construction Contracts*, MFRS 118, *Revenue* and all related IC Interpretations establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new MFRS requires an entity to apply a five-step model to recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. It also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as described in Note 2.14.

The Group has adopted MFRS 15 retrospectively from the date of initial application on 1 January 2018 which resulted in changes in accounting policies for revenue recognition disclosed in Note 2.26. In accordance with the transition provisions of MFRS 15, the Group has applied the new Standard using the cumulative effect method where the cumulative effects, if any, of initially applying the Standard are recognised in the opening retained profits as at 1 January 2018. Under this transition method, the Group applied the Standard retrospectively only to contracts that are not completed contracts as at 1 January 2018. Accordingly, the comparative information presented for prior period has not been restated and continues to be presented as previously reported under MFRS 111, MFRS 118 and the related interpretations. In addition, the Group has used the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

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

2.2 Adoption of New MFRSs and IC Interpretation and Amendments to MFRSs (cont'd)

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

The adoption of MFRS 15 has affected the carrying amount of certain financial statement line item in the statement of financial position of the Group for the current year as compared to reporting under previous revenue standards. Revenue accrued from provision of services which is conditional on further performance obligation and progress billings for which related performance obligation has yet to be satisfied are recognised as contract assets and contract liabilities respectively instead of as part of trade receivables previously.

The impact on the financial statement line items are as follows: -

Group Statement of Financial Position as at 31 December 2018	Reporting under previous revenue standards RM	Effects of MFRS 15 RM	As reported under MFRS 15 RM
Current Assets			
Trade receivables	120,977,240	(49,040,041)	71,937,199
Contract assets	-	59,426,257	59,426,257
Current Liabilities			
Contract liabilities	-	10,386,216	10,386,216

Apart from the financial impact as disclosed above and more extensive disclosures on revenue transactions and performance obligations in contracts with customers, the initial application of MFRS 15 has no significant impact on the financial statements of the Group and of the Company as the revenue recognition policies under the previous revenue recognition standards do not differ substantially from the revenue recognition requirements under MFRS 15.

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

The Group has not early adopted the following new MFRSs and IC Interpretation 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 2019

MFRS 16, Leases

Amendments to MFRS 9 - Prepayment Features with Negative Compensation

Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement

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

Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle" :

- Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements -

Previously Held Interest in a Joint Operation

- Amendments to MFRS 112, Income Taxes - Income Tax Consequences of Payments on

Financial Instruments Classified as Equity

- Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation

IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 - Definition of a Business

Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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)

The Group will adopt the above new MFRSs and IC Interpretation and amendments to MFRSs that are applicable when they become effective. The initial application of the new standards, amendments and interpretation is not expected to have any significant impact on the financial statements of the Group and of the Company other than as described below:-

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.

As the Group as a lessee has existing operating leases for office premises, it is required to recognise the leased assets as right-of-use assets and the corresponding lease liabilities in its financial statements in the initial period of application of MFRS 16. The current charge of operating lease rental on a straight line basis to profit or loss will be replaced with the appropriate depreciation on the right-of-use assets and interest expense on the lease liabilities. Under the transitional provisions of MFRS 16, the cumulative effects of adopting MFRS 16 shall be recognised as an adjustment to the opening retained profits on 1 January 2019. Based on assessment, the Group estimates that lease liabilities of RM3,590,108 and a corresponding right-of-use assets of RM3,590,108 would be recognised on 1 January 2019 with no effects on retained profits on that date.

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.

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

2.4 Basis of Consolidation (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 Goodwill (cont'd)

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.

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

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.

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.

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

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.

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 Other Than Goodwill

(a) 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.

(b) Customer Contracts

Unfulfilled customer contracts are separately identifiable intangible assets acquired in a business combination and are initially measured at their fair value determined at the acquisition date. The fair value determined is regarded as the cost of the intangible assets.

Subsequent to initial recognition, these intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any.

The cost of the intangible assets is amortised over the remaining period of the contracts ranging from 0.75 year to 4.75 years, and is reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for prospectively.

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

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.

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 Contract Assets and Contract Liabilities

A contract asset is the Group's right to consideration for goods or services transferred to a customer when the right is subject to conditions other than passage of time. Contract assets are reviewed for impairment on the same basis as financial assets in accordance with the Group's accounting policy on impairment of financial assets as disclosed in Note 2.16.

A contract liability is the Group's obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers for the consideration due under the contracts with the customers.

2.14 Contract Costs

Contract costs are recognised as an asset when the following criteria are met:

- (a) In relation to incremental costs of obtaining a contract, the Group recognises the costs as an asset if the Group expects to recover those costs.
- (b) In relation to costs to fulfil a contract, the Group recognises the contract costs as an asset if (i) they relate directly to a contract or to an anticipated contract that the Group can specifically identify; (ii) when the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) the costs are expected to be recovered.

These assets are initially measured at cost and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration expected to be received less the remaining costs expected to be incurred. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved. The increased carrying amount after reversal of impairment loss shall not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

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

2.15 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 Group 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

From 1 January 2018, the Group classifies its financial assets into the following measurement categories depending on the business models used for managing the financial assets and the contractual cash flow characteristics of the financial assets :

- (a) at amortised cost;
- (b) fair value through other comprehensive income; and
- (c) fair value through profit or loss.

Financial assets are reclassified when and only when the Group changes its business model for managing the financial assets and the reclassification of all affected financial assets is applied prospectively from the reclassification date i.e. on the first day of the first reporting period following the change in business model.

Measurement

At initial recognition, trade receivables without a significant financing component are measured at their transaction price when they are originated.

Other 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. Transaction costs of financial assets at fair value through profit or loss are expensed to profit or loss when incurred.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's debt instruments are categorised into the following measurement categories :

(i) Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated as at fair value through profit or loss at initial recognition :

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

These financial assets are measured at amortised cost using the effective interest method less any impairment losses. Interest income, gains or losses on derecognition, foreign exchange gains or losses and impairment gains or losses are recognised in profit or loss.

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

2.15 Financial Assets (cont'd)

Measurement (cont'd)

(a) Debt instruments (cont'd)

(ii) Fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI if both of the following conditions are met and it is not designated as FVTPL at initial recognition :

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Changes in fair value of these financial assets are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment gains or losses are recognised in profit or loss.

(iii) Fair value through profit or loss ("FVTPL")

A financial asset is measured at FVTPL if it does not meet the criteria for amortised cost or FVOCI. This includes all derivative financial assets.

The Group may, at initial recognition, irrevocably designates a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value of financial assets at FVTPL and interest or dividend income are recognised in profit or loss.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value.

For equity investments at FVTPL, changes in fair value are recognised in profit or loss. Where the Group has elected to present the changes in fair value in other comprehensive income, the amounts presented are not subsequently transferred to profit or loss when the equity investments are derecognised. The cumulative gains or losses is transferred to retained profits instead. The election is made on an instrument-by-instrument basis and it is irrevocable. The amount presented in other comprehensive income includes the related foreign exchange gains or losses.

Dividend income from equity investments at FVTPL and FVOCI is recognised in profit or loss when the Group's right to receive payment has been established.

Changes in the fair value of equity investments at FVTPL are recognised in other income or expenses, as applicable, in the profit or loss. Impairment losses or reversal of impairment losses on equity instruments measured at FVOCI are recognised in other comprehensive income and are not reported separately from other changes in fair value.

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.

Derecognition of financial assets

On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of derecognition and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2.15 Financial Assets (cont'd)

Accounting policies applied until 31 December 2017

Classification and measurement

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

Until 31 December 2017, the Group's financial assets were classified into the following specified categories depending on the nature and purpose of the financial assets and was determined at the time of initial recognition.

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

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

After initial recognition, financial assets at fair value through profit or loss were 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 did 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 were recognised separately in profit or loss as part of other income or other expenses.

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available for sale or were 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 were not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments were measured at fair value and investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. A gain or loss from changes in fair value was 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 were recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income was reclassified from equity to profit or loss as a reclassification adjustment when the financial asset was derecognised. Dividends on an equity instrument were recognised in profit or loss when the Company's right to receive payment was established.

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

2.15 Financial Assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Derecognition of financial assets

The Group derecognised a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expired or it transferred the financial asset without retaining control or transferred 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 was recognised in profit or loss.

2.16 Impairment of Financial Assets

From 1 January 2018, upon the adoption of MFRS 9, the Group recognises loss allowance for expected credit losses ("ECLs") on the following items, where applicable:

- financial assets measured at amortised cost
- debt instruments measured at fair value through other comprehensive income ("FVOCI")
- contract assets

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months i.e. a 12-month ECL. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default i.e. a lifetime ECL. In making the assessment of whether there has been a significant increase in credit risk, a comparison is made between the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition of the asset, taking into consideration of reasonable and supportable information including forward-looking information that are available without undue cost and effort.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Under this approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience and past due information on debtors, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows in its entirety or a portion thereof.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2.16 Impairment of Financial Assets (cont'd)

Accounting policies applied until 31 December 2017

The Group assessed at the end of each reporting period whether there was any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, was impaired. Financial assets were considered to be impaired when objective evidence indicated that a loss event had 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 could be reliably estimated. Losses expected as a result of future events, no matter how likely, were not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost was considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost was 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 was reduced through an allowance account. The amount of loss was 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 was impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income was reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset had not been derecognised. The amount of cumulative loss that was reclassified was 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 was not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, was recognised in other comprehensive income.

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

2.17 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 statements of cash flows are prepared using the indirect method.

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

2.19 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 minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets at fair value through profit or loss are expensed to profit or loss when incurred.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

(a) Fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL upon initial recognition or derivatives that are liabilities.

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

- it has been incurred 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 designated and effective as a hedging instrument.

After initial recognition, financial liabilities at FVTPL are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. If a financial liability is designated as at FVTPL, the change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining change in fair value of the liability is presented 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 FVTPL are recognised separately in profit or loss as part of other income or other expenses.

Accounting policies applied until 31 December 2017

After initial recognition, financial liabilities at FVTPL were 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 did 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 were recognised separately in profit or loss as part of other income or other expenses.

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

(b) Amortised cost

All financial liabilities, other than those categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

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

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

2.19 Financial Liabilities (cont'd)

Derecognition of financial liabilities

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.

2.20 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.

2.21 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 (a) 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.

2.22 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.

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

2.22 Employee Benefits (cont'd)

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.

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.

2.23 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 substantively 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.

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.

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

2.23 Income Taxes (cont'd)

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.

2.24 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.

2.25 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.

2.26 Revenue from Contracts with Customers

Prior to adoption of MFRS 15, *Revenue from Contracts with Customers* on 1 January 2018, revenue was 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 was recognised when it could be measured reliably and to the extent that it was probable that the economic benefits associated to the transactions would flow to the Group.

From 1 January 2018, the Group recognises revenue from a contract with customer when it satisfies a performance obligation by transferring control of a promised good or service to the customer. Performance obligations may be satisfied over time or at a point in time. Revenue is measured based on the consideration specified in the contract which the Group expects to be entitled in exchange for transferring the good or service, excluding the amounts collected on behalf of third parties.

The Group recognises revenue from the following business activities:

(a) Engineering services

The Group's engineering services comprise engineering design and construction supervision which are separate distinct performance obligations in the contracts with customers. Engineering design work is carried out prior to the commencement of construction phase and involves the planning and design of the entire project which may cover concept and detailed design, specification and procurement documentation for the project. The Group recognised revenue for services rendered under engineering design over time by reference to the stage of completion of the services at the reporting date. The stage of completion is determined based on the proportion of cumulative staff time cost utilised over the allocated budgeted costs for the services to be rendered. Billing is rendered based on the milestone stipulated in the contract and payment terms are generally within 30 days to 90 days.

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

2.26 Revenue from Contracts with Customers (cont'd)

(a) Engineering services (cont'd)

Revenue from construction supervision during construction phase is recognised over time based on the cumulative staff time incurred and billed at the contracted rate monthly upon agreement by the customers. Payment terms are generally within 30 days to 90 days.

(b) Project management

The Group recognises revenue for services rendered in respect of project management over time on the same basis as for construction supervision as described above under engineering services. Billing for time incurred by management team on the project is rendered monthly at the contracted rate upon agreement by the customers. Payment terms are generally within 30 days to 90 days.

(c) Provision of Building Information Modeling ("BIM") services

Revenue from provision of BIM services on specific projects is recognised over time by reference to their stage of completion, which is determined based on the proportion of cumulative staff time cost utilised over the allocated budgeted costs for the services. Billing is rendered based on the milestone stipulated in the contract and payment terms are generally within 30 days to 90 days.

Reimbursement for expenses incurred by the Group for the various business activities are billed at the contracted rates and included in the aforesaid fee billings to the customers and are recognised as part of revenue from contracts with customers.

In respect of the Company, management fees from subsidiaries are recognised as revenue upon rendering of services for which the Company has the right to specified consideration.

2.27 Revenue from other Sources and Other Income

(a) Interest

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

(b) Dividend income

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

2.28 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.

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.30 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.

2.31 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.

2.32 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non- financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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.

(a) Impairment of trade receivables

Prior to 1 January 2018, 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.

Upon adoption of MFRS 9 on 1 January 2018, the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

The carrying amount of the Group's trade receivables and their loss allowance for impairment are disclosed in Note 10.

(b) 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 20.

The amount of the Group's retirement benefit obligations as at 31 December 2018 is RM56,675 (2017: RM53,760). 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 20.

(c) Revenue recognition

The Group recognises revenue from contracts with customers which are performed over time 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.

(d) Impairment of goodwill

The Group performs an annual impairment testing of goodwill by carrying out an assessment of the carrying value of the goodwill against the recoverable amount of the group of cash-generating units ("CGUs") to which the goodwill has been allocated. The recoverable amount of the CGUs is determined based on their value in use. The measurement of the value in use requires the management to estimate the future cash flows expected to arise from the CGUs' on-going operations, the growth rate that reflects the management's expected future performance and a suitable discount rate in order to calculate the present value of those future cash flows. The relevant information and assumptions are disclosed in Note 6.

(e) Impairment of investment in subsidiaries

The Company assesses impairment of investment in subsidiaries when the events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. This requires the Company to determine the recoverable amount of the investment based on an estimation of its value in use. The measurement of the value in use of an investment in subsidiary requires the management to estimate the future cash flows expected to arise from its on-going operations, its future growth rate and a suitable discount rate to calculate the present value of those future cash flows. The relevant information on impairment of cost of investment in a subsidiary are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

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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 2017	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
Arising from acquisition of a subsidiary [Note 7(b)]	199,245	175,628	580,566	36,888	336,981	1,329,308
Additions	15,728	390,000	175,660	88,918	141,075	811,381
Disposal	(7,920)	–	(12,167)	(200)	–	(20,287)
Exchange differences	(7,150)	–	(20,794)	(4,008)	(87)	(32,039)
At 31 December 2018	786,561	1,008,089	5,289,141	1,469,471	5,406,874	13,960,136
<u>Accumulated Depreciation</u>						
At 1 January 2017	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
Arising from acquisition of a subsidiary [Note 7(b)]	831	3,659	19,352	320	1,404	25,566
Charge for the year	63,297	169,729	566,695	165,063	481,983	1,446,767
Eliminated on disposal	(6,533)	–	(11,731)	(7)	–	(18,271)
Exchange differences	(3,524)	–	(19,484)	(3,422)	(87)	(26,517)
At 31 December 2018	313,376	369,615	3,696,212	898,897	2,633,284	7,911,384
<u>Net Book Value</u>						
At 31 December 2017	327,353	246,234	1,424,496	610,930	2,778,921	5,387,934
At 31 December 2018	473,185	638,474	1,592,929	570,574	2,773,590	6,048,752
<u>Net book value of assets held under hire purchase arrangements</u>						
At 31 December 2017	26,527	246,234	520,546	193,054	353,212	1,339,573
At 31 December 2018	–	174,435	265,599	147,373	–	587,407

As at 31 December 2017, the carrying amount of property, plant and equipment which were charged to a licensed bank as security for banking facilities granted to a subsidiary, as disclosed in Note 25 amounted to RM5,069,674.

5. INTANGIBLE ASSETS OTHER THAN GOODWILL

Group	Computer Software RM	Customer Contracts RM	Total RM
<u>Cost</u>			
At 1 January 2017	3,133,039	–	3,133,039
Additions	197,194	–	197,194
Exchange differences	(21,548)	–	(21,548)
At 31 December 2017	3,308,685	–	3,308,685
Additions	139,897	–	139,897
Arising from acquisition of a subsidiary [Note 7(b)]	–	16,706,000	16,706,000
Exchange differences	(33,995)	–	(33,995)
At 31 December 2018	3,414,587	16,706,000	20,120,587
<u>Accumulated Amortisation</u>			
At 1 January 2017	2,320,468	–	2,320,468
Charge for the year	319,351	–	319,351
Exchange differences	(21,053)	–	(21,053)
At 31 December 2017	2,618,766	–	2,618,766
Charge for the year	249,088	4,137,000	4,386,088
Exchange differences	(33,168)	–	(33,168)
At 31 December 2018	2,834,686	4,137,000	6,971,686
<u>Carrying Amount</u>			
At 31 December 2017	689,919	–	689,919
At 31 December 2018	579,901	12,569,000	13,148,901

- (a) Computer software with carrying amount of RM32,360 (2017: RM39,551) are held under hire purchase arrangements.
- (b) Customer contracts refer to material unfulfilled contracts identified separately from goodwill and recognised by the Group arising from the acquisition of a subsidiary as disclosed in Note 7(b).

6. GOODWILL

	Group	
	2018 RM	2017 RM
<u>Cost</u>		
Arising from acquisition of a subsidiary [Note 7(b)] / At 31 December	282,091,512	–
<u>Accumulated Impairment</u>		
Impairment loss for year / At 31 December	(119,414,808)	–
Carrying amount at 31 December	162,676,704	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. GOODWILL (CONT'D)

(a) Impairment testing on goodwill

For the purpose of impairment testing, goodwill arising from the acquisition of SMHB Engineering Sdn Bhd is allocated to a group of cash-generating units ("CGUs") which consist of the acquired subsidiary and another existing subsidiary, HSS Engineering Sdn Bhd, which are expected to benefit from the synergies of the business combination. Both the subsidiaries are involved in the same business activities and are able to leverage on each entity's knowledge and expertise which could lead to better performance in terms of securing new business and cost rationalisation for efficiencies and savings.

The recoverable amount of this group of CGUs amounted to RM213,184,448 as at 31 December 2018 which is computed based on their combined value in use. The computation of value in use is based on a discounted cash flow model using the cash flow forecast and projections covering a five-year period and approved by management. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The key assumptions for the computation of value in use are further described in Note 6(b).

