SUSTAINABILITY STATEMENT

As businesses race towards a greener and more sustainable future, HSS Engineers Bhd (HEB or the Company) has achieved an excellent sustainable journey throughout 2019. 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 Company can directly contribute to. Sustainability is ingrained in our DNA from how we operate to how we deliver either in our design office or at our client's construction sites located across Malaysia. Through the acquisition of SMHB Engineering Sdn Bhd (SMHB), our combined strength in water treatment and 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. We are proud to have continued our sustainability journey in 2019. The Green Task Force (Taskforce) formalized and setup in 2018 consisting of an advisory and working group, has succeeded thus far to operationalize, provide focus, measure and highlight areas of sustainability to senior management and the board of directors. Key sustainability initiatives that we intend to focus on include greenhouse gas emissions, energy consumption, water consumption and waste management. In 2019, we implemented energy efficient devices and systems throughout the organization's workspace which included areas such as LED lighting. Moving forward, we aim to implement further energy savings on electrical consumption to include air conditioning and computers.

Sustainability in Design

From the data generated using Building Information Modeling (BIM), the Company 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 Company'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 Company has provided value to our clients in the following ways but not limited to:

1. **Data driven improvement**

   Having a single source of data on a project, facilitates future operations and maintenance on projects for facilities management. 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.

2. **Better Streamlining in Delivery**

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

SUSTAINABILITY STATEMENT

In 2019, our sustainability initiative addressed matters that were 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 Company'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 has in November 2019, launched the implementation of ISO 14001: 2015 Environmental Management System and ISO 45001: 2018 Occupational Health & Safety Management System and aims to achieve certification from SIRIM by the end of Second Quarter 2020.

The Taskforce formed during the year championed various green initiatives within the Company, 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 Practice 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

As part of its sustainability process, especially in determining key matters that is important for the Company and its environment, the Company continues to actively engage various stakeholders. This enables the Company 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	• Employee benefits • Employee training
Clients	Customer feedback mechanisms	Per project	• Quality of service
Investors	Meetings	Regularly Annually	• Financial sustainability
Suppliers	Supplier assessments	Ad-hoc	• Updates on the Group's business standing • Fair procurement practices
Regulators	Filings	Regularly	• Complying with relevant rules and regulations

SUSTAINABILITY STATEMENT

Material Topic 1 - Employee Training

The Management firmly believes that staff training is an integral part of enhancing staff skills and competency to ensure continuous improvement in providing quality services to the clients, stakeholders and the engineering industry as a whole. As we are a service based group of companies, human capital is integral to the continued success of our operations and in our aspiration to be a leader in the engineering industry.

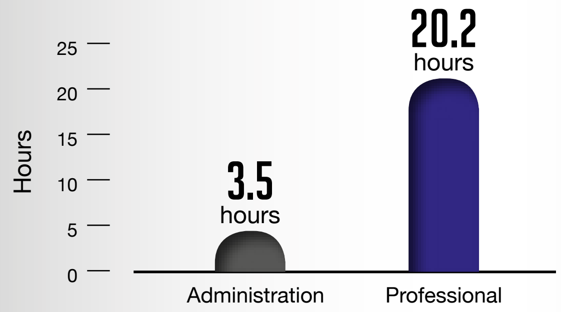
The process of staff training involves an initial careful assessment and selection of training needs in respect of all staff. Employees within the Group/Department are identified by their respective department heads in accordance with the individual skill and competency levels in meeting their "Basic Skill", "Core Skills and "Specialised Skills". Following the training, employees are monitored closely by their Heads to establish their progress and further training, if required. Current activities under the on-the-job and off-the-job training include:-

TYPE	ACTIVITY
On-the-job	• Close monitoring by immediate supervisors • Employees are trained in the actual working scenario
Off-the-job	• In-house or external training courses • Training is provided away from actual working condition • Self-study using manuals and tutorial manuals

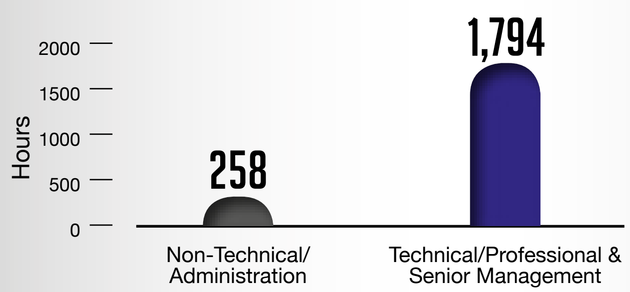
THE GROUP

*Professionals Category includes Senior Management & Technical/Professionals

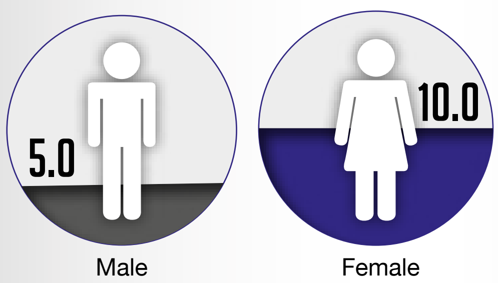
Average hours of External Training by Employee Category



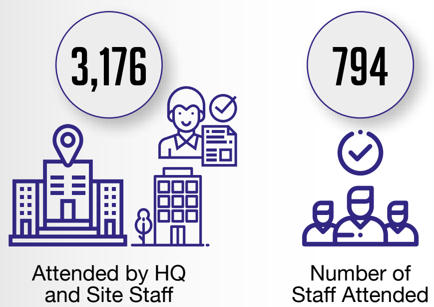
Total Hours of External Training by Designation



Average Hours of External Training by Gender



Total Hours of In-House Training



SUSTAINABILITY STATEMENT

The total hours of training has shown a drop in figures, compared to previous years, be it externally or internally (in-house) due to the continued cost management initiatives by the Group in 2019, which eventually affected the training budget.

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.

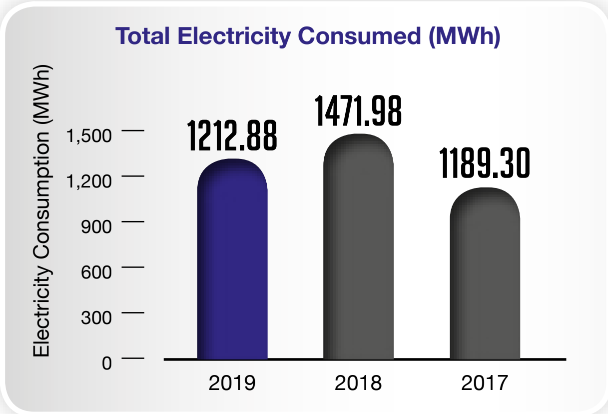
The Group provides an in-house library for employees Learning and Development (L&D) purposes. It boasts of a few thousand technical books, government reports, copies of project proposals and numerous related documents. Books and reports are continuously purchased based on recommendation from the senior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

Material Topic 2 - Energy Management

TOTAL ELECTRICITY CONSUMED

THE GROUP

No.	Year	Electricity Consumption (Mwh)	Percentage Increase / (Decrease)	Remarks
1	2019	1212.88	(17.6%)	
2	2018	1471.98	23.7%	This includes consumption by newly acquired subsidiary SMHB
3	2017	1189.30		



The Group continues to make initiatives to establish Energy Conservation by department and staff in reducing the usage of electricity. The Group achieved its green initiatives towards energy efficiency in Nov 2019 by replacing all the floor's with LED lights. There was a substantial reduction of 17.6% in 2019 compare to the usage in 2018. There was also a marginal decrease of 8.6% on electricity consumption per employee. This was due to the initiatives taken by staff to conserve energy with the implementation of "Work Zones" and "Workplace Etiquette" initiated by the group in the third quarter of 2018.

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.

SUSTAINABILITY STATEMENT

Material Topic 4 – Practice of Good Business Conduct / Ethics

Good governance and business ethics are promoted as culture through the Group's corporate governance structure.

The Company's Code of Ethics and Code of Conduct encompass all aspects of the Company'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 Company 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 which is in line with ISO37001:2016, Anti-Bribery Management System (ABMS) requirements will result in reprimand by management against any parties found guilty and also will cause 'findings' during internal or external audit.

In FY2019, there were no cases of misconduct reported.

Material Topic 5 - Employee Benefits

Offering benefits to the employees is important because it shows them that the Company is invested in not only their overall health but for their future. We believe that employees' benefits package is able to attract, motivate and retain our employees.

The employees participation and engagement activities are also important because it helps not only for the Company to grow but also very useful for the overall growth of the employees by creating a positive work environment. We also encourage our employees to participate and contribute to our Sports Club, an in-house association that ushers employee participation in various health, sports and service activities.

The workplace environment impacts employee morale, productivity and engagement both positively and negatively. Creating a positive work environment in which employees are productive is essential to increased profits for the organization.

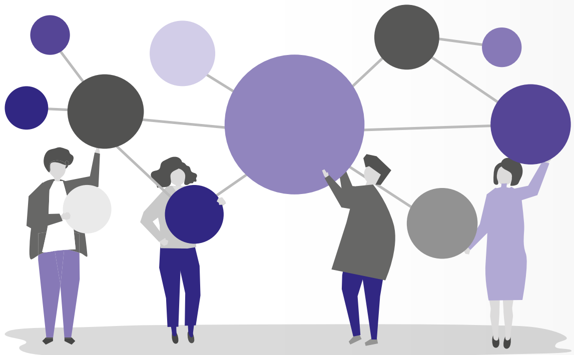
The Group also provides a range of benefits to its employees including Company insurance policies, outpatient medical treatment and some allowances.

Below are some of the snapshots of the Company's activities for the year 2019.



SMHB Staff Annual Dinner Gathering December 2019

SUSTAINABILITY STATEMENT



1. *HSSSRC Bowling Tournament January 2019*
2. *HSSSRC Badminton Tournament February 2019*
3. *HSSSRC Fun Day December 2019*
4. *Badminton Weekly Sessions*
5. *Hiking Weekly Sessions*
6. *HSSSRC Futsal Tournament April 2019*
7. *HSSSRC Annual Trip to Penang April 2019*
8. *HSSSRC Pool & Darts November 2019*
9. *Volleyball Weekly Sessions*
10. *Zumba Weekly Sessions*

CORPORATE SOCIAL RESPONSIBILITY

Health Week (July 2019)

In conjunction with our Corporate Social Responsibility (CSR) initiative, HEB collaborated with PPUKM and Pusat Darah Negara to organize Health Week along with a Blood Donation Campaign in July 2019.

Moreover, as part of the group's Corporate Social Responsibility (CSR) initiative, the group has donated chairs, tables and drawers for charitable purposes to "Persatuan Penganut Arulmigu Sri Muthumariamman Klang" and "Pertubuhan Kebajikan Kanak-Kanak Selangor" as a means to benefit society and demonstrate good corporate citizenship.

PERTUBUHAN KEBAJIKAN KANAK-KANAK SELANGOR

HSS ENGINEERING SDN BHD
Wisma HSS Intergrated
8(1-4) Block B Plaza Dwitasik ,No 21,Jalan 5/106
Bandar Sri Permaisuri,56000 Kuala Lumpur

2nd July 2019

Attention: DATO B.NITCHIANANTHAN

Good day .We are From this Pertubuhan kebajikan kanak-kanak Selangor at No: 181, Persiaran sungai keramat, 41200 klang Selangor would like to express our highest sincere thanks to wisma HSS Engineering Sdn. Bhd to give us this tables ,chairs,drawers, and cabinets.

We are very happy and pleased to receive these items for usage of our orphanage children and adults to use. We were very deeply looking forward to get thes furnitures . Items given by the management of the company above.

We also like to thank the admin staffs Mr.Jaggit,Mr.Stanley, Mr.Shan and Mr.Sathia to coordinate with us to take these office furnitures.

Thank You Very Much
your sincerely,

MS.MAHAVARLISHINEE
Personal secretary

PERSATUAN PENGANUT ARULMIGU
SRI MUTHUMARIAMMAN KLANG
A13, A14, A15, A16, LOT 236, BATU 3½,
JALAN KAMPUNG JAWA, 41000 KLANG
(REG.NO.PPM-018-10-22112012)

Thank you very much.

Yours Sincerely

SUSTAINABILITY STATEMENT

Material Topic 6 – Safe Working Environment

Health and safety constitutes a significant risk within our industry. The Group has formalized an Emergency Preparedness and Responses 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 (OSH Risk) Register, EAI Register, Workplace Inspections/ Safety walkabouts and other applicable means. The Legal and Other Requirements (LOR) related to Occupational Health and Safety (OSH) are registered in the company's LOR and each projects.

As part of the Group's Emergency Preparedness and Responses plan, we have dedicated MSC Department and Administration 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 as well as the hands-on training.

A coordinated and efficient response during emergency situations is vital to create a safe working environment. In this regard, the Group conducts an annual evacuation drills for its offices. The evacuation drills are analysed by the Administration Department and MSC Department for continuous improvement opportunities.

The Group is also implementing a regular Safety and Health Committee Meeting as required by OSHA Act 1994 for the purpose of safe and healthy work environment. The committee members are appointed by the management and their roles and responsibilities are in the prescribed standard SOP.

In addition, the Group conducts routine maintenance and inspection of emergency equipment such as fire alarms, fire extinguishers, etc. at its offices.

Trainings which were conducted in 2019 consist of Basic Occupational First Aid, CPR and AED, Essential Fire Fighting, Fire & Emergency and Fire Prevention Seminar.

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

1.66%
Absentee Rate

5
OHS Trainings Conducted in 2019

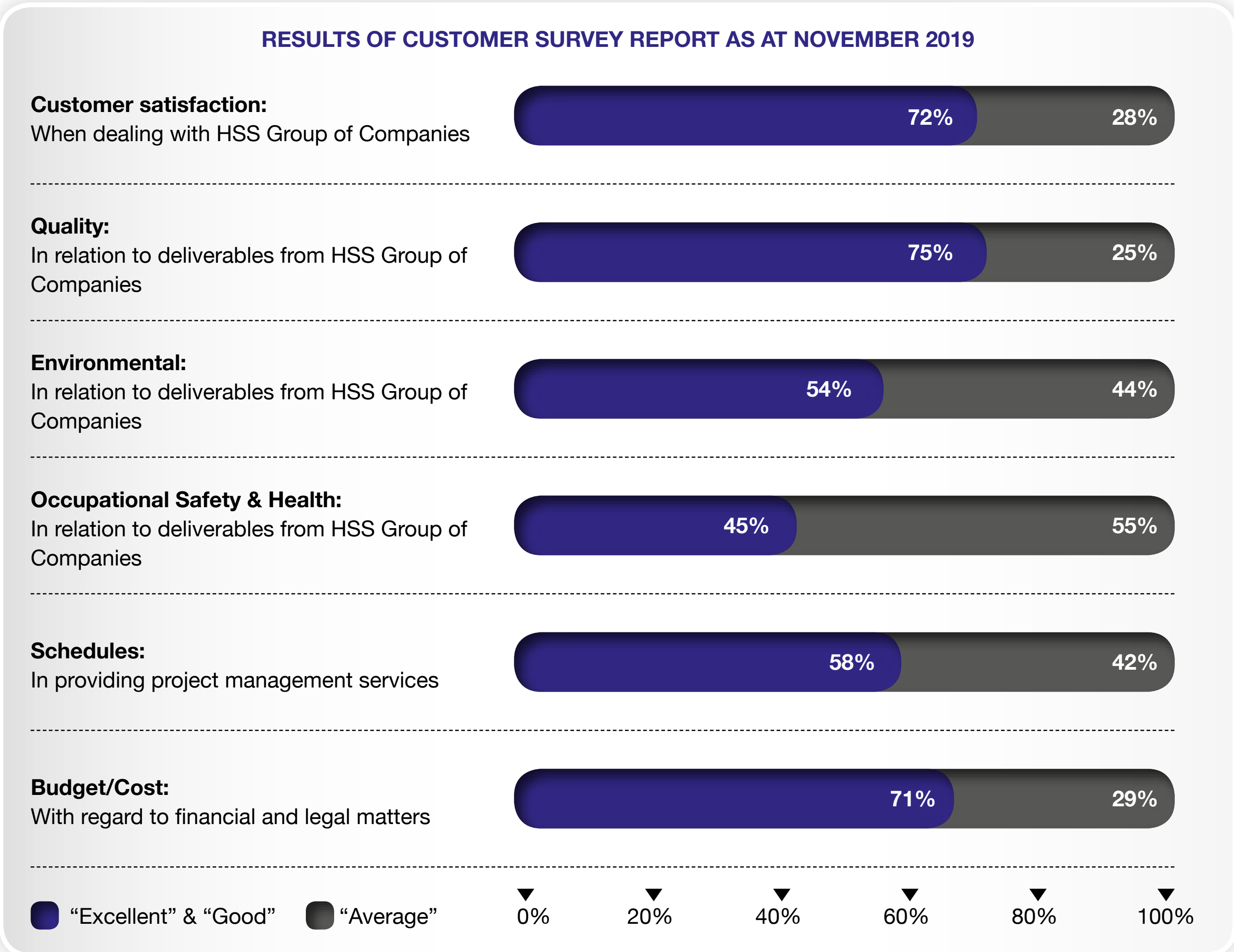
0
Total Accidents

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 to their project. The complaint channel also serves as an instrument to ensure quality in its service deliverables. All highlighted concerns will be analysed internally by MSC Department for a systematic identification of root causes to devise potential solutions. All concerns are documented in the Client Satisfaction Survey Report at yearly basis. The Client Satisfaction Survey Report will be tabled during Management Review Meeting at least at a yearly basis or more frequent depending on the current need/ requirements. Issues of concerns will be discussed during the meeting as well as the solution and continual improvement.

