SUSTAINABILITY STATEMENT

SOCIAL

Materiality Matters Covered

- Employee and Public Safety
- Quality and Client Satisfaction
- Employee Engagement
- Job Creation
- Diversity, Equal Opportunity and Non-Discrimination
- Career Development

3 GOOD HEALTH AND WELL-BEING	Ensuring healthy working environment and promote the well being of our employees and stakeholders
8 DECENT WORK AND ECONOMIC GROWTH	Producing sustained, inclusive and sustainable economic growth by providing productive employment opportunities for all
4 QUALITY EDUCATION	Delivering a lifelong and professional development by continuously investing in the workforce through plethora of internal and external trainings
10 REDUCED INEQUALITIES	Respecting the rights and opportunities of all people to operate a diverse and inclusive business that reflects the local community
5 GENDER EQUALITY	Ending all discrimination against women and providing equal rights to employees without discrimination during hiring, on the job training and upon leaving

We recognise that our people are our strength, and that they are instrumental in driving sustainable growth as well as ensuring the success of all our business operations, particularly during post-pandemic changes. We strive to provide all our employees with equal access to benefits, resources, and opportunities to build skills for further career advancement. Our employees' efforts and commitment are critical factors that will enable us to operate with a high level of competency in delivering of our goals and targets.

EMPLOYEE AND PUBLIC SAFETY (HEALTH AND SAFETY)

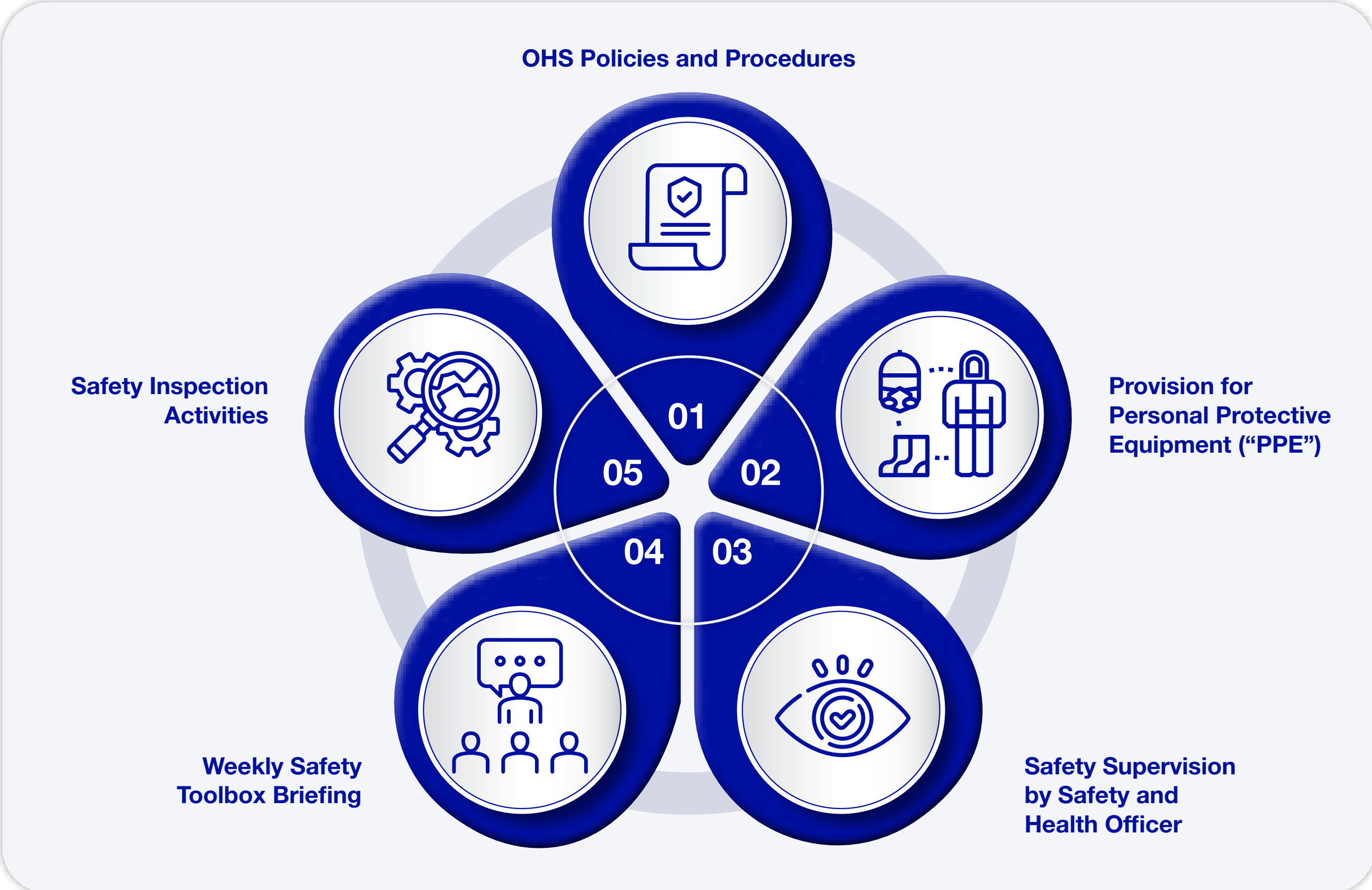
01 Emergency Response Team ("ERT")

02 Environment, Safety and Health Committee ("ESH")

03 Quality, Environment, Occupational Safety and Health ("QESH") Policy

SUSTAINABILITY STATEMENT

The safety and wellbeing of our employees and the public are essential. To execute our efforts, we have developed and maintained the following controls in place as a step forward in enhancing Occupational, Health and Safety ("OHS") practices. We are proud to declare that we achieved all our targets of zero fatalities in all business units, as outlined in our four key indicators – zero accidents, zero near miss, zero first-aid cases and zero lost-time injuries. We regularly monitor, review, and optimise our health and safety practices to minimise incidents in our business operations. We have established initiatives and measures are in place to review relevant health and safety ensuring they are followed, and OHS risks and hazards arising from operations are properly managed. The following figure showcases our key initiatives in place.



Since 2019, our subsidiaries and associated companies migrated from OSHAS18001:2007 to ISO45001:2018 Occupational Health & Safety Management Systems ("OHSMS").