As the carrying amount of the group of CGUs exceeded its recoverable amount based on the impairment assessment, an impairment loss on goodwill of RM119,414,808 has been recognised in the Group's profit or loss for the year under other operating expenses.

(b) Key assumptions used for value in use computation

Key assumptions used by management for the computation of value in use and the management's approach to determine the values assigned to each of the key assumptions are as follows:-

Assumptions	Values and approach used in determining the values
Revenue growth rate	10% Compound annual growth rate over the five-year forecast period which reflects management's expectation of achievable growth based on past performance, market development and industry outlook.
Inflation rate	3% Based on year-on-year inflation rate of Malaysia which has not exceeded 3% for the past five-year period. The CGUs' operational costs primarily arise within Malaysia based on management's plan.
Long term growth rate	3% Long term average growth rate for the industry based on outlook by management used to extrapolate cash flows beyond the five-year forecast period.
Pre-tax discount rate	19% Based on the weighted average cost of capital of the CGUs and incorporating specific risks relating to the CGUs and Malaysia in which the CGUs operates.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares - at cost	321,556,729	25,526,471
Accumulated impairment loss	(110,731,058)	-
Carrying amount	210,825,671	25,526,471

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Details of Subsidiaries

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	
		2018	2017
<i>Direct</i>			
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%
SMHB Engineering Sdn Bhd	Provision of engineering and project management	100%	–
<i>Indirect</i>			
SMHB Environmental Sdn Bhd (held through SMHB Engineering Sdn Bhd)	Provision of environmental consultancy services.	100%	–

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

(b) Acquisition of SMHB Engineering Sdn Bhd

On 28 March 2018, the Company completed its acquisition of the entire equity interest of SMHB Engineering Sdn Bhd ("SMHBE") for a total fair value purchase consideration of RM296,030,258 satisfied by the issuance of 94,736,842 new ordinary shares ("Shares Consideration") at the issue price of RM1.43 per ordinary share, being the closing market price of the Company's share on 28 March 2018 and cash consideration of RM162,000,000. Pursuant to the terms of the share sale agreement dated 27 October 2017, an amount of RM153,000,000 ("Upfront Cash Consideration") has been settled and the balance of RM9,000,000 ("Deferred Cash Consideration") shall be payable on the third anniversary date of completion of the acquisition.

The total fair value of the purchase consideration was derived as follows:-

	RM
Upfront Cash Consideration	153,000,000
Fair value of Deferred Cash Consideration	7,556,574
Fair value of Shares Consideration	135,473,684
	296,030,258

The fair value of Deferred Cash Consideration on initial recognition has been determined by discounting the amount payable at the rate of 6% per annum being the existing borrowing rate of the Group. The liability is accreted over the deferred period as disclosed in Note 24 with the implicit interest recognised as finance cost.

SMHBE together with its subsidiary and associate are in the business of engineering consultancy with expertise in the water infrastructure sector. The acquisition of SMHBE enable the Group to expand its engineering consultancy services into the water resources and water supply development sectors, and also enhance the Group's expertise, operations and resources through economies of scale which is expected to create synergies and improve the Group's future financial performance.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of SMHB Engineering Sdn Bhd (cont'd)

The acquisition of SMHBE has contributed to the financial results of the Group from the date of acquisition as follows:-

	RM
Revenue	62,110,670
Profit for the year	10,690,635

It is impracticable to disclose the consolidated revenue and loss for the year of the Group had the acquisition of SMHBE occurred on 1 January 2018 as SMHBE had reorganised its group structure and business to facilitate the acquisition by the Company. Prior to the reorganisation, SMHBE was dormant.

The amount recognised for assets acquired and liabilities assumed as at the acquisition date were as follows:-

	Fair value recognised on acquisition RM	Carrying amount in SMHBE RM
Assets / (Liabilities)		
Property, plant and equipment	1,303,742	1,303,742
Intangible assets	16,706,000	-
Investment in associate	4	4
Bank balance	9,200	9,200
Deferred tax liability	(4,071,000)	-
Amount due to an associate	(9,200)	(9,200)
Net identifiable assets acquired	13,938,746	1,303,746
Goodwill arising on acquisition (Note 6)	282,091,512	
Fair value of purchase consideration	296,030,258	

The goodwill is attributable mainly to the profitability of the business of the acquired subsidiary based on its recent earnings and its valuable assembled workforce which does not qualify to be recognised as an intangible asset separately from goodwill. Goodwill is not deductible for tax purposes.

Net cash outflow from the acquisition is derived as follows:

	RM
Total fair value of purchase consideration	296,030,258
Less: Deferred Cash Consideration	(7,556,574)
Shares Consideration	(135,473,684)
Upfront Cash Consideration	153,000,000
Less: Bank balance of subsidiary acquired	(9,200)
Group's net cash outflow from acquisition	152,990,800

(c) Impairment of cost of investment in SMHBE

Due to the impairment of goodwill allocated to the group of CGUs which included SMHBE, the Company performed an assessment of impairment on the cost of investment in SMHBE at the end of the year. The impairment assessment was performed using the same basis and key assumptions and estimates as described in Note 6. Based on this assessment, the recoverable amount of SMHBE determined based on its value in use amounted to RM185,299,200 which is below its carrying amount. Accordingly, an allowance for impairment loss of RM110,731,058 has been recognised in the Company's profit or loss for the year under other operating expenses.

(d) The shares in SMHBE have been pledged as securities for the term loan facility granted to the Company as disclosed in Note 21.

8. INVESTMENT IN ASSOCIATES

	Group	
	2018 RM	2017 RM
Unquoted shares - at cost	906,498	906,494
Accumulated share of post acquisition reserve	637,881	356,670
Carrying amount	1,544,379	1,263,164

- (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	
		2018	2017
HSS Integrated Sdn Bhd ("HSSI")	Provision of civil, structural, mechanical and electrical engineering consultancy services	30%	30%
HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME")	Provision of mechanical and electrical engineering consultancy services	30%	30%
SMHB Sdn Bhd ("SMHB")	Provision of engineering consultancy services.	30%	-

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

2018	HSSI RM	HSSME RM	SMHB RM	Total RM
Assets and Liabilities				
Total assets	90,292,941	1,259,713	47,851,632	139,404,286
Total liabilities	(85,410,909)	(1,360,968)	(47,585,735)	(134,357,612)
Net assets/(liabilities)	4,882,032	(101,255)	265,897	5,046,674
Financial Results				
Revenue	126,316,165	369,458	62,786,969	189,472,592
Profit/(Loss) for the year/Total comprehensive income/(loss)	671,486	(89,041)	265,884	848,329
Share of profit/(loss) for the year	201,446	(26,713)	79,765	254,498
Reconciliation of Group's share of net assets/(liabilities) to carrying amount as at 31 December				
Group's share of net assets/(liabilities)	1,464,610	(30,377)	79,769	1,514,002
Group's cumulative unrecognised share of losses	-	30,377	-	30,377
Carrying amount	1,464,610	-	79,769	1,544,379

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8. INVESTMENT IN ASSOCIATES (CONT'D)

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

2017	HSSI RM	HSSME RM	Total RM
Assets and Liabilities			
Total assets	99,224,462	1,080,500	100,304,962
Total liabilities	(95,013,917)	(1,092,714)	(96,106,631)
Net assets/(liabilities)	4,210,545	(12,214)	4,198,331
Financial Results			
Revenue	144,550,800	162,840	144,713,640
Profit/(Loss) for the year/Total comprehensive income/(loss)	563,981	(76,991)	486,990
Share of profit/(loss) for the year	169,194	(19,433)	149,761
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	(3,664)	1,259,500
Group's cumulative unrecognised share of losses	-	3,664	3,664
Carrying amount	1,263,164	-	1,263,164

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 RM26,713 (2017: RM3,664).

9. DEFERRED TAXATION

	Group	
	2018 RM	2017 RM
At 1 January	240,272	114,016
Arising from acquisition of a subsidiary [Note 7(b)]	4,071,000	-
Recognised in profit or loss (Note 29)		
- property, plant and equipment	(229,199)	72,765
- intangible assets	(1,019,000)	13,000
- unabsorbed tax losses	1,137	7,297
- unutilised capital allowances	3,862	(11,456)
- retirement benefit obligations	24,338	(42,616)
- provisions	170,000	78,000
	(1,048,862)	116,990
Recognised in other comprehensive income		
- retirement benefit obligations	(10,302)	5,529
Exchange differences	5,943	3,737
At 31 December	3,258,051	240,272

9. DEFERRED TAXATION (CONT'D)

	Group	
	2018 RM	2017 RM
The components of deferred tax liabilities are as follows:-		
Taxable temporary differences		
- property, plant and equipment	300,290	545,289
- intangible assets	3,211,000	159,000
	3,511,290	704,289
Offsetting	(199,290)	(374,289)
After offsetting	3,312,000	330,000

The components of deferred tax assets are as follows:-

Deductible temporary differences		
- property, plant and equipment	39,214	55,014
- unutilised capital allowances	10,072	13,934
- retirement benefit obligations	14,735	34,714
- provisions	177,000	347,000
	241,021	450,662
Unabsorbed tax losses	12,218	13,355
Offsetting	(199,290)	(374,289)
After offsetting	53,949	89,728

Presented after appropriate offsetting as follows:-

Deferred tax liabilities	3,312,000	330,000
Deferred tax assets	53,949	89,728

The unabsorbed tax losses of a subsidiary for which deferred tax assets have not been recognised in the financial statements amounted to RM1,217,090 (2017: RM866,699).

10. TRADE RECEIVABLES

	Group	
	2018 RM	2017 RM
Trade receivables	74,548,416	89,310,295
Allowance for impairment losses	(2,611,217)	(1,322,992)
	71,937,199	87,987,303

Included in the carrying amount of trade receivables are amount due from related parties amounting to RM72,811,060 (2017: RM87,172,272) as disclosed in Note 35(b).

The normal credit terms of trade receivables range from 30 to 90 days (2017: 30 to 90 days).

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10. TRADE RECEIVABLES (CONT'D)

The Group assesses changes in its exposure to credit risk of its customers based primarily on past due information for customers' balances, their past payment trend and historical defaults experience, if any, together with other relevant credit risk related information affecting the financial standing of the customers which are available to management. The Group also considers macroeconomic information in respect of current market development and industry outlook that affect its credit risk exposure.

The Group measures its exposure to credit risk by way of an allowance for expected credit losses ("ECLs") with effect from the current year. ECLs take into consideration the probability of a default in payment of trade receivables before they become credit impaired. The Group uses the simplified approach, i.e. lifetime ECLs in determining the allowance for ECLs on trade receivables which are grouped together as they are perceived to have similar credit risk characteristics. In this respect, the ECLs are computed by way of discounting balances in age bands of past due 180 days and above based on the expected timing of receipts of the cash flows, and the difference between the discounted amount and their carrying amount is recognised as credit loss. The Group considers the ECLs for outstanding balances below 180 days to be insignificant as their risk of default are deemed to be low at the reporting date. For any trade receivables which are determined as credit impaired at the reporting date, ECLs are assessed and measured on an individual basis. Trade receivables are determined as credit impaired when they have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

In the previous year, the Group only recognised a loss allowance for impairment of trade receivables when there was evidence that indicated a trade receivable was credit impaired.

Information about the exposure to credit risk and allowance for ECLs in respect of trade receivables as at 31 December 2018 are as tabulated below: -

Group	Gross carrying amount RM	2018	
		Loss allowance RM	Net carrying amount RM
Current	35,676,352	-	35,676,352
1 to 90 days past due	22,770,973	-	22,770,973
91 to 180 days past due	3,380,601	-	3,380,601
181 to 365 days past due	7,817,416	(224,964)	7,592,452
More than 365 days past due	2,663,504	(146,683)	2,516,821
	72,308,846	(371,647)	71,937,199
<u>Credit impaired</u>			
More than 365 days past due	2,239,570	(2,239,570)	-
	74,548,416	(2,611,217)	71,937,199

Analysis of the age of trade receivables which were past due but not impaired and those which were impaired as at the end of the previous financial year as required under MFRS139 were as follows:-

Group	2017 RM
Neither past due nor impaired	72,068,027
1 to 90 days past due not impaired	10,038,638
91 to 365 days past due not impaired	1,975,259
More than 365 days past due not impaired	3,905,379
	15,919,276
Impaired	1,322,992
	89,310,295

10. TRADE RECEIVABLES (CONT'D)

The trade receivables neither past due nor impaired in the above analysis were considered to be creditworthy and were able to settle their debts.

Movements in allowance for impairment losses on trade receivables are as follows: -

	Group	
	2018 RM	2017 RM
At 1 January	1,322,992	677,918
Increase in loss allowance recognised	1,299,891	686,776
Reversal of loss allowance on recoveries	(12,146)	(41,702)
Exchange differences	480	-
At 31 December	2,611,217	1,322,992

The loss allowance determined and disclosed for the previous year was based on the incurred loss model under MFRS 139. There is no adjustment to the ending balance for the previous year upon initial application of the ECLs model under MFRS 9 on 1 January 2018 as the effect is immaterial.

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.

The currency exposure profile of the gross carrying amount of trade receivables is as follows: -

	Group	
	2018 RM	2017 RM
Ringgit Malaysia	72,348,742	86,893,428
United Arab Emirates Dirham	1,002,198	1,272,302
Brunei Dollar	119,330	61,230
Indian Rupee	198,262	585,652
United States Dollar	879,884	497,683
	74,548,416	89,310,295

11. CONTRACT ASSETS / CONTRACT LIABILITIES

	Group	
	2018 RM	2017 RM
Contract assets	59,426,257	-
Contract liabilities	10,386,216	-

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11. CONTRACT ASSETS/CONTRACT LIABILITIES (CONT'D)

On initial application of MFRS 15 on 1 January 2018, opening balances of contract assets amounting to RM46,507,792 and contract liabilities amounting to RM4,692,323 in respect of the Group have been recognised by way of reclassification from opening balance of trade receivables on that date.

(a) Contract assets

Contract assets relate to the Group's rights to consideration for services rendered which have been recognised as revenue from contract customers but not yet billed at the reporting date pending certain conditions to be met or agreement by the customers.

Contract assets have substantially the same risk characteristics as the trade receivables for contracts which they relate to. The Group's contract assets are customarily of substantial amount and require longer period to bill and be converted to trade receivables due to the industry which the Group involves in, where billings can only be raised upon achieving certain specified milestone or they require verification and agreement by the customers. As at the reporting date, the Group has assessed that the contract assets have low credit risk and the related expected credit loss is insignificant.

(b) Contract liabilities

Contract liabilities relate to the progress billings to customers, for which the related obligations for services have not been performed at the reporting date.

Revenue recognised for the current year from amount included in contract liabilities at the beginning of the year amounted to RM18,105,429.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	296,381	495,380	63,660	26,000
Deposits	1,057,588	764,950	2,000	2,000
Prepayments	2,182,667	3,914,421	103,442	1,560,397
	3,536,636	5,174,751	169,102	1,588,397
The currency exposure profile of other receivables, prepayments and deposits is as follows:-				
Ringgit Malaysia	3,325,419	4,930,346	169,102	1,588,397
Indian Rupee	211,217	244,405	-	-
	3,536,636	5,174,751	169,102	1,588,397

13. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amount due from/(to) subsidiaries is unsecured, interest free and repayable on demand.

14. AMOUNT DUE FROM/(TO) AN ASSOCIATE

The amount due from/(to) an associate is unsecured, interest free and repayable on demand.

15. SHORT TERM DEPOSITS WITH LICENSED BANKS

The maturity periods of the short term deposits range from 1 day to 90 days (2017: 7 days to 60 days) and the effective interest rates for short term deposits during the year ranged from 2.55% to 3.70% (2017: 2.20% to 3.40%) per annum.

Short term deposits amounting to RM9,081,415 (2017: RM15,808,752) and RM6,819,925 (2017 : RM Nil) for the Group and the Company respectively have been pledged under lien to secure banking facilities as disclosed in Notes 21 and 25.

16. SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	No. of	No. of	RM	RM
	shares	shares		
Issued and fully paid:				
Ordinary shares				
At beginning of year	319,081,010	319,081,010	54,234,581	31,908,101
Effect of change to no par value shares on 31 January 2017 [Note 16(a)]	-	-	-	22,326,480
Increase of share capital pursuant to:				
- Placement [Note 16(b)(i)]	34,182,000	-	52,298,460	-
- Rights Shares [Note 16(b)(ii)], (Note 18)	31,908,101	-	12,284,619	-
- Bonus Shares [Note 16(b)(ii)]	15,954,050	-	-	-
- Shares Consideration [Note 16(b)(iii)]	94,736,842	-	135,473,684	-
- Exercise of warrants [Note 16(b)(iv)]	15	-	25	-
- Transfer from warrant reserve (Note 18)	-	-	9	-
At end of year	495,862,018	319,081,010	254,291,378	54,234,581

- (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 17 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) During the current financial year, the issued and paid-up share capital of the Company was increased by way of the following:
- an issue of 34,182,000 new ordinary shares through private placement at an issue price of RM1.53 per ordinary share ("Placement").
 - a renounceable rights issue of 31,908,101 new ordinary shares at an issue price of RM1.30 each ("Rights Shares") on the basis of one (1) Rights Share for every ten (10) existing ordinary shares held together with a bonus issue of 15,954,050 new ordinary shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and 47,862,151 free new detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ("Rights with Bonus Issue and Warrants").
 - an issue of 94,736,842 new ordinary shares at an issue price of RM1.43 per ordinary share ("Shares Consideration") to the vendors as part of the purchase consideration for the acquisition of a new subsidiary, SMHB Engineering Sdn Bhd as detailed in Note 7(b) to the financial statements.
 - an issue of 15 new ordinary shares at the issue price of RM1.70 per ordinary share pursuant to the exercise of the Warrants 2018/2023 as disclosed in Note 18.

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17. SHARE PREMIUM

	Group and Company	
	2018 RM	2017 RM
At beginning of year	-	22,326,480
Effect of change to no par value shares on 31 January 2017	-	(22,326,480)
At end of year	-	-

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.

18. WARRANTS RESERVE

	Group and Company			
	2018 No. of warrants	2017 No. of warrants	2018 RM	2017 RM
At beginning of year	-	-	-	-
Warrants issued pursuant to the Rights with Bonus Issue and Warrants [Note 16(b)(ii)]	47,862,151	-	29,195,912	-
Warrants exercised	(15)	-	(9)	-
At end of year	47,862,136	-	29,195,903	-

On 16 March 2018, the Company issued 47,862,151 new warrants ("Warrants 2018/2023") pursuant to the Rights with Bonus Issue and Warrants described in Note 16(b)(ii). The new warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 March 2018.