The Group management has set up company policy and objective to ensure client satisfaction. 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.

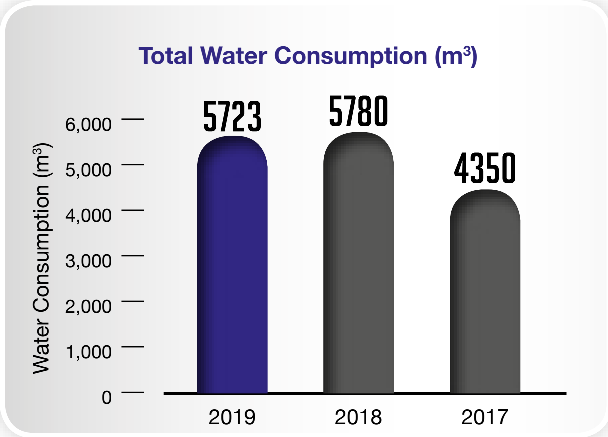
Currently the internal benchmark for client satisfaction which is rated from the 'Client Satisfaction Survey Form' is above '3 marks' out of '5 marks' in each category. The client satisfaction is also rated and analysed from the IMS (Integrated Management System) Objectives which is not more than 5 complaints per project and response time not more than 3 working days. The benchmarks are set as a guideline to allow us to do a comparative analysis of client satisfaction across all projects.



SUSTAINABILITY STATEMENT

Material Topic 8 – Water Management

No.	Year	Water Consumption (m^3)	Percentage	Remarks
1	**2019**	**5723**	**(1.0%)**	
2	2018	5780	32.9%	This includes consumption by newly acquired subsidiary SMHB
3	2017	4350		



The group's commitment in water conservation strategies has achieved savings of 1.0% compared to 2018 water usage. The Group will continue to monitor and move towards the most effective way to reduce water consumption by increasing awareness among employees so as to be mindful of their daily water usage. Moving forward, the Group will consistently develop & execute new water saving strategies to further reduce water usage.

Material Topic 9 - Diverse And Inclusive

Diversity and inclusion are integral to the success of HEB Group. We are proud to have an organisational culture where employees with varying perspectives, skills, life experiences and backgrounds, the best and brightest minds can work together to achieve excellence and realise individual and organisational potential.

One of our greatest strength is the diversity of our workforce with men and women of many nationalities and backgrounds working together and sharing common objectives.

Individuals from diverse backgrounds can offer a selection of different talent, skills and experiences that may be of benefit to the organization and their work performance.

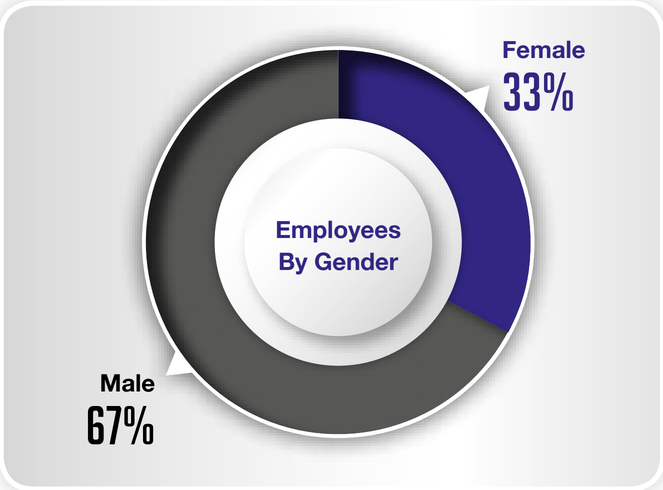
A variety of skills and experiences among the team also means that employees can learn from each other. A company which embraces diversity will attract a wider range of candidates to their vacancies as it will be viewed as a more progressive organization and will appeal to individuals from all walks of life.

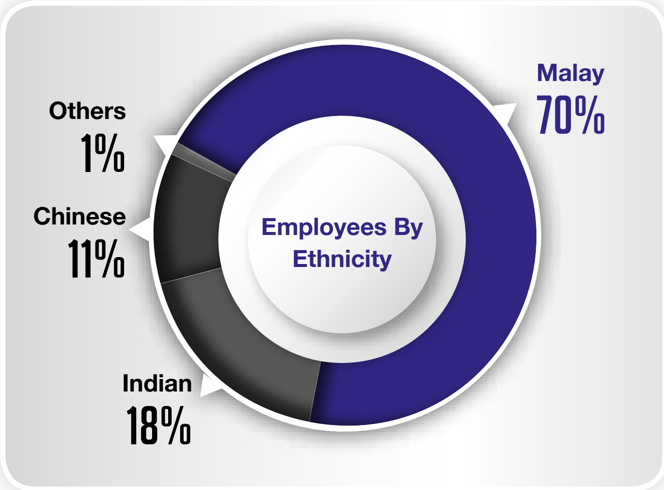
Employees are more likely to feel comfortable and happy in an environment where inclusivity is a priority. Equality in the workplace is important for encouraging workers from all backgrounds to feel confident in their ability and achieve their best. The higher the morale, the more productive employees are.

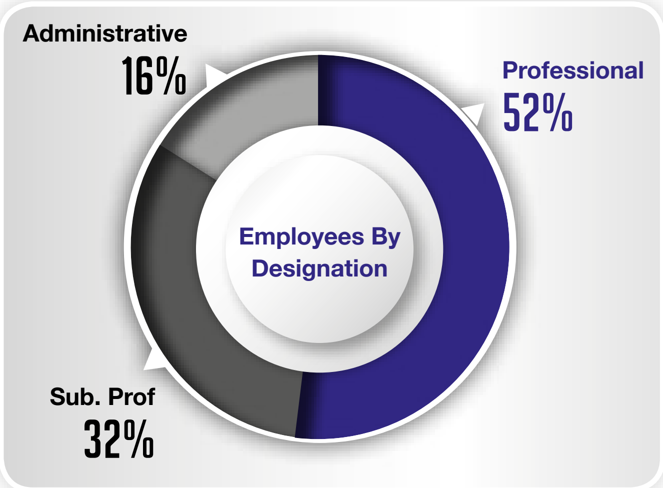
HEB is a committed Equal Opportunity Employer. The Group strives to be an Equal Opportunity Employer creating ideal conditions for an enhanced work family life balance and stimulating gender diversity in the workplace is important for economic growth and sustainability. The Group also embedded equal opportunity principles within its formalised Hiring Policy and there is Diversity Policy in place.

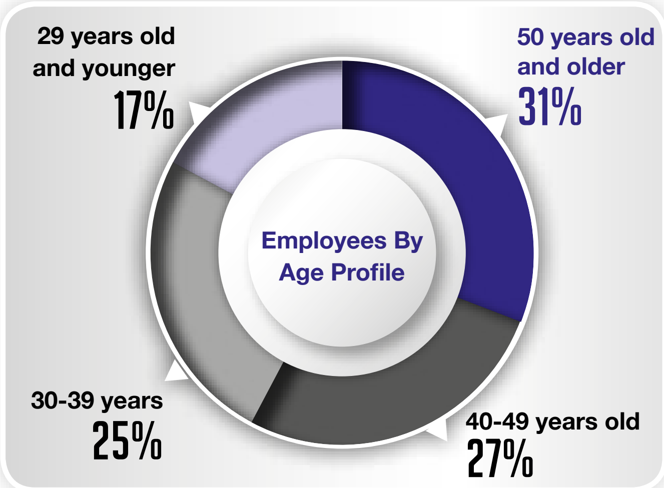
The charts below highlight the diversity measures monitored by the Company.

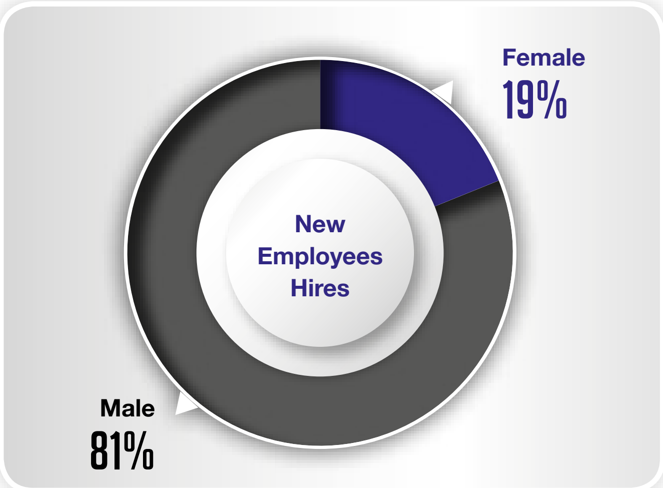
THE GROUP











CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "**Board**") of HSS Engineers Berhad ("**HEB**" or the "**Company**") is committed to exercise good corporate governance by supporting and applying the Principles and Practices set out in the Malaysian Code on Corporate Governance 2017 (the "**Code**"). The Board recognises that maintaining good governance ethics is critical to business integrity and performance, and key to delivering shareholders' value. In addition, the Board evaluates and where appropriate, implements relevant proposals to ensure that the Company and its subsidiaries (the "**Group**") continue to adhere to good corporate governance with the aim of ensuring Board's effectiveness in enhancing shareholders' value.

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 2019 which can be downloaded from HEB's website at www.hssgroup.com.my or from Bursa Securities' website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

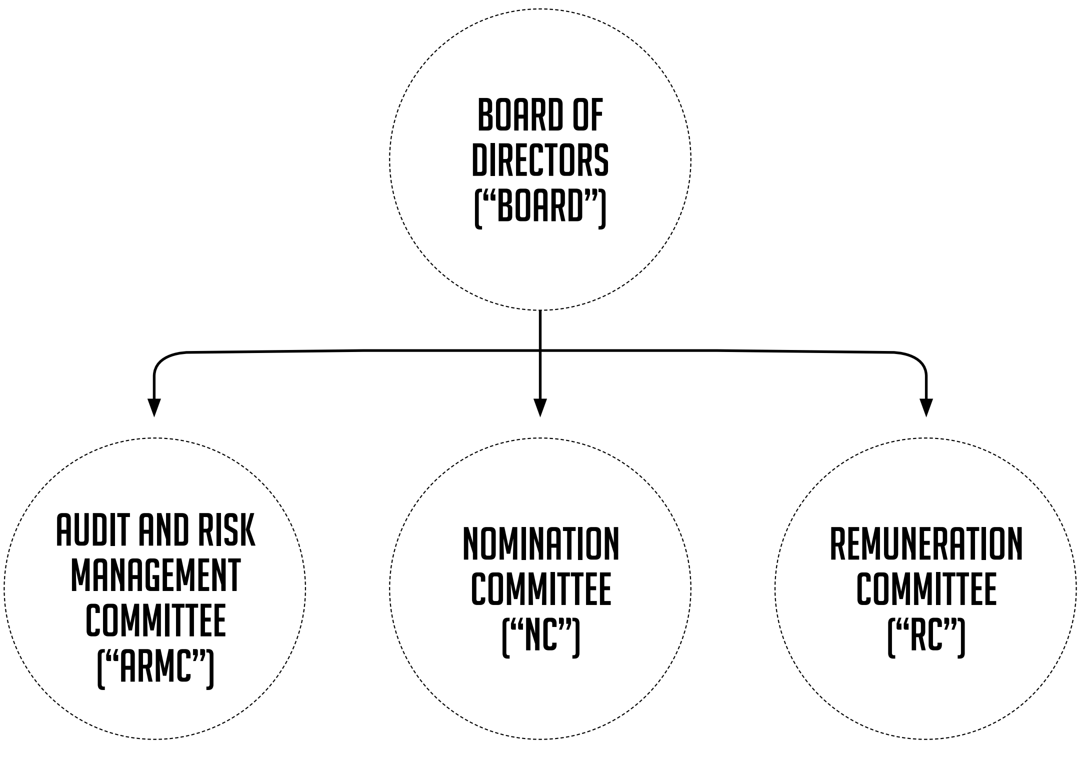
I. BOARD RESPONSIBILITIES

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 procedures. 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 in item 6 of this Corporate Governance Overview Statement:-



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;
(g) key human resource issues; and
(h) succession planning.

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. He is assisted by GCEO, Dato' Ir. Nitchiananthan A/L Balasubramaniam, also an Executive Director who 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 are 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 MMLR, circulars from Bursa Securities and other legal and regulatory developments.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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's 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 ARMC's Chairman is responsible for providing support to the Chairman of the Board and provides an independent point of contact for shareholders.

(b) Code of Conduct and Code of Ethics

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

All Directors and employees of the Group are expected 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, corruption and other practices at the earliest opportunity and in an appropriate way. The policy outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing. 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 six (6) Board Meetings during the financial year ended 31 December 2019 ("**FYE 2019**") and the attendance record is as follows:

DIRECTORS	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Mohd Zakhir Siddiqy Bin Sidek *(Independent Non-Executive Chairman)*	6/6
Tan Sri Ir. Kunasingam A/L V.Sittampalam *(Executive Vice Chairman)*	6/6
Dato' Ir. Nitchiananthan A/L Balasubramaniam *(Executive Director / GCEO)*	6/6
Ir. Sharifah Azlina Binti Raja Kamal Pasmah *(Executive Director / Group Chief Operating Officer)*	6/6
Datuk Ir. Teo Chok Boo *(Executive Director)*	6/6
Mohan A/L Ramalingam *(Senior Independent Non-Executive Director)*	6/6
Ir. Prem Kumar A/L M Vasudevan *(Executive Director)*	6/6
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *(Independent Non-Executive Director)*	6/6

There is a procedure in place for timely dissemination of Board and Board Committee papers as well as minutes of meeting 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 58 to 60 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
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *Independent Non-Executive Director* *(Re-designated as Chairman on 31 May 2019)*	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Director*	Member
Mohan A/L Ramalingam *Senior Independent Non-Executive Director*	Member

The NC held one (1) meeting during the year under review and all the NC members had attended the meeting.