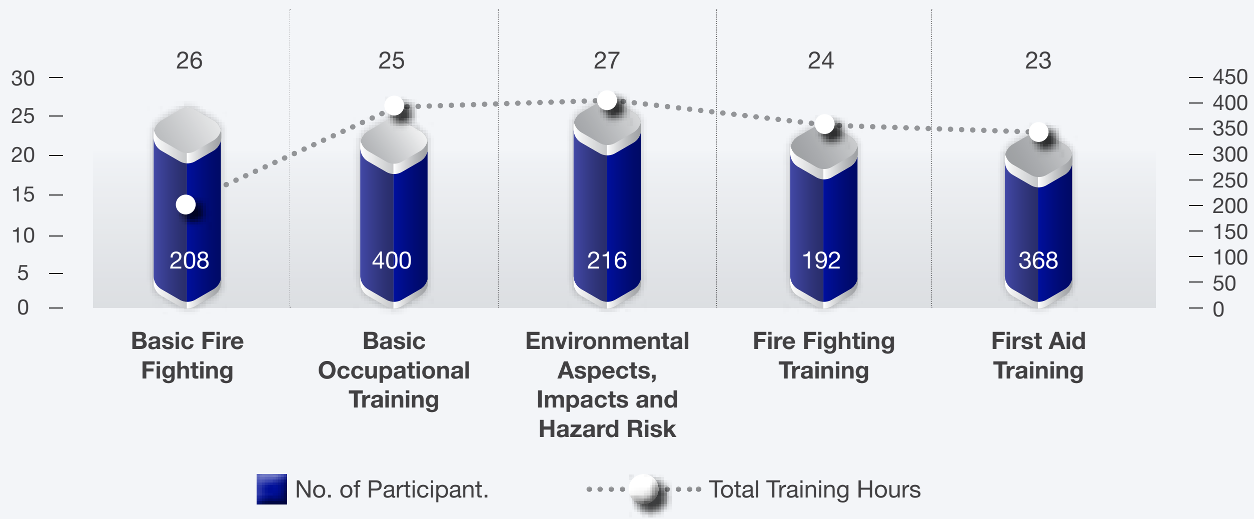
There were a total of 4 ESH Committee meetings in FY2022. These meetings comprised impactful discussion sessions pertaining to improvement and enhancement of our existing working environment as well as addressing and proposing workaround solutions for all matters relating to Safety, Health and Environment.

We conducted and carried workplace safety awareness briefings, refresher trainings and OHS trainings to ensure that our employees understand how to create a safety working environment, as well as methods to reduce the number of accidents that occur at the workplace. We also provide safety vests, helmets, and shoes as part of our Personal Protective Equipment on site.

The following graph showcases the number of participants and the total training hours dedicated to OHS Training and Development initiatives.

SUSTAINABILITY STATEMENT

HEB Group Health & Safety Trainings FY2022



SAFETY, HEALTH, AND ENVIRONMENT AWARD

On 20th August 2022, SMHB Sdn. Bhd. was awarded Safety, Health, and Environment Excellence Award (Special Mention) from the Board of Engineers Malaysia ("BEM"). The image beside showcases the award received.

HEB's Key Material Matters	Area	2022 Performance
Employee and Public Safety	• Health and Safety	0% • Zero major incidents, Zero fatalities

QUALITY AND CLIENT SATISFACTION

The Group offers full range of civil, structural, mechanical, electrical, engineering and environmental services to commercial, industrial and government entities as well as architects and developers. As we continue to deliver effective and efficient engineering solutions to our clients over the years, we are proud that the Group has managed to build a good reputation from the quality of engineering services we deliver. Our road to achieving and maintaining this reputational momentum begins with the pride we take in our people besides our proven ability to provide innovative and cost-effective engineering designs and solutions. To weave quality into our operations, we ensure our projects are led by a principal or a senior manager supported by certified engineers from various disciplines.

The scope of services that we provide are certified by reputable certification bodies. HSS Engineering Sdn. Bhd., HSS Integrated Sdn. Bhd. and HSS Mekanikal & Elektrikal Sdn. Bhd. have been certified with MS ISO 9001:2015, Quality Management System by SIRIM QAS International Sdn. Bhd. The certification covers the scope of services from the provision of consultancy services for the design of civil, mechanical, and electrical, building engineering works including site supervision, independent consultant/checking engineer, to project management consultancy services.

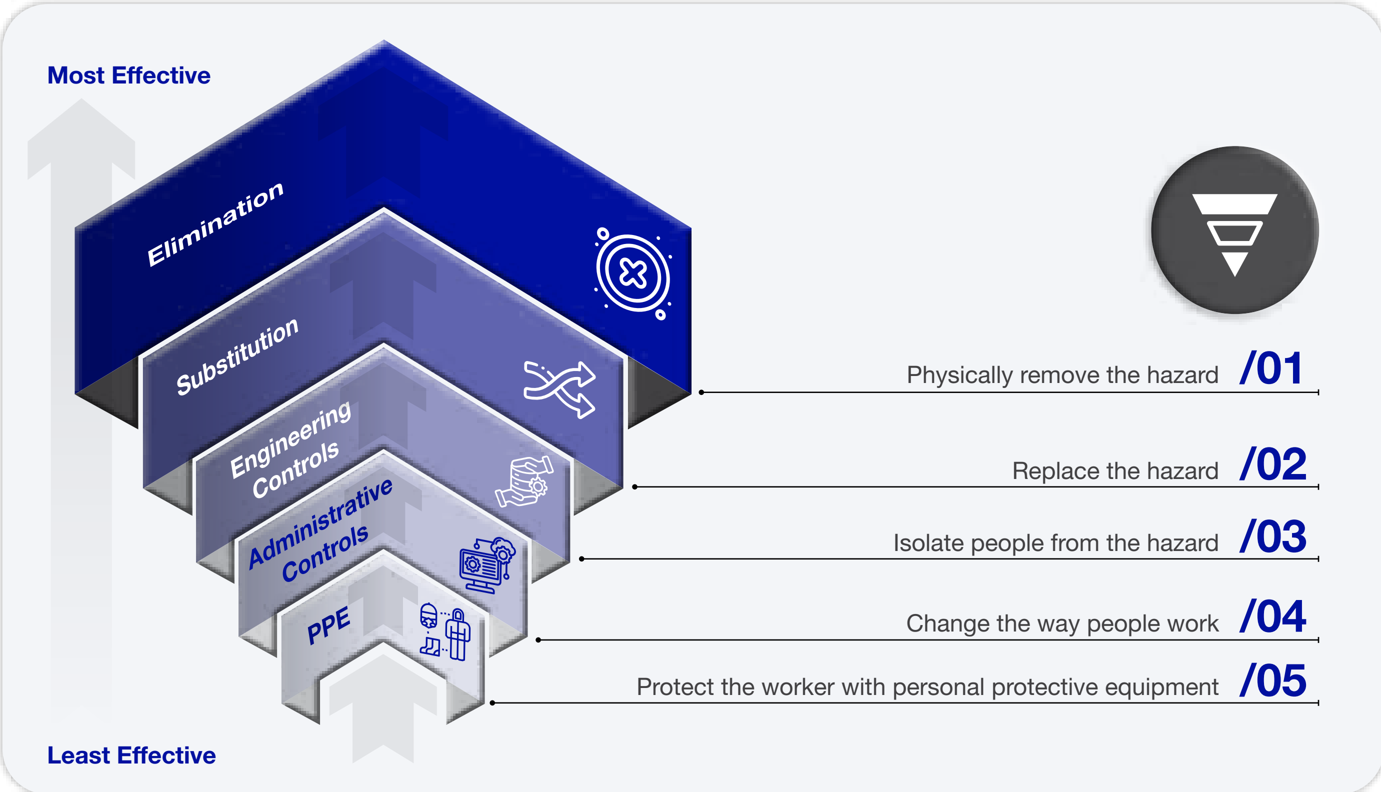
In addition, since 1997, SMHB companies have achieved the MS ISO 9001 Quality Management Certification which was upgraded to MS ISO 9001:2015 in August 2018. The certification covers the provision of engineering consultancy and project management services including engineering and environmental studies, design, and construction supervision.