The Warrants 2018/2023 are constituted by a Deed Poll dated 5 February 2018. Each warrant entitles the registered holder, at any time during its exercise period of 5 years from 16 March 2018 to 15 March 2023, to subscribe for 1 new ordinary share in the Company at an exercise price of RM1.70 per warrant. Any warrants not exercised by its expiry date will lapse thereafter and cease to be valid for any purpose.

Warrants reserve represents the fair value attributed to the warrants which is allocated from the proceeds amounting to RM41,480,531 from the issuance of Rights Shares under the Rights with Bonus Issue and Warrants. The fair value attributed to each warrant is RM0.61 derived from Black-Scholes trinomial option pricing model, which resulted in a warrants reserve of RM29,195,912. The balance proceeds of RM12,284,619 from the issuance of Rights Shares is allocated to share capital as disclosed in Note 16.

Warrant reserve is transferred to share capital account upon the exercise of warrants. Warrant reserve relating to unexercised warrants at the expiry of the warrant exercise period is transferred to accumulated losses.

19. 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.

20. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2018 RM	2017 RM
Present value of unfunded defined benefit obligations	56,675	53,760

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.

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

	Group	
	2018 RM	2017 RM
Balance as at 1 January	53,760	63,465
Defined benefit cost recognised in profit or loss [Note 27(b)]		
- Current service cost	16,529	3,263
- Interest cost	3,105	7,140
	19,634	10,403
Defined benefit cost recognised in other comprehensive income		
- Actuarial loss/(gain)	39,623	(17,893)
Defined benefit paid	(53,034)	-
Exchange differences	(3,308)	(2,215)
Balance as at 31 December	56,675	53,760

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

	2018	2017
Discount rate	7.65%	8.00%
Rate of increase in salary	4.00%	4.00%
Expected average remaining working lives of employees	26.3 years	26.8 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)	
	2018 RM	2017 RM
Discount rate (1% increase)	(5,339)	(10,559)
Future average salary increase rate (1% increase)	6,626	5,682

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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21. TERM LOANS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Term loan 1 (unsecured)	72,306	115,323	–	–
Term loan 2 (secured)	78,220,251	–	78,220,251	–
	78,292,557	115,323	78,220,251	–
Analysed as follows:-				
Current liabilities:				
Amount due within one year	11,220,800	34,593	11,179,589	–
Non-current liabilities:				
Amount due after one year and not later than two years	13,436,480	43,540	13,405,385	–
Amount due after two years and not later than five years	53,635,277	37,190	53,635,277	–
	67,071,757	80,730	67,040,662	–
	78,292,557	115,323	78,220,251	–

Term loan 1

This term loan, denominated in Indian Rupee is attributable to the foreign subsidiary of the Company. The term loan is unsecured, repayable over 36 instalments and bears interest at the rate of 15% (2017: 15%) per annum.

Term loan 2

This term loan is under the Islamic principle of Commodity Murabahah Term Financing-i (“CMTF-i”) facility of up to RM85.0 million granted to the Company for the purpose of part-financing the cash consideration for the acquisition of the subsidiary, SMHB Engineering Sdn Bhd (“SMHBE”) as detailed in Note 7(b). The loan is repayable by way of semi-annually principal repayment over the tenure of 5 years from the date of drawdown on 26 March 2018. Financier’s profit is charged at the rate of 2.25% above the financier’s cost of fund per annum and is payable quarterly. The effective profit rate recognised as finance cost for the year is 7.14% per annum.

The CMTF-i facility is secured by the following: -

- a charge and assignment of shares in SMHBE including all rights and benefits to the pledged shares;
- an assignment of contract proceeds of the Company, and contract proceeds and contracts of its subsidiaries and associates;
- a debenture over the Company’s fixed and floating assets, and negative pledge over the Group’s present and future assets;
- an undertaking by the Company to prepay the CMTF-i with proceeds raised from the exercise of the Warrants 2018/2023; and
- an assignment of designated deposit account as disclosed in Note 15.

22. HIRE PURCHASE PAYABLES

	Group	
	2018 RM	2017 RM
Instalments payable:		
- not later than one year	802,474	1,003,664
- later than one year but not later than two years	577,628	590,890
- later than two years but not later than five years	64,332	412,744
	1,444,434	2,007,298
Finance charges allocated to future periods	(99,733)	(169,071)
Present value of hire purchase payables	1,344,701	1,838,227
Disclosed under:		
- Current liabilities	727,841	899,288
- Non-current liabilities	616,860	938,939
	1,344,701	1,838,227

23. TRADE PAYABLES

Credit terms of trade payables range from 30 to 90 days (2017: 30 to 90 days).

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

	Group	
	2018 RM	2017 RM
Ringgit Malaysia	26,039,348	24,194,026
Brunei Dollar	667,903	665,666
	26,707,251	24,859,692

Included in trade payables are amount due to related parties amounting to RM19,510,804 (2017: RM24,571,401) as disclosed in Note 35(b).

24. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	2,416,983	5,520,850	338,824	1,173,401
Accruals	3,741,417	2,920,855	112,618	102,327
Dividend payable	-	2,520,740	-	2,520,740
Deferred Cash Consideration [Note 7(b)]	7,894,131	-	7,894,131	-
Provision for compensated absences	788,551	1,447,844	50,508	-
	14,841,082	12,410,289	8,396,081	3,796,468
Disclosed under:				
- Current liabilities	6,946,951	12,410,289	501,950	3,796,468
- Non-current liabilities	7,894,131	-	7,894,131	-
	14,841,082	12,410,289	8,396,081	3,796,468

Movements in provision for compensated absences during the year :-

As at 1 January	1,447,844	1,771,404	-	-
Provision during the year [Note 27(b)]	86,339	225,608	50,508	-
Reversal of provision during the year [Note 27(b)]	(412,320)	(549,168)	-	-
Paid during the year	(333,312)	-	-	-
As at 31 December	788,551	1,447,844	50,508	-

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

Ringgit Malaysia	14,563,897	11,794,319	8,396,081	3,796,468
Brunei Dollar	12,432	12,549	-	-
Australian Dollar	-	9,036	-	-
United States Dollar	-	132,912	-	-
Indian Rupee	264,753	461,473	-	-
	14,841,082	12,410,289	8,396,081	3,796,468

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25. BANK OVERDRAFTS (SECURED)

Bank overdrafts with total limit of RM20,000,000 (2017: RM43,750,000) attributable to subsidiaries are secured by short term deposits of the respective subsidiaries as disclosed in Note 15 together with corporate guarantees from the Company. Bank overdrafts in the previous financial year were further secured by debentures covering fixed and floating charges over present and future assets of a subsidiary.

The bank overdrafts bear interest at rates ranging from 0.70% to 1.00% (2017: 0.75% to 1.25%) below the Base Lending Rate of the lending banks. The effective interest rates ranged from 5.90% to 6.26% (2017: 7.46% to 7.96%) per annum.

26. OPERATING REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contract with customers:-				
Engineering services				
- Design	66,875,150	55,151,097	-	-
- Supervision	66,235,133	23,578,853	-	-
Project management	45,960,351	53,333,203	-	-
BIM services	500,499	1,370,523	-	-
Reimbursable income	10,137,756	12,232,470	-	-
Management fees	-	-	5,396,400	-
	189,708,889	145,666,146	5,396,400	-
Revenue from other sources:-				
Dividend income	-	-	-	8,500,000
	189,708,889	145,666,146	5,396,400	8,500,000

(a) The Group's revenue from contracts with customers are recognised over time. In respect of the Company, management fees from subsidiaries are recognised at a point in time.

(b) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

Group	2019 RM	2020 RM	After 2020 RM
Revenue from contract with customers	135,850,884	142,988,318	186,617,413

The amount disclosed above does not include variable consideration which is constrained.

The Group applied the practical expedient provided by MFRS 15 and did not disclose information about recognising unsatisfied (or partially unsatisfied) performance obligations that have original expected duration of one year or less.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) This is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	1,446,767	1,095,729	-	-
Amortisation of intangible asset	4,386,088	319,351	-	-
Allowance for impairment loss on investment in a subsidiary	-	-	110,731,058	-
Impairment loss on goodwill	119,414,808	-	-	-
Auditors' remuneration				
- statutory audit				
- Current year	254,363	176,598	35,000	30,000
- Overprovision in prior year	(5,000)	(2,000)	(5,000)	(5,000)
- other services	132,100	46,000	132,100	46,000
Business combination and corporate exercise expenses*	2,516,815	-	2,516,815	-
Directors' remuneration				
- Directors of the Company				
Salaries	3,749,961	2,393,912	2,579,961	-
Bonus	-	328,071	-	-
Fees	280,500	264,000	280,500	264,000
Other emoluments	1,378,105	1,067,100	950,155	81,000
- Directors of subsidiaries				
Salaries	1,645,481	956,313	-	-
Bonus	-	115,250	-	-
Fees	90,000	-	-	-
Other emoluments	506,094	253,590	-	-
Rental of equipment	223,703	232,662	-	-
Rental of premises	3,367,643	2,814,149	-	-
Management fee	-	-	1,263,660	-
Allowance for impairment losses on trade receivables	1,299,891	686,776	-	-
Reversal of allowance for impairment losses on trade receivables	(12,146)	(41,702)	-	-
Trade receivables written-off	-	108,101	-	-
Other receivables written-off	221,381	95,000	-	-
Interest income on short term deposits	(1,753,750)	(1,206,489)	(1,183,128)	(777,295)
Other interest income	(3,433)	(416)	(118)	(416)
Loss on foreign exchange	12,386	126,530	-	152
(Gain)/Loss on disposal of property, plant and equipment	(3,119)	1,710	-	-

* Business combination and corporate exercise expenses are included under administrative expenses and exclude share issue expenses of RM2,637,702 which was charged to equity. Included in the share issue expenses is remuneration to auditors amounting to RM81,900 for services rendered in connection with the exercise.

(b) Employee benefits expense (including directors' remuneration):-

Salaries, wages, bonuses and allowances	89,246,309	69,442,113	4,412,415	345,000
Amount contributed under defined contribution plan				
- Employees Provident Fund ("EPF")	8,773,684	5,931,796	393,554	-
Defined benefit cost (Note 20)	19,634	10,403	-	-
Provision for compensated absences (Note 24)	86,339	225,608	50,508	-
Reversal of provision for compensated absences (Note 24)	(412,320)	(549,168)	-	-
Social security contribution	638,183	403,304	6,876	-
Other benefits	3,877,625	2,973,128	15,614	6,652
	102,229,454	78,437,184	4,878,967	351,652

Employee benefits expense are included in the following:-

- Direct costs	90,674,728	67,596,433	-	-
- Administrative expenses	11,554,726	10,840,751	4,878,967	351,652
	102,229,454	78,437,184	4,878,967	351,652

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Hire purchase interest	141,140	102,278	-	-
Interest on bank overdrafts	1,366,936	1,221,415	-	-
Interest on Deferred Cash Consideration (Note 24)	337,557	-	337,557	-
Interest on term loans	4,381,890	6,392	4,367,225	-
	6,227,523	1,330,085	4,704,782	-

29. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current year tax	9,898,176	6,876,420	49,260	178,670
Overprovision of tax in prior year	(537,547)	(195,589)	(4,285)	(1,818)
Deferred tax (Note 9)	(1,048,862)	116,990	-	-
	8,311,767	6,797,821	44,975	176,852

The general statutory income tax rate in Malaysia for the year under review is 24% (2017: 24%) of taxable income. Taxation for foreign jurisdiction is calculated at rate prevailing in the foreign jurisdiction.

Reconciliations between tax (income)/expense applicable to the (loss)/profit 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	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before taxation	(94,524,728)	21,826,629	(119,123,400)	7,330,237
Tax calculated at statutory tax rate of 24% (2017: 24%)	(22,685,935)	5,238,391	(28,589,616)	1,759,257
Tax effects of:				
- expenses not deductible for tax purposes	31,359,796	1,339,819	28,638,876	459,413
- income not taxable	-	-	-	(2,040,000)
- deferred tax assets not recognised	188,886	433,715	-	-
- profit from foreign operation not taxable	(13,433)	(18,515)	-	-
Overprovision of tax in respect of prior year	(537,547)	(195,589)	(4,285)	(1,818)
Tax expense	8,311,767	6,797,821	44,975	176,852

Subject to agreement with the Inland Revenue Board, the Group has the following estimated unabsorbed tax losses and unutilised capital allowances which can be used to set-off against future taxable income:-

	Group	
	2018 RM	2017 RM
Unabsorbed tax losses	1,268,000	922,345
Unutilised capital allowances	41,965	58,058
	1,309,965	980,403

In accordance with the provision of the Finance Act 2018, any unabsorbed tax losses for the year of assessment 2019 onwards shall be available for utilisation for a maximum period of seven consecutive years of assessment immediately following that year of assessment and any excess at the end of the seventh year shall be disregarded. With respect to the unabsorbed tax losses of the Group up to the year of assessment 2018 which amounted to RM1,268,000, the losses will be available for utilisation until the year of assessment 2025 and any amount not utilised by the end of 2025 will be disregarded.

30. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share of the Group is calculated by dividing the (loss)/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	
	2018	2017
Core profit for the financial year attributable to owners of the Company (RM)	16,578,313	15,028,808
Less: Impairment loss on goodwill (RM)	(119,414,808)	–
(Loss)/Profit for the financial year attributable to owners of the Company (RM)	(102,836,495)	15,028,808
Weighted average number of ordinary shares in issue during the financial year	464,959,444	347,408,268
Basic (loss)/earnings per share (sen)	(22.12)	4.33
Diluted (loss)/earnings per share (sen)	(22.12)	4.33
Basic core earnings per share (sen)	3.57	4.33
Diluted core earnings per share (sen)	3.57	4.33

The computation of diluted (loss)/earnings per share (including for core earnings) excluded the exercise of Warrants 2018/2023 issued by the Company as their inclusion would have been antidilutive.

Basic core earnings per share of the Group is calculated by dividing the core 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.

The weighted average number of ordinary shares in issue for the previous financial year has been adjusted for the bonus element of shares issued under the Placement and Rights with Bonus Issue and Warrants during the current financial year as disclosed in Note 16(b).

31. DIVIDENDS

	Group and Company	
	2018	2017
	RM	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

32. CAPITAL COMMITMENTS

	Group	
	2018	2017
	RM	RM
Authorised but not contracted for:-		
In respect of purchase of :		
- property, plant and equipment	1,070,250	–
- intangible assets - computer software	–	–
	1,070,250	–

NOTES TO THE FINANCIAL STATEMENTS

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33. CONTINGENT LIABILITIES

	Company	
	2018	2017
	RM	RM
Corporate guarantees given to licensed financial institutions for credit facilities of subsidiaries		
- limit of guarantees	54,500,000	48,550,000
- amount utilised	15,762,298	21,364,160

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

34. 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.

35. 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 Engineering Sdn Bhd ("HSSE")	Subsidiary of the Company
BIM Global Ventures Sdn Bhd ("BGV")	Subsidiary of the Company
HSS BIM Solutions Private Limited ("HBS")	Subsidiary of the Company
SMHB Engineering Sdn Bhd ("SMHBE")	Subsidiary of the Company
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
SMHB Sdn Bhd ("SMHB")	Associate which has common shareholders with the Company
Matmer Corporation Sdn Bhd ("Matmer")	Common major shareholders with the Company
SMH Properties Sdn Bhd ("SMHP")	Common major shareholders with the Company

The Group through its subsidiary, 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.

35. RELATED PARTY DISCLOSURES (CONT'D)

Similar exclusive business arrangement as described above has also been executed between the Group's new subsidiary, SMHBE and its associate, SMHB during the year.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(a) Significant transactions with related parties				
(i) Provision of engineering and project management services to:				
- HSSI	125,069,579	143,302,766	-	-
- HSSME	366,044	160,874	-	-
- SMHB	62,110,670	-	-	-
(ii) Rental of premises and reimbursables charged by:				
- Matmer	2,815,610	2,739,440	-	-
- SMHP	427,500	-	-	-
(iii) Management fee charged to:				
- HSSE	-	-	5,112,000	-
- BGV	-	-	31,800	-
- HBS	-	-	27,600	-
- SMHBE	-	-	225,000	-
(iv) Management fee charged by:				
- HSSE	-	-	1,196,460	-
- SMHBE	-	-	67,200	-
(b) Significant balances with related parties				
(i) Amount included in trade receivables (Note 10)				
- HSSI	46,002,580	86,076,946	-	-
- HSSME	682,078	1,095,326	-	-
- SMHB	26,126,402	-	-	-
(ii) Amount included in trade payables (Note 23)				
- HSSI	14,246,234	24,245,131	-	-
- HSSME	-	326,270	-	-
- SMHB	5,264,570	-	-	-
(iii) Amount due from/(to) an associate (Note 14)				
- SMHB	167,369	-	-	-
- SMHB	(11,958,945)	-	-	-
(iv) Amount due from/(to) subsidiaries (Note 13)				
- HSSE	-	-	5,145,204	8,083,975
- BGV	-	-	32,330	-
- HBS	-	-	27,600	-
- SMHBE	-	-	225,000	-
- SMHBE	-	-	(67,200)	-

(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	
	2018 RM	2017 RM	2018 RM	2017 RM
Short term employee benefits	8,350,314	8,192,256	3,764,314	345,000
Post-employment benefits				
- Defined contribution plan	827,459	725,640	335,607	-
	9,177,773	8,917,896	4,099,921	345,000

NOTES TO THE FINANCIAL STATEMENTS

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36. 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:-

	Group	
	2018 RM	2017 RM
Cash payments	811,381	458,523
Hire purchase financing	-	404,079
Aggregate at cost	811,381	862,602

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) Liabilities arising from financing activities

Changes in the Group's and the Company'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 Loans RM	Hire Purchase Financing RM	Total RM
At 1 January 2018	115,323	1,838,227	1,953,550
New hire purchase financing obtained:			
- for software subscription expenses	-	562,950	562,950
Drawdown of term loan	83,112,543	-	83,112,543
Repayment of term loans	(4,927,681)	-	(4,927,681)
Payment of hire purchase financing	-	(1,056,476)	(1,056,476)
Net changes in cash flows	78,184,862	(1,056,476)	77,128,386
Net exchange differences	(7,628)	-	(7,628)
At 31 December 2018	78,292,557	1,344,701	79,637,258
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
Company			
At 1 January 2018	-	-	-
Drawdown of term loan	83,112,543	-	83,112,543
Repayment of term loan	(4,892,292)	-	(4,892,292)
Net changes in cash flows	78,220,251	-	78,220,251
At 31 December 2018	78,220,251	-	78,220,251

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

(c) Cash and cash equivalents at end of year

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	336,170	5,682,094	78,692	52,901
Short term deposits	57,547,356	42,808,751	32,941,262	24,000,000
Bank overdrafts (secured)	(14,417,597)	(19,525,933)	-	-
	43,465,929	28,964,912	33,019,954	24,052,901
Less: Short term deposits (pledged)	(9,081,415)	(15,808,752)	(6,819,925)	-
	34,384,514	13,156,160	26,200,029	24,052,901