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 Fourth 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 recommended the appointment of Ir. Syed Mohamed Adnan Bin Mansor Alhabshi as Alternate Director to Datuk Ir. Teo Chok Boo;
(g) Reviewed and recommended to the Board the re-designation of ARMC, NC and RC;
(h) Reviewed the independence of Independent Directors; and
(i) 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
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *Independent Non-Executive Director* *(Re-designated as Chairman on 31 May 2019)*	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Director*	Member
Mohan A/L Ramalingam *Senior Independent Non-Executive Director*	Member

The RC held one (1) meeting during the year under review and all the RC members had attended the meeting.

II. BOARD COMPOSITION

1. Composition and Diversity

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 24 to 28 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 (12^{th}) 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 instead of merely looking at percentages. 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, 16.67% 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's Diversity Policy 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.

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).

In FYE 2019, Ir. Syed Mohamed Adnan bin Mansor Alhabshi was appointed as Alternate Director to Datuk Ir. Teo Chok Boo on 21 February 2019. The appointment was approved by the Board upon assessment by the NC.

Pursuant to the Company's Constitution, one-third (1/3) of the Board is subject to retirement by rotation at each AGM 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 AGM of the Company. Further, a retiring Director shall retain office until the close of the AGM at which he retires.

Upon the recommendation of the NC, the Board has confirmed that the following Directors who are retiring and standing for re-election at the Fifth AGM continue to perform effectively and demonstrate commitment:

DIRECTORS	DESIGNATION
Tan Sri Ir. Kunasingam A/L V.Sittampalam *(Clause 93)*	Executive Vice Chairman
Ir. Sharifah Azlina Bt Raja Kamal Pasmah *(Clause 93)*	Executive Director/ Group Chief Operating Officer
Mohan A/L Ramalingam *(Clause 93)*	Senior Independent Non-Executive Director

Information on each of the Director standing for re-election is set out in Pages 24, 26 and 27 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 25 February 2020 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 2019 to 31 December 2019.

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, including the newly appointed Ir. Syed Mohamed Adnan Bin Mansor Alhabshi, as the alternate to Datuk Ir. Teo Chok Boo, 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 2019:

- Talk & Presentation on Construction Sector: The Road Forward
- Woman Leaders in Construction
- Construction, Engineering & Architectural Technology 4.0
- RAM - SIDC Bond Conference: Fresh Perspectives - Engineering The Future of Malaysian Bond & Sukuk Market by RAM Holdings Bhd and Securities Industry Development Corporation
- Women Leading in Technology & Innovation
- 26th Intelligent Transport System World Congress
- Industry 4.0
- Competency Based PI - Interviewers, Reviewers & Assessors
- RHB Investor Conference: Industry Reform in Malaysia
- Asean Conference - Malaysia Macro & Policy Day
- Mandatory Accreditation Programme for Directors of Public Listed Company
- 10th Annual ASEAN Conference by Credit Suisse
- Corporate Governance & Anti-Corruption
- Empowering Public - Private Collaboration Building a Competitive Nation
- Directors Dialogue on Integrated Reporting
- MIA's Breakfast Talk with CFOs on Integrated Reporting
- Empowering Women Series: Bursa Malaysia Diversity Experience

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Updates of the 2018 & 2019 Malaysian Financial Reporting Standards - Preparing MFRS - Compliant Financial Statements
- Technical Briefing for Company Secretaries of Listed Issuers: Recent Developments in Listing Requirements & Chapter 10 Case Studies
- Budget 2020 - Tax
- Budget 2020: Key Updates and Changes for Corporate Accountants
- Malaysia - India CEO Forum with MITI & Invest India
- Workshop - The Opportunities in the North East Region of India
- MIBC & AIBC Mission to Northeast State of India - Investment Opportunities
- Environmental, Safety and Health Management System - Risks and Opportunity Workshop
- Environmental, Safety and Health Management System - Hazard Identification, Risk Assessment and Determining Control (HIRADC) Workshop
- Awareness Session on ISO 14001 and ISO 45001

In addition, the Directors receive regular briefings and updates on the Group's businesses, operations, risk management activities, MMLR and relevant law updates. The Board will continuously evaluate and determine the training needs of its members to assist them in discharge of their duties as Directors.

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. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken. 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 Directors abstained 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.

Detailed information on the Directors' remuneration for the FYE2019 on a named basis are disclosed under Note 28 of the Financial Statements section in this Annual Report.

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, however, 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 recognises 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 Chairman of the ARMC is not the Chairman of the Board ensuring that the impartiality and objectivity of the Board's review on the ARMC's findings and recommendations remain intact.

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.

The NC reviews the composition of ARMC annually and recommends to the Board for approval ensuring that all ARMC members shall be independent, who are financially literate and understand matters under the purview of the 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 judgments 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 58 to 60 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, recognising 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 Pages 61 to 63 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 26 April 2019, which was 52 days prior to the meeting on 18 June 2019.

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 Fourth AGM and responded to the questions raised by the shareholders.

2. **Voting**

   In compliance with the MMLR, the Company has implemented poll voting for all resolutions set out in the Notice of AGM to be voted via electronic means as well as to expedite verification and counting of votes. The Company has appointed an independent scrutineer to validate the votes cast at the AGM.

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

   At the Fourth AGM in 2019, 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.

3. **Communication and Engagement of Shareholders and Prospective Investors**

   The Board recognises the need to inform the shareholders of all significant developments concerning the Group on a timely basis and strict adherence to the MMLR. Shareholders and prospective investors are kept informed of the developments in the Group by way of announcements via the Bursa Link, the Company's Annual Reports, website and Circulars to shareholders.

This statement together with the Corporate Governance Report was approved by the Board on 30 April 2020.

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 2019, 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
Mohan A/L Ramalingam *Senior Independent Non-Executive Director* *Re-designated as the Chairman of ARMC on 31 May 2019*	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Director*	Member
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *Independent Non-Executive Director*	Member

Dato' Mohd Zakhir Siddiqy Bin Sidek is a member of the Malaysian Institute of Accountants, which is in compliance with Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad.

The ARMC has in its Terms of Reference ("**TOR**") stated 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 2019, the ARMC had five (5) meetings and the attendance record is as follows:

ARMC MEMBERS	TOTAL NUMBER OF MEETINGS ATTENDED
Mohan A/L Ramalingam	5/5
Dato' Mohd Zakhir Siddiqy Bin Sidek	5/5
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	5/5

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 2019 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 ("**Board**") for approval.
- Reviewed the audited financial statement for the financial year ended 31 December 2018 before recommendation to the Board of Directors for approval.
- Reviewed and discussed the Goodwill Impairment Test Review Outcome.

(b) Internal Audit

- Reviewed and approved the internal audit plan for the financial year ended 31 December 2019.
- Reviewed and discussed the internal audit report 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.
- Monitored 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 twice a year 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 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 entered into by the Group and conflict of interest, if any, on quarterly basis.

(f) Others

- Reviewed the TOR of ARMC.
- Reviewed the audit and non-audit fees of the Group.
- Reviewed the Statement on Risk Management and Internal Control, ARMC Report and Corporate Governance Overview Statement prior to recommendation for Board's approval for inclusion into the Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

4. Internal Audit Function

The Company outsourced its internal audit function to a professional service firm, namely KPMG Management & Risk Consulting Sdn Bhd. 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 Management and the ARMC members.

The following were 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 2019 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) Conducted follow-up audit to ensure the corrective plans were implemented by the Group.

The total cost of internal audit services rendered by the Internal Auditors for the financial year ended 31 December 2019 was RM103,403.75

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements ("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 to assist the ARMC to facilitate and update the risk profile for identified principal business risks applying across the majority of the departments of the 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Audit and Risk Management Committee and Internal Audit

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

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

Integrity Framework

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 30 April 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company was listed on the ACE Market of Bursa Securities on 10 August 2016 in conjunction with its Initial Public Offering ("IPO") and subsequently was transferred to Main Market of Bursa Securities on 8 September 2017. In conjunction with the IPO, the Company undertook a public issue of 63,816,200 new ordinary shares of RM0.10 each at an issue price of RM0.50 per share, raising gross proceeds of RM31,908,100 ("IPO proceeds"). On 17 April 2019, 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)	1st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1	(a) Expansion into India	15,000	-	15,000	5,000	-	n/a
	(b) Expansion into India & ASEAN	-	-	-	-	6,000	Up to 4th Quarter 2020
	(c) Venture into the water sector in Malaysia	6,000	-	6,000	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	-	-	6,000	Up to 4th Quarter 2020
	(e) Venture into the power sector in Malaysia	3,000	-	3,000	3,000	-	n/a
	(f) Building Information Modeling	-	-	-	8,000	-	n/a
	(g) Facility Management	-	-	-	8,000	-	n/a
	(h) To venture into recurring income and long term based contracts with focus within the power sector	-	-	-	-	12,000	Up to 4th Quarter 2020
	Subtotal	**24,000**	**-**	**24,000**	**24,000**	**24,000**	
2	Repayment of bank borrowings	4,000	4,000	-	-	-	n/a
3	General working capital	708	708	-	-	-	n/a
4	Estimated listing expenses	3,200	3,200	-	-	-	n/a
	Total	**31,908**	**7,908**	**24,000**	**24,000**		

NOTES:

(i) As per HEB's prospectus dated 29 June 2016
(ii) As at 31 December 2019

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL (CONT'D)

RATIONALE

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

(a) HEB had completed the acquisition of SMHB Engineering Sdn Bhd (which was part of the Company's plan to make further inroads into the water sector in Malaysia) on 28 March 2018. However, HEB did not utilise any of the Balance IPO Proceeds for the said acquisition as the Company had decided to finance the cost of acquisition of SMHB Engineering via other mode of financing via issuance of new ordinary shares, bank borrowings, private placement and rights with bonus issue and warrants. HEB intends to re-allocate the RM 6 million of the Balance IPO Proceeds to partially repay the RM85 million bank borrowings utilised for the acquisition of SMHB Engineering Sdn Bhd, which will result in potential interest savings;

(b) HEB intends to expand HEB's business operations to India and other ASEAN countries (target Indonesia and Philippines), HEB takes note of the business opportunities in India, Indonesia and Philippines, as it is expected that the construction industry in these countries will witness growth in the near future with significant public investments in large-scale transportation infrastructure projects, private sector development and overall economic development. The proposed business expansion into other ASEAN countries will assist in HEB's efforts to reduce dependency on Malaysia;

(c) As part of the HEB's business plan to achieve sustainable growth in the long-term, the Company intends to focus on establishing recurring income through long-term based contracts within the power sector, specifically with plans to venture into renewable energy sources such as solar energy, biogas and bio mass;

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 2019, 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.	64,000	64,000
- Corporation affiliated to Messrs Azman, Wong, Salleh & Co.	4,000	15,600
Total	**103,000**	**279,600**

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

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

The material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 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 2019 by the Group.

FINANCIAL STATEMENTS

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 2019.

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 8(a) to the financial statements.

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

2. FINANCIAL RESULTS

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

	Group RM	Company RM
Profit before taxation	3,244,247	6,059,092
Taxation	(2,061,053)	(107,523)
Profit for the year	1,183,194	5,951,569

3. DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the financial year ended 31 December 2019.

4. SHARE CAPITAL

There were no changes in the issued and paid-up share capital of the Company during the financial year.

Warrants 2018/2023

On 16 March 2018, the Company had issued 47,862,151 Warrants 2018/2023 pursuant to a rights issue together with bonus issue of new ordinary shares and the free detachable Warrants 2018/2023. The Warrants 2018/2023 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 their 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 :-

	No. of Warrants		
	Balance as at 1.1.2019	Exercised	Balance as at 31.12.2019
Warrants 2018/2023	47,862,136	-	47,862,136

DIRECTORS' REPORT

5. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 December 2019.

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
Ir. Prem Kumar A/L M Vasudevan
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh
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 :-

	No. of Ordinary Shares			
Director	**Balance as at 1.1.2019**	**Acquired**	**Disposed**	**Balance as at 31.12.2019**
Dato' Mohd Zakhir Siddiqy Bin Sidek	582,950	-	-	582,950
Tan Sri Ir. Kunasingam A/L V.Sittampalam				
- Indirect interest *	115,308,632	6,900,000	-	122,208,632
Dato' Ir. Nitchiananthan A/L Balasubramaniam	9,102,500	-	(500,000)	8,602,500
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,450,000	-	(100,000)	4,350,000
Mohan A/L Ramalingam	1,163,800	-	-	1,163,800
Ng Kuan Yee	440,495	-	-	440,495
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)				
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	7,401,447	-	-	7,401,447
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	9,473,684	-	-	9,473,684
(Alternate Director to Datuk Ir. Teo Chok Boo)				

6. DIRECTORS OF THE COMPANY (CONT'D)

	No. of Warrants 2018/2023		
Director	Balance as at 1.1.2019	Exercised	Balance as at 31.12.2019
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
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)			
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 28 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 2019 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 2019.

(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 2019 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 2019 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 2019 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. retire at the forthcoming Annual General Meeting and will not be seeking re-appointment to 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,
30 April 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	**4,717,446**	6,048,752	**-**	-
Right-of-use assets	5	**3,350,038**	-	**-**	-
Intangible assets other than goodwill	6	**8,997,099**	13,148,901	**-**	-
Goodwill	7	**162,676,704**	162,676,704	**-**	-
Investment in subsidiaries	8	**-**	-	**210,825,671**	210,825,671
Investment in associates	9	**1,927,191**	1,544,379	**-**	-
Deferred tax assets	10	**121,940**	53,949	**-**	-
		181,790,418	183,472,685	**210,825,671**	210,825,671
CURRENT ASSETS					
Trade receivables	11	**41,138,035**	71,937,199	**-**	-
Contract assets	12	**66,548,139**	59,426,257	**-**	-
Other receivables, deposits and prepayments	13	**2,979,622**	3,536,636	**73,718**	169,102
Amount due from subsidiaries	14	**-**	-	**88,422**	5,430,134
Amount due from an associate	15	**-**	167,369	**-**	-
Tax recoverable		**3,427,489**	346,840	**11,692**	109,634
Short term deposits with licensed banks	16	**46,193,082**	57,547,356	**32,677,170**	32,941,262
Cash and bank balances		**3,782,237**	336,170	**1,127,274**	78,692
		164,068,604	193,297,827	**33,978,276**	38,728,824
TOTAL ASSETS		**345,859,022**	376,770,512	**244,803,947**	249,554,495

The notes on pages 78 to 141 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	17	**254,291,378**	254,291,378	**254,291,378**	254,291,378
Warrants reserve	18	**29,195,903**	29,195,903	**29,195,903**	29,195,903
Foreign currency translation reserve	19	**238,276**	252,322	**-**	-
Accumulated losses		**(69,644,556)**	(70,820,231)	**(114,664,749)**	(120,616,318)
		214,081,001	212,919,372	**168,822,532**	162,870,963
NON-CURRENT LIABILITIES					
Other payables, accruals and provisions	24	**8,367,779**	7,894,131	**8,367,779**	7,894,131
Retirement benefit obligations	20	**61,248**	56,675	**-**	-
Deferred tax liabilities	10	**2,057,000**	3,312,000	**-**	-
Lease liabilities	5	**457,333**	-	**-**	-
Term loans	21	**53,693,947**	67,071,757	**53,693,947**	67,040,662
Hire purchase payables	22	**60,423**	616,860	**-**	-
		64,697,730	78,951,423	**62,061,726**	74,934,793
CURRENT LIABILITIES					
Trade payables	23	**19,993,575**	26,707,251	**-**	-
Contract liabilities	12	**7,734,291**	10,386,216	**-**	-
Other payables, accruals and provisions	24	**7,359,664**	6,946,951	**382,852**	501,950
Amount due to subsidiaries	14	**-**	-	**167,995**	67,200
Amount due to an associate	15	**2,828**	11,958,945	**-**	-
Lease liabilities	5	**2,992,368**	-	**-**	-
Term loans	21	**13,398,976**	11,220,800	**13,368,842**	11,179,589
Hire purchase payables	22	**556,437**	727,841	**-**	-
Taxation		**4,417**	2,534,116	**-**	-
Bank overdrafts (secured)	25	**15,037,735**	14,417,597	**-**	-
		67,080,291	84,899,717	**13,919,689**	11,748,739
TOTAL LIABILITIES		**131,778,021**	163,851,140	**75,981,415**	86,683,532
TOTAL EQUITY AND LIABILITIES		**345,859,022**	376,770,512	**244,803,947**	249,554,495