ISO 9001:2015

SUSTAINABILITY STATEMENT

HIERARCHY OF CONTROLS

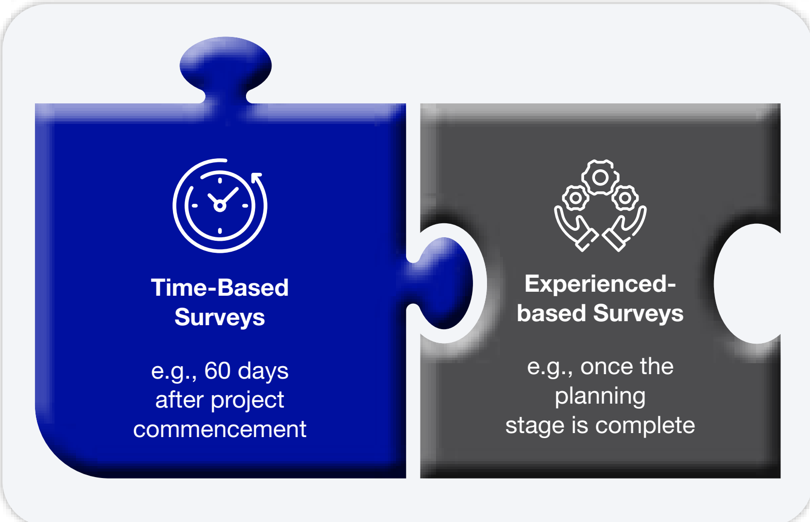
The diagram below illustrates a hierarchy of internal controls for situations involving hazards, arranged in order of effectiveness from the least effective to the most effective, when viewed from bottom to top.



ENSURING CLIENT SATISFACTION

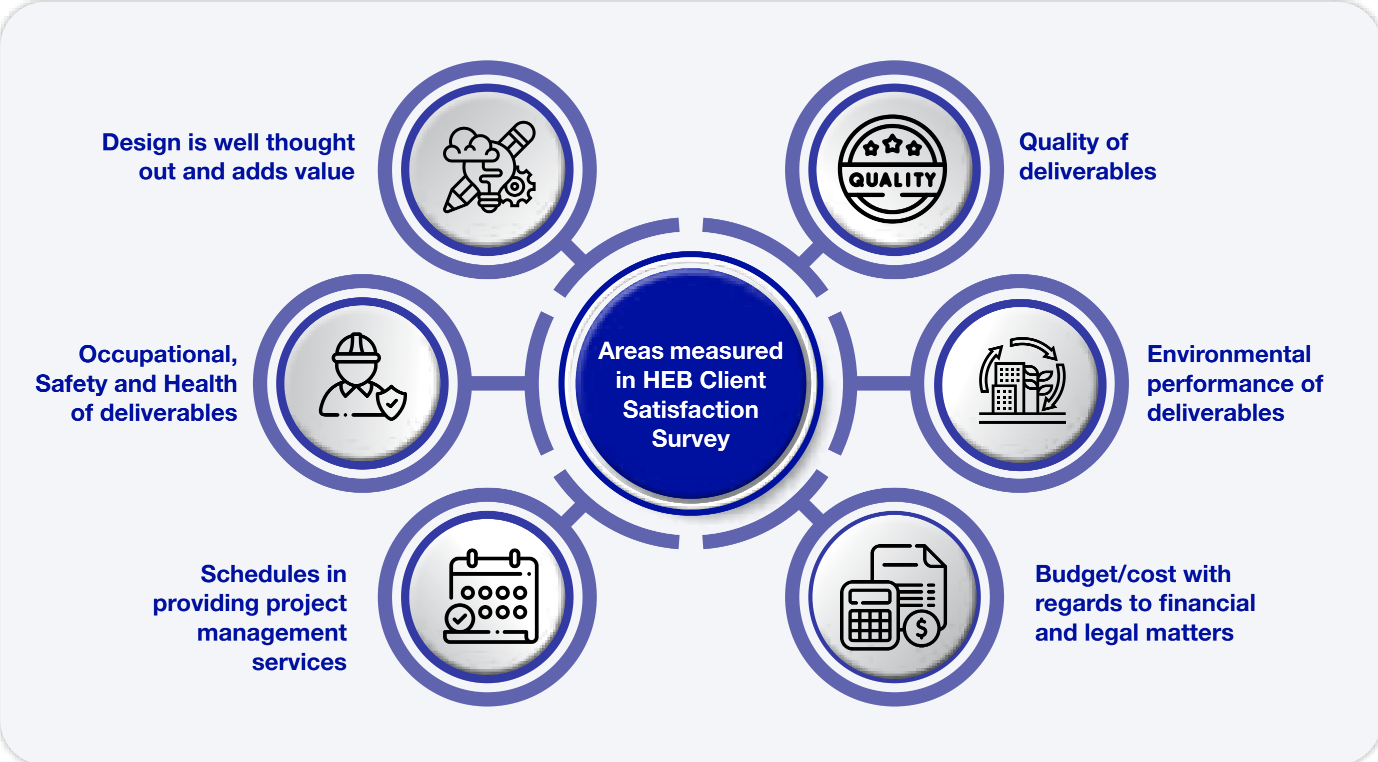
In the engineering field, it is critical to consistently meet and satisfy the needs and expectations of the clients, as the quality of our services is measured by their satisfaction. We conducted an annual customer satisfaction survey to gather and identify concerns raised by our customers. Internally, we analysed these concerns to identify root causes and propose corresponding improvements. The figure below illustrates the areas measured in our client satisfaction survey to assess HEB Group as a whole.

To gain insights into our clients' experience, we distribute milestone surveys throughout the project lifecycle. The surveys come in two forms, as shown in the figure beside.