37. FINANCIAL INSTRUMENTS

The Group's and the Company's financial instruments are categorised as follows:-

2018**Financial assets as per statement of financial position**

	Carrying amount RM	Financial assets at amortised cost RM
Group		
Trade receivables	71,937,199	71,937,199
Other receivables and deposits	1,353,969	1,353,969
Amount due from an associate	167,369	167,369
Short term deposits with licensed banks	57,547,356	57,547,356
Cash and bank balances	336,170	336,170
	131,342,063	131,342,063

Company

Other receivables and deposits	65,660	65,660
Amount due from subsidiaries	5,430,134	5,430,134
Short term deposits with licensed banks	32,941,262	32,941,262
Cash and bank balances	78,692	78,692
	38,515,748	38,515,748

Financial liabilities as per statement of financial position

	Carrying amount RM	Financial liabilities at amortised cost RM
Group		
Trade payables	26,707,251	26,707,251
Other payables and accruals	14,052,531	14,052,531
Amount due to an associate	11,958,945	11,958,945
Term loans	78,292,557	78,292,557
Hire purchase payables	1,344,701	1,344,701
Bank overdrafts	14,417,597	14,417,597
	146,773,582	146,773,582

NOTES TO THE FINANCIAL STATEMENTS

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37. FINANCIAL INSTRUMENTS (CONT'D)

2018 (cont'd)

Financial liabilities as per statement of financial position (cont'd)

	Carrying amount RM	Financial liabilities at amortised cost RM
Company		
Other payables and accruals	8,345,573	8,345,573
Amount due to a subsidiary	67,200	67,200
Term loan	78,220,251	78,220,251
	86,633,024	86,633,024

2017

Financial assets as per statement of financial position

	Carrying amount RM	Loans and receivables RM
Group		
Trade receivables	87,987,303	87,987,303
Other receivables and deposits	1,260,330	1,260,330
Short term deposits with licensed banks	42,808,751	42,808,751
Cash and bank balances	5,682,094	5,682,094
	137,738,478	137,738,478
Company		
Other receivables and deposits	28,000	28,000
Amount due from subsidiaries	8,083,975	8,083,975
Short term deposits with licensed banks	24,000,000	24,000,000
Cash and bank balances	52,901	52,901
	32,164,876	32,164,876

Financial liabilities as per statement of financial position

	Carrying amount RM	Other financial liabilities at amortised cost RM
Group		
Trade payables	24,859,692	24,859,692
Other payables and accruals	10,962,445	10,962,445
Term loan	115,323	115,323
Hire purchase payables	1,838,227	1,838,227
Bank overdrafts	19,525,933	19,525,933
	57,301,620	57,301,620
Company		
Other payables and accruals	3,796,468	3,796,468

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

38. 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. Information on the exposure credit risk and impairment of trade receivables and contract assets arising from sales are disclosed in Notes 10 and 11 respectively.

The Group considers other receivables have low credit risk exposure due to their short maturities. Cash and cash equivalents are placed with major financial institutions which have low credit risk. The Group views that any expected credit losses arising on these financial assets are insignificant.

The Company is able to determine the timing of settlement by its wholly owned subsidiaries in respect of amount due from the subsidiaries which are repayable on demand. The Company monitors the financial position of these subsidiaries in managing their credit risk. The Company considers the balances due from subsidiaries have low credit risk as they are able to make repayments if demanded at the reporting date.

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 statements of financial position of the Group and of the Company at the reporting date, except as disclosed in Note 33.

(b) Interest Rate Risk

The Group has interest rate risk in respect of its deposits with licensed banks, hire purchase financing, term loans, 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 loans 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 loans as 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 RM132,000 (2017: RM48,300). 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.

NOTES TO THE FINANCIAL STATEMENTS

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38. 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	
2018				
Trade payables	26,707,251	–	–	26,707,251
Other payables and accruals	6,158,400	9,000,000	–	15,158,400
Amount due to an associate	11,958,945	–	–	11,958,945
Term loans	11,736,802	13,845,368	54,187,500	79,769,670
Hire purchase payables	802,474	577,628	64,332	1,444,434
Bank overdrafts	14,417,597	–	–	14,417,597
2017				
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	52,737	52,737	35,158	140,632
Hire purchase payables	1,003,664	590,890	412,744	2,007,298
Bank overdrafts	19,525,933	–	–	19,525,933
Company				
2018				
Other payables and accruals	451,442	9,000,000	–	9,451,442
Term loan	11,687,500	13,812,500	54,187,500	79,687,500
2017				
Other payables and accruals	1,275,728	–	–	1,275,728
Dividend payable	2,520,740	–	–	2,520,740

(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, 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.

Foreign currency risk sensitivity analysis

A 10 percent strengthening or weakening of the Brunei Dollar, United Arab Emirates Dirham, 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.

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

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

Foreign currency risk sensitivity analysis (cont'd)

	Group	
	2018 RM	2017 RM
Brunei Dollar	56,101	61,699
United Arab Emirates Dirham	100,220	127,230
Indian Rupee	1,575	19,950
United States Dollar	87,988	36,477

39. 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: -

	Group	
	2018 RM	2017 RM
(Loss)/Profit for the year attributable to owners of the Company	(102,836,495)	15,028,808
Total shareholders' equity	212,919,372	89,200,868
Return on Capital	N/A	17%

In addition, the Group also monitors the debt to equity ratio of the Group as follows: -

	Group	
	2018 RM	2017 RM
Total interest bearing debts	94,054,855	21,479,483
Total shareholders' equity	212,919,372	89,200,868
Debt to equity ratio (times)	0.44	0.24

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 has complied with all externally imposed capital requirements.

40. SIGNIFICANT EVENTS DURING THE YEAR

During the year, the Company has completed its acquisition of the entire equity interest in SMHB Engineering Sdn Bhd, the details which are further elaborated in Note 7(b).

In conjunction with the aforesaid acquisition, the Company has also successfully carried out a share capital raising exercise to part-finance the cash consideration portion for the acquisition, comprising a private placement and a renounceable rights issue of new ordinary shares together with bonus issue and free detachable warrants in the Company during the year. The details of the share capital increase are disclosed in Note 16.

As part of the financing for the cash consideration portion of the aforesaid acquisition, the Company has also fully drawdown a Commodity Murabahah Term Financing-i facility of RM85.0 million as detailed in Note 21.

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 68 to 123 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 2018 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,

17 April 2019

STATUTORY DECLARATION

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

I, **Ng Kuan Yee** (MIA 17693), 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 68 to 123 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 17 April 2019)

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 2018 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 68 to 123.

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 2018, 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

Revenue recognition

The Group recognises revenue for services rendered over time 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 the portion of services rendered but yet to be billed as revenue for the year and correspondingly as contract assets at the end of the reporting period.

As disclosed in Note 3.2(c) in relation to 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.

The aforesaid exercise of judgement and estimation by management have significant effects on the amount of revenue and contract assets recognised, and hence the financial results of the Group for the year.

Our audit approach to address the key audit matter

Our audit approach included the following:-

- 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.
- 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 recognised as contract assets 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 contract assets at the end of the reporting period.

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)

Key audit matter

Our audit approach to address the key audit matter

Acquisition of entire equity interest in SMHB Engineering Sdn Bhd - Recognition of identifiable assets and liabilities of acquiree at acquisition-date fair value

Our audit approach included the following: -

Following the completion of the acquisition of SMHB Engineering Sdn Bhd and as disclosed in Note 7(b), the Group has determined the fair value of assets acquired and liabilities assumed at the acquisition date pursuant to a purchase price allocation exercise performed with the assistance of an external independent consultant.

- we considered the qualification and experience, objectivity, independence and competence of the external consultant engaged for the purchase price allocation exercise.

The excess of the fair value of purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill disclosed in Note 6.

- we reviewed the basis for determining the fair value of assets acquired and liabilities assumed in the business combination including justifications for the recognition of contract-based intangible assets separately from goodwill.

Arising from the exercise, unfulfilled customer contracts of the acquiree have been recognised separately from goodwill as intangible assets with definite useful life as disclosed in Note 5.

- we evaluated the valuation approach adopted and the suitability of the valuation model used in arriving at the fair value of the contract-based intangible assets which is based on the present value of the remaining net cash flows from material unfulfilled customer contracts projected over their remaining contract periods.

The determination of the fair value of net assets acquired in particular the contract-based intangible assets identified separately from goodwill requires significant judgements and estimates, and have significant effects on the financial statements of the Group.

- we verified the projected cash flows from the unfulfilled customer contracts provided by management to the underlying workings and key assumptions including inputs from the external consultant, and contractual documents.

- we assessed the reasonableness of the discount rate adopted by management to input from the external consultant based on an analysis of data of industry comparable companies and market data, and performed recomputation of the fair value of selected unfulfilled customer contracts recognised as intangible assets.

Impairment of goodwill

Our audit approach included the following:-

The acquisition of SMHB Engineering Sdn Bhd has resulted in a very significant goodwill of RM282,091,512 as disclosed in Note 7(b). The Group is required to test the amount of goodwill for impairment annually.

- we reviewed the appropriateness of the basis used by management to allocate the goodwill to group of CGUs rather than a single CGU for annual impairment testing purposes.

Goodwill is impaired when the carrying amount of a cash-generating unit ("CGU") or group of CGUs to which goodwill is allocated exceeded the recoverable amount of the CGU or groups of CGUs.

- We assessed the reasonableness of the management's five-year projected cash flows for the CGUs used for value in use computation, by comparing them with past performance and by reference to approved budget for the immediate forecast year. With respect to key assumptions used for projecting the cash flows, we checked that the rates used for growth, including for long term beyond the five-year period, and inflation are reasonable and fairly consistent with current market development and industry outlook.

The Group's approach to impairment testing together with the key assumptions used are disclosed in Note 6. Arising from the assessment, an impairment loss of RM119,414,808 has been recognised for the year.

- we assessed the discount rate used by reviewing the external consultant's analysis of data of industry comparable companies in Malaysia, as well as economic and market data in arriving at the discount rate adopted by management.

Goodwill impairment assessment by the management involves significant degree of judgements and assumptions on inflation and growth rates, and discount rate used in the computation of value in use of CGU.

- we reviewed the sensitivity analysis performed by management on the impact of reasonable changes to the assumed long term growth rate and discount rate used for the CGUs' value in use computation as further evaluation of the reasonableness of the impairment loss recognised.

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

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.

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.

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 (cont'd)

- 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, is disclosed in Note 7(a) 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,
17 April 2019

ANALYSIS OF SECURITIES

AS AT 01 APRIL 2019

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares : 495,862,018 ordinary shares
 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	154	7.534	3,584	0.000
100 - 1,000	396	19.373	219,468	0.044
1,001 - 10,000	892	43.639	4,241,496	0.855
10,001 - 100,000	421	20.596	13,097,198	2.641
100,001 - 24,793,099 (*)	177	8.659	263,474,745	53.134
24,793,100 AND ABOVE (**)	4	0.195	214,825,527	43.323
TOTAL :	2,044	100.000	495,862,018	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	115,000,000	23.19	–	–
Victech Solutions Sdn Bhd	120,508,632	24.30	–	–
Tan Sri Ir. Kunasingam A/L V. Sittampalam	–	–	120,508,632	24.30 ¹
Vanessa A/P Santhakumar	–	–	115,000,000	23.19 ²
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,944,106	3.42 ³

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

³ Deemed interest by virtue of interests held by his spouse and child

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	582,950	0.12	–	–
Tan Sri Ir. Kunasingam A/L V. Sittampalam	–	–	120,508,632	24.30 ¹
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,602,500	1.73	–	–
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,944,106	3.42 ²
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,350,000	0.88	–	–
Ir. Prem Kumar A/L M Vasudevan	7,401,447	1.49	–	–
Mohan A/L Ramalingam	1,163,800	0.23	–	–
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	–	–	–	–
Ng Kuan Yee (Alternate to Dato' Ir. Nitchiananthan A/L Balasubramaniam)	440,495	0.09	–	–
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (Alternate to Datuk Ir. Teo Chok Boo)	9,473,684	1.91	–	–

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

² Deemed interest by virtue of interests held by his spouse and child

ANALYSIS OF SECURITIES

AS AT 01 APRIL 2019

LIST OF TOP 30 HOLDERS

AS AT 01 APRIL 2019

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

No.	Name	Holdings	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN BHD</i>	90,000,000	18.150
2	VICTECH SOLUTIONS SDN BHD	50,000,000	10.083
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD</i>	41,308,632	8.330
4	TEO CHOK BOO	33,516,895	6.759
5	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD</i>	15,200,000	3.065
6	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)</i>	14,800,000	2.984
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR LGT BANK AG (LOCAL)</i>	14,000,000	2.823
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR FLAMINGO WORKS SDN BHD (PBCL-0G0648)</i>	14,000,000	2.823
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB FOR FLAMINGO WORKS SDN BHD (PB)</i>	11,000,000	2.218
10	MOHD ROUSDIN BIN HASSAN	10,421,053	2.101
11	TEO KOON HAU	9,767,684	1.969
12	SYED MOHAMED ADNAN BIN MANSOR ALHABSHI	9,473,684	1.910
13	NITCHIANANTHAN A/L BALASUBRAMANIAM	8,302,500	1.674
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PREM KUMAR A/L M VASUDEVAN</i>	7,389,947	1.490
15	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)</i>	7,302,500	1.472
16	TEE KUI KIAU	7,176,422	1.447
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>NATIONAL TRUST FUND (IFM EASTSPRING) (410140)</i>	6,843,700	1.380
18	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)</i>	5,443,700	1.097
19	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND</i>	5,154,500	1.039
20	ZULKIFLEE BIN AB HAMID	4,736,842	0.955
21	AMANAHRAYA TRUSTEES BERHAD <i>AMANAH SAHAM NASIONAL</i>	4,357,580	0.878
22	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	4,350,000	0.877
23	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PBTB FOR TAKAFULINK DANA EKUITI</i>	4,151,600	0.837

No.	Name	Holdings	%
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SEOW VOON PING</i>	3,484,000	0.702
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LOO AI CHOO</i>	3,430,105	0.691
26	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK EQUITY FUND</i>	3,348,500	0.675
27	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND</i>	3,150,000	0.635
28	M & A NOMINEE (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT GENTING UTAMA SDN BHD FOR CHAN YOK PENG (M&A)</i>	3,026,300	0.610
29	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND</i>	2,980,000	0.600
30	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK DANA UNGGUL</i>	2,854,600	0.575
TOTAL		400,970,744	80.863

ANALYSIS OF SECURITIES

AS AT 01 APRIL 2019

ANALYSIS OF WARRANT HOLDINGS

Warrants 2018/2023 ("WARRANTS")

No. of Warrants unexercised	: 47,862,136
Exercise price	: RM1.70
Expiry date	: 15 March 2023
Voting rights at a meeting of Warrant Holders	

DISTRIBUTION OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 - 99	76	8.972	3,672	0.007
100 - 1,000	275	32.467	116,084	0.242
1,001 - 10,000	293	34.592	1,249,461	2.610
10,001 - 100,000	170	20.070	6,022,229	12.582
100,001 - 2,393,105 (*)	31	3.659	10,162,058	21.231
2,393,106 AND ABOVE (**)	2	0.236	30,308,632	63.324
TOTAL :	847	100.000	47,862,136	100.000

Remark :

* - Less than 5% of issued warrants

** - 5% And above of issued warrants

DIRECTORS' INTEREST IN WARRANTS OF THE COMPANY

(AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS)

Name of Director	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Dato' Mohd Zakhir Siddiqy Bin Sidek	82,950	0.17	-	-
Tan Sri Ir. Kunasingam A/L V. Sittampalam	-	-	15,308,632	31.98 ¹
Dato' Ir. Nitchiananthan A/L Balasubramaniam	1,126,500	2.35	-	-
Datuk Ir. Teo Chok Boo	-	-	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	450,000	0.94	-	-
Ir. Prem Kumar A/L M Vasudevan	1,500	0.01	-	-
Mohan A/L Ramalingam	163,800	0.34	-	-
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh	-	-	-	-
Ng Kuan Yee (Alternate to Dato' Ir. Nitchiananthan A/L Balasubramaniam)	69,195	0.14	-	-
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (Alternate to Datuk Ir. Teo Chok Boo)	-	-	-	-

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 01 APRIL 2019

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

No.	Name	Holdings	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD	15,308,632	31.984
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN BHD	15,000,000	31.340
3	YONG FAN HING	1,680,955	3.512
4	LIM MONG SENG	1,283,400	2.681

No.	Name	Holdings	%
5	NITCHIANANTHAN A/L BALASUBRAMANIAM	1,126,500	2.353
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)</i>	555,850	1.161
7	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	450,000	0.940
8	MAYBANK NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR RAGUNATHAN JAGANNATHAN</i>	418,003	0.873
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MOSES DASON A/L M SWAMIDASS</i>	395,400	0.826
10	M & A NOMINEE (TEMPATAN) SDN BHD <i>MAJESTIC SALUTE SDN BHD FOR CHAN YOK PENG</i>	353,500	0.738
11	SIAW TECK SIONG	344,100	0.718
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR HARVINDER KAUR KHELAE (E-KLG)</i>	289,550	0.604
13	PARTHIVEN A/L SHANMUGAM	260,140	0.543
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)</i>	225,000	0.470
15	BIJAK TULUS SDN BHD	200,000	0.417
16	SITI ZAHARAH BINTI MOHD SHAH	200,000	0.417
17	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SHELDON WEE TAH POH</i>	171,400	0.358
18	CHAN YAW PHANG	170,000	0.355
19	YAN FOOK SOON	170,000	0.355
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ)</i>	165,000	0.344
21	LAU PENG LEE	165,000	0.344
22	LEW BENG WAH	150,000	0.313
23	SIAW TECK SIONG	135,000	0.282
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MOHAN A/L RAMALINGAM (8059306)</i>	131,100	0.273
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR ARECA EQUITYTRUST FUND (211882)</i>	126,110	0.263
26	BECWELL RESOURCES SDN. BHD.	120,000	0.250
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIAW TECK SIONG (E-PDG)</i>	120,000	0.250
28	FONG POH MEI	108,400	0.226
29	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIEW POOI KEONG (C HEIGHTS-CL)</i>	107,300	0.224
30	ARUL PRASAD A/L KARTHIGASU	105,000	0.219
	TOTAL	40,035,340	83.647