The notes on pages 78 to 141 form part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Operating revenue	26	**148,455,167**	189,708,889	**16,631,200**	5,396,400
Direct costs		**(109,214,442)**	(124,991,347)	**-**	-
Gross profit		**39,240,725**	64,717,542	**16,631,200**	5,396,400
Other operating income		**1,751,654**	1,791,129	**1,050,948**	1,183,246
Administrative expenses		**(20,338,854)**	(26,772,732)	**(5,542,076)**	(9,787,553)
Other operating expenses		**(10,574,156)**	(128,314,355)	**(364,068)**	(111,210,711)
Profit/(Loss) for the year from operations	27	**10,079,369**	(88,578,416)	**11,776,004**	(114,418,618)
Finance costs	29	**(7,217,934)**	(6,227,523)	**(5,716,912)**	(4,704,782)
Share of result of associates	9(b)	**382,812**	281,211	**-**	-
Profit/(Loss) before taxation		**3,244,247**	(94,524,728)	**6,059,092**	(119,123,400)
Taxation	30	**(2,061,053)**	(8,311,767)	**(107,523)**	(44,975)
Profit/(Loss) for the year		**1,183,194**	(102,836,495)	**5,951,569**	(119,168,375)
Other comprehensive loss :-					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation loss		**(14,046)**	(30,678)	**-**	-
Item that will not be reclassified subsequently to profit or loss					
Actuarial loss on defined benefit obligations		**(10,161)**	(39,623)	**-**	-
Deferred tax effect on actuarial loss on defined benefit obligations		**2,642**	10,302	**-**	-
Total other comprehensive loss for the year, net of tax		**(21,565)**	(59,999)	**-**	-
Total comprehensive income/(loss) for the year		**1,161,629**	(102,896,494)	**5,951,569**	(119,168,375)
Earnings/(Loss) per share (sen)					
Basic	31	**0.24**	(22.12)		
Diluted	31	**0.24**	(22.12)		

The notes on pages 78 to 141 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Non-Distributable		Distributable	
Group	Share Capital (Note 17) RM	Warrants Reserve (Note 18) RM	Foreign Currency Translation Reserve (Note 19) RM	(Accumulated Losses)/ Retained Profits RM	Total RM
As at 1 January 2019	**254,291,378**	**29,195,903**	**252,322**	**(70,820,231)**	**212,919,372**
Other comprehensive loss:					
- Actuarial loss on defined benefit obligations, net of tax	**-**	**-**	**-**	**(7,519)**	**(7,519)**
- Foreign currency translation loss	**-**	**-**	**(14,046)**	**-**	**(14,046)**
Total other comprehensive loss	**-**	**-**	**(14,046)**	**(7,519)**	**(21,565)**
Profit for the year	**-**	**-**	**-**	**1,183,194**	**1,183,194**
Total comprehensive income for the year	**-**	**-**	**(14,046)**	**1,175,675**	**1,161,629**
As at 31 December 2019	**254,291,378**	**29,195,903**	**238,276**	**(69,644,556)**	**214,081,001**
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 78 to 141 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Company	Share Capital (Note 17) RM	Non-Distributable: Warrants Reserve (Note 18) RM	Distributable: (Accumulated Losses)/ Retained Profits RM	Total RM
As at 1 January 2018	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
Profit for the year representing total comprehensive income for the year	-	-	5,951,569	5,951,569
As at 31 December 2019	**254,291,378**	**29,195,903**	**(114,664,749)**	**168,822,532**

The notes on pages 78 to 141 form part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**3,244,247**	(94,524,728)	**6,059,092**	(119,123,400)
Adjustments for :-				
Net (reversal)/allowance for impairment losses on trade receivables	**(410,632)**	1,287,745	**-**	-
Depreciation of property, plant and equipment	**1,482,111**	1,446,767	**-**	-
Amortisation of intangible assets	**4,203,836**	4,386,088	**-**	-
Depreciation of right-of-use assets	**3,174,648**	-	**-**	-
Allowance for impairment loss on investment in a subsidiary	**-**	-	**-**	110,731,058
Impairment loss on goodwill	**-**	119,414,808	**-**	-
Interest on hire purchase	**74,898**	141,140	**-**	-
Interest on bank overdrafts	**1,058,166**	1,366,936	**-**	-
Interest on Deferred Cash Consideration (Note 29)	**473,648**	337,557	**473,648**	337,557
Interest on term loans	**5,101,134**	4,381,890	**5,093,101**	4,367,225
Interest on lease liabilities	**298,604**	-	**-**	-
Interest on amount due to subsidiaries	**-**	-	**150,163**	-
Interest on amount due to an associate	**43,584**	-	**-**	-
Interest income on short term deposits	**(1,383,143)**	(1,753,750)	**(1,005,192)**	(1,183,128)
Interest income on amount due from subsidiaries	**-**	-	**(44,801)**	-
Other interest income	**(12,423)**	(3,433)	**(14)**	(118)
Dividend income from a subsidiary	**-**	-	**(13,000,000)**	-
Gain on derecognition of a lease	**(1,953)**	-	**-**	-
Business combination and corporate exercise expenses [Note 27(a)]	**-**	2,516,815	**-**	2,516,815
Loss/(Gain) on disposal of property, plant and equipment	**2**	(3,119)	**-**	-
Trade and other receivables written-off	**49,725**	221,381	**-**	-
Property, plant and equipment written off	**131,631**	-	**-**	-
Defined benefit cost	**11,684**	19,634	**-**	-
Provision for compensated absences	**107,562**	86,339	**2,421**	50,508
Reversal of provision for compensated absences	**(75,468)**	(412,320)	**(9,133)**	-
Unrealised loss on foreign exchange	**30,382**	-	**-**	-
Share of results of associates	**(382,812)**	(281,211)	**-**	-
Operating profit/(loss) before working capital changes	**17,219,431**	38,628,539	**(2,280,715)**	(2,303,483)
Changes in working capital :-				
Decrease in trade receivables	**31,112,085**	14,761,879	**-**	-
Decrease in other receivables, deposits and prepayments	**550,386**	1,979,684	**95,384**	1,419,295
Increase in contract assets	**(7,141,216)**	(59,426,257)	**-**	-
(Decrease)/Increase in contract liabilities	**(2,625,838)**	10,386,216	**-**	-
Decrease in amount due from subsidiaries	**-**	-	**5,341,712**	2,653,841
(Decrease)/Increase in amount due to an associate (net)	**(11,788,748)**	11,782,376	**-**	-
Increase in amount due to a subsidiary	**-**	-	**100,795**	67,200
(Decrease)/Increase in trade payables	**(6,713,676)**	1,847,559	**-**	-
Increase/(Decrease) in other payables, accruals and provisions	**386,301**	(2,616,617)	**(112,386)**	(824,286)
Cash generated from operations	**20,998,725**	17,343,379	**3,144,790**	1,012,567
Defined benefits paid	**(15,474)**	(53,034)	**-**	-
Interest (net) paid to subsidiaries	**-**	-	**(105,362)**	-
Interest paid to an associate	**(43,584)**	-	**-**	-
Taxation refunded	**134,506**	-	**134,506**	-
Taxation paid	**(9,127,660)**	(7,922,980)	**(144,087)**	(185,545)
Net cash generated from operating activities	**11,946,513**	9,367,365	**3,029,847**	827,022

The notes on pages 78 to 141 form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(284,053)**	(811,381)	**-**	-
Purchase of intangible assets	**(52,234)**	(139,897)	**-**	-
Proceeds from disposal of property, plant and equipment	**82**	5,135	**-**	-
Net cash outflow from acquisition of a subsidiary [Note 8(b)]	**-**	(152,990,800)	**-**	(153,000,000)
Dividend paid	**-**	(2,520,740)	**-**	(2,520,740)
Dividend received from a subsidiary	**-**	-	**13,000,000**	-
Business combination and corporate exercise expenses paid	**-**	(2,516,815)	**-**	(2,516,815)
Interest received on short term deposits	**1,383,143**	1,753,750	**1,005,192**	1,183,128
Other interest income received	**12,423**	3,433	**14**	118
Net generated from/(used in) investing activities	**1,059,361**	(157,217,315)	**14,005,206**	(156,854,309)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from new shares issued pursuant to :-				
- Placement (Note 17)	**-**	52,298,460	**-**	52,298,460
- Rights with Bonus Issue and Warrants (Note 17)	**-**	41,480,531	**-**	41,480,531
- Exercise of warrants (Note 17)	**-**	25	**-**	25
Payment of share issue expenses	**-**	(2,637,702)	**-**	(2,637,702)
Payment of hire purchase financing	**(727,841)**	(1,056,476)	**-**	-
Drawdown of term loan	**-**	83,112,543	**-**	83,112,543
Repayment of term loans	**(11,198,390)**	(4,927,681)	**(11,157,462)**	(4,892,292)
Payment of lease liabilities	**(3,072,862)**	-	**-**	-
(Placement)/Upliftment of fixed deposits pledged (net)	**(3,756,251)**	6,727,337	**(802,231)**	(6,819,925)
Interest paid on hire purchase	**(74,898)**	(141,140)	**-**	-
Interest paid on term loans	**(5,101,134)**	(4,381,890)	**(5,093,101)**	(4,367,225)
Interest paid on lease liabilities	**(298,604)**	-	**-**	-
Interest paid on bank overdrafts	**(1,058,166)**	(1,366,936)	**-**	-
Net cash (used in)/generated from financing activities	**(25,288,146)**	169,107,071	**(17,052,794)**	158,174,415
Net (decrease)/increase in cash and cash equivalents during the year	**(12,282,272)**	21,257,121	**(17,741)**	2,147,128
Effect of exchange rate changes on cash and cash equivalents	**(2,324)**	(28,767)	**-**	-
Cash and cash equivalents at beginning of year	**34,384,514**	13,156,160	**26,200,029**	24,052,901
Cash and cash equivalents at end of year [Note 36 (b)]	**22,099,918**	34,384,514	**26,182,288**	26,200,029

The notes on pages 78 to 141 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

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 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan and its principal place of business is located at B1 (1-4) Block B, Plaza Dwitasik, 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 8(a) and 9(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 30 April 2020.

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

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

During the financial year, the Group has adopted the following new MFRS 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 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

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

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

The adoption of the abovementioned new MFRS and IC Interpretation and amendments to MFRSs have no significant effect on the financial statements of the Group and of the Company other than in respect of MFRS 16, *Leases*.

The new MFRS 16 superseded MFRS 117 *Leases* and its related IC Interpretations and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

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 required by MFRS 117. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from previous operating leases applying MFRS 117. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* (or accounted under other appropriate measurement models) and the lease liability is accreted over time with interest expense recognised in profit or loss. For lessors, MFRS 16 retains most of the requirements in MFRS 117, and lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The adoption of MFRS 16 has resulted in a change in accounting policies for leases disclosed in Note 2.21. The change in accounting policies have impact on the Group as a lessee due to existing tenancies for office premises and leases of office equipment classified as operating leases under MFRS 117. The Group has applied these new policies from 1 January 2019 using the modified retrospective approach under the transitional provisions of MFRS 16, whereby the cumulative effects of adopting the new standard, if any, have been recognised as an adjustment to the opening accumulated losses of the Group and of the Company on 1 January 2019 without restating the comparatives for prior period in these financial statements.

In applying MFRS 16 for the first time, the Group has used the practical expedient permitted by the standard not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 previously. In addition, the Group also used the practical expedients of applying a single discount rate to a portfolio of leases with reasonably similar characteristics and using hindsight in determining the lease terms of contracts which contain options to extend or terminate the lease. For operating leases with terms ending within 12 months of the date of initial application of the new standard, the Group used the practical expedient to account those leases as short-term leases and recognised the lease payments associated with those leases as an expense on a straight-line basis over their remaining lease terms.

Measurement of lease liabilities at 1 January 2019

On 1 January 2019, the Group recognised lease liabilities for tenancies of office premises and leases of certain office equipment existing on that date. The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates in respective countries of operations as at 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities is 6.26%.

	Group RM
Operating lease commitments applying MFRS 117 at 31 December 2018 (excluding short-term leases)	6,668,741
Present value of operating lease commitments discounted using the incremental borrowing rate at 1 January 2019	**6,274,636**
Lease liabilities recognised at 1 January 2019	**6,274,636**

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

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

Measurement of lease liabilities at 1 January 2019 (cont'd)

Correspondingly, the Group recognised the associated right-of-use assets at the amount equal to the lease liabilities as at 1 January 2019.

A summary of the impact of the initial application of MFRS 16 on the statement of financial position of the Group on 1 January 2019 is as follows :-

	Group RM
Non-current assets	
Right-of-use assets	6,274,636
Non-current liabilities	
Lease liabilities	3,227,987
Current liabilities	
Lease liabilities	3,046,649
Total lease liabilities	6,274,636

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

The Group has not early adopted the following 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 2020
Amendments to MFRS 3 - Definition of a Business
Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7 - Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current

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

The Group will adopt the above amendments to MFRSs that are applicable when they become effective. The initial application of the amendments is not expected to have any significant impact on the financial statements of the Group and of the Company.

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

2.4 Basis of Consolidation

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

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

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

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

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

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

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

2.5 Business Combinations

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

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

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

2.5 Business Combinations (cont'd)

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.

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.

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

2.7 Foreign Currencies (cont'd)

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.

2.8 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.

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

2.8 Associates (cont'd)

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.

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%

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

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

2.11 Intangible Assets Other Than Goodwill (cont'd)

(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.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial Assets (cont'd)

Classification

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 at 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.

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

2.15 Financial Assets (cont'd)

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount 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.

2.16 Impairment of Financial Assets

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 flow 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.

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

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.

2.19 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.

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

2.19 Financial Liabilities (cont'd)

Classification and measurement (cont'd)

(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.

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 Leases

Accounting policies applied from 1 January 2019

The Group as a lessee

The Group assesses whether a contract is, or contains a lease at the inception of the contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where applicable, the Group applies, by class of underlying asset, the practical expedient of not separating non-lease components from lease components and instead accounts for them as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the commencement date for all leases except for short-term leases with lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments in respect of short term leases and leases of low value assets as an expense on a straight-line basis over the term of the leases.

At the lease commencement date, the right-of-use asset is initially measured at cost which comprises the initial amount of the corresponding lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the site on which it is located or to restore the underlying asset to the condition required by the terms of the lease.

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

2.21 Leases (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

<u>The Group as a lessee (cont'd)</u>

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment loss. The right-of-use asset is depreciated on a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset shall be depreciated from the commencement date to the end of the useful life of the underlying asset. The right-of-use asset is also assessed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets and adjusted for any remeasurement of corresponding lease liability.

The lease term is determined as the non-cancellable period plus periods covered by an extension or termination option when the lease is reasonably certain to be extended or not to be terminated after considering all facts and circumstances that create an economic incentive for the Group to exercise an extension option or not to exercise a termination option.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, at the incremental borrowing rate of the Group entity.

Lease payments included in the measurement of the lease liability comprise :-

- fixed payments, including in-substance fixed payments, less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- exercise price of a purchase option if the lessee is reasonably certain to exercise; and
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that are linked to future performance or usage of the underlying asset are excluded from the measurement of the lease liability and these payments are recognised in profit or loss in the period in which the event or condition that triggers the payments occurs.

Lease liability is subsequently measured at amortised cost through increasing its carrying amount to reflect accretion of interest on the lease liability using the effective interest method and reducing the carrying amount by the lease payments made.