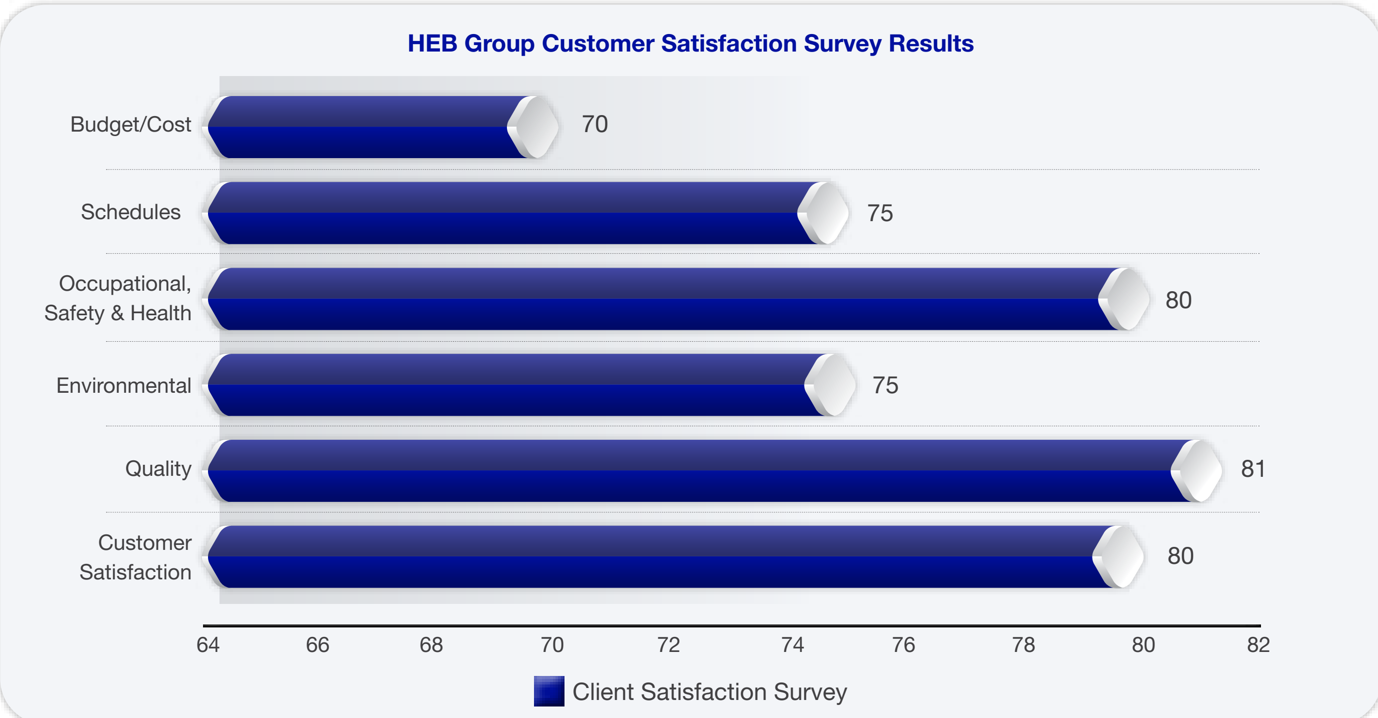


SUSTAINABILITY STATEMENT

The customer satisfaction survey is conducted annually which gives us an opportunity to gather and identify concerns raised by our customers. Internally, the concerns are further analysed to identify root causes and propose respective improvements. The figure below showcases areas measured in our client satisfaction survey to assess HEB Group as a whole.



The following table illustrates client satisfaction survey result in FY2022.



HEB's Key Material Matters	Area	2022 Performance
Quality & Client Satisfaction	• HEB Specific	• 80% score client satisfaction

SUSTAINABILITY STATEMENT

EMPLOYEE ENGAGEMENT (LABOUR PRACTICES AND STANDARDS)

Effective employee engagement drives organisational change and creates a culture of sustainability within the company, supporting its reputation and attracting and retaining top talent. At HEB, we encourage employees to participate in social groups, clubs and societies which promote work-life balance. The figure below illustrates our commitment to human rights.

We do not condone child labour and forced labour.

We endeavor to create a safe and healthy workplace environment.

We respect individuality, human rights and the privacy of all.

We seek to eliminate discrimination of all kinds, whether based on race, nationality, gender, religion, belief, background or physical disability.

Our Sports and Recreational Club ("HSS SRC") was established in 1984 with the aim of creating a lively working environment by organizing activities to strengthen relationship amongst HSS staff. In FY2022, the Club organized several activities, including an annual badminton tournament to promote staff health and wellness. To foster social interaction, an annual bowling tournament was held, followed by a team building and gala night event as part of HSS's annual company trip. Before the year ended, a futsal tournament was organized, bringing together junior and senior staff on fields.

HEB's Key Material Matters	Area	2022 Performance
Employee Engagement	• Engagement	• 8 activities per annum

JOB CREATION (LABOUR PRACTICES AND STANDARDS)

We believe in creating employment opportunities through our engineering solutions and contributing to the well-being of our local communities. At HEB, we support fresh graduates in gaining industrial experience participating in the PROTÉGÉ (Professional Training and Education for Growing Entrepreneurs) programme. This 12-month programme, under the purview of the Ministry of Entrepreneur Development and Cooperatives ("MEDAC"), includes a blend of personal and professional development through on-the-job and on-site training experiences to foster the growth of engineering talents in Malaysia. Key PROTÉGÉ eligibility criteria include the following:

01 — A Malaysian citizen

02 — A degree holder with a minimum CGPA of 2.5

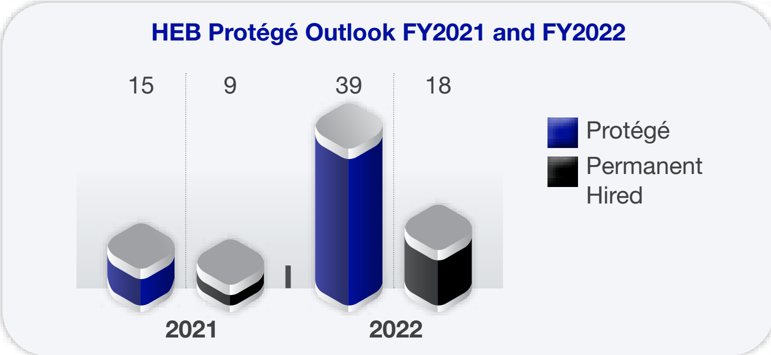
03 — Aged below 27 years old

04 — Unemployed after graduation for no more than two years

SUSTAINABILITY STATEMENT

In FY2022, 39 Protégé joined us through the programme and were assigned to various technical and non-technical departments. Upon successful completion of the programme, 18 of the Protégé were offered permanent positions within the Group.

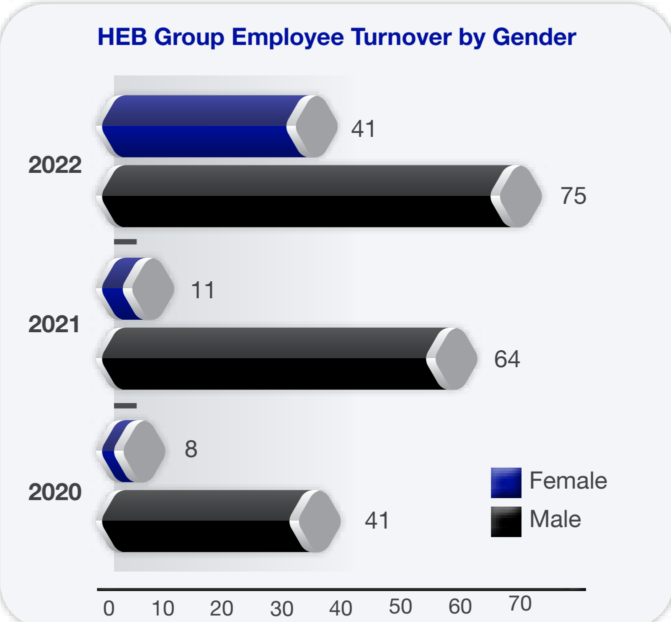
We collaborated with numerous local universities to provide industrial training experience, to maintain sufficient engineering professionals within the field.