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 2018 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, 3	None
102-2	Activities, brands, products, and services	3	None
102-3	Location of headquarters	8	None
102-4	Location of operations	3, 15	None
102-5	Ownership and legal form	8-9, 129-133	None
102-6	Markets served	3, 15	None
102-7	Scale of the organisation	1-3, 39	None
102-8	Information on employees and other workers	43	None
102-9	Supply chain	36	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	4-7, 11-25	None
Ethics and Integrity			
102-16	Values, principles, standards and norms of behavior	44	None
Governance			
102-18	Governance structure	8	None
Stakeholder Engagement			
102-40	List of stakeholder groups	36	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	36	None
102-43	Approach to stakeholder engagement	36	None
102-44	Key topics and concerns raised	36	None
102-45	Entities included in the consolidated financial statements	14, 64, 68, 70, 72, 73, 75	Yes
Reporting Practice			
102-46	Defining report content and topic Boundaries	36, 7	None
102-47	List of material topics	37	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

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
102-50	Reporting period	Fiscal year. (1 st Jan to 31 st Dec 2018)	None
102-51	Date of the most recent report	HEB's most recent report on sustainability was its 2017 Annual Report.	None
102-52	Reporting cycle	Annual	None
102-53	Contact point for questions regarding the report	8	None
102-54	Claims of reporting in accordance with the GRI Standards	36	None
102-55	GRI Content Index	134-135	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	39	None
201-1	Direct economic value generated and distributed	39	Yes
Energy			
103	Management Approach	38	None
302-1	Energy consumption within the organisation	38	None
Water			
103	Management Approach	42, 43	None
303-1	Water withdrawal by source	Information unavailable – HEB does not currently track total volume of water withdrawn	None
Employment			
103	Management Approach	43	None
401-1	New employee hires and employee turnover	43	None
Occupational Health and Safety			
103	Management Approach	41	None
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	41	None
Training and Education			
103	Management Approach	37	None
404-1	Average hours of training per year per employee	37	None
404-3	Percentage of employees receiving regular performance and career development reviews	HEB does not currently track this ratio, but will do so in the future.	None
Diversity and Equal Opportunity			
103	Management Approach	43	None
405-1	Diversity of governance bodies and employees	43	None

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of HSS Engineers Berhad will be held at Ballroom I, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 June 2019 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | (Please refer to Note 1 of the Explanatory Notes) |
| 2. To approve the additional payment of Directors' Fees amounting to RM60,200.00 which was in excess of the earlier approved amount of RM300,000.00. | Ordinary Resolution 1
(Please refer to Note 2 of the Explanatory Notes) |
| 3. To approve the payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM429,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 2
(Please refer to Note 3 of the Explanatory Notes) |
| 4. 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 RM168,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. | Ordinary Resolution 3
(Please refer to Note 3 of the Explanatory Notes) |
| 5. To re-elect the following Directors who are retiring pursuant to Article 88 of the Articles of Association of the Company: | |
| (i) Dato' Ir. Nitchiananthan A/L Balasubramaniam | Ordinary Resolution 4 |
| (ii) Dato' Mohd Zakhir Siddiqy Bin Sidek | Ordinary Resolution 5 |
| 6. To re-elect the following Directors who are retiring pursuant to Article 95 of the Articles of Association of the Company: | |
| (i) Datuk Ir. Teo Chok Boo | Ordinary Resolution 6 |
| (ii) Dato' Sri Ir. Hj. Ismail Bin Md.Salleh | Ordinary Resolution 7 |
| (iii) Ir. Prem Kumar A/L M Vasudevan | Ordinary Resolution 8 |
| 7. To re-appoint Messrs Azman, Wong, Salleh & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 9 |

As Special Business

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

- | | |
|---|---|
| 8. Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares | Ordinary Resolution 10
(Please refer to Note 4 of the Explanatory Notes) |
| <p>"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 total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance."</p> | |

9. **Proposed Adoption of New Constitution of the Company ("Proposed Adoption of New Constitution")**

**Special Resolution
(Please refer to Note 5 of
the Explanatory Notes)**

"THAT the existing Memorandum and Articles of Association of the Company be deleted in its entirety and that the new Constitution as set out in Appendix A be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by any authorities to give effect to the Proposed Adoption of New Constitution."

10. **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: 26 April 2019

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 10 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the Fourth Annual General Meeting of the Company shall be put to vote by way of poll.

NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

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 ("the Act") for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

2. Ordinary Resolution 1 on Additional Payment of Directors' Fees

Section 230(1) of the Act provides amongst others, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the Third Annual General Meeting ("AGM") of the Company held on 7 May 2018, the shareholders had approved RM300,000.00 as total Directors' Fees payable to the Independent Non-Executive Directors of the Company for the period commencing from the date of Third AGM until this AGM.

The proposed resolution on the additional payment of Directors' fees amounting to RM60,200.00 is due to the appointment of additional Independent Non-Executive Director of the Company on 6 July 2018.

3. Ordinary Resolution 2 and Ordinary Resolution 3

The amount of Directors' fees payable includes fees payable to Directors as members of Board and Board Committees.

The amount of Directors' benefits (excluding Directors' Fees) payable to Directors comprises meeting allowance from this AGM until the conclusion of the next AGM of the Company pursuant to the Act which shareholders' approval will be sought at this Fourth AGM in accordance with Section 230 of the Act.

4. Ordinary Resolution 10 on the Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares

The Ordinary Resolution 10 proposed under item 8 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Act. 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 total number of issued shares 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 AGM.

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 AGM.

5. Special Resolution on Proposed Adoption of New Constitution of the Company

The Special Resolution, if passed, will align the Constitution of the Company with the Act which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Please refer to Appendix A which is circulated together with the Annual Report 2018 for further information.

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.

THE COMPANIES ACT 2016
MALAYSIA

PUBLIC COMPANY LIMITED BY SHARES

MALAYSIA

CONSTITUTION

OF

HSS ENGINEERS BERHAD
(Company No. 1128564-U)

Incorporated on the 23rd day of January, 2015

THE COMPANIES ACT 2016

PUBLIC COMPANY
LIMITED BY SHARES

CONSTITUTION OF
HSS ENGINEERS BERHAD

GENERAL

1. The name of the company is HSS Engineers Berhad.
2. The Company is a public company limited by shares.
3. The registered office of the Company shall be situated in Malaysia.
4. The liability of the members is limited.
5. The provisions set out in the Companies Act 2016 which may be modified or substituted by the provisions of these Clauses shall not apply to the Company except in so far as the same are repeated or contained in this Constitution.

OBJECTS

6. Section 21 of the Companies Act 2016 shall apply to the Company and the Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or activity that the Board considers to be advantageous to the Company and that are not prohibited under any law for the time being in force in Malaysia which shall include, but not limited to the following object clauses:-
 - (A) To carry on the business of an investment holding company, and in particular to invest the moneys of the Company in or otherwise to acquire and hold shares, stocks, debentures, scrips, loans, bonds, obligations, notes, securities and investment issued by companies, governments, corporations, body or trusts in any part of the world.
-

- (B) To undertake, implement and execute all kinds and descriptions of consultancy services as permitted by law in all fields of engineering, surveying, geotechnical, IT, human resources, accounting and other business support services and all allied works and to act as consultants and advisors to any persons, syndicates, private or public companies, corporations, governments or authorities or regulatory bodies.
- (C) To purchase or otherwise acquire for investment or resale, sell and deal in lands, houses, factories, buildings, plantations and other immovable properties of any tenure or any interest therein, and any movable properties of any description or any interest therein, and to create, sell and deal in freehold and leasehold ground rents and to make advances upon the security of land or house, or other property or any interest therein and generally to sell, deal in, lease, charge or exchange or otherwise, property of every description, whether for valuable consideration or not.
- (D) To carry on other businesses and operations, to trade or otherwise enter into any mercantile contracts or commercial transactions which complement, or relate to, or are incidental to, directly or indirectly, the objects of the Company.
- (E) To make contributions and donations and in any other manner to give aid assistance and help to any person, firm, company, association, society or other body or party for any whatsoever object or purpose.

And it is hereby declared that the word "Company" in this clause except where used in reference to this Company, shall be deemed to include any partnership or other body of person, whether incorporated or unincorporated, and whether domiciled in Malaysia or elsewhere, and further that the objects specified in each paragraph of this clause shall be regarded as independent objects and accordingly shall, except where otherwise expressed in any paragraph, be in no way limited or restricted by reference to, or inference from the terms of any other paragraph or the name of the Company but may be carried out in as full and ample a manner and construed just as wide a sense as if the said paragraph defined the objects of a separate distinct and independent company.

INTERPRETATION

7. In this Constitution, if not consistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof:-

CONSTITUTION OF HSS ENGINEERS BERHAD

WORDS	MEANINGS
Act	The Companies Act 2016 and any statutory modification, amendment or re-enactment thereof and any other legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.
Alternate Director	A substitute Director nominated in writing to the Company and duly registered with the Registrar of Companies.
Applicable Laws	All laws, bye-laws, regulations, rules, orders and/or official directions for the time being in force affecting the Company and its subsidiaries, including but not limited to the Act, the Securities Laws, the Listing Requirements and every other law for the time being in force concerning companies and affecting the Company and any other directives or requirements imposed on the Company by the Securities Commission and/or other relevant regulatory bodies and/or authorities.
Auditors	The auditors for the time being of the Company.
Beneficial owner	The ultimate owner of the shares and does not include a nominee of any description.
Board or Board of Directors	The board of directors for the time being of the Company.
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) and its successors-in-title.
Central Depositories Act	Securities Industry (Central Depositories) Act 1991 and any statutory modification, amendment or re-enactment thereof for the time being in force.
Clause	Clauses of this Constitution as originally framed or as altered from time to time by Special Resolution.
CMSA	Capital Markets and Services Act 2007, and any statutory modification, amendment or re-enactment thereof for the time being in force.
Constitution	This Constitution as originally framed or as altered from time to time by Special Resolution.
Company	HSS ENGINEERS BERHAD (Company No. 1128564-U).
Deposited Security	A security in the Company standing to the credit of a Securities Account of a Depositor and includes securities in the Securities Account that is in suspense subject to the provisions of the Central Depositories Act and the Rules.
Depositor	A holder of a Securities Account.
Directors	The Directors for the time being of the Company, and, unless otherwise stated, includes their duly appointed Alternate Directors.
Document	Any document required to be sent under the Listing Requirements to securities holder.
Electronic address	Any address or number used for the purpose of sending or receiving documents or information by electronic means.
Electronic communication	A document or information is sent or supplied by electronic communication if it is sent initially, and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means as permitted by the applicable laws.
Electronic form	Document or information sent or supplied in electronic form are those sent by "electronic communication" or by any other means while in an electronic form whereby a recipient of such document or information would be able to retain a copy.
Exchange	Bursa Malaysia Securities Berhad (Company No. 635998-W) or such other name as it may assume from time to time.

WORDS	MEANINGS
Authorised Nominee	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
Independent Directors	Has the meaning ascribed to it under the Listing Requirements.
Listing Requirements	Main Market Listing Requirements of the Exchange including any amendments to the Listing Requirements that may be made from time to time and such practice notes or circulars as may be issued by the Exchange from time to time.
Market Day	A day on which the stock market of the Exchange is open for trading in securities.
Member	Any person for the time being holding shares in the Company and whose name appears in the Register of Members and depositors whose names appears on the Record of Depositors (except Bursa Malaysia Depository Nominees Sdn Bhd).
Minister	Minister of Finance or the minister for the time being charged with the responsibility for finance.
Month	Calendar month.
Office	The registered office for the time being of the Company.
Ordinary Resolution	Has the meaning assigned thereto by Section 291 of the Act.
Record of Depositors	A record provided by the Bursa Depository to the Company or its Registrar under Chapter 24.0 of the Rules.
Register	The Register of Members to be kept pursuant to the Act and unless otherwise expressed to the contrary, includes the Record of Depositors.
Registrar	Such person, firm or company which for the time being maintains in Malaysia, the register of securities holders.
Registrar of Companies	Companies Commission of Malaysia.
Ringgit or "RM"	The Malaysian currency.
Rules	Rules of the Bursa Depository including any amendments that may be made from time to time.
Seal	The Common Seal of the Company or in appropriate case the official seal.
Secretary	Any person appointed to perform the duties of secretary of the Company including any person appointed temporarily.
Securities Account	An account established by the Bursa Depository for a Depositor for the recording of deposit or withdrawal of securities and for dealing in such securities by the Depositor as permitted under the Central Depositories Act and/or the Rules.
Securities	As defined in Section 2(1) of the CMSA.
"Share" or "share"	As regards the Company means and includes a preferred or deferred as well as an ordinary share and also stock and any security which carries any power of voting with respect to the management of the Company but shall not include the Special Rights RPS.
Special Resolution	Has the meaning assigned thereto by Section 292 of the Act.

Writing shall include printing and lithography and any other mode or modes of representing or reproducing words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.

CONSTITUTION OF HSS ENGINEERS BERHAD

Words importing the singular number only shall include the plural number and vice versa and the masculine shall include the feminine and neuter genders and vice versa.

Words importing persons shall include corporations and companies.

Subject as aforesaid, words or expressions contained in these Clauses shall be interpreted in accordance with the provisions of the Interpretation Acts, 1948 and 1967 of Malaysia, as amended from time to time and any re-enactment thereof.

The headings and marginal notes in the Constitution are not legally part of this Constitution and do not affect their meaning. They are only intended to be a general guide and are not precise.

SHARE CAPITAL AND VARIATION OF RIGHTS

Power to issue Shares with special rights

8. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, Applicable Laws, any other requirements of the Securities Commission, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine, by Ordinary Resolution, but the Board in making any issue of shares shall comply with the following conditions:-
- (1) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
 - (2) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or corporation without the prior approval of the Members in general meeting;
 - (3) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Issue of redeemable preference shares

9. (1) Subject to the Act, any preference shares may, with the sanction of an Ordinary Resolution, be issued on the terms that they are, or at the option of the Company are liable to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith.

Rights of preference shareholders

- (2) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements, and attending general meetings of the Company.

A holder of preference shares must be entitled to a right to vote in each of the following circumstances:-

- (a) when the dividend or part of the dividend on the preference shares is in arrears for more than 6 months;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects their rights attached to the preference shares;
- (e) on a proposal to wind up the Company; and
- (f) during the winding up of the Company.

The holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

Modification of class rights

10. (1) Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a Special Resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll. For adjourned meeting, quorum is one person present holding shares of such class. To every such Special Resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Repayment of preference capital

- (2) The repayment of preference capital other than redeemable preference, or any other alteration of preference shareholders rights may only be made pursuant to a Special Resolution of the preference shareholders concerned, provided always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing, if obtained from not less than 75% of the total voting rights of the preference shareholders within two (2) months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Special right to any class of share

- (3) The special rights attached to any class of shares having preferential rights or other rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Capital of Company

11. All Shares of the Company shall carry the same rights and rank *pari passu* in all respects. The Special Rights RPS shall have the rights as expressly set out in this Constitution.

Allotment of shares

12. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, Applicable Laws, any other requirements of the Securities Commission, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:-
- (1) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
 - (2) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or corporation without the prior approval of the Members in general meeting;
 - (3) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Issue of securities

13. (1) The Company must not allot or issue securities or cause or authorise its Registrars to cause the Securities Accounts of the allottees to be credited with securities until after it has filed with the Exchange an application for listing for such additional securities and been notified by the Exchange that they have been authorised for listing.
- (2) The Company must ensure that all new issues of securities for which listing is sought on the Exchange are made in accordance with the Central Depositories Act, the Listing Requirements and the Rules, and shall be by way of crediting the Securities Accounts of the allottees with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Bursa Depository of the names of the allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such allottees.

CONSTITUTION OF HSS ENGINEERS BERHAD

- (3) Subject to the provisions of the Act, the Central Depositories Act, the Listing Requirements and the Rules, the Company shall allot or issue securities and despatch notices of allotment to all allottees within such period as prescribed by the Exchange and make application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange and deliver to the Central Depository the appropriate certificate, if any, in such denomination as may be specified by the Central Depository registered in the name of Central Depository or its nominee company.

Commission on subscription of shares

14. The Company may exercise the power of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. Such payment may be satisfied by the payment of cash or the allotment of fully paid up shares or partly paid up shares or by a combination of any of the aforesaid methods of payment. The Company may, on any issue of shares, also pay such brokerage as may be lawful.

Interest on share capital during construction

15. Where any shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

Trusts not to be recognised

16. Except as authorised or required by law or this Constitution, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even with notice thereof) any equitable, contingent, future or partial interest in any share or any unit of share or any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.

CERTIFICATES

Jumbo Certificate

17. The Bursa Depository or its nominee company shall be entitled to receive Jumbo Certificates in denominations requested by the Bursa Depository or its nominee company for securities that are Deposited Securities which shall be issued in accordance with the Central Depositories Act, the Listing Requirements and the Rules. If the Bursa Depository or its nominee company shall require more than one (1) Jumbo Certificate in respect of the securities that are Deposited Securities, it shall pay such fee as the Directors may from time to time determine and which the Company may be permitted to charge by law and/or the Exchange plus any stamp duty levied by the Government from time to time.

New certificates may be issued

18. Subject to the provisions of the Act, the Central Depositories Act, this Constitution and the Rules, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the owner of such certificate, and in case of defacement or wearing out on delivery of the old certificate and in any case on payment of such sum not exceeding RM10.00 per certificate or such sum as shall from time to time be determined by the Directors and/or permitted by the Exchange; in the case of destruction, loss or theft, the Central Depository and shareholder who shall be entitled to such renewed certificate shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

LIEN

Company's lien on shares and dividend

19. Subject to the provisions of the Act, the Listing Requirements, the Central Depositories Act and the Rules, the Company shall have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member or deceased member (whether solely or jointly with others) and the distributions, including, dividend from time to time declared on such shares, for all monies (whether presently payable or not) called or payable at a fixed time in respect of that shares, for all monies presently payable to the Company as the Company may be called upon by law to pay and has paid in respect of that share. The Company shall be entitled to charge interest thereon, not higher than the overdraft rate charged for the time being by the Company's principal bankers or such other reasonable rate as the Directors may determine. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Clause.

Lien may be enforced by sale of shares

20. The Company may sell in such manner as the Directors think fit any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the person entitled thereto by reason of his death or bankruptcy.

Directors may effect transfer

21. To give effect to any such sale, the Board may authorise its Registrar to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and the Board shall not be bound to see to the application of the purchase money, nor shall the purchaser's title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

Application of proceeds of sale

22. The proceeds of the sale after payment of the amount of all costs of such sale and of any attempted sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a similar lien for sums not presently payable which exists over the shares before the sale) be paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.

CALL ON SHARES**The Board may make calls**

23. The Board may from time to time make calls upon the Members as the Board may think fit in respect of any amount unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times. Each Member shall (subject to receiving at least fourteen (14) days' notice specifying the date, time and place of payment except in the case of calls payable at fixed times pursuant to the conditions of allotment) pay to the Company at the date, time and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.