The carrying amount of the lease liability is remeasured to reflect changes to lease payments arising from a change in the lease term, a change in linked index or rate, a change in the estimated amount payable under a residual value guarantee, a change in the assessment of an option to purchase the underlying asset or a lease modification that is not accounted for as a separate lease. The amount of remeasurement is adjusted to the carrying amount of the associated right-of-use asset or recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2.21 Leases (cont'd)

Accounting policies applied until 31 December 2018

Classification

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.

Finance leases - the Group as lessee

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 leases - the Group as lessee

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.

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.

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

2.22 Employee Benefits (cont'd)

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.

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

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.

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

2.26 Revenue from Contracts with Customers (cont'd)

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 recognises 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.

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

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.

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.

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

2.32 Fair Value Measurements (cont'd)

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.

3.2 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

The Group made impairment loss allowance for trade receivables 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. For credit impaired debts, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Where expectations differ from the original estimates, such difference will impact the carrying value of the trade receivables. The carrying amount of the Group's trade receivables and their loss allowance for impairment are disclosed in Note 11.

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

3.2 Key sources of estimation uncertainty (cont'd)

(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 2019 is RM61,248 (2018 : RM56,675). 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 7.

(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 8.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and fittings RM	Motor Vehicles RM	Computer RM	Office Equipment RM	Renovation RM	Total RM
Cost						
At 1 January 2018	586,658	442,461	4,565,876	1,347,873	4,928,905	11,871,773
Arising from acquisition of a subsidiary [Note 8(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
Additions	3,784	9,932	169,941	35,371	65,025	284,053
Disposal	-	-	(198)	-	-	(198)
Written-off	(26,765)	-	(2,962)	-	(177,360)	(207,087)
Exchange differences	(3,166)	-	(9,103)	(1,788)	(38)	(14,095)
At 31 December 2019	**760,414**	**1,018,021**	**5,446,819**	**1,503,054**	**5,294,501**	**14,022,809**
Accumulated Depreciation						
At 1 January 2018	259,305	196,227	3,141,380	736,943	2,149,984	6,483,839
Arising from acquisition of a subsidiary [Note 8(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
Charge for the year	64,337	198,860	594,059	144,406	480,449	1,482,111
Eliminated on disposal	-	-	(114)	-	-	(114)
Eliminated on written-off	(11,665)	-	(1,391)	-	(62,400)	(75,456)
Exchange differences	(2,232)	-	(8,557)	(1,735)	(38)	(12,562)
At 31 December 2019	**363,816**	**568,475**	**4,280,209**	**1,041,568**	**3,051,295**	**9,305,363**
Net Book Value						
At 31 December 2018	473,185	638,474	1,592,929	570,574	2,773,590	6,048,752
At 31 December 2019	**396,598**	**449,546**	**1,166,610**	**461,486**	**2,243,206**	**4,717,446**
Net book value of assets held under hire purchase arrangements						
At 31 December 2018	-	174,435	265,599	147,373	-	587,407
At 31 December 2019	**-**	**118,637**	**94,489**	**90,416**	**-**	**303,542**

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-Of-Use Assets

Group	Office premises RM	Office equipment RM	Total RM
Cost			
At 1 January 2019			
- Adjustment on initial application of MFRS 16	5,954,771	319,865	6,274,636
Additions	-	318,260	318,260
Derecognition	(259,388)	-	(259,388)
Exchange differences	(5,599)	-	(5,599)
At 31 December 2019	**5,689,784**	**638,125**	**6,327,909**
Accumulated Depreciation			
At 1 January 2019	-	-	-
Charge for the year	2,998,105	176,543	3,174,648
Derecognition	(194,540)	-	(194,540)
Exchange differences	(2,237)	-	(2,237)
At 31 December 2019	**2,801,328**	**176,543**	**2,977,871**
Carrying Amount			
At 31 December 2019	**2,888,456**	**461,582**	**3,350,038**

The Group leases office premises and office equipment for the operations of the Group and the Company. The office premises have lease terms ranging from one year to three years. Office equipment are leased for terms ranging from one year to five years.

Obligations for the lease payments are recognised as lease liabilities as disclosed in Note 5(b).

(b) Lease Liabilities

	Group	
	2019 RM	2018 RM
Non-current	**457,333**	-
Current	**2,992,368**	-
Total lease liabilities	**3,449,701**	-

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

(b) Lease Liabilities (cont'd)

Maturity analysis of the undiscounted lease payments is as follows :-

	Group	
	2019 RM	**2018 RM**
Not later than 1 year	**3,107,397**	-
Later than 1 year and not later than 2 years	**273,759**	-
More than 2 years	**212,805**	-
Total outstanding lease payments	**3,593,961**	-
Total cash outflow for leases for period	**3,666,038**	-

6. INTANGIBLE ASSETS OTHER THAN GOODWILL

Group	**Computer Software RM**	**Customer Contracts RM**	**Total RM**
Cost			
At 1 January 2018	3,308,685	-	3,308,685
Additions	139,897	-	139,897
Arising from acquisition of a subsidiary [Note 8(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
Additions	52,234	-	52,234
Exchange differences	(15,050)	-	(15,050)
At 31 December 2019	**3,451,771**	**16,706,000**	**20,157,771**
Accumulated Amortisation			
At 1 January 2018	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
Charge for the year	203,836	4,000,000	4,203,836
Exchange differences	(14,850)	-	(14,850)
At 31 December 2019	**3,023,672**	**8,137,000**	**11,160,672**
Carrying Amount			
At 31 December 2018	579,901	12,569,000	13,148,901
At 31 December 2019	**428,099**	**8,569,000**	**8,997,099**

6. INTANGIBLE ASSETS OTHER THAN GOODWILL (CONT'D)

(a) Computer software with carrying amount of RM32,360 as at 31 December 2018 were 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 8(b).

7. GOODWILL

	Group	
	2019 RM	**2018 RM**
Cost		
At 1 January	**282,091,512**	-
Arising from acquisition of a subsidiary [Note 8(b)]	**-**	282,091,512
At 31 December	**282,091,512**	282,091,512
Accumulated Impairment		
At 1 January	**119,414,808**	-
Impairment loss for year	**-**	119,414,808
At 31 December	**119,414,808**	119,414,808
Carrying Amount		
At 31 December	**162,676,704**	162,676,704

(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.

For the purpose of annual impairment assessment, the recoverable amount of this group of CGUs 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 7(b).

No further impairment loss on goodwill was recognised for the current year based on the assessment performed as at 31 December 2019 as the recoverable amount of the group of CGUs exceeded its carrying amount on that date. The directors have considered and assessed reasonably possible changes in the key assumptions that would cause the carrying amount of the group of CGUs to exceed its recoverable amount. In this respect, a decrease in the long term growth rate to 2% and an increase in the pre-tax discount rate to 19% would lead to an impairment loss of RM1,034,269 be recognised for the current year.

7. GOODWILL (CONT'D)

(a) Impairment testing on goodwill (cont'd)

As at 31 December 2018, the carrying amount of the group of CGUs exceeded its recoverable amount of RM213,184,448 based on the impairment assessment. Accordingly, an impairment loss on goodwill of RM119,414,808 had been recognised in the Group's profit or loss for the previous 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% (2018: 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% (2018: 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% (2018: 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	16% (2018: 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.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM	**2018 RM**
Unquoted shares - at cost	**321,556,729**	321,556,729
Accumulated impairment loss	**(110,731,058)**	(110,731,058)
Carrying amount	**210,825,671**	210,825,671

8. 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 2019	2018
Direct :- HSS Engineering Sdn Bhd	Provision of engineering and project management services.	**100%**	100%
BIM Global Ventures Sdn Bhd	Provision of Building Information Modelling ("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 services.	**100%**	100%
Indirect : SMHB Environmental Sdn Bhd (held through SMHB Engineering Sdn Bhd)	Provision of environmental consultancy services.	**100%**	100%

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

(b) Acquisition of SMHB Engineering Sdn Bhd in 2018

On 28 March 2018, the Company completed its acquisition of the entire equity interest in 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 shares 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") had 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 had 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.

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of SMHB Engineering Sdn Bhd in 2018 (cont'd)

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 had enabled the Group to expand its engineering consultancy services into the water resources and water supply development sectors, and had also enhanced 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.

The acquisition of SMHBE had contributed to the financial results of the Group for the previous year from the date of acquisition as follows :-

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

It was impracticable to disclose the Group's consolidated revenue and loss for the previous year 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 7)	282,091,512	
Fair value of purchase consideration	296,030,258	

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

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of SMHB Engineering Sdn Bhd in 2018 (cont'd)

Net cash outflow from the acquisition was 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 previous year. The impairment assessment was performed using the same basis and key assumptions and estimates as described in Note 7. Based on this assessment, the recoverable amount of SMHBE determined based on its value in use amounted to RM185,299,200 which was below its carrying amount. Accordingly, an allowance for impairment loss of RM110,731,058 had been recognised in the Company's profit or loss for the previous year under other operating expenses. No further impairment is required based on current year's assessment.

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

9. INVESTMENT IN ASSOCIATES

	Group	
	2019 RM	**2018 RM**
Unquoted shares - at cost	**906,498**	906,498
Accumulated share of post acquisition reserve	**1,020,693**	637,881
Carrying amount	**1,927,191**	1,544,379

(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 :-

		Percentage of Equity Interest	
Name of Associates	**Principal Activities**	**2019**	**2018**
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%**	30%

9. 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 :-

	HSSI RM	HSSME RM	SMHB RM	Total RM
2019				
Assets and Liabilities				
Total assets	**80,091,656**	**564,021**	**36,449,646**	**117,105,323**
Total liabilities	**(74,666,110)**	**(756,899)**	**(35,451,222)**	**(110,874,231)**
Net assets/(liabilities)	**5,425,546**	**(192,878)**	**998,424**	**6,231,092**
Financial Results				
Revenue	**79,436,158**	**102,751**	**68,972,172**	**148,511,081**
Profit/(Loss) for the year/Total comprehensive income/(loss)	**543,512**	**(91,623)**	**732,527**	**1,184,416**
Share of profit for the year	**163,054**	**-**	**219,758**	**382,812**
Reconciliation of Group's share of net assets/(liabilities) to carrying amount as at 31 December				
Group's share of net assets/(liabilities)	**1,627,664**	**(57,863)**	**299,527**	**1,869,328**
Group's cumulative unrecognised share of losses	**-**	**57,863**	**-**	**57,863**
Carrying amount	**1,627,664**	**-**	**299,527**	**1,927,191**
2018				
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 for the year	201,446	-	79,765	281,211
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

9. INVESTMENT IN ASSOCIATES (CONT'D)

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 RM27,486 (2018 : RM26,713).

10. DEFERRED TAXATION

	Group	
	2019 RM	**2018 RM**
At 1 January - previously reported	**3,258,051**	240,272
Adjustment on initial application of MFRS 16		
- right-of-use assets	**1,505,913**	-
- lease liabilities	**(1,505,913)**	-
At 1 January - restated	**3,258,051**	240,272
Arising from acquisition of a subsidiary [Note 8(b)]	**-**	4,071,000
Recognised in profit or loss (Note 30)		
- property, plant and equipment	**(4,968)**	(229,199)
- right-of-use assets	**(702,194)**	-
- intangible assets	**(1,142,218)**	(1,019,000)
- unabsorbed tax losses	**12,218**	1,137
- unutilised capital allowances	**(3,852)**	3,862
- retirement benefit obligations	**958**	24,338
- provisions	**(160,185)**	170,000
- lease liabilities	**678,225**	-
	(1,322,016)	(1,048,862)
Recognised in other comprehensive income		
- retirement benefit obligations	**(2,642)**	(10,302)
Exchange differences	**1,667**	5,943
At 31 December	**1,935,060**	3,258,051

The components of deferred tax liabilities are as follows :-

Taxable temporary differences		
- property, plant and equipment	**290,927**	300,290
- right-of-use assets	**804,000**	-
- intangible assets	**2,068,782**	3,211,000
	3,163,709	3,511,290
Offsetting	**(1,106,709)**	(199,290)
After offsetting	**2,057,000**	3,312,000

10. DEFERRED TAXATION (CONT'D)

	Group 2019 RM	Group 2018 RM
The components of deferred tax assets are as follows :-		
Deductible temporary differences		
- property, plant and equipment	**34,819**	39,214
- unutilised capital allowances	**13,924**	10,072
- retirement benefit obligations	**15,924**	14,735
- provisions	**336,054**	177,000
- lease liabilities	**827,928**	-
	1,228,649	241,021
Unabsorbed tax losses	**-**	12,218
	1,228,649	253,239
Offsetting	**(1,106,709)**	(199,290)
After offsetting	**121,940**	53,949
Presented after appropriate offsetting as follows :-		
Deferred tax liabilities	**2,057,000**	3,312,000
Deferred tax assets	**121,940**	53,949

Deferred tax assets have not been recognised in respect of the following items :-

	Group 2019 RM	Group 2018 RM
Unutilised capital allowances	**32,311**	-
Unabsorbed tax losses	**1,432,188**	1,217,090
Other deductible temporary differences	**136,165**	-
	1,600,664	1,217,090

11. TRADE RECEIVABLES

	Group	
	2019 RM	**2018 RM**
Trade receivables	**43,333,226**	74,548,416
Allowance for impairment losses	**(2,195,191)**	(2,611,217)
	41,138,035	71,937,199

Included in the carrying amount of trade receivables are amount due from related parties amounting to RM42,113,618 (2018 : RM72,811,060) as disclosed in Note 35(b).

The normal credit terms of trade receivables range from 30 to 90 days (2018 : 30 to 90 days).

Credit risk exposure

Information about the exposure to credit risk and allowance for expected credit losses ("ECLs") in respect of trade receivables are as tabulated below :-

	Group		
	Gross carrying amount RM	**Loss allowance RM**	**Net carrying amount RM**
As at 31 December 2019			
Current	**21,035,488**	**-**	**21,035,488**
1 to 90 days past due	**5,928,710**	**-**	**5,928,710**
91 to 180 days past due	**2,254,118**	**-**	**2,254,118**
181 to 365 days past due	**4,210,475**	**(120,323)**	**4,090,152**
More than 365 days past due	**8,258,148**	**(428,581)**	**7,829,567**
	41,686,939	**(548,904)**	**41,138,035**
Credit impaired			
More than 365 days past due	**1,646,287**	**(1,646,287)**	**-**
	43,333,226	**(2,195,191)**	**41,138,035**
As at 31 December 2018			
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
Credit impaired			
More than 365 days past due	2,239,570	(2,239,570)	-
	74,548,416	(2,611,217)	71,937,199

Further information on credit risk exposure together with the recognition and measurement of allowance for ECLs are disclosed in Note 38(a).

11. TRADE RECEIVABLES (CONT'D)

Allowance for impairment losses

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

	Group	
	2019 RM	**2018 RM**
At 1 January	**2,611,217**	1,322,992
Increase in loss allowance recognised	**479,460**	1,299,891
Reversal of loss allowance on recoveries	**(890,092)**	(12,146)
Exchange differences	**(5,394)**	480
At 31 December	**2,195,191**	2,611,217

Currency exposure

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

	Group	
	2019 RM	**2018 RM**
Ringgit Malaysia	**43,204,177**	72,348,742
United Arab Emirates Dirham	**-**	1,002,198
Brunei Dollar	**-**	119,330
Indian Rupee	**129,049**	198,262
United States Dollar	**-**	879,884
	43,333,226	74,548,416

12. CONTRACT ASSETS / CONTRACT LIABILITIES

	Group	
	2019 RM	**2018 RM**
Contract assets	**66,548,139**	59,426,257
Contract liabilities	**7,734,291**	10,386,216

(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.

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

(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 RM5,723,635 (2018 : RM18,105,429).