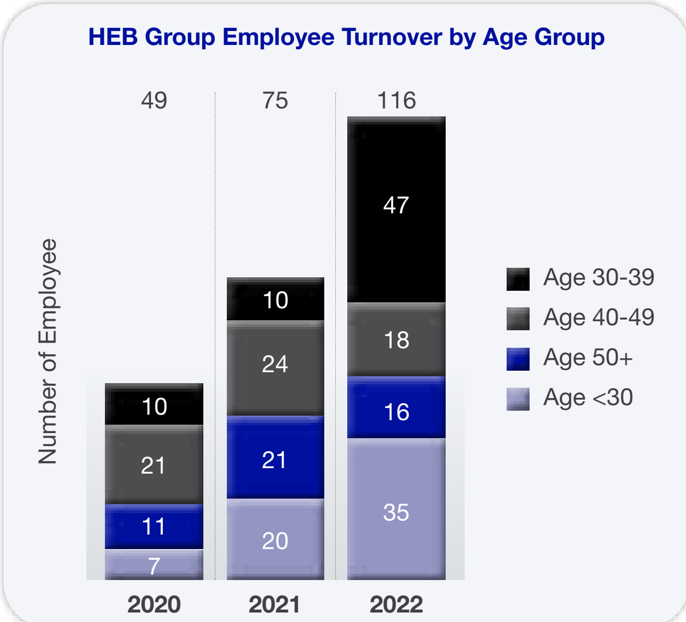


HEB's Key Material Matters	Area	2022 Performance
Job Creation	• Engagement	• 39 PROTÉGÉ

EMPLOYEE TURNOVER ANALYSIS

In FY2022, there were a total of 116 employee turnovers (FY2021:75), with male employees contributing to 65% of the total turnover (FY2021:85%). Employees age 30-39 had the highest turnover rate, with 47 employees leaving. This was followed by the age group of below 30 years and 40-49 years old. While our Group strives to find new and effective employee retention strategies, we also maintain an open environment that encourages movement and change of talent. This benefits us as an engineering company that values innovation and digital transformation, while also providing growing talents the opportunity to apply their skills and experience across different organisations. We believe that this approach can drive meaningful change and growth. The graphs below depict the employee turnover analysis at HEB Group.





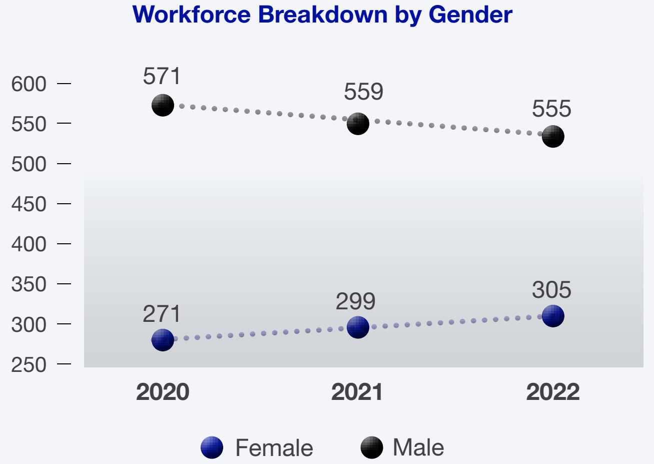
DIVERSITY, EQUAL OPPORTUNITY, AND NON-DISCRIMINATION (DIVERSITY)

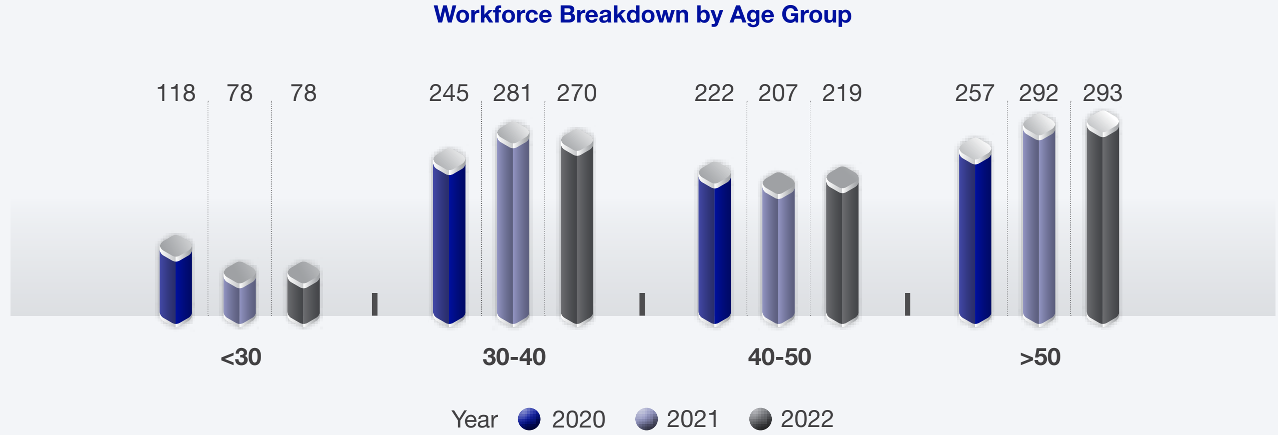
At HEB, we value the importance of diversity as we believe a team made up of people with different backgrounds and perspectives can bring a range of ideas and approaches to the table, which can lead to more innovative and effective solutions. To align this concept with our objectives, values, and principles, we have incorporated Diversity Policy since 2018, that is reviewed annually.

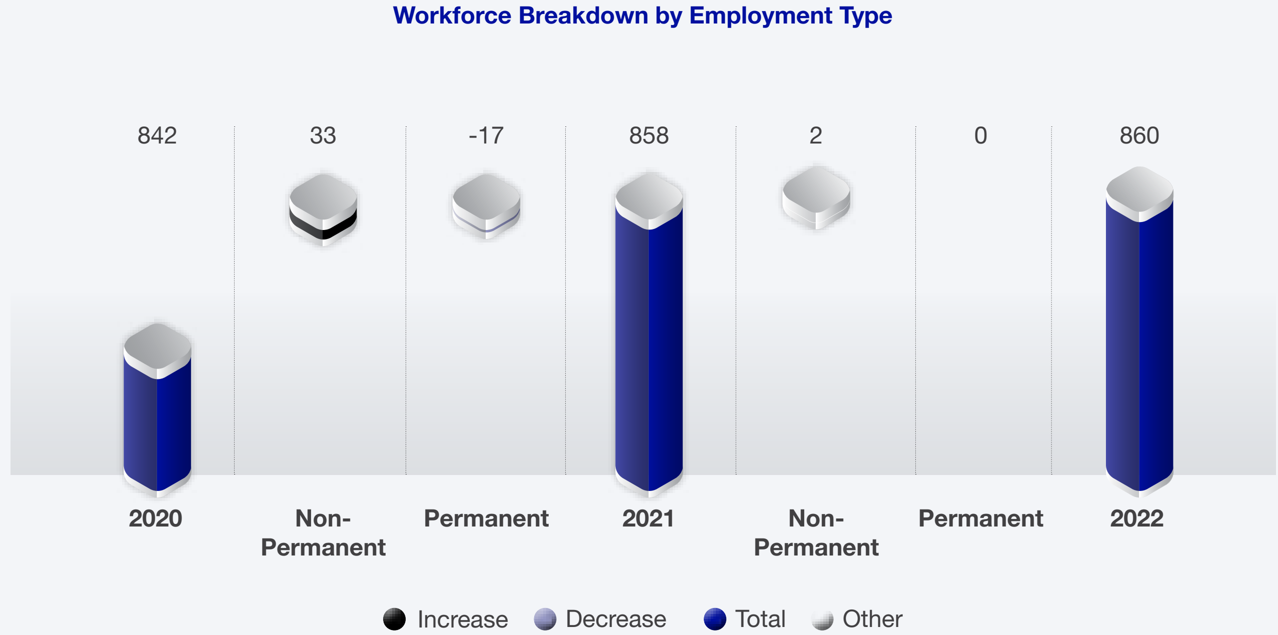
Although the Board acknowledges the need to promote gender diversity within its composition and endeavours to increase female participation in the Board and Senior Management in the near future, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills at the Board and Senior Management instead of merely looking at percentages. Currently, there are two (2) women serving as members of the Board, representing 25% of female representation on the Board whereas 100% of the Senior Management positions of the Company are held by men. The Board aspires to achieve the required 30% balance of diversity by recruiting more female board members, and we hope to achieve this over time.