When call deemed made

24. A call shall be deemed to have been made at the time when the resolution of the Board. Any call may be made payable either in one sum or by instalments.

Interest on unpaid calls

25. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment, at such rate not exceeding eight per cent (8%) per annum as the Board may determine, but the Board shall be at liberty to waive payment of the interest wholly or in part.

Terms of issue may be treated as call

26. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any fixed date shall, for the purposes of this Constitution, be deemed to be a call duly made and payable on the date on which by the terms of issue the share becomes payable, and in the case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified.

Difference in calls

27. The Board may, from time to time make arrangements on the issue of shares, differentiate between the holders as to the amount of calls or instalment to be paid and the times of payment of such calls.

Calls may be paid in advance

28. The Board may, if they think fit, receive from any Member willing to advance payment all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per centum (8%) per annum as may be agreed upon between the Board and the Member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, sums paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid up on the shares in respect of which they have been paid.

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Member not entitled to privileges of membership until all calls paid

29. No shareholder shall be entitled to receive any dividend or to exercise any privilege as a member until he shall have paid all calls for the time being due and payable on every share owned by him, together with interest and expenses (if any).

INFORMATION ON SHAREHOLDING

Company may require information of a Member

30. The Company may by notice in writing require any Member within such reasonable time as is specified in the notice:
- (1) (a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or Authorised Nominee or trustee; and
 - (1) (b) if he holds them as Authorised Nominee or trustee, to indicate so far as he can the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.

Company may require any information of beneficial interest

- (2) Where the Company is informed in pursuance of a notice given to any person under Clause 30(1) or under this Clause 30(2) that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that the other person within such reasonable time as is specified in the notice:
- (a) to inform the Company whether he holds that interest as beneficial owner or Authorised Nominee or trustee; and
 - (b) If he holds it as Authorised Nominee or trustee, to indicate so far as he can, the person for whom he holds it by name and by other particulars sufficient to enable them to be identified and the nature of their interest.

Member to inform Company

- (3) The Company may by notice in writing require a Member to inform the Company, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him are the subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to such agreement or arrangement.

TRANSFER OF SHARES

Transfer of shares

31. Subject to the restrictions imposed by this Constitution, the Listing Requirements and the provisions of any written law and all rules and regulations made thereunder including the Central Depositories Act and the Rules (with respect to the transfer of Deposited Security), Shares shall be transferable, but every transfer must be in writing and in such form prescribed and approved by the Exchange, or such form as may from time to time be prescribed under the Act or approved by the Exchange or such authorities of the stock exchange on which the Company's Shares are listed.

Registration of transfer

32. All transfer of Deposited Security shall be effected in accordance with the Rules. The instrument shall be executed by or on behalf of the transferor and transferee; the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the Register in respect thereof.

Procedure for transfer

33. The transfer of any securities or class of securities of the Company which have been deposited with the Bursa Depository, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such securities.

Refusal to register transfer

34. (1) Subject to the restrictions imposed by this Constitution and the provisions of any other law, there shall be no restrictions on the transfer of fully paid securities. No shares shall be in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In case of Deposited Securities, the Bursa Depository may refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

Renunciation

- (2) Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof, in favour of some other person.

Closure of Register or Records of Depositors

35. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding thirty (30) days in aggregate in any calendar year. Ten (10) market days' (or such other period of notice as may be prescribed under the Listing Requirements by the Bursa Malaysia Securities Berhad from time to time) notice of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and also be given to the Bursa Malaysia Securities Berhad. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Bursa Depository to prepare the appropriate Record of Depositors.

No liability of Directors etc

36. Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of securities apparently made by a Member or any person entitled to the securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Whereabouts of Member unknown

37. (1) Where by the exercise of reasonable diligence, the Company is unable to discover the whereabouts of a Member for a period of not less than ten (10) years, the Company may cause an advertisement to be published in a newspaper circulating in the place shown in the Register or the Record of Depositors as the address of the Member stating that the Company, after expiration of thirty (30) days from the date of the advertisement, intends to transfer the shares to the Minister.

Transfer of such Member's shares

- (2) If after the expiration of thirty (30) days from the date of the advertisement the whereabouts of the Member remains unknown, the Company may transfer the shares held by the Member to the Minister and for that purpose may execute for and on behalf of such Member, a transfer of those shares to the Minister.

TRANSMISSION OF SHARES**Death of a Member**

38. Subject to the provisions of the Act, the Central Depositories Act and the Rules, in case of the death of a Member, the legal personal representatives of the deceased shall be the only persons recognised by law as having any title to his interest in the Shares, but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any Share which had been held by him.

Share of deceased or bankrupt Member and as hereinafter provided

39. (1) Any person becoming entitled to a Share in consequence of the death or bankruptcy of a Member shall, on such evidence being produced as may from time to time properly be required by the Bursa Depository and subject to the Rules and as hereinafter provided, elect either to have himself registered as a Member in respect of the Share or to have some person nominated by him registered as the transferee thereof by the Bursa Depository shall, in either case, have the same right to decline or suspend registration as they would have in the case of transfer of the Share by that Member before his death or bankruptcy. PROVIDED ALWAYS that where the Share is a Deposited Security, subject to the Central Depositories Act, the Rules and the provisions of any written law, a transfer or withdrawal of the Share may be carried out by the person becoming so entitled.

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Notice to elect oneself or another to be registered

- (2) If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Bursa Depository a notice in writing signed by him stating that he so elects. Provided that where the security is a Deposited Security and the person becoming entitled elects to have the security transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the security. All the limitations, restrictions and provisions of the Bursa Depository relating to the right of transfer and the registration of transfer of securities shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer executed by that Member.

Person entitled to receive and give discharge for dividend

40. A person becoming entitled to a Share by reason of the death or bankruptcy of the Member shall be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the Share, but he shall not be entitled in respect of it to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to exercise any of the rights or privileges as a Member unless and until his name is registered as a Member in respect of the Share.

Transmission of securities from Foreign Register

41. Where

- (1) the securities of the Company are listed on other stock exchange; and
- (2) the Company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) (No.2) Act 1998, as the case may be, under the Rules in respect of such securities, and subject to compliance with and there being no contravention of any applicable laws, regulations and/or directives, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of companies in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of companies in Malaysia and vice-versa provided that there shall be no change in the ownership of such securities.

FORFEITURE OF SHARES

Notice to pay call

42. If any Member fails to pay the whole or any part of any call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as the call or any part thereof remains unpaid, serve a notice on him requiring him to pay such call or such part thereof as remains unpaid, together with any interest or compensation at the rate of eight per centum (8%) per annum or at such rate as the Directors shall determine which may have accrued and any expenses that may have accrued by reason of such non-payment.

Length of notice

43. The notice shall name a further day (not earlier than the expiration of fourteen (14) days from the date of the notice) on or before which such call or installments, or such part as aforesaid and all interest and expenses that have accrued by reason of such non-payment, are to be paid. It shall also name the place where payment is to be made, and shall state that in the event of non-payment at the time and at the place appointed, the Shares in respect of which such call was made will be liable to be forfeited.

Failure to comply with notice

44. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which such notice has been given may at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of Shares shall include all dividends in respect of the Shares not actually paid before the forfeiture notwithstanding that they shall have been declared.

Notice of forfeiture

45. Notice of the forfeiture of any Share shall forthwith be given to the holder of the Share or to the person entitled to the Share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register opposite to the Share; but the provisions of this Clause are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Annulment of forfeiture

46. Notwithstanding any such forfeiture as aforesaid the Directors may, at any time before the forfeited Share has been otherwise disposed of, annul the forfeiture upon the payment of all calls and interest due thereon and all expenses incurred in respect of the Share and upon such further terms (if any) as they shall see fit.

Forfeited shares may be sold or cancelled

47. All the forfeited shares shall become the property of the Company and may be re-allotted, sold or otherwise disposed of on such terms and in such manner as the Board think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board think fit.

Liability of member in respect forfeited shares

48. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, was payable by him to the Company in respect of the shares (together with interest or compensation at the rate of eight per cent (8%) per annum or such other rate as may be allowed under the Applicable Laws and determine by the Board to be calculated from the date of forfeiture on the money for the time being unpaid if the Board thinks fit to enforce payment of such interest), but his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares.

Evidence of forfeiture by the Company

49. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share in the Company has been duly forfeited or surrendered or sold to satisfy a lien on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and subject to the Central Depositories Act and the Rules, the Directors may authorize some person to execute a transfer of the share pursuant to the Act in favour of the person to whom the share is sold or otherwise disposed of and he shall thereupon be registered as the holder of the share, and the Company shall not be bound to see to the application of the purchase money, if any, nor shall the purchaser's title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or other disposal of the share.

Forfeiture arising from non-payment of issue of Share

50. This provision of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified.

CONVERSION OF SHARE INTO STOCK**Conversion of shares into stock and re-conversion**

51. The Company may from time to time by Ordinary Resolution of a general meeting convert all or any of its paid-up shares into stock and may from time to time in like manner reconvert any such stock into paid up shares of any number.

Holders of stock may transfer their interest

52. The holders of the stock may transfer the same, or any part thereof in the same manner and subject to the same Clauses as and subject to which, the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances permit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum.

Participation in dividends and profits

53. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, return of capital, voting at meetings of the Company and other matters as if they held the Shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

Regulations applicable to Shares applicable to Stock

54. All such provision of this Constitution as are applicable to paid-up shares shall apply to stock, and the word "share" and "shareholder" therein shall include "stock" and "stockholder".

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INCREASE OF CAPITAL

Power to increase capital

55. The Company may from time to time by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorizing such increase.

New capital to be considered as part of the current share capital

56. Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company and shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmission, forfeiture, lien or otherwise.

Offer of unissued original securities and new securities

57. Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.

ALTERATION OF CAPITAL

Power to alter capital

58. The Company may from time to time by Ordinary Resolution:-

- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (c) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;
- (d) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
- (e) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Power to reduce capital

59. The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Purchase of own shares

60. The Company may, subject to its obtaining such approval from the relevant authorities (if required) and to its compliance with all Applicable Laws, purchase its own shares. Any shares so purchased by the Company shall be dealt with in accordance with the Applicable Laws. The provisions of Clause 58 and Clause 59 hereof shall not affect the power of the Company to cancel any shares or reduce its share capital pursuant to any exercise of the Company's powers under this Clause.

GENERAL MEETINGS

Annual General Meeting

61. An annual general meeting of the Company shall be held in accordance with the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a Special Resolution or Ordinary Resolution shall state the intention to propose such resolution as a Special Resolution or Ordinary Resolution, as the case may be.

Meeting of members at two or more venues

62. The meeting of Members may be held at more than (1) one venue using any technology or method that enables the Members to participate and to exercise the Members' rights to speak and vote at the meeting. The main venue of all meetings of Members and annual general meetings shall be within Malaysia at such time and place as the Board shall determine. The Chairman shall be present at the main venue of the meeting. The Board may whenever it so decide by resolution convene a meeting of Members other than annual general meeting.

Requisition of meetings

63. In addition, a meeting of Members other than an annual general meeting shall be convened on such requisition as referred to in Section 311 of the Act or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 311 of the Act, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act.

Notice of meeting

64. (1) The notices convening meetings of Members shall specify the place, date and time of the meeting, and the general nature of business of the meeting. Notice shall be given to all Members, Directors and Auditors at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any Special Resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any Special Resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.
- (2) Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of Members ("Notice") shall be in writing or Document which is required or permitted to be given, send or served shall be given to the Members or Securities holder either:-
- (a) in hard copy;
 - (b) in electronic form; or
 - (c) partly in hard copy and partly in electronic form.
- (3) A Notice or Document:-
- (a) given in hard copy shall be sent to any Member or Securities holder either personally by post to the address supplied by the Member to the Company for such purpose; or
 - (b) given in electronic form shall be transmitted to the electronic address provided by the Member or Securities holder to the Company for such purpose or by publishing on the Company's website.
- (4) A Notice shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.
- (5) The Company shall notify a member of the publication of the Notice on the website and such notification shall be in given in hard copy or electronic form stating:-
- (a) that it concerns a meeting of Members or Securities holder;
 - (b) the place, date and time of the meeting; and
 - (c) whether the meeting is an annual general meeting
- (6) The Notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to paragraph (5) of this Clause until the conclusion of the meeting.

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- (7) If the Company sends the Notice or Document or notifications through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send for a hard copy of the Notice or Document to him.
- (8) The contact details of the Member or Securities holder as provided to the Bursa Depository shall be deemed as the last known address provided by the Member to the Company for purposes of communication with the Member or Securities holder.
- (9) Where any Member or Securities holder requests for a hard copy of the Documents, the Company shall forward a hard copy of these Documents to the Member or Securities holder as soon as reasonably practicable after the receipt of the request, free of charge.
- (10) Where it relates to Documents required to be completed by Members or Securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.

Shorter notice

65. A meeting of Members shall, notwithstanding that it is called by notice shorter than that required by Clause 64(1), be deemed to be duly called if it is so agreed:
- (a) in the case of an annual general meeting, by all the Members, where applicable, entitled to attend and vote thereat; or
 - (b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote thereat, being a majority which together holds not less than ninety five (95) per cent in nominal value of the shares giving the right to attend and vote.

Business at meetings

66. Subject always to the provisions of the Act, no business shall be transacted at a meeting of Members except business of which notice has been given in the notice convening the meeting. An annual general meeting shall be held to transact the business in accordance with the Act, which include the laying of audited financial statements and the reports of the Directors and Auditors, the election of Directors in place of those retiring, the appointment and the fixing of the Directors' fees and benefits payable, and the appointment and fixing of the remuneration of the Auditors in accordance with the Act.

Requirement in notice calling meeting

67. In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a Member, where applicable, entitled to attend and vote is entitled to appoint more than one (1) proxy to attend and vote instead of him.

Omission to give notice

68. The accidental omission to give notice of any meeting as aforesaid or the non-receipt of such notice by any person entitled to receive such notice shall not invalidate any resolutions passed or the proceedings of at any such meeting.

Record of Depositors

69. (1) The Company shall request Bursa Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.
- (2) The Company shall also request the Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter as the "General Meeting Record of Depositors").

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

PROCEEDINGS AT GENERAL MEETINGS

Quorum at general meeting

70. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided, two (2) Members present in person or represented by proxy shall be a quorum. For the purposes of constituting a quorum:-

- (i) one or more representatives appointed by a corporation shall be counted as one member; or
- (ii) one or more proxies appointed by a person shall be counted as one member.

If a quorum not present meeting adjourned

71. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week (or if that day be a public holiday, then to the next business day following that public holiday) at the same time and place, or to such other day, time or place as the Directors may determine but if a quorum is not present at such adjourned meeting within half an hour of the time appointed for the meeting, any Members present in person or by proxy or by attorney or by its duly authorised representative shall form a quorum.

Chairman of general meeting

72. The Chairman of the Board (if any) shall preside as Chairman at every general meeting. If the Company has no Chairman or if at any general meeting, the Chairman of the Board is not present within fifteen (15) minutes after the time appointed for holding the meeting or if the Chairman of the Board is not willing to act as Chairman for the general meeting, the Directors present shall choose one of their number, to act as Chairman of the Meeting or if one (1) Director only is present, he shall preside as Chairman if he is willing to act. If no Director is present, or if each of the Directors present declines to preside as Chairman, the Members present and entitled to vote shall elect one (1) of their number to be Chairman of the meeting. The election of the Chairman of the meeting shall be by a show of hands.

Adjournment with consent of meeting

73. The Chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

How resolution is to be decided at general meeting

74. Subject to the Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll. Notwithstanding the above, poll may be demanded in writing:-
- (a) by the Chairman of the meeting;
 - (b) by at least three (3) Members present in person or by proxy or by attorney or in the case of a corporation by a representative;
 - (c) by any Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative and representing not less than one-tenth (1/10) of the total voting rights of all the Members having the right to vote at the meeting, excluding any voting rights attached to shares in the Company held as treasury shares; or
 - (d) by a Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid-up equal to not less than one-tenth (1/10) of the total sum paid-up on all the shares conferring that right, excluding any voting rights attached to shares in the Company held as treasury shares.

Unless a poll is so demanded, a declaration by the Chairman of the meeting that a resolution has been carried or has not been carried by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Poll may be taken forthwith or after an interval of an adjournment

75. A resolution put to vote at any meeting of Members shall be determined by poll. A poll shall be taken in such manner and either forthwith or after an interval or adjournment or otherwise as the Chairman of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken, but a poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken immediately. The Company shall appoint at least one (1) scrutineer for the purposes of a poll in accordance with the Applicable Laws, and may, in addition to the powers of adjourning meetings contained in Clause 73, adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.

The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineer(s), as may be appointed by the Company for the purpose of determining the outcome of the resolution(s) to be decided on poll.

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Chairman's casting vote

76. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote, in addition to the votes to which he may be entitled as a Member.

Chairman to promote orderly conduct of the business of all general meetings

77. Without prejudice to any other power which the Chairman of the meeting may have under the provisions of this Constitution or at common law and subject to the Act and the Listing Requirements, the Chairman of the meeting shall have full discretion on the general conduct of meeting, procedures to be adopted at the meeting to ensure proper and orderly conduct of the business of all general meetings and the Chairman's decision on matters of procedure or arising accidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature. This may include, demanding that debate or discussion on any business, question, motion or resolution being ended or that the business, question, motion or resolution be put to a vote of the shareholders or so that the meeting reflects the wishes of the majority. The Chairman of the meeting may also at his discretion and in accordance with applicable laws, decides whether to admit new business at a meeting of Members.

VOTES OF MEMBERS

Voting rights

78. Subject to any special rights or restrictions for the time being attached to any shares or classes of shares, at meetings of Members or classes of Members, on a show of hands, each Member who:

- (a) being an individual, is present in person or by proxy; or
- (b) being a corporation, is present by a duly authorised representative or by proxy or by attorney.

shall have one (1) vote and on a poll every Member shall have one (1) vote for each share he holds.

Shares of different monetary denominations

79. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.

Vote of Member of unsound mind

80. A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, by his committee or by such other person who properly has the management of his estate and any such committee or other person may vote by proxy or attorney.

Member barred from voting while call unpaid

81. Subject to the provision in Clause 69, a Member shall be entitled to be present and vote at any general meeting or at a meeting of any class of members in respect of any Share or Shares upon which all calls or other sums presently payable by him due to the Company have been paid. No Member shall be entitled to be present or to vote on any question either personally or otherwise by proxy or attorney at any general meeting or at a meeting of any class of members or upon a poll of be reckoned in the quorum in respect of any shares upon which calls are undue or unpaid, and/or the instrument of proxy, the power of attorney or other authority, if any, naming another person /party (other than the said Member) as proxy, attorney, or person/party authorized to so act has not been deposited with the Company in accordance with Clause 86 hereof.