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	**314,719**	296,381	**2,272**	63,660
Deposits	**1,047,214**	1,057,588	**2,000**	2,000
Prepayments	**1,617,689**	2,182,667	**69,446**	103,442
	2,979,622	3,536,636	**73,718**	169,102
The currency exposure profile of other receivables, prepayments and deposits is as follows :-				
Ringgit Malaysia	**2,761,104**	3,325,419	**73,718**	169,102
Indian Rupee	**218,518**	211,217	**-**	-
	2,979,622	3,536,636	**73,718**	169,102

14. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amount due from/(to) subsidiaries is unsecured and repayable on demand. Interest is charged on principal amount at rates ranging from 4.70% to 5.04% per annum (2018 : NIL) without compounding into the principal amount.

15. AMOUNT DUE FROM/(TO) AN ASSOCIATE

The amount due from/(to) an associate is unsecured and repayable on demand. Interest is charged on principal amount at rates ranging from 4.70% to 5.04% per annum (2018 : NIL) without compounding into the principal amount.

16. SHORT TERM DEPOSITS WITH LICENSED BANKS

The maturity periods of the short term deposits range from 1 day to 90 days (2018 : 1 day to 90 days) and the effective interest rates for short term deposits during the year ranged from 2.35% to 3.70% (2018 : 2.55% to 3.70%) per annum.

Short term deposits amounting to RM12,837,666 (2018 : RM9,081,415) and RM7,622,156 (2018 : RM 6,819,925) for the Group and the Company respectively have been pledged under lien to secure banking facilities as disclosed in Notes 21 and 25.

17. SHARE CAPITAL

	Group and Company			
	2019 No. of shares	**2018 No. of shares**	**2019 RM**	**2018 RM**
Issued and fully paid :-				
Ordinary shares				
At beginning of year	**495,862,018**	319,081,010	**254,291,378**	54,234,581
Increase of share capital pursuant to :-				
- Placement [Note 17(i)]	**-**	34,182,000	**-**	52,298,460
- Rights Shares [Note 17(ii)], (Note 18)	**-**	31,908,101	**-**	12,284,619
- Bonus Shares [Note 17(ii)]	**-**	15,954,050	**-**	-
- Shares Consideration [Note 17(iii)]	**-**	94,736,842	**-**	135,473,684
- Exercise of warrants [Note 17(iv)]	**-**	15	**-**	25
Transfer from warrant reserve (Note 18)	**-**	-	**-**	9
At end of year	**495,862,018**	495,862,018	**254,291,378**	254,291,378

During the previous financial year, the issued and paid-up share capital of the Company was increased by way of the following :-

(i) an issue of 34,182,000 new ordinary shares through private placement at an issue price of RM1.53 per ordinary share ("Placement").

(ii) 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").

(iii) 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 8(b) to the financial statements.

(iv) 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.

18. WARRANTS RESERVE

	Group and Company			
	2019 No. of warrants	**2018 No. of warrants**	**2019 RM**	**2018 RM**
At beginning of year	**47,862,136**	-	**29,195,903**	-
Warrants issued pursuant to the Rights with Bonus Issue and Warrants [Note 17(ii)]	**-**	47,862,151	**-**	29,195,912
Warrants exercised	**-**	(15)	**-**	(9)
At end of year	**47,862,136**	47,862,136	**29,195,903**	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 17(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 their expiry date will lapse thereafter and cease to be valid for any purpose.

Warrants reserve represented the fair value attributed to the warrants which was 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 was 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 was allocated to share capital as disclosed in Note 17.

Warrants reserve is transferred to share capital account upon the exercise of warrants. Warrants 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	
	2019 RM	**2018 RM**
Present value of unfunded defined benefit obligations	**61,248**	56,675

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.

20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group	
	2019 **RM**	**2018** **RM**
Balance as at 1 January	**56,675**	53,760
Defined benefit cost recognised in profit or loss [Note 27(b)]		
- Current service cost	**7,499**	16,529
- Interest cost	**4,185**	3,105
	11,684	19,634
Defined benefit cost recognised in other comprehensive income		
- Actuarial loss	**10,161**	39,623
Defined benefit paid	**(15,474)**	(53,034)
Exchange differences	**(1,798)**	(3,308)
Balance as at 31 December	**61,248**	56,675

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

	2019	**2018**
Discount rate	**7.25%**	7.65%
Rate of increase in salary	**4.00%**	4.00%
Expected average remaining working lives of employees	**26.3 years**	26.3 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)	
	2019 **RM**	**2018** **RM**
Discount rate (1% increase)	**(5,861)**	(5,339)
Future average salary increase rate (1% increase)	**7,234**	6,626

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

21. TERM LOANS

	Group		Company	
	2019 RM	2018 RM	**2019 RM**	2018 RM
Term loan 1 (unsecured)	**30,134**	72,306	**-**	-
Term loan 2 (secured)	**67,062,789**	78,220,251	**67,062,789**	78,220,251
	67,092,923	78,292,557	**67,062,789**	78,220,251
Analysed as follows :-				
Current liabilities :-				
Amount due within one year	**13,398,976**	11,220,800	**13,368,842**	11,179,589
Non-current liabilities :-				
Amount due after one year and not later than two years	**15,650,085**	13,436,480	**15,650,085**	13,405,385
Amount due after two years and not later than five years	**38,043,862**	53,635,277	**38,043,862**	53,635,277
	53,693,947	67,071,757	**53,693,947**	67,040,662
	67,092,923	78,292,557	**67,062,789**	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% (2018 : 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 8(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 7.02% (2018 : 7.14%) per annum.

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

(a) a charge and assignment of shares in SMHBE including all rights and benefits to the pledged shares;
(b) an assignment of contract proceeds of the Company, and contract proceeds and contracts of its subsidiaries and associates;
(c) a debenture over the Company's fixed and floating assets, and negative pledge over the Group's present and future assets;
(d) an undertaking by the Company to prepay the CMTF-i with proceeds raised from the exercise of the Warrants 2018/2023; and
(e) an assignment of designated deposit account as disclosed in Note 16.

22. HIRE PURCHASE PAYABLES

	Group	
	2019 RM	**2018 RM**
Instalments payable :-		
- not later than one year	**577,628**	802,474
- later than one year but not later than two years	**40,072**	577,628
- later than two years but not later than five years	**24,260**	64,332
	641,960	1,444,434
Finance charges allocated to future periods	**(25,100)**	(99,733)
Present value of hire purchase payables	**616,860**	1,344,701
Disclosed under :-		
- Current liabilities	**556,437**	727,841
- Non-current liabilities	**60,423**	616,860
	616,860	1,344,701

23. TRADE PAYABLES

Credit terms of trade payables range from 30 to 90 days (2018 : 30 to 90 days).

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

	Group	
	2019 RM	**2018 RM**
Ringgit Malaysia	**19,993,575**	26,039,348
Brunei Dollar	**-**	667,903
	19,993,575	26,707,251

Included in trade payables are amount due to related parties amounting to RM13,253,388 (2018 : RM19,510,804) as disclosed in Note 35(b).

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24. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	**2,430,188**	2,416,983	**197,624**	338,824
Accruals	**4,339,200**	3,741,417	**141,432**	112,618
Deferred Cash Consideration [Note 8(b)]	**8,367,779**	7,894,131	**8,367,779**	7,894,131
Provision for compensated absences	**590,276**	788,551	**43,796**	50,508
	15,727,443	14,841,082	**8,750,631**	8,396,081
Disclosed under :-				
- Current liabilities	**7,359,664**	6,946,951	**382,852**	501,950
- Non-current liabilities	**8,367,779**	7,894,131	**8,367,779**	7,894,131
	15,727,443	14,841,082	**8,750,631**	8,396,081
Movements in provision for compensated absences during the year :-				
As at 1 January	**788,551**	1,447,844	**50,508**	-
Provision during the year [Note 27(b)]	**107,562**	86,339	**2,421**	50,508
Reversal of provision during the year [Note 27(b)]	**(75,468)**	(412,320)	**(9,133)**	-
Paid during the year	**(230,369)**	(333,312)	**-**	-
As at 31 December	**590,276**	788,551	**43,796**	50,508
The currency exposure profile of other payables, accruals and provisions is as follows :-				
Ringgit Malaysia	**15,572,499**	14,563,897	**8,750,631**	8,396,081
Brunei Dollar	**-**	12,432	**-**	-
Indian Rupee	**154,944**	264,753	**-**	-
	15,727,443	14,841,082	**8,750,631**	8,396,081

25. BANK OVERDRAFTS (SECURED)

Bank overdrafts with total limit of RM20,000,000 (2018 : RM20,000,000) attributable to subsidiaries are secured by short term deposits of the respective subsidiaries as disclosed in Note 16 together with corporate guarantees from the Company.

The bank overdrafts bear interest at the rate of 1.00% (2018 : 0.70% to 1.00%) below the Base Lending Rate of the lending banks. The effective interest rates ranged from 5.65% to 5.90% (2018 : 5.90% to 6.26%) per annum for the year.

26. OPERATING REVENUE

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customers :-				
Engineering services				
- Design	**43,551,112**	66,875,150	**-**	-
- Supervision	**71,982,933**	66,235,133	**-**	-
Project management	**20,885,044**	45,960,351	**-**	-
BIM services	**2,147,279**	500,499	**-**	-
Reimbursable income	**9,888,799**	10,137,756	**-**	-
Management fees	**-**	-	**3,631,200**	5,396,400
	148,455,167	189,708,889	**3,631,200**	5,396,400
Revenue from other sources :-				
Dividend income	**-**	-	**13,000,000**	-
	148,455,167	189,708,889	**16,631,200**	5,396,400

(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	**2020 RM**	**2021 RM**	**After 2021 RM**
Revenue from contracts with customers	190,627,232	139,783,274	148,729,307

2018	**2019 RM**	**2020 RM**	**After 2020 RM**
Revenue from contracts 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.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(a) This is stated after charging/(crediting) :-				
Depreciation of property, plant and equipment	**1,482,111**	1,446,767	**-**	-
Amortisation of intangible assets	**4,203,836**	4,386,088	**-**	-
Depreciation of right-of-use assets	**3,174,648**	-	**-**	-
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*	**273,024**	254,363	**35,000**	35,000
- *Overprovision in prior year*	**-**	(5,000)	**-**	(5,000)
- other services	**64,000**	132,100	**64,000**	132,100
Business combination and corporate exercise expenses*	**-**	2,516,815	**-**	2,516,815
Directors' remuneration				
- Directors of the Company				
Salaries	**3,787,485**	3,749,961	**1,965,600**	2,579,961
Fees	**337,900**	280,500	**337,900**	280,500
Other emoluments	**1,487,134**	1,378,105	**830,804**	950,155
- Directors of subsidiaries				
Salaries	**1,712,126**	1,645,481	**-**	-
Fees	**30,000**	90,000	**-**	-
Other emoluments	**482,343**	506,094	**-**	-
Management fee	**-**	-	**554,400**	1,263,660
Rental of equipment				
- short-term leases	**30,498**	-	**-**	-
- operating leases applying MFRS 117	**-**	223,703	**-**	-
Rental of premises				
- short-term leases	**264,074**	-	**-**	-
- operating leases applying MFRS 117	**-**	3,367,643	**-**	-
Allowance for impairment losses on trade receivables	**479,460**	1,299,891	**-**	-
Reversal of allowance for impairment losses on trade receivables	**(890,092)**	(12,146)	**-**	-
Property, plant and equipment written-off	**131,631**	-	**-**	-
Trade receivables written-off	**49,725**	-	**-**	-
Other receivables written-off	**-**	221,381	**-**	-
Interest income on short term deposits	**(1,383,143)**	(1,753,750)	**(1,005,192)**	(1,183,128)
Interest income on amount due from subsidiaries	**-**	-	**(44,801)**	-
Other interest income	**(12,423)**	(3,433)	**(14)**	(118)
Loss/(Gain) on foreign exchange	**38,723**	12,386	**(941)**	-
Loss/(Gain) on disposal of property, plant and equipment	**2**	(3,119)	**-**	-

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

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(b) Employee benefits expense (including directors' remuneration) :-				
Salaries, wages and allowances	**85,532,648**	89,246,309	**3,574,972**	4,412,415
Amount contributed under defined contribution plan				
- Employees Provident Fund ("EPF")	**8,312,406**	8,773,684	**301,480**	393,554
Defined benefit cost (Note 20)	**11,684**	19,634	**-**	-
Provision for compensated absences (Note 24)	**107,562**	86,339	**2,421**	50,508
Reversal of provision for compensated absences (Note 24)	**(75,468)**	(412,320)	**(9,133)**	-
Social security contribution	**629,837**	638,183	**5,804**	6,876
Other benefits	**2,476,679**	3,877,625	**24,211**	15,614
	96,995,347	102,229,454	**3,899,755**	4,878,967

Employee benefits expense are included in the following :-

- Direct costs	**86,222,928**	90,674,728	**-**	-
- Administrative expenses	**10,772,419**	11,554,726	**3,899,755**	4,878,967
	96,995,347	102,229,454	**3,899,755**	4,878,967

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28. DIRECTORS' REMUNERATION

The details of the remuneration paid by the Group and the Company to directors of the Company who served during the financial year are as follows :-

2019	Salaries RM	Fees RM	Other Emoluments RM	Total RM
Group				
Executive Directors :-				
Tan Sri Ir. Kunasingam A/L V. Sittampalam	819,000	-	346,280	1,165,280
Dato' Ir. Nitchiananthan A/L Balasubramaniam	504,000	-	189,903	693,903
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	382,200	-	143,144	525,344
Datuk Ir. Teo Chok Boo	960,000	-	377,000	1,337,000
Ir. Prem Kumar A/L M Vasudevan	600,000	-	209,600	809,600
Ng Kuan Yee *(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)*	260,400	-	97,210	357,610
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi *(Alternate Director to Datuk Ir. Teo Chok Boo)*	261,885	-	74,997	336,882
	3,787,485	-	1,438,134	5,225,619
Non-Executive Directors :-				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	99,900	15,000	114,900
Mohan A/L Ramalingam	-	88,800	15,000	103,800
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	134,400	15,000	149,400
Foo Lee Khean ^	-	14,800	4,000	18,800
	-	337,900	49,000	386,900
Total	3,787,485	337,900	1,487,134	5,612,519

^ Resigned on 1 March 2019

28. DIRECTORS' REMUNERATION (CONT'D)

The details of the remuneration paid by the Group and the Company to directors of the Company who served during the financial year are as follows :- (cont'd)

2019	Salaries RM	Fees RM	Other Emoluments RM	Total RM
Company				
Executive Directors :-				
Tan Sri Ir. Kunasingam A/L V. Sittampalam	**819,000**	**-**	**346,280**	**1,165,280**
Dato' Ir. Nitchiananthan A/L Balasubramaniam	**504,000**	**-**	**179,648**	**683,648**
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	**382,200**	**-**	**143,144**	**525,344**
Datuk Ir. Teo Chok Boo	**-**	**-**	**8,000**	**8,000**
Ir. Prem Kumar A/L M Vasudevan	**-**	**-**	**8,000**	**8,000**
Ng Kuan Yee *(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)*	**260,400**	**-**	**96,732**	**357,132**
Ir. Syed Mohamed Adnan Bin Mansor Alhabashi *(Alternate Director to Datuk Ir. Teo Chok Boo)*	**-**	**-**	**-**	**-**
	1,965,600	**-**	**781,804**	**2,747,404**
Non-Executive Directors :-				
Dato' Mohd Zakhir Siddiqy Bin Sidek	**-**	**99,900**	**15,000**	**114,900**
Mohan A/L Ramalingam	**-**	**88,800**	**15,000**	**103,800**
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	**-**	**134,400**	**15,000**	**149,400**
Foo Lee Khean ^	**-**	**14,800**	**4,000**	**18,800**
	-	**337,900**	**49,000**	**386,900**
Total	**1,965,600**	**337,900**	**830,804**	**3,134,304**

^ Resigned on 1 March 2019

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28. DIRECTORS' REMUNERATION (CONT'D)

The details of the remuneration paid by the Group and the Company to directors of the Company who served during the financial year are as follows :- (cont'd)