SUSTAINABILITY STATEMENT

HEB recorded a total number of 860 employees (FY2021: 858), of which 200 (FY2021: 180) were new hires. The following visuals provide a snapshot of our workforce breakdown.

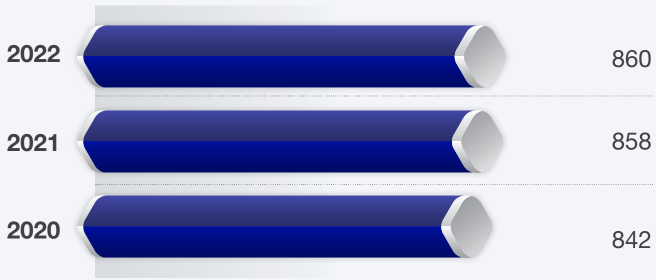




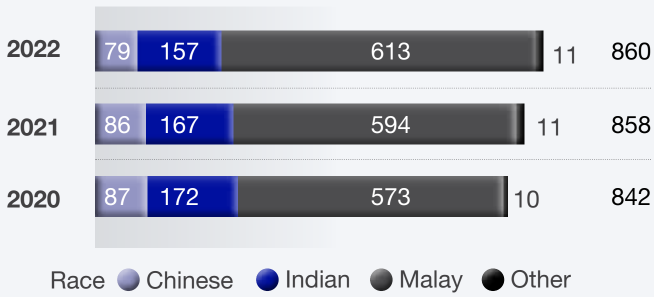


SUSTAINABILITY STATEMENT

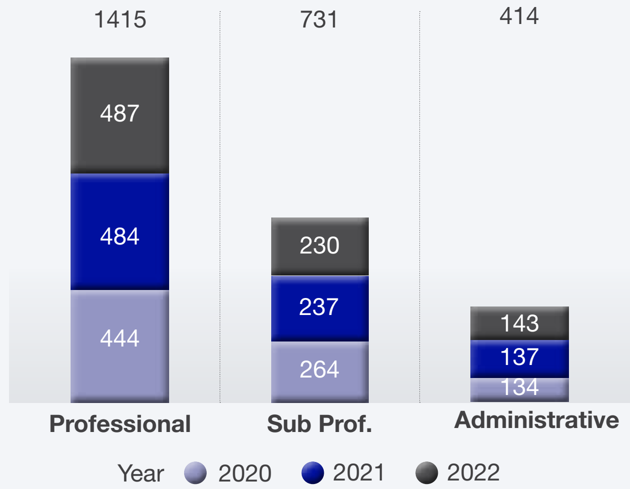
Workforce Strength



Workforce Breakdown by Ethnicity



Workforce Breakdown by Employment Category



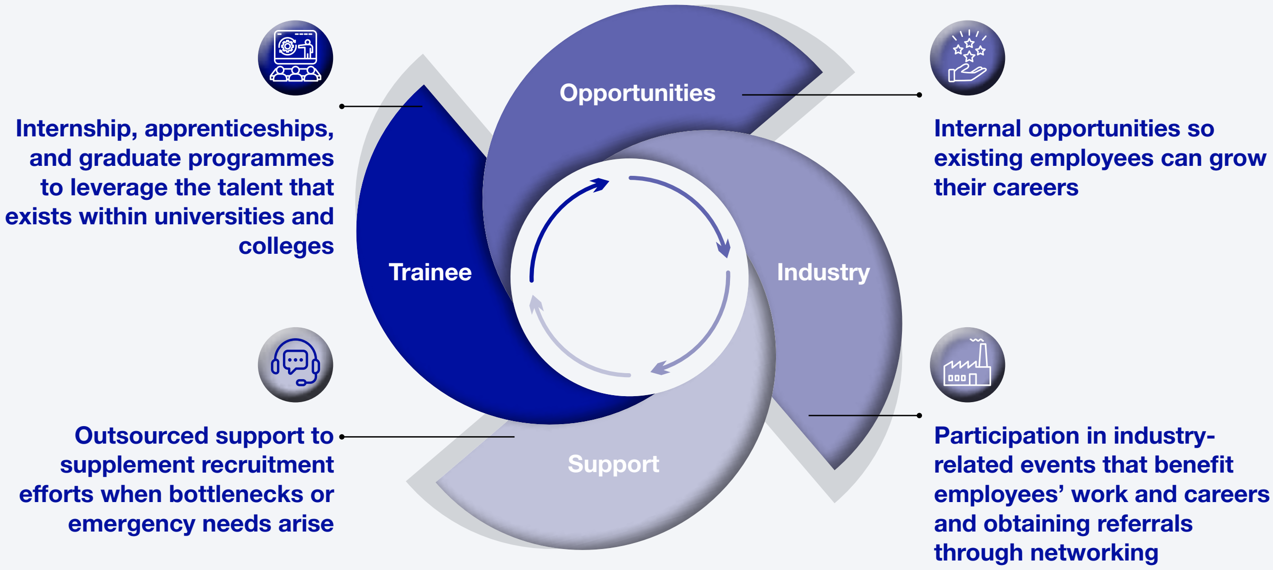
Click to view HEB Group Diversity Analysis Dashboard

HEB's Key Material Matters	Area	2022 Performance
Diversity, equal opportunity, and non-discrimination	• Diversity	• 25% females on board

CAREER DEVELOPMENT (LABOUR PRACTICES AND STANDARDS)

Recruitment

We aim to continue creating employment opportunities to help individuals experience unbeatable career development. At HEB, we encourage candidates to directly apply for open positions via our Company Website at http://www.hssgroup.com.my/career/. It is important that we hire the right candidate for the right position. Internally, we have developed a robust talent acquisition process that encompasses fair and transparent talent screening and hiring procedures. We aim to create an exceptional experience for every individual who goes through our programme.



Retention

We recognize that people are the most important asset. We constantly channel our time to explore ways to retain our employees. We also believe that besides personal and professional development, remuneration is also an incentive as our employees' progress and climb the ladder in their careers. At HEB, we scout industry trends on latest remuneration packages and accordingly improve the salary package of our employees. We also consider discriminatory practices and gender pay inequality. The figure below shows the benefits offered by HEB.