Objection on qualification of voter

82. No objections shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objections made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

Appointment of proxies

83. (1) A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members, shall be entitled to appoint more than one (1) proxy to attend and vote in his stead at the meeting, and that a proxy may but need not be a Member. There shall be no restriction as to the qualification of the proxy. Where a Member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting. However, if the appointor or representative attend and vote on a resolution, the proxy or the attorney must not vote.

- (2) Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- (3) Where a Member of the Company is an Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“omnibus account”), there is no limit to the number of proxies which the Authorised Nominee may appoint in respect of each omnibus account it holds.

Instrument appointing proxy to be in writing

84. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Members is a corporation, shall be executed under its common seal or under the hand of an officer or attorney duly authorised in writing. The instrument appointing a proxy shall be deemed to confer authority on the appointed proxy to demand or join in demanding a poll.

Form of proxy

85. The instrument appointing a proxy shall be in the common form or in such other form as the Directors may approve subject to the requirements of the Act, the Exchange and any other relevant authorities.

Delivery of instrument appointing proxies

86. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the Office or at such other place within Malaysia or in such other manner as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid or in such other period(s) as may be provided or permitted under the Applicable Laws and stipulated in the form of proxy or in the notice of meetings.

Appointment of proxy via electronic communication

87. (1) Subject to the Act and the Listing Requirements, the Directors or any agent of the Company so authorised by the Directors, may accept the appointment of proxy received by electronic communication on such terms and subject to such conditions as they consider fit. The appointment of proxy by electronic communication shall be in accordance with this Constitution.
- (2) For the purpose of this Clause, the Directors may require such reasonable evidence they consider necessary to determine:-
- (a) the identity of the Member and the proxy; and
 - (b) where the proxy is appointed by a person acting on behalf of the Member, the authority of that person to make the appointment.
- (3) Without prejudice to this Clause, the appointment of proxy by electronic communication must be received at the electronic address specified by the Company in any of the following sources and shall be subject to any terms, conditions or limitations specified therein:-
- (a) Notice calling the meeting;
 - (b) Instrument of proxy sent out by the Company in relation to the meeting; or
 - (c) Website maintained by or on behalf of the Company.
- (4) An appointment of proxy by electronic communication must be received at the electronic address specified by the Company pursuant to this Clause not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- (5) An appointment of proxy by electronic communication which is not made in accordance with this Clause shall be invalid.

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Validity of vote given under proxy

88. A vote given in accordance with the terms of an instrument of proxy or power of attorney or other authority shall be valid notwithstanding the death or unsoundness of mind of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed, or the transfer of the Share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation, or transfer as aforesaid has been received by the Company at the Office and/or such other place as may be specified in the notice convening the meeting before the commencement of the meeting or adjourned meeting (or in the case of a poll, before the time appointed for the taking of the poll) at which the instrument is used.

Corporate representative

89. Subject to the provisions of Section 333 of the Act, any corporation which is a Member, may by resolution of its directors or other governing body, authorises such person(s) as it thinks fit to act as its representative(s) at all meetings of Members and a person so authorised shall in accordance with his authority and until his authority is revoked by the corporation be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member.

DIRECTORS

Number of Directors

90. Unless otherwise determined by the Company in general meeting and subject to the Listing Requirements, the number of Directors shall not be less than two (2) nor more than fifteen (15).

Shareholding qualification

91. There shall be no shareholding qualification for Directors.

Independent Directors

92. Unless otherwise determined by the Company in general meeting and subject to the Listing Requirements, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be Independent Directors. If the number of Directors is not three (3) or multiple of three (3), then the number nearest one-third (1/3) shall be used for the purpose of determining the requisite number of Independent Directors.

Retirement of Directors

93. At the first annual general meeting of the Company, all of the Directors shall retire from the office and at the annual general meeting in every subsequent year one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Selection of Directors to retire

94. The Directors to retire at the annual general meeting in every year shall be the Directors who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire shall in the absence of agreement, be elected from among them by lot. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.

Retiring Director deemed to be re-elected

95. The Company at the meeting at which any Director so retires may fill the vacated office by electing a person thereto, and in default the retiring Director shall be deemed to have been re-elected, unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the retiring Director shall have been put to the meeting and the said resolution is not carried or some other person is elected a Director in place of the retiring Director. A retiring Director shall be deemed to have offered himself for re-election unless he has given notice in writing to the Company that he is unwilling to be re-elected.

Notice of intention to appoint Director

96. No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him has, at least eleven (11) clear days before the meeting, left at the Office of the Company a notice in writing duly signed by the nominee, giving consent to the nomination and either signifying his candidature for the office, or signifying the intention of such Member to propose him, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary. Notice of each and every candidature for election to the Board of Directors shall be served on the registered Members at least seven (7) days prior to the meeting at which the election is to take place. The cost of serving the notice to propose the election of a Director where the nomination is made by a Member or Members, shall be borne by the Member or Members making the nomination.

Motion for election of Directors

97. At any general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote unless a motion for the election of two (2) or more persons as Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.

Increase or reduction of number of Directors

98. The Company may from time to time by Ordinary Resolution passed at a general meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to retire from office.

Directors may fill casual vacancy

99. The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall retire at the next following annual general meeting and shall then be eligible for re-election but he shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

DISQUALIFICATION AND REMOVAL OF DIRECTORS**Removal of Directors**

100. Subject to the provisions of Sections 206 and 322 of the Act, the Company may by Ordinary Resolution of which special notice has been given to all Members whom are entitled to receive the notice of the meeting, remove any Director before the expiration of his period of office notwithstanding any agreement between the Company and such Director.

Appointment of Director in place of one removed

101. The Company may by Ordinary Resolution appoint another person in place of a Director removed from office. A person appointed in place of a Director so removed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was elected as a Director. In default of such appointment, the vacancy so arising may be filled by the Directors as a casual vacancy.

When office of Director deemed vacated

102. The office of a Director shall become vacant if he or she:-
- (a) becomes disqualified from being a Director under Sections 198 or 199 of the Act;
 - (b) ceases to be or is prohibited from being a Director by virtue of the Act or the Securities Laws or the Listing Requirements;
 - (c) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
 - (d) is absent from more than fifty per centum (50%) of the total Board meetings held during a financial year;
 - (e) resign from his office by notice in writing to the Company and deposited at the Office of the Company;
 - (f) is removed from his office as Director in accordance with the Act;
 - (g) dies; or
 - (h) has retired in accordance with the Act or under this Constitution but is not re-elected.

REMUNERATION OF DIRECTORS**Remuneration of Directors**

103. The fees and any benefits payable to the Directors by the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by an Ordinary Resolution in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:-
- (a) fee payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;

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- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;
- (d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and/ or benefits payable to non-executive Directors who is also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiaries, but does not include insurance premium or any issue of securities.

Reimbursement of expenses to Directors

104. The Company may repay to any Directors all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Board or general meeting of the Company or in connection with the business of the Company.

POWERS AND DUTIES OF DIRECTORS

Business of Company to be managed by the Board

105. The business and affairs of the Company shall be managed by Directors or under the direction of the Board who may pay all expenses incurred in promoting and registering the Company. The Board has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company and exercise all such powers of the Company as are not by this Constitution or by the Act required to be exercised by the Company in general meeting, subject nevertheless, to any of this Constitution, to the provisions of the Act, and to such regulations, not being inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

Approval of the Company required

106. The Directors shall not without the prior approval of the Members in general meeting:-
- (a) exercise any power of the Company to issue shares unless otherwise permitted under the Act;
 - (b) arrange or enter or carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or controlling interest in the Company's undertaking or property (includes the whole or substantially the whole of the rights, including developmental rights and benefits);
 - (c) subject to Sections 228(2) and 229 of the Act, enter or carry into effect any arrangement or transaction with a Director or a substantial shareholder of the Company or its holding Company, or its subsidiary or with a person connected with such a Director or substantial shareholder to acquire from or dispose to such Director or substantial shareholder or person connected with such a Director any shares or non-cash assets of the requisite value as stated in the Act; or
 - (d) issue any securities on such terms and subject to such conditions which confer a right to subscribe for new shares of the Company.

Establishment and arrangement of pension or superannuation scheme

107. The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of, or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any subsidiary, and the widow, family or dependents of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such persons as aforesaid, and make payments for or towards any hospital or scholastic expenses or any insurance of any such persons: Provided that any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Members in general meeting.

Directors to act honestly and use reasonable care, skill and diligence

108. A Director shall at all times exercise his powers for a proper purpose, in good faith and in the best interest of the Company and shall act honestly and use reasonable care, skill and diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

General duty to make disclosure

109. Every Director shall give notice to the Company of such events and matters relating to him as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Power to have a Seal for use abroad

110. The Directors may exercise all the powers of the Company in relation to any Seal for use outside Malaysia and in relation to branch registers.

Power to appoint Attorneys

111. The Directors may at any time and from time to time by power of attorney under the Seal appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with such an Attorney as the Directors may think fit and may also authorise any such Attorney to delegate all or any of the powers, authorities, and discretions vested in him.

Signing of cheques etc.

112. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be or in such manner as the Directors may from time to time determine.

BORROWING POWERS**Borrowing powers of Directors**

113. The Directors may from time to time at their discretion raise or borrow such sum of moneys or obtain credit facilities as they think proper for the purpose of the Company. The Directors may raise or secure payment or repayment of such moneys or facilities upon such terms and conditions as they think fit and in particular by the issue of debenture or other securities, charge upon all or any part of property of the Company including uncalled capital or by means of charges, mortgages, hypothecation and bonds as the Directors shall think fit.

LIMITATION OF DIRECTORS' POWERS**Director may act in his professional capacity**

114. A Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Director may hold other office and declaration of interest

115. Subject always to the Act and the Listing Requirement, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the nature and extent of interest must be declared by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case, at the first meeting of the Directors after the acquisition of the interest.

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Director may become director of other corporation

116. A Director of the Company may be or become a director or other officer of or otherwise be interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise in any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment.

Disclosure of interest and restriction on discussion and voting

117. Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Power to vote

118. Subject to Clause 117 hereof, a Director may vote in respect of :-

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or Member or otherwise howsoever, but is not the holder of or beneficially interested in one per centum (1%) or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interested being deemed for the purpose of this Clause to be a material interest in all circumstances);
- (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the relevant authorities for taxation purposes.

Chairman's ruling final and conclusive

119. If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

PROCEEDINGS OF DIRECTORS

Meetings of Directors

120. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors summon a meeting of the Directors. Subject to the laws for the time being in force, all or any members of the Board of Directors or any Committees of the Board may participate in the meeting of the Board of Directors or Committee of the Board (as the case may be) by means of a telephone conference, video conference or any other communication equipment which allows all persons participating in the meeting to hear each other ("Communication Equipment"). A person so participating shall be deemed to be present in person at the meeting, shall be counted in the quorum and shall be entitled to vote. For the purposes of recording attendance, the Chairman or the Secretary shall mark on the attendance sheet that the Directors were present and participating by Communication Equipment.

Notice of Directors' meeting

121. Unless otherwise determined by the Board from time to time, at least seven (7) days' notice of all Directors' meetings shall be given by hand, post, facsimile, electronic form or other form of electronic communications to all Directors and their alternate Directors. Except in the case of an emergency, reasonable notice of every Directors' meeting shall be given in writing. The majority of the Board may waive notice of any meeting either prospectively or retrospectively. The notice of each Directors' meeting shall be deemed to be served on a Director upon delivery if delivered by hand, or immediately if sent by facsimile, electronic form or other form of electronic communications or if sent by post, on the day on which a properly stamped letter containing the notice is posted.

Quorum of meeting of Directors

122. The quorum necessary for the transaction of the business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall be two (2) Directors and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally.

Adjournment of meeting

123. The quorum necessary for the transaction of the business of the Directors shall be two (2). Where only two (2) Directors are present, or only two (2) Directors are present who are not disqualified pursuant to Clause 115 or who are competent to vote the chairman shall not have a second or casting vote. In the event that no quorum is present after one half of an (1/2) hour of the time appointed for the said meeting, the meeting shall be adjourned to the same day and time the following week and at the same place where for the purpose of the adjourned meeting, any two (2) Directors shall form a quorum.

Chairman of meeting

124. The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office.

Election of Chairman

125. The Chairman of the Board of Directors shall chair the meetings of the Board. If no such Chairman is elected or if the Chairman is not present within fifteen (15) minutes of the time appointed for holding the meeting, the Directors present shall choose any one (1) of the Directors to be Chairman of the meeting. Any Director acting as Chairman of a meeting of the Directors shall have the Chairman's right to a second or casting vote whenever there is an equality of votes subject however to the exception specified in Clause 126.

Determination of issues by majority and Chairman's second or casting vote

126. Subject to this Constitution, questions arising at any meeting of the Board of Directors of the Company shall be determined by a majority of votes of all the Directors present at the meeting and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote except when at the meeting only two (2) Directors are present and form the quorum or at which only two (2) Directors are competent to vote on the question at issue, in which event the Chairman shall not have a second or casting vote and the question arising at the meeting shall be deemed to have been lost or not carried.

Directors may act notwithstanding vacancy

127. The continuing Directors or sole continuing Director may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the continuing Director or sole continuing Director except in an emergency may act only for the purpose of increasing the number of Directors to that minimum number or of summoning a general meeting of the Company, but for no other purpose. If there be no Directors or Director able or willing to act, then any two (2) Members may summon a general meeting for the purpose of appointing Directors.

Disclosure of interest

128. Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

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ALTERNATE DIRECTOR

Provision for appointing and removing Alternate Director

129. (1) Any Director may at any time by way of a notice to the Company and deposited at the Office, appoint any person to act as his Alternate Director provided that:-
- (a) such person is not an existing Director;
 - (b) such person must not act as alternate for more than one (1) Director;
 - (c) such person must be appointed by a majority of the Board; and
 - (d) any fee paid by the Company to the alternate Director shall be deducted from the appointing Director's remuneration; and at his discretion by way of a notice to the Company to remove such Alternate Director from office.
- (2) An Alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.
- (3) An Alternate Director shall be entitled to receive notices of meetings of the Directors and to attend, speak and vote as a Director at any such meeting at which his appointor is not personally present; and generally in the absence of his appointor from Malaysia, to perform all the functions of his appointor as a Director.
- (4) A Director shall not be liable for the acts and defaults of any Alternate Director appointed by him.
- (5) An Alternate Director shall not be taken into account in reckoning the minimum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.
- (6) Subject to the provisions of the Listing Requirements, an Alternate Director shall not be appointed as a member of any committees of the Board .
- (7) An Alternate Director may be repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid, he shall not in respect of such appointment be entitled to receive any remuneration from the Company.

MANAGING DIRECTORS

Appointment of Managing Director

130. (1) The Directors may from time to time appoint any one or more of their body to be a managing director, by whatever name called including the office of Managing Director, Deputy Managing Director or Executive Director who shall be subject to the control of the Board, with power to reappoint thereafter upon such terms as they think fit, and
- (2) The Directors may entrust to and confer upon a Director holding such executive office any of the powers exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Remuneration of Managing Director

131. The remuneration of a Managing Director or Managing Directors or Executive Directors pursuant to this Constitution and subject to the terms of any agreement entered into in any particular case shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

Retirement of Managing Director

132. A Managing Director or Executive Director shall, while he continues to hold that office, be subject to retirement by rotation and he shall be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire and he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director for any cause shall ipso facto and immediately cease to be a Managing Director or Executive Director.

COMMITTEES OF THE BOARD

Establishment of committees

133. The Directors may establish any committees, local boards or agencies comprising two (2) or more persons for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency or any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency, or any of them to fill any vacancies therein, and to act notwithstanding vacancies and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may vary or annul any such delegation, but no persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby. The regulations herein contained for the proceedings of Directors shall so far as not altered by any regulations made by the Directors apply also to the meetings and proceedings of any committee.

Election of Chairman of meetings of committee

134. A committee may elect a Chairman of its meetings; if no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting except where at the meeting only two (2) Directors form the quorum or are competent to vote on the question at issue.

Determination of votes at meetings of committee

135. Subject to any rules and regulations made pursuant to Clause 133, a Committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members present, (if more than one) and in the case of an equality of votes the Chairman shall have a second or casting vote.

VALIDATION OF ACTS OF DIRECTORS

Validity of acts of Directors

136. All acts bona fide done by any meeting of the Directors or of a committee of the Board or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was such defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and qualified to be a Director.

Sale subjects to shareholder's approval

137. Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to ratification or approval by the Members in general meeting.

DIRECTORS' CIRCULAR RESOLUTIONS

Directors' Circular Resolution

138. A resolution in writing signed, approved or assented by letter, electronic mail or facsimile by a majority of the Directors for the time being present in Malaysia entitled to receive notice of a meeting of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted provided that where a Director is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. Any such resolution may consist of several Documents in like form (prepared and circulated by facsimile, telex, telegram or electronic mail or other communication modes / equipment), each signed by one (1) or more Director or their alternates. An approval by letter or other written means of a proposed resolution in writing (which has been prepared and circulated as aforesaid) signed by a Director and sent by him by facsimile, telex or telegram or electronic mail or other communication modes / equipment shall be deemed to be a Documents signed by him for the purposes of the foregoing provisions. Any such Documents may be accepted as sufficiently signed by a Director or his alternate if transmitted to the Company by any technology purporting to include a signature and / or electronic or digital signature of the Director or his alternate.

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AUTHENTICATION OF DOCUMENTS

Authentication of Documents

139. Any Director or the Secretary or any person appointed by the Directors shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Directors and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts and, where any books, records, documents or accounts are kept elsewhere than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

Conclusive evidence of resolutions and extract of minutes of meetings

140. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of the Directors which is certified as such in accordance with the provisions of Clause 139 shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.

MINUTES AND REGISTER

Minutes of meetings and resolutions

141. The Board shall cause minutes to be duly entered in books provided for the purpose:-

- (a) of all appointments of officers to be engaged in the management of the Company's affairs;
- (b) of the names of all the Directors present at each meeting of Directors and of any committees of the Board and of the Company in a meeting of Members;
- (c) of all resolutions and proceedings of meetings of Members and of meetings of the Directors and committees of the Board; and
- (d) of all orders made by the Board and any committee of the Board.

Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

Directors to comply with Act

142. The Company shall in accordance with the provisions of the Act keep at the Office a register containing such particulars with respect to the Directors, Managers and Secretaries of the Company as are required by the Act and shall from time to time notify the Registrar of Companies of any change in such register and of the date of change in manner prescribed by the Act.