2018	Salaries RM	Fees RM	Other Emoluments RM	Total RM
Group				
Executive Directors :-				
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
Datuk Ir. Teo Chok Boo	720,000	-	278,750	998,750
Ir. Prem Kumar A/L M Vasudevan	450,000	-	153,200	603,200
Ng Kuan Yee *(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)*	313,107	-	109,183	422,290
	3,749,961	-	1,331,105	5,081,066
Non-Executive Directors :-				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	101,300	14,000	115,300
Mohan A/L Ramalingam	-	89,600	15,000	104,600
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	-	4,000	4,000
Foo Lee Khean	-	89,600	14,000	103,600
	-	280,500	47,000	327,500
Total	3,749,961	280,500	1,378,105	5,408,566

28. DIRECTORS' REMUNERATION (CONT'D)

The details of the remuneration paid by the Group and the Company to directors of the Company who served during the financial year are as follows :- (cont'd)

2018	Salaries RM	Fees RM	Other Emoluments RM	Total RM
Company				
Executive Directors :-				
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
Datuk Ir. Teo Chok Boo	-	-	2,000	2,000
Ir. Prem Kumar A/L M Vasudevan	-	-	2,000	2,000
Ng Kuan Yee *(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)*	313,107	-	109,183	422,290
	2,579,961	-	903,155	3,483,116
Non-Executive Directors :-				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	101,300	14,000	115,300
Mohan A/L Ramalingam	-	89,600	15,000	104,600
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	-	4,000	4,000
Foo Lee Khean	-	89,600	14,000	103,600
	-	280,500	47,000	327,500
Total	2,579,961	280,500	950,155	3,810,616

29. FINANCE COSTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Hire purchase interest	**74,898**	141,140	**-**	-
Interest on bank overdrafts	**1,058,166**	1,366,936	**-**	-
Interest on Deferred Cash Consideration (Note 24)	**473,648**	337,557	**473,648**	337,557
Interest on amount due to subsidiaries	**-**	-	**150,163**	-
Interest on amount due to an associate	**43,584**	-	**-**	-
Interest on term loans	**5,101,134**	4,381,890	**5,093,101**	4,367,225
Interest on lease liabilities	**298,604**	-	**-**	-
Other finance costs	**167,900**	-	**-**	-
	7,217,934	6,227,523	**5,716,912**	4,704,782

30. TAXATION

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Current year tax	**3,472,017**	9,898,176	**118,470**	49,260
Overprovision of tax in prior year	**(88,948)**	(537,547)	**(10,947)**	(4,285)
Deferred tax (Note 10)	**(1,322,016)**	(1,048,862)	**-**	-
	2,061,053	8,311,767	**107,523**	44,975

The general statutory income tax rate in Malaysia for the year under review is 24% (2018 : 24%) of taxable income. Taxation for foreign jurisdiction is calculated at rate prevailing in the foreign jurisdiction.

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Profit/(Loss) before taxation	**3,244,247**	(94,524,728)	**6,059,092**	(119,123,400)
Tax calculated at statutory tax rate of 24% (2018 : 24%)	**778,619**	(22,685,935)	**1,454,182**	(28,589,616)
Tax effects of :-				
- expenses not deductible for tax purposes	**1,891,362**	31,359,796	**1,784,288**	28,638,876
- income not taxable	**(335,638)**	-	**(3,120,000)**	-
- deferred tax assets not recognised	**354,588**	188,886	**-**	-
- profit from foreign operation not taxable	**(134,640)**	(13,433)	**-**	-
Overprovision of tax in respect of prior year	**(88,948)**	(537,547)	**(10,947)**	(4,285)
Overprovision of deferred tax in respect of prior year	**(404,290)**	-	**-**	-
Tax expense	**2,061,053**	8,311,767	**107,523**	44,975

30. TAXATION (CONT'D)

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	
	2019 RM	**2018 RM**
Unabsorbed tax losses	**1,432,188**	1,268,000
Unutilised capital allowances	**90,328**	41,965
	1,522,516	1,309,965

Pursuant to the Finance Act 2018, any unutilised 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. In this respect, the unutilised tax losses of the Group at the end of the reporting period shall expire in the year of assessment as tabulated below :-

	Group	
Year of Assessment	**2019 RM**	**2018 RM**
2025	**1,292,397**	1,268,000
2026	**139,791**	-
	1,432,188	1,268,000

31. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) 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	
	2019 RM	**2018 RM**
Core profit for the financial year attributable to owners of the Company (RM)	**1,183,194**	16,578,313
Less: Impairment loss on goodwill (RM)	**-**	(119,414,808)
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	**1,183,194**	(102,836,495)
Weighted average number of ordinary shares in issue during the financial year	**495,862,018**	464,959,444
Basic earnings/(loss) per share (sen)	**0.24**	(22.12)
Diluted earnings/(loss) per share (sen)	**0.24**	(22.12)
Basic core earnings per share (sen)	**0.24**	3.57
Diluted core earnings per share (sen)	**0.24**	3.57

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31. EARNINGS/(LOSS) PER SHARE (CONT'D)

The computation of diluted earnings/(loss) 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.

32. CAPITAL COMMITMENTS

	Group	
	2019 RM	**2018 RM**
Authorised but not contracted for :-		
Purchase of property, plant and equipment	**362,000**	1,070,250

33. CONTINGENT LIABILITIES

	Group	
	2019 RM	**2018 RM**
Corporate guarantees given to licensed financial institutions for credit facilities of subsidiaries		
- limit of guarantees	**54,500,000**	54,500,000
- amount utilised	**15,654,595**	15,762,298

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 Modelling ("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, HSS Engineering Sdn Bhd 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.

Similar exclusive business arrangement as described above has also been executed between the Group's subsidiary, SMHB Engineering Sdn Bhd and its associate, SMHB in the previous year.

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
(a) Significant transactions with related parties				
(i) Provision of engineering and project management services to :-				
- HSSI	**78,519,174**	125,069,579	**-**	-
- HSSME	**131,529**	366,044	**-**	-
- SMHB	**68,084,862**	62,110,670	**-**	-
(ii) Rental of premises and reimbursables charged by :-				
- Matmer	**2,249,477**	2,815,610	**-**	-
- SMHP	**570,000**	427,500	**-**	-
(iii) Management fee charged to :-				
- HSSE	**-**	-	**3,216,000**	5,112,000
- BGV	**-**	-	**22,800**	31,800
- HBS	**-**	-	**20,400**	27,600
- SMHBE	**-**	-	**372,000**	225,000
(iv) Management fee charged by :-				
- HSSE	**-**	-	**420,000**	1,196,460
- SMHBE	**-**	-	**134,400**	67,200

35. RELATED PARTY DISCLOSURES (CONT'D)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(b) Significant balances with related parties				
(i) Amount included in trade receivables (Note 11)				
- HSSI	**34,196,456**	46,002,580	**-**	-
- HSSME	**168,092**	682,078	**-**	-
- SMHB	**7,749,070**	26,126,402	**-**	-
(ii) Amount included in trade payables (Note 23)				
- HSSI	**9,107,976**	14,246,234	**-**	-
- SMHB	**4,145,412**	5,264,570	**-**	-
(iii) Amount due from/(to) an associate (Note 15)				
- SMHB	**-**	167,369	**-**	-
- SMHB	**(2,828)**	(11,958,945)	**-**	-
(iv) Amount due from/(to) subsidiaries (Note 14)				
- HSSE	**-**	-	**(156,795)**	5,145,204
- BGV	**-**	-	**7,522**	32,330
- HBS	**-**	-	**49,900**	27,600
- SMHBE	**-**	-	**31,000**	225,000
- SMHBE	**-**	-	**(11,200)**	(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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Short term employee benefits	**8,493,867**	8,350,314	**2,753,432**	3,764,314
Post-employment benefits				
- Defined contribution plan	**848,664**	827,459	**259,392**	335,607
	9,342,531	9,177,773	**3,012,824**	4,099,921

36. NOTES TO STATEMENTS OF CASH FLOWS

(a) 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	Lease Liabilities RM	Total RM
At 1 January 2019				
- previously reported	**78,292,557**	**1,344,701**	**-**	**79,637,258**
Adjustment on initial application of MFRS 16	**-**	**-**	**6,274,636**	**6,274,636**
At 1 January 2019 - restated	**78,292,557**	**1,344,701**	**6,274,636**	**85,911,894**
Addition	**-**	**-**	**318,260**	**318,260**
Derecognition	**-**	**-**	**(66,801)**	**(66,801)**
Repayment of term loans	**(11,198,390)**	**-**	**-**	**(11,198,390)**
Payment of hire purchase financing	**-**	**(727,841)**	**-**	**(727,841)**
Payment of lease liabilities	**-**	**-**	**(3,072,862)**	**(3,072,862)**
Net changes in cash flows	**(11,198,390)**	**(727,841)**	**(3,072,862)**	**(14,999,093)**
Net exchange differences	**(1,244)**	**-**	**(3,532)**	**(4,776)**
At 31 December 2019	**67,092,923**	**616,860**	**3,449,701**	**71,159,484**
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

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

(a) Liabilities arising from financing activities (cont'd)

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 :- (cont'd)

Company	Term Loans RM
At 1 January 2019	**78,220,251**
Net changes in cash flows :-	
Repayment of term loan	**(11,157,462)**
At 31 December 2019	**67,062,789**
At 1 January 2018	-
Drawdown of term loan	83,112,543
Repayment of term loan	(4,892,292)
Net changes in cash flows	78,220,251
At 31 December 2018	78,220,251

(b) Cash and cash equivalents at end of year

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	**3,782,237**	336,170	**1,127,274**	78,692
Short term deposits	**46,193,082**	57,547,356	**32,677,170**	32,941,262
Bank overdrafts (secured)	**(15,037,735)**	(14,417,597)	**-**	-
	34,937,584	43,465,929	**33,804,444**	33,019,954
Less: Short term deposits (pledged)	**(12,837,666)**	(9,081,415)	**(7,622,156)**	(6,819,925)
	22,099,918	34,384,514	**26,182,288**	26,200,029

The currency exposure profile of cash and cash equivalents is as follows :-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	**21,970,930**	34,354,743	**26,182,288**	26,200,029
Indian Rupee	**128,988**	29,771	**-**	-
	22,099,918	34,384,514	**26,182,288**	26,200,029

37. FINANCIAL INSTRUMENTS

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

2019

Financial assets as per statement of financial position

	Carrying amount RM	Financial assets at amortised cost RM
Group		
Trade receivables	41,138,035	41,138,035
Other receivables and deposits	1,361,933	1,361,933
Short term deposits with licensed banks	46,193,082	46,193,082
Cash and bank balances	3,782,237	3,782,237
	92,475,287	92,475,287
Company		
Other receivables and deposits	4,272	4,272
Amount due from subsidiaries	88,422	88,422
Short term deposits with licensed banks	32,677,170	32,677,170
Cash and bank balances	1,127,274	1,127,274
	33,897,138	33,897,138

Financial liabilities as per statement of financial position

	Carrying amount RM	Financial liabilities at amortised cost RM
Group		
Trade payables	19,993,575	19,993,575
Other payables and accruals	15,137,167	15,137,167
Amount due to an associate	2,828	2,828
Lease liabilities	3,449,701	3,449,701
Term loans	67,092,923	67,092,923
Hire purchase payables	616,860	616,860
Bank overdrafts	15,037,735	15,037,735
	121,330,789	121,330,789
Company		
Other payables and accruals	8,706,835	8,706,835
Amount due to subsidiaries	167,995	167,995
Term loan	67,062,789	67,062,789
	75,937,619	75,937,619

37. FINANCIAL INSTRUMENTS (CONT'D)

The Group's and the Company's financial instruments are categorised as follows :- (cont'd)

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
Company		
Other payables and accruals	8,345,573	8,345,573
Amount due to subsidiaries	67,200	67,200
Term loan	78,220,251	78,220,251
	86,633,024	86,633,024

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.

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.

Information on the exposure to credit risk and impairment of trade receivables are disclosed in Note 11.

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.

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.

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

(a) Credit Risk (cont'd)

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 RM75,200 (2018 : RM132,000). 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.

(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.

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

(c) Liquidity and Cash Flow Risks (cont'd)

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 :-

	Maturity profile			
	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**	**Total RM**
Group				
2019				
Trade payables	**19,993,575**	**-**	**-**	**19,993,575**
Other payables and accruals	**6,769,388**	**9,000,000**	**-**	**15,769,388**
Amount due to an associate	**2,828**	**-**	**-**	**2,828**
Term loans	**13,842,634**	**15,937,500**	**38,250,000**	**68,030,134**
Hire purchase payables	**577,628**	**40,072**	**24,260**	**641,960**
Bank overdrafts	**15,037,735**	**-**	**-**	**15,037,735**
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
Company				
2019				
Other payables and accruals	**339,056**	**9,000,000**	**-**	**9,339,056**
Amount due to subsidiaries	**167,995**	**-**	**-**	**167,995**
Term loan	**13,812,500**	**15,937,500**	**38,250,000**	**68,000,000**
2018				
Other payables and accruals	451,442	9,000,000	-	9,451,442
Amount due to subsidiaries	67,200	-	-	67,200
Term loan	11,687,500	13,812,500	54,187,500	79,687,500

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

(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.

	Group	
	2019 RM	**2018 RM**
Brunei Dollar	**-**	56,101
United Arab Emirates Dirham	**-**	100,220
Indian Rupee	**29,148**	1,575
United States Dollar	**-**	87,988

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	
	2019 RM	**2018 RM**
Profit/(Loss) for the year attributable to owners of the Company	**1,183,194**	(102,836,495)
Total shareholders' equity	**214,081,001**	212,919,372
Return on Capital	**0.6%**	N/A

39. CAPITAL MANAGEMENT (CONT'D)

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

	Group	
	2019 RM	**2018 RM**
Total interest bearing debts	**86,197,219**	94,054,855
Total shareholders' equity	**214,081,001**	212,919,372
Debt to equity ratio (times)	**0.40**	0.44

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. SUBSEQUENT EVENT

On 6 February 2020, the Company subscribed for 2 ordinary shares at the issue price of RM1.00 each representing 100% equity interest in a newly incorporated subsidiary, HEB Energy Sdn Bhd for a total cash consideration of RM2.00. HEB Energy Sdn Bhd, a company incorporated in Malaysia, is to be involved in activities on development of energy projects.

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 71 to 141 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 2019 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,
30 April 2020

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 71 to 141 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 8 May 2020)

NG KUAN YEE

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD
[Registration No: 201501003232 (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 2019 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 71 to 141.