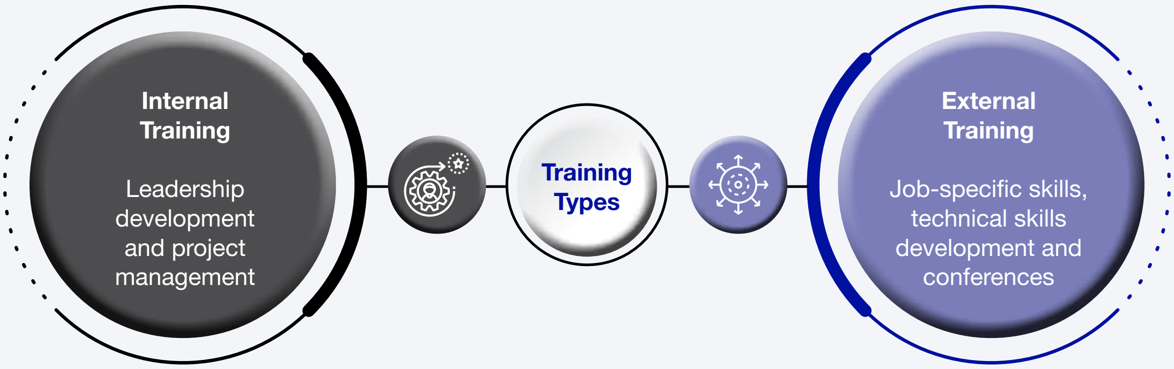
Insurance	Leave	Haj and Pilgrimage Sponsorship	Allowance	Long-Serving Award
Group Hospitalization and Surgical Plan	Study and examination leave	Sponsorship for Muslim staff to do Hajj and pilgrimage for entitled employees	Travelling allowance (mileage and subsistence allowance)	Long-serving employee will be rewarded based on the number of years working with the Group
Personal Accident Insurance	Maternity and paternity leave		Handphone allowance	
	Compassionate leave		Overseas training/work allowance	
	Prolonged illness leave			
	Marriage leave			
	Vaccination leave			

Source: Extracted from Employee Handbook, approved by the BOD in 2022

SUSTAINABILITY STATEMENT

Professional Development

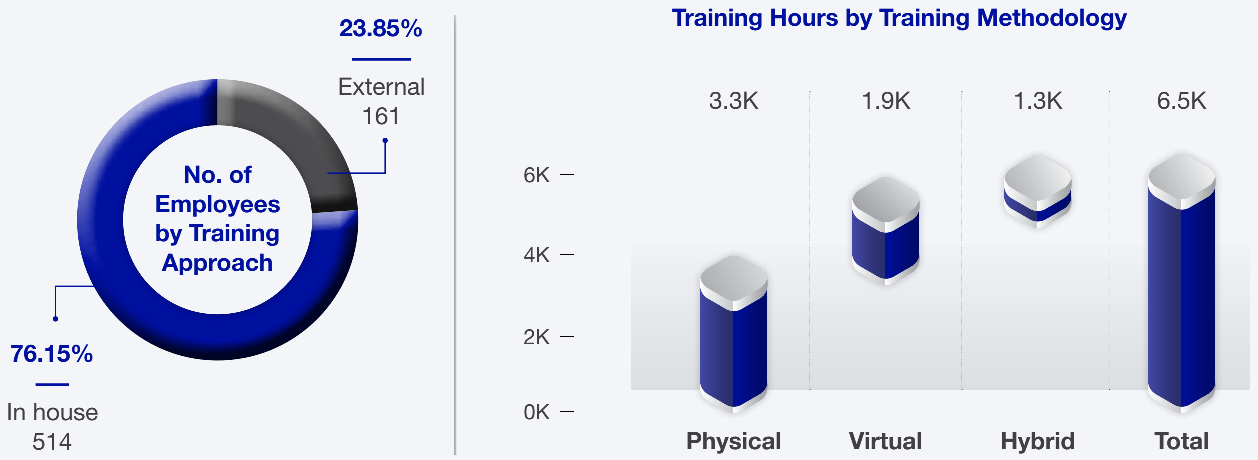
We believe professional development is important to help employees improve their skills, knowledge, and competencies in their respective areas of expertise. Learning is a long-term journey and to ensure continuous learning, we commit to train and groom our employees in acquiring the necessary skills and most importantly, remaining relevant within the fast-moving industrial revolution and technology diaspora. In return, this will mould them to go through uncertainties, embrace ambiguity and explore breakthrough-capable engineering technologies that will benefit technological advances and business growth. To achieve this, we have intensive focused trainings categorized into internal and external trainings.



A total of 675 employees attended trainings (FY2021: 334) to further develop skills and competencies. This amounted to a total of 6520 hours (FY2021: 3304) dedicated to training with 9.66 average training hours per employee trained (FY2021: 9.9).

The following dashboard showcases training analysis of our Group:

HEB GROUP TRAINING ANALYSIS



Click to view HEB Group Training Analysis Dashboard

SUSTAINABILITY STATEMENT

HEB GROUP TRAINING ANALYSIS

No. of Employees Attended Training	Total Training Days	Total Training Hours	Avg. Hours Per Trained Employee	Total Training Cost
675	142	6,520	9.66	118k

There are selected trainings provided for our engineers to ensure they consistently maintain their Continuing Professional Development ("CPD") requirements. The following are some of the key training topics covered during the training programmes.

- **Emerging Pollutant: Current & Future Implication**
- **Sewage Treatment Plant: Current Practice in Malaysia**
- **CIDB's Safety & Health Assessment System in Construction (SHASSIC) Implementation and Application**
- **Water Quality Standards and Related Regulations**
- **Work Accident Forensic Engineering Investigation & Lesson Learnt**
- **Empowering Sustainable Wastewater Management for new normal**
- **Safety & Health Compliance in accordance with Factories and Machinery Act 1967 and OSHA 1994 in Malaysian Construction Industry (Health Hazards Exposures)**
- **Function and responsibilities of Safety Officer and coordinators in Malaysia industry based on OSHA 1994**

HEB's Key Material Matters	Area	2022 Performance
Career Development	• Training and development	• 9.66 average hours of training per trained employee

MOVING FORWARD

We are committed to build upon our sustainability measures as part of our corporate responsibility to stakeholders. We strive to enhance stakeholder value, through continuous improvements of initiatives to grow our business sustainably, strengthen our operations, as well as play an integral role in stewardship of the environment and communities around us.