Minutes kept at Office

143. The books containing the minutes of proceedings of any meeting of Members shall be kept by the Company at the Office and shall be open to the inspection of any Member without charge.

Registers to be kept

144. The Company shall also keep at the Office, register which shall be open to the inspection of any Member without any charge and to any other person on payment of not exceeding RM10.00 for each inspection, of all such matters required to be so registered under the Act, and in particular:-

- (a) a register of substantial shareholders and of information received in pursuance of the requirements under Sections 144 and 56(4) of the Act; and
- (b) a register of the particulars of each Directors' shareholdings and interests as required under Section 59 of the Act.

SECRETARY

Secretary

145. The Secretary or Secretaries shall, in accordance with the Act, be appointed by the Directors for such term, at such remuneration, and upon such conditions as the Directors think fit and any Secretary so appointed may be removed by them but without prejudice to any claim he or they may have for damages for breach of any contract of service with the Company. The Directors may from time to time by resolution appoint a temporary substitute for the Secretary who shall be deemed to be the Secretary during the term of his appointment.

The office of the Secretary or Secretaries shall become vacant if the Secretary or Secretaries resigns his office by notice in writing to the Company or he becomes prohibited to act as the Secretary or Secretaries in accordance with Section 238 of the Act.

THE SEAL

Authority for use of Seal

146. The Board shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors or a committee of the Board authorised to use the Seal. Every instrument to which the Seal is affixed shall be autographically signed by a Director and either by a second Director or by the Secretary or by another person appointed by the Board for the purpose, save and except that, in the case of a certificate or other document of title in respect of any share, stock, loan stock or debenture as defined in the Act or any other obligations, warrants, call warrants or securities and instruments of any kind whatsoever relating to all the aforesaid created or issued or dealt with or marketed or sold by the Company, such certificate or document of title may be created or issued under the Seal or the Share Seal (for affixing onto share certificates only pursuant to Clause 148 hereof), as the case may be, of the Company and the Board may by resolution determine that such signatures may be affixed by some mechanical electronic facsimile or autographical means or by such other means to be specified by the Board from time to time in such resolution.

Official Seal for use abroad

147. The Company may exercise the powers conferred by Section 62 of the Act with regard to having an official Seal for use abroad and such powers shall be vested in the Board.

Official Seal for share certificates, etc

148. The Company may also have a Share Seal pursuant to Section 63 of the Act.

ACCOUNTS

Books of accounts open to inspection by Directors

149. The Company, Directors and Managers shall cause proper accounting and other records to be kept and shall distribute copies of financial statements and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 47 of the Act the books of account or records of operations shall be kept at the Office or at such place as the Directors think fit and shall always be open to inspection by the Directors. The words "managers" shall have the same meaning prescribed in the Act.

Preparation and issuance of audited financial statements and Directors' report

150. The Board shall cause to be prepared, sent to every Member, holders of debentures and all other persons entitled to receive notices of general meeting and laid before the Company in its annual general meeting the audited financial statements and Directors' report in accordance with the provisions of the Act and the Listing Requirements.

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Circulating copies of audited financial statements and Directors' report

151. A copy each of the audited financial statements, the Directors' and Auditors' reports in printed form or in CD-ROM or by publication on the Company's website or other electronic form permitted under the Listing Requirements or any combination thereof shall, not less than twenty-one (21) days before the date of the annual general meeting be sent to every Member of and to every holder of debentures of the Company and to every other person who is entitled to receive notice of general meetings from the Company under the provisions of the Act or of this Constitution, in accordance with the provisions of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

AUDIT

Appointment of Auditors

152. The Auditors shall be appointed for each financial year by Ordinary Resolution at the annual general meeting of the Company in accordance with Section 271 of the Act.

DIVIDENDS AND RESERVES

Distribution of dividends out of profit

153. The Company may make a distribution of dividends to the Members out of profits of the Company available if the Company is solvent, but no dividend shall exceed the amount recommended by the Board. The Company in general meeting may declare dividends that shall be payable out of profits and shall not bear the interest against the Company.

Distribution only if the Company is solvent

154. The Board may authorise a distribution at such time and in such amount as the Board considers appropriate, if the Board is satisfied that the Company will be solvent immediately after the distribution is made. The Company is regarded as solvent if the Company is able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made.

Interim dividends

155. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Directors act bona fide, they shall not incur any responsibility to the holders of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. The Directors may also pay half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at fixed rate if they are of the opinion that the profits justify the payment.

Setting aside profits

156. The Board may, before authorising any distribution of dividend, set aside out of the profits of the Company such sums as it thinks proper as reserve funds which shall be applied by the Board in its absolute discretion as it thinks conducive to the interest of the Company and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and may from time to time vary or realise such investments and dispose of all or any part thereof for the benefit of the Company, may divide any reserve fund into such special funds as it thinks fit, with all power to employ the assets constituting the reserve funds in the business of the Company and without being bound, keep the same separate from the other assets. The Board may also without placing the same to reserve carry forward any profits of which it may think prudent not to divide.

Payment of dividends

157. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Clause as paid on the share. All dividend shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.

Deduction of dividends

158. The Directors may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company held by him.

Retention of dividends on shares pending transmission or transfer

159. The Directors may retain the dividend payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

Unclaimed dividends may be invested

160. All dividends unclaimed for one (1) year, subject to the Unclaimed Moneys Act 1965 after having been declared may be dealt with in accordance with the provisions of the Unclaimed Moneys Act 1965.

Payment of dividend in specie

161. The Board in authorising a distribution of dividends may direct payment of such dividends wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to payment of such distribution, the Board may settle the same as it thinks expedient and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.

Mode of payment

162. Any dividend, interest or other money payable in cash in respect of shares or other securities may be paid by direct transfer by means of the electronic payment systems upon terms and subject to conditions as the Directors may stipulate or by cheque or warrant sent by post to the registered address of the holder on the Register or the Record of Depositors or to such person and to such address as the holder may direct in writing. Every such cheque or warrant or remittance via the electronic payment systems shall be made payable to the order of the person to whom it is sent or to such person as the holder may direct, and the payment of any such cheque or warrant or remittance via the electronic payment systems shall operate as a good and full discharge of the Company in respect of the dividend, interest or other money payable in cash in respect of shares or other securities represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

Dividend Reinvestment Scheme

163. (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:-

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all things as the Directors consider necessary or expedient in connection with the provisions of this Constitution;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of the election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

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- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "Elected Ordinary Shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the Elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose (notwithstanding any provision of the Constitution to the contrary), the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of Elected Ordinary Shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis.
- (2) (a) The ordinary shares allotted pursuant to the provisions of paragraph (1) of this Clause shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (2) (b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Clause, with full power to make such provisions as they think fit in the case of fractional entitlements to ordinary shares (including, notwithstanding any provision to the contrary in this Clause, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the members).
- (3) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Clause, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or the Depository Register, as the case may be, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Constitution shall be read and construed to such determination.
- (4) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this Clause, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to members whose registered addresses entered in the Register or the Record of Depositors, as the case may be, is outside Malaysia or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (5) Notwithstanding the foregoing provisions of this Constitution, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this Clause in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (1) of this Clause.

CAPITALISATION OF PROFIT

Capitalisation of profits by bonus issue etc.

164. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the income statement or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. The amount standing to the credit of the share premium account may, for the purposes of this Constitution, be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares and to provide the consideration for the purchase of the shares of the Company or any other manner as provided in the Act.

Directors' duties and power in capitalisation

165. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional shares or debentures or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorize any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

LANGUAGE**Translation**

166. Where any financial statements, minute books or other records required to be kept by the Act are not kept in Bahasa Malaysia or English language, the Directors shall cause a true translation of such financial statements, minute books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original financial statements, minute books and other records for so long as the original financial statements, minutes books and other records are required by the Act to be kept.

NOTICES**Services of notices and/or documents**

167. Any notice or document required to be sent to Members may be given by the Company or the Secretary to any Member:-

- (a) in hard copy, either personally or sent by post to him in a prepaid letter addressed to him at his last known address;
- (b) in electronic form, and sent by the following electronic means:-
 - (i) transmitting to his last known electronic mail address; or
 - (ii) publishing the notice or document on the Company's website provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Act and the Listing Requirements; or
 - (iii) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by Members provided that a notification of the publication or availability of the notice or document on the electronic platform via hard copy or electronic mail or short messaging service has been given to them accordingly.

When service deemed effected

168. Any notice or document shall be deemed to have been served by the Company to a Member:-

- (a) Where the notice or document is sent in hard copy by post, on the day the prepaid letter, envelope or wrapper containing such notice or document is posted.

In providing service by post, a letter from the Secretary certifying that the letter, envelope or wrapper containing the notice or document was addressed and posted to the Member shall be sufficient to prove that the letter, envelope or wrapper was so addressed and posted.

- (b) Where the notice or document is sent by electronic means:-
 - (i) via electronic mail, at the time of transmission to a Member's electronic mail address pursuant to Clause 167(b)(i), provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company;

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- (ii) via publication on the Company's website, on the date the notice or document is first made available on the Company's website provided that the notification on the publication of notice or document on website has been given pursuant to Clause 167(b)(ii); or
- (iii) via electronic platform maintained by the Company or third parties, on the date of notice or document is first made available thereon provided that the notification on the publication or availability of the notice or document on the relevant electronic platform has been given pursuant to Clause 167(b)(iii).

In the event that service of a notice or document pursuant to Clause 168(b) is unsuccessful, the Company must, within two (2) market days from discovery of delivery failure, make alternative arrangements for service by serving the notice or document in hard copy in accordance with Clause 167(a) hereof.

Last known address for service

169. A Member's address, electronic mail address and any other contact details provided to Bursa Depository shall be deemed as the last known address, electronic mail address and contact details respectively for purposes of communication including but not limited to service of notices and/or documents to the Member.

Notice and/or document in case of death or bankruptcy

170. A notice and/or document required to be sent to Members may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through representatives of the deceased or assignee of the bankrupt or by any like description, at his last known address, in any manner in which the same might have been served if the death or bankruptcy has not occurred. Every person who by operation of law, transfer or transmission or other means whatsoever shall become entitled to any share, shall be bound by every notice and/or document in respect of such share which, prior to his name and/or address being entered in the Register of Members as the registered holder of such share have been duly given to the person from whom he derives the title to such share.

Persons bound by notice

171. Every person who by operation of law, transfer, transmission or other means whatsoever shall become entitled to any share, shall be bound by every notice issued in respect of such share, including notices issued to such person or persons whose names were, prior to his name, entered in the Register of Members or the Record of Depositors as the registered holder of such share.

Persons entitled to receive notice

172. (a) Notice of every meeting of Members shall be given in any manner hereinbefore specified to:-
- (i) every Director with a registered address in Malaysia or an address for service of notices in Malaysia;
 - (ii) every Member with a registered address in Malaysia or an address for service of notices in Malaysia;
 - (iii) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
 - (iv) the auditors for the time being of the Company; and
 - (v) every Stock Exchange upon which the Company's shares may be listed.
- (b) Except as aforesaid no other person shall be entitled to receive notices of general meeting.
- (c) Whenever any notice is required to be given under the provisions of the law of Malaysia or of this Constitution, waiver or the shortening of the period of such notice, may be effectively given by complying with Section 316(4) of the Act.
- (d) Any notice on behalf of the Company or of the Board of Directors shall be deemed if it purports to bear the signature of the Secretary or other duly authorised officer of the Company.

Notice and/or document given by advertisement

173. Any notice and/or document required by a court of law or otherwise required or allowed to be given by the Company to the Members or any of them, and not expressly provided for by this Constitution or which cannot for any reason be served in the manner referred to in Clause 167 and Clause 168 hereof, shall be sufficiently given if given by advertisement, and any notice and/or document required to be or which may be given by the advertisement, shall be deemed to be duly advertised once advertised in a widely circulated newspaper in Malaysia in the national language and in a widely circulated newspaper in Malaysia in the English language.

WINDING UP**Distribution of assets in specie**

174. If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the Court) the liquidator may after the payment or satisfaction of all liabilities of the Company including preferred payments under the Act, with the sanction of a Special Resolution of the Company divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

Proportionate distribution of assets

175. Save that this Clause shall be without prejudice to the rights of holders of shares issued upon special terms and conditions the following provisions shall apply:

- (1) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively; and
- (2) If in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the Members in proportion to the capital paid up, at the commencement of the winding up, on the shares held by them respectively.
- (3) Where it is proposed that the whole or part of the business or property of the Company is to be transferred or sold to another corporation in a voluntary winding up, with the sanction of a special resolution of the Company conferring either a general authority on the liquidator or an authority in respect of any particular arrangement, the liquidator of the Company may:-
 - (a) receive in compensation or part compensation for the transfer or sale of the shares, debentures, policies or other like interests in the corporation for distribution among the members of the Company; or
 - (b) enter into any other arrangement whereby the Members may, in lieu of receiving cash, shares, debentures, policies or other like interests or in addition to the arrangement, participate in the profits of or receive any other benefit from the corporation

and any such transfer, sale or arrangement shall be binding on the members of the Company.

- (4) If any Member expresses his dissent on matters referred to in the above sub-clauses in writing addressed to the liquidator and delivered to the office of the liquidator within seven (7) days from the passing of the resolution, the Member may require the liquidator to either abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by an agreement or by arbitration in the manner set out in Section 457 of the Act.

Commission or fee to liquidator

176. On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by the Members in a general meeting. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which the commission or fee is to be considered.

CONSTITUTION OF HSS ENGINEERS BERHAD

INDEMNITY AND INSURANCE

Indemnity and insurance for Company's officer and auditor

177. Subject to the Applicable Laws, every Director, Auditors and Secretary and other officers (as defined in the Act) for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in or about the execution of his duties of his office or otherwise in relation thereto, and the Company may effect insurance for such person against such liability.

RECONSTRUCTION

Power of the Directors and liquidators to accept shares, as consideration for sale

178. On the sale of the undertaking of the Company, the Board or the liquidators on a winding up may, if authorised by a Special Resolution, accept fully paid or partly paid-up shares, debentures or securities of any other company, either incorporated in Malaysia or not, either then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Board (if the profits of the Company permit), or the liquidators (on the winding up), may distribute such shares or securities, or any property of the Company amongst the Members without realisation, or vest the same in trust for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the Members or contributories of the Company, and for valuation of any such securities or property at such price and in such manner as the meeting may approve, and all Members shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in the case of the Company which is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 457 of the Act as are incapable of being varied or excluded by this Constitution. In the case of the shares to be divided as aforesaid involves a liability to calls or otherwise any person entitled to such division to any of the said shares may, within ten (10) days after the passing of the Special Resolution, by notice in writing, direct the Board or the liquidator to sell his proportion and pay him the net proceeds and the Board or the liquidator shall, if practicable, act accordingly.

SECRECY CLAUSE

Secrecy

179. (1) Director, auditor, trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if required, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with customers and the state of accounts with individuals in matters relating thereto, and shall, by such declaration, pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors, or by any meeting, or by a Court of Law, or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions of this Constitution contained.
- (2) No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trade or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the Members to communicate to the public save as may be authorised by law.

DESTRUCTION OF DOCUMENTS

Destruction of documents

180. The Company shall be entitled to destroy all instruments of transfer which shall have been registered at any time after the expiration of six (6) years from the date of registration thereof, and all share certificates and dividend mandates which have been cancelled or have ceased to have effect at any time after the expiration of one (1) year from the date of cancellation or cessation thereof, and all notifications of change of name or address, after the expiration of one (1) year from the date they were recorded, and in favour of the Company it shall conclusively be presumed that every entry in the Register which purports to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company Provided that:

- (1) the foregoing provision of this Clause shall apply only to the destruction of a document in good faith and without express notice that the preservation of such document was relevant to a claim;
- (2) nothing contained in this Clauses shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company but for the provisions of this Article; and
- (3) reference in this Clause to the destruction of any document includes reference to its disposal in any manner.

ALTERATION OF CONSTITUTION

Alteration of Constitution

181. Subject to the Act and to prior to the provision of the Listing Requirements (if any), the Company may by Special Resolution delete, alter or add to this Constitution

COMPLIANCE WITH STATUTES, REGULATIONS AND RULES

Compliance with Statutes, Regulations and Rules

182. The Company shall comply with the provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, the Central Depository and other appropriate authorities, to the extend required by law, notwithstanding any provisions in this Constitution to the contrary.

EFFECTS OF THE LISTING REQUIREMENTS

Effects of the Listing Requirements

183. (1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.
- (2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (4) If the Listing Requirements require this Constitution to contain a provision and they do not contain such a provision, this Constitution is deemed to contain that provision.
- (5) If the Listing Requirements require this Constitution not to contain a provision and they contain such a provision, this Constitution is deemed not to contain that provision.
- (6) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.



HSS ENGINEERS BERHAD (Company No. 1128564-U)
(Incorporated in Malaysia)

CDS Account No.	
No. of Shares Held	

PROXY FORM

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 Fourth Annual General Meeting of the Company to be held at Ballroom I, Main Wing Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 June 2019 at 10.30 a.m. or at any adjournment thereof in respect of *my/our shareholding(s) in the manner indicated below:-

	RESOLUTIONS		FOR	AGAINST
1.	Approval of the additional payment of Directors' Fees amounting to RM60,200.00.	Ordinary Resolution 1		
2.	Approval of the payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM429,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
3.	Approval of the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM168,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 3		
4.	Re-election of Dato' Ir. Nitchiananthan A/L Balasubramaniam as Director.	Ordinary Resolution 4		
5.	Re-election of Dato' Mohd Zakhir Siddiqy Bin Sidek as Director.	Ordinary Resolution 5		
6.	Re-election of Datuk Ir. Teo Chok Boo as Director.	Ordinary Resolution 6		
7.	Re-election of Dato' Sri Ir. Hj. Ismail Bin Md.Salleh as Director.	Ordinary Resolution 7		
8.	Re-election of Ir. Prem Kumar A/L M Vasudevan as Director.	Ordinary Resolution 8		
9.	Re-appointment of Messrs Azman, Wong, Salleh & Co as Auditors of the Company.	Ordinary Resolution 9		
10.	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 10		
11.	Proposed Adoption of New Constitution of the Company.	Special Resolution		

* Strike out whichever is not applicable

Please indicate with an "X" in the spaces provided on how you wish your vote to be cast. In the absence of specific instruction, the proxy will vote or abstain from voting at his/her discretion.

Dated this _____ day of _____ 2019.

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 10 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the Fourth Annual General Meeting of the Company shall be put to vote by way of poll.

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 26 April 2019.

FOLD HERE

FOLD HERE

AFFIX
STAMP HERE

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

www.hssgroup.com.my

HSS ENGINEERS BERHAD (1128564-U)

Wisma HSS Integrated, B1 (1-4), Block B, Plaza Dwtasik,

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