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 2019, 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD
[Registration No: 201501003232 (1128564-U)]
(INCORPORATED IN MALAYSIA)

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

Key Audit Matters (cont'd)

Key Audit Matter	***Our audit approach to address the 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 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
[Registration No: 201501003232 (1128564-U)]
(INCORPORATED IN MALAYSIA)

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

Key Audit Matters (cont'd)

Key Audit Matter	***Our audit approach to address the key audit matter***
Impairment of goodwill The Group has a very significant goodwill arising from the acquisition of its subsdiary, SMHB Engineering Sdn Bhd. The amount of goodwill and its carrying amount net of accumulated impairment are as disclosed in Note 7. The Group is required to test the amount of goodwill for impairment annually. 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. The Group's approach to goodwill impairment testing together with the key assumptions used are disclosed in Note 7. Arising from the assessment, there is no further impairment on the carrying amount of the goodwill for the current year. As disclosed in Note 3.2(d) on critical accounting judgements and estimation uncertainty, the goodwill impairment assessment by 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 the group of CGUs.	Our audit approach included the following :- - 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. - 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. - 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. - we reviewed the sensitivity analysis performed by management to assess the reasonably possible changes to the key assumptions that would result in further impaiment on the carrying amount of the goodwill.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD
[Registration No: 201501003232 (1128564-U)]
(INCORPORATED IN MALAYSIA)

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

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:

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HSS ENGINEERS BERHAD
[Registration No: 201501003232 (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)

- 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 8(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
03051/05/2021 J
Chartered Accountant

Kuala Lumpur,
30 April 2020

ANALYSIS OF SECURITIES

AS AT 14 APRIL 2020

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	212	8.976	4,583	0.001
100 – 1,000	389	16.469	212,567	0.043
1,001 – 10,000	1,016	43.014	5,112,365	1.031
10,001 – 100,000	562	23.793	17,832,549	3.596
100,001 – 24,793,099 (*)	180	7.621	281,944,427	56.859
24,793,100 AND ABOVE (**)	3	0.127	190,755,527	38.470
TOTAL:	**2,362**	**100.000**	**495,862,018**	**100.000**

Remarks:
** - Less than 5% of issued shares*
*** - 5% and above of issued shares*

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Flamingo Works Sdn Bhd	107,930,000	21.77	-	-
Victech Solutions Sdn Bhd	92,208,632	18.60	-	-
Tan Sri Ir. Kunasingam A/L V. Sittampalam	-	-	92,208,632	18.60[1]
Shantamalar A/P C.Sivasubramaniam	-	-	107,930,000	21.77[2]
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,994,106	3.43[3]

Notes:
[1] *Deemed interest by virtue of his interests in Victech Solutions Sdn Bhd.*
[2] *Deemed interest by virtue of her interests in Flamingo Works Sdn Bhd.*
[3] *Held by spouse and persons connected to him.*

ANALYSIS OF SECURITIES

AS AT 14 APRIL 2020

DIRECTORS' INTEREST IN ORDINARY SHARES OF THE COMPANY
(as per Register of Directors' Shareholdings)

	Direct Interest		Indirect Interest	
Name of Director	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Mohd Zakhir Siddiqy Bin Sidek	582,950	0.12	-	-
Tan Sri Ir. Kunasingam A/L V. Sittampalam	-	-	92,208,632	18.60[1]
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,852,500	1.78	-	-
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,994,106	3.43[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	200,000	0.04[2]
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh	-	-	-	-
Ng Kuan Yee	440,495	0.09	-	-
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	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.*
[2] *Held by spouse and persons connected to him.*

LIST OF TOP 30 HOLDERS
AS AT 14 APRIL 2020
(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 FLAMINGO WORKS SDN BHD*	83,930,000	16.926
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD*	73,308,632	14.784
3	TEO CHOK BOO	33,516,895	6.759
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR FLAMINGO WORKS SDN BHD (PBCL-0G0648)*	24,000,000	4.840
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK PRIVATE WEALTH MANAGEMENT FOR GNANALINGAM A/L GUNANATH LINGAM (PW-M00077) (276776)*	23,500,000	4.739
6	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)*	14,800,000	2.985
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR LGT BANK AG (LOCAL)*	14,000,000	2.823
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD *NATIONAL TRUST FUND (IFM EASTSPRING) (410140)*	11,087,900	2.236
9	MOHD ROUSDIN BIN HASSAN	10,421,053	2.102

ANALYSIS OF SECURITIES
AS AT 14 APRIL 2020

No.	Name	Holdings	%
10	TEO KOON HAU	9,767,684	1.970
11	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	9,616,900	1.939
12	SYED MOHAMED ADNAN BIN MANSOR ALHABSHI	9,473,684	1.910
13	NITCHIANANTHAN A/L BALASUBRAMANIAM	8,552,500	1.725
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PREM KUMAR A/L M VASUDEVAN*	7,389,947	1.490
15	TEE KUI KIAU	7,226,422	1.457
16	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)*	6,913,200	1.394
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK PRIVATE WEALTH MANAGEMENT FOR SHALINE GNANALINGAM (PW-M00580)(418601)*	6,500,000	1.311
18	PERMODALAN NASIONAL BERHAD	6,396,700	1.290
19	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM NASIONAL*	5,018,080	1.012
20	VICTECH SOLUTIONS SDN BHD	4,900,000	0.988
21	ZULKIFLEE BIN AB HAMID	4,736,842	0.955
22	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	4,350,000	0.877
23	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PBTB FOR TAKAFULINK DANA EKUITI*	4,151,600	0.837
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (CPIAM EQ)*	3,770,000	0.760
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR VIJAYA KUMAR A/L T.CHORNALINGAM*	3,450,000	0.696
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOO AI CHOO*	3,430,105	0.692
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MEDICAL FUND (IFM EASTSPRING) (410141)*	2,898,300	0.584
28	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK DANA UNGGUL*	2,854,600	0.576
29	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD *PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI*	2,589,600	0.522
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NIAM EQ)*	2,275,700	0.459
	TOTAL	**404,826,344**	**81.640**

ANALYSIS OF SECURITIES
AS AT 14 APRIL 2020

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	90	10.870	4,254	0.009
100 – 1,000	260	31.401	107,998	0.226
1,001 – 10,000	254	30.676	1,170,925	2.446
10,001 – 100,000	188	22.705	6,478,329	13.535
100,001 – 2,393,105 (*)	34	4.106	9,791,998	20.459
2,393,106 AND ABOVE (**)	2	0.242	30,308,632	63.325
TOTAL:	**828**	**100.000**	**47,862,136**	**100.000**

Remarks:
** - Less than 5% of issued warrants*
*** - 5% and above of issued warrants*

DIRECTORS' INTEREST IN WARRANTS OF THE COMPANY
(as per Register of Directors' Warrants Holdings)

	Direct Interest		Indirect Interest	
Name of Director	**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	0.003	-	-
Mohan A/L Ramalingam	163,800	0.34	-	-
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh	-	-	-	-
Ng Kuan Yee	69,195	0.14	-	-
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	-	-	-	-

Notes:
[1] *Deemed interest by virtue of his interests in Victech Solutions Sdn Bhd.*

ANALYSIS OF SECURITIES

AS AT 14 APRIL 2020

LIST OF TOP 30 HOLDERS
AS AT 14 APRIL 2020
(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	31.985
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN BHD*	15,000,000	31.340
3	YONG FAN HING	1,429,155	2.986
4	NITCHIANANTHAN A/L BALASUBRAMANIAM	1,126,500	2.354
5	LIM MONG SENG	929,100	1.941
6	PARTHIVEN A/L SHANMUGAM	460,140	0.961
7	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	450,000	0.940
8	MAYBANK NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RAGUNATHAN JAGANNATHAN*	418,003	0.873
9	M & A NOMINEE (TEMPATAN) SDN BHD *MAJESTIC SALUTE SDN BHD FOR CHAN YOK PENG*	353,500	0.738
10	SIAW TECK SIONG	344,100	0.719
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HARVINDER KAUR KHELAE (E-KLG)*	289,550	0.605
12	MOHD HAKIMI BIN ZULKEPLY	263,500	0.550
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR TAN KOK PIN @ KOK KHONG (PB)*	210,000	0.439
14	*WAN CHAN PENG*	203,800	0.426
15	BIJAK TULUS SDN BHD	200,000	0.418
16	LAU PENG LEE	200,000	0.418
17	LOO CHEE WEE	200,000	0.418
18	SITI ZAHARAH BINTI MOHD SHAH	200,000	0.418
19	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *HAMIDI BIN TAIB (T-731155)*	191,000	0.399
20	CHAN YAW PHANG	180,000	0.376
21	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SHELDON WEE TAH POH*	171,400	0.358
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ)*	165,000	0.345
23	SIAW TECK SIONG	155,000	0.324
24	TAN KOK PIN @ KOK KHONG	152,000	0.317

ANALYSIS OF SECURITIES
AS AT 14 APRIL 2020

No.	Name	Holdings	%
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR BEH AH SENG (6000112)*	144,300	0.301
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MOHAN A/L RAMALINGAM (8059306)*	131,100	0.274
27	BECWELL RESOURCES SDN. BHD.	120,000	0.251
28	LEE SENG JOO	120,000	0.251
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIAW TECK SIONG (E-PDG)*	120,000	0.251
30	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR EWE HONG KHOON*	116,200	0.243
	TOTAL	**39,351,980**	**82.219**

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 2019 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	7	None
102-4	Location of operations	3	None
102-5	Ownership and legal form	7-8, 148-153	None
102-6	Markets served	3, 14	None
102-7	Scale of the organisation	1-3	None
102-8	Information on employees and other workers	44-45	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 organization or 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	4-6, 10-23	None
Ethics and Integrity			
102-16	Values, principles, standards and norms of behavior	46	None
Governance			
102-18	Governance structure	7	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	13, 68-71, 73, 75	Yes
Reporting Practice			
102-46	Defining report content and topic Boundaries	6, 36	None
102-47	List of material topics	37-45	None
102-48	Restatements of information	Not applicable – There were no restatements for the year.	None

GRI CONTENT INDEX

General Standard Disclosures	Description	Location of disclosure (Page)/ Remarks	External Assurance
102-49	Changes in reporting	Not applicable – There were no changes for the year.	None
102-50	Reporting period	Fiscal year. (1st Jan to 31st Dec 2019)	None
102-51	Date of the most recent report	HEB's most recent report on sustainability was its 2018 Annual Report.	None
102-52	Reporting cycle	Annual	None
102-53	Contact point for questions regarding the report	7	None
102-54	Claims of reporting in accordance with the GRI Standards	36	None
102-55	GRI Content Index	154-155	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	38	None
201-1	Direct economic value generated and distributed	38	Yes
Energy			
103	Management Approach	38	None
302-1	Energy consumption within the organisation	38	None
302-4	Reduction of Energy Consumption	38	None
Water and Effluents			
103	Management Approach	44	None
303-1	Water withdrawal by source	Information unavailable – HEB does not currently track total volume of water withdrawn	None
Employment			
103	Management Approach	44-45	None
401-1	New employee hires and employee turnover	44-45	None
Occupational Health and Safety			
103	Management Approach	42	None
403-2	Hazard Identification, risk assessment and incident investigation	42	None
403-5	Worker training on occupational health and safety	42	None
Training and Education			
103	Management Approach	37-38	None
404-1	Average hours of training per year per employee	37-38	None
404-3	Percentage of employees receiving regular performance and career development reviews	HEB does not currently track this ratio	None
Diversity and Equal Opportunity			
103	Management Approach	44-45	None
405-1	Diversity of governance bodies and employees	44-45	None

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting (**"5th AGM"**) of HSS Engineers Berhad will be conducted fully virtual at the Broadcast Venue at Tricor Conference Room, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 10 June 2020 at 10.00 a.m. for the following purposes:

AGENDA
As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM396,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 1 (Please refer to Note 2 of the Explanatory Notes)**

3. To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM137,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 2 (Please refer to Note 2 of the Explanatory Notes)**

4. To re-elect the following Directors who are retiring pursuant to Clause 93 of the Constitution of the Company:

   (i) Tan Sri Ir. Kunasingam A/L V.Sittampalam **Ordinary Resolution 3**
   (ii) Mohan A/L Ramalingam **Ordinary Resolution 4**
   (iii) Ir. Sharifah Azlina Bt Raja Kamal Pasmah **Ordinary Resolution 5**

5. To appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6 (Please refer to Note 3 of the Explanatory Notes)**

As Special Business

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

6. **Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares** **Ordinary Resolution 7 (Please refer to Note 4 of the Explanatory Notes)**

   "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 twenty per centum (20%) 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."

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

7. 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: 12 May 2020

NOTES:

1. In view of the Covid-19 pandemic and Government of Malaysia's official guidance on social distancing, the 5th AGM will be conducted fully virtual through live streaming and online remote voting via Remote Participation and Voting ("**RPV**") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Guide for the 5th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The venue of the 5th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the Broadcast venue.

3. A member of the Company entitled to participate and vote at the meeting is entitled to appoint a proxy or proxies to participate and vote in his stead. The members may submit questions to the Board of Directors at https://tiih.online prior to the 5th AGM or to use the query box to transmit questions to Board of Directors via RPV facilities during live streaming. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. 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.

6. 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.

7. 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, alternatively to be submitted electronically, via TIIH Online at website https://tiih.online, 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.

8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 2 June 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

9. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions at the 5th AGM of the Company shall be put to vote by way of poll.

NOTICE OF THE FIFTH 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 and Ordinary Resolution 2**
   The amount of Directors' fees payable includes fees payable to Independent Non-Executive Directors as members of Board and Board Committees 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 5th AGM in accordance with Section 230 of the Act.

   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 5th AGM in accordance with Section 230 of the Act.

3. **Ordinary Resolution 6 on Appointment of KPMG PLT as Auditors of the Company**
   The Board of Directors is proposing to shareholders that KPMG PLT be appointed as the Auditors of the Company in replacement of the retiring auditors, Messrs Azman, Wong, Salleh & Co for the financial year ending 31 December 2020, subject to their consent to act being obtained.

   The Board of Directors would like to thank Messrs Azman, Wong, Salleh & Co for their diligence and dedications to the Company over the past years.

4. **Ordinary Resolution 7 on the Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**
   The Ordinary Resolution 7 proposed under item 6 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Act. Bursa Malaysia Securities Berhad had on 16 April 2020 announced that listed issuers are allowed to seek a higher general mandate under Paragraph 6.03 of Main Market Listing Requirements of not more than 20% of the total number of issued shares for issue of new securities ("20% General Mandate"), provided that the following are being complied with:-

   (a) Procure shareholders' approval for the 20% General Mandate at a general meeting;
   (b) Complies with all relevant applicable legal requirements, including its Constitution or relevant constituent document.

   This 20% General Mandate may be utilised by listed issuer to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

   The Board, having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, is of the opinion that this 20% General Mandate is in the best interests of the Company and its shareholders. This 20% General 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 20% of the total number of issued share 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.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to participate 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.*

HSS ENGINEERS

HSS ENGINEERS BERHAD
Registration No. 201501003232 (1128564-U)

PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We ______________________________ NRIC No./ Passport No./ Company No. : ______________________________

of ____

and telephone no./ email address ______________________________ 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 Fifth Annual General Meeting of the Company to be conducted fully virtual at the Broadcast Venue at Tricor Conference Room, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 10 June 2020 at 10.00 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 payment of Directors' Fees payable to the Independent Non-Executive Directors of the Company up to an amount of RM396,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 1		
2.	Approval of the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount RM137,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
3.	Re-election of Tan Sri Ir. Kunasingam A/L V.Sittampalam as Director.	Ordinary Resolution 3		
4.	Re-election of Mohan A/L Ramalingam as Director.	Ordinary Resolution4		
5.	Re-election of Ir. Sharifah Azlina bt Raja Kamal Pasmah as Director.	Ordinary Resolution 5		
6.	Appointment of Messrs KPMG PLT as new External Auditors of the Company.	Ordinary Resolution 6		
7.	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 7		

Please indicate with an "X" in the spaces provided on how you wish your vote to be cast. In the absence of specific instruction, the proxy will vote or abstain from voting at his/her discretion.

If appointment of proxy is under hand .... Signed by *individual member/*officer or attorney of member/*authorised nominee of .... (beneficial owner)	No. of shares held: .... Securities Account No.: .... (CDS Account No.) (Compulsory) Date:
If appointment of proxy is under seal The Common Seal of .... was hereto affixed in accordance with its Constitution in the presence of:- .... Director Director/Secretary in its capacity as *member/*attorney of member/*authorised nominee of .... (beneficial owner)	Seal No. of shares held: .... Securities Account No: .... (CDS Account No.) (Compulsory) Date:

Dated this ____________ day of ____________2020.

** Strike out whichever is not applicable. Unless otherwise instructed, the proxy may vote as he/she thinks fit.*

NOTES:

1. In view of the Covid-19 pandemic and Government of Malaysia's official guidance on social distancing, the 5th AGM will be conducted fully virtual through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Guide for the 5th AGM in order to register, participate and vote remotely via the RPV facilities.
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5. 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.
6. 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.
7. 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, alternatively to be submitted electronically, via TIIH Online at website https://tiih.online 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.
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9. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions at the 5th AGM 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 12 May 2020.

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AFFIX
STAMP HERE

Tricor Investor & Issuing House Services Sdn Bhd
[197101000970 (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

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

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