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 2021 (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 the 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 the Corporate Governance Report 2022 which can be downloaded from HEB's website at www.hssgroup.com.my or from Bursa Securities' website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

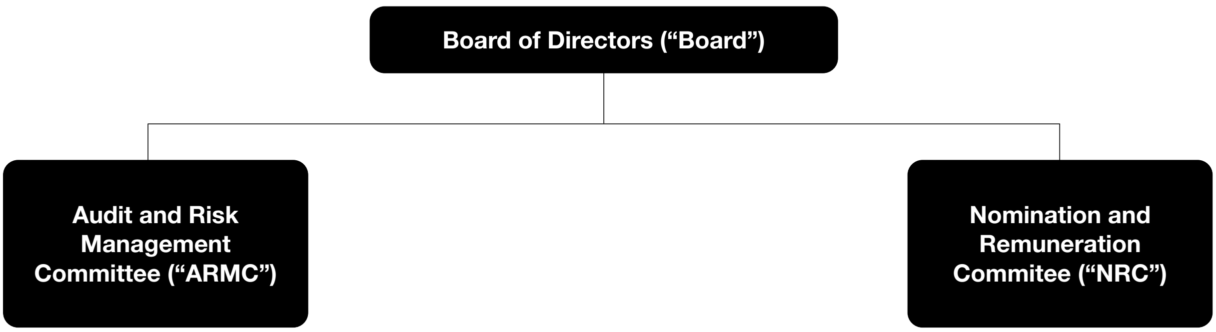
I. BOARD RESPONSIBILITIES

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 shareholders' 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 consists of a set of structures, policies and procedures. The fundamental structure is the Board that is supported by two (2) Board Committees to which the Board has delegated specific responsibilities, namely Audit and Risk Management Committee and Nomination and Remuneration Committee.

The following diagram shows a brief overview of the two (2) Board Committees of the Company, each of which is explained in further details in item 6 of this Corporate Governance Overview Statement:-



The Board Committees are actively engaged and act as oversight committees. They evaluate and recommend matters under their purview for the Board to consider and approve. The Board also receives updates from the respective Chairmen of the Board Committees on matters that have been discussed and deliberated at the meetings.

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 full decision-making powers on the following matters:

(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;
(h) appointment of auditors and approval of financial statements;
(i) financing and borrowing activities;
(j) ensuring regulatory compliance; and
(k) adequacy and integrity of internal controls.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

2. Chairman, Executive Vice Chairman ("EVC") and GCEO

The Chairman of the Board, Dato' Mohd Zakhir Siddiqy Bin Sidek, is an Independent Non-Executive Chairman who leads the Board by setting the tone at the top and manages the Board effectiveness by focusing on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters 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. During the Board meetings, the Chairman also maintains a collaborative atmosphere and ensures that all Directors contribute to debates.

The EVC, 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. Tan Sri Ir. Kunasingam A/L V.Sittampalam also took over the responsibilities to perform the function of the GCEO since 30 November 2020. The Company and the Board are in the midst of identifying a suitable candidate to assume the role. The GCEO has executive responsibility over the business and the day-to-day management of the Group and acts as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. He 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 and EVC /GCEO as undertaken by two (2) 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. The Board is aware that the roles of EVC and GCEO are currently held by the same person and is cautiously screening the right candidate to act as GCEO.

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, and that the 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 members are 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, and kept informed of the latest developments of the MMLR, directives, circulars from Bursa Securities and other legal and regulatory developments.

The appointment and removal of Company Secretaries are matters reserved for the Board.

The Board is satisfied with the professionalism and competency of the Company Secretaries as shown in their advice and support provided to the Board and its Committees.

4. Board Charter, Codes and Policies

The Board has the following in place:-

(a) Board Charter

The Board Charter clearly sets 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 EVC, 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, Dato' Sri Ir. Hj. Ismail Bin Md.Salleh, who is also the NRC's Chairman is responsible for providing support to the Chairman of the Board and provides an independent point of contact for shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(b) Code of Conduct and Code of Ethics of Directors

The Code of Conduct and Code of Ethics of Directors 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 promotes honesty and integrity when engaging 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 of Directors can be found on the Company's website at www.hssgroup.com.my.

(c) Anti-Bribery Policy

The Anti-Bribery Policy sets out the parameters to prevent the occurrence of bribery and corrupt practices in relation to the Group's operations. This Policy is published on the Company's website at www.hssgroup.com.my.

Relevant procedures have been implemented, as guided by the Guideline on Adequate Procedures issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009. Almost all the companies within the Group have implemented an Anti-Bribery Management System in compliance with ISO 37001:2016 and MS ISO 37001:2016.

(d) 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.

(e) Gift, Hospitality and Donation Policy

The Company recognises the importance of conducting business transparently, honestly and with integrity as well as to conduct business in accordance with applicable anti-bribery and anti-corruption laws. The Policy sets out the general principles and conditions to be fulfilled in respect of giving and receiving gifts and hospitality as well as donations. This policy is available on the Company's website at www.hssgroup.com.my.

(f) Directors' Fit and Proper Policy

In June 2022, the Board established the Directors' Fit and Proper Policy to ensure that any person to be appointed or elected/re-elected as a Director of HEB and its subsidiaries shall possess the necessary quality and character as well as integrity, competency and commitment to enable the discharge of the responsibilities required for the position in the most effective manner. The Directors' Fit and Proper Policy is made available on the Company's website at www.hssgroup.com.my.

(g) Sustainability Policy

The Board is ultimately accountable for ensuring that sustainability is integrated into the strategic direction of the Group. To achieve this, the Board has put in place the Sustainability Policy to further strengthen the framework and ensure that there is an effective governance framework for sustainability within the Group. HEB's Sustainability Policy is benchmarked against the United Nation Sustainability Development goals (SDGs).

The Board of HEB is committed to formulating long term strategies that balance economic, environmental and social considerations in all aspects of HEB's businesses through its Engineering Consultancy and Project Management practices. This commitment is reflected in the Sustainability Policy, where the Company actively considers environmental, social and governance (ESG) risks and impacts to create shared prosperity for current and future generations without compromising on our principles. The principles and policies that make up HEB's Sustainability Policy are to be implemented throughout HEB's Group of Companies. The Sustainability Policy is made available on the Company's website at www.hssgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

5. **Board Meetings and Access to Information**

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

The Board held six (6) Board Meetings during the financial year ended 31 December 2022 ("FYE 2022") 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
Ir. Sharifah Azlina Bt Raja Kamal Pasmah *(Executive Director)*	6/6
Datuk Ir. Teo Chok Boo *(Executive Director)*	6/6
Ir. Prem Kumar A/L M Vasudevan *(Executive Director)*	6/6
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *(Senior Independent Non-Executive Director)*	6/6
Vanessa A/P Santhakumar *(Non-Independent Non-Executive Director)*	6/6
Tai Keat Chai *(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 ("ARMC")

The ARMC monitors internal control policies and procedures designed to safeguard the Group's assets and to maintain the integrity of financial reporting. The 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 85 to 87 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Nomination and Remuneration Committee ("NRC")

The NRC assists the Board in ensuring that the Board comprises individuals with the necessary skills, knowledge and experience for the effective discharge of their responsibilities, and in matters relating to the remuneration of the Board and senior management.

NRC MEMBERS	DESIGNATION	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *(Senior Independent Non-Executive Director)*	Chairman	3/3
Tai Keat Chai *(Independent Non-Executive Director)*	Member	3/3
Vanessa A/P Santhakumar *(Non-Independent Non-Executive Director)*	Member	3/3

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

(a) Reviewed and revised the NRC's Terms of Reference;
(b) Reviewed and recommended to the Board for approval, the re-election and retirement by rotation of Directors at the Seventh 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 NRC Statement for inclusion into the Annual Report;
(f) Reviewed the independence of Independent Directors;
(g) Reviewed trainings accomplished as well as training needs for Directors;
(h) Reviewed the remuneration policy and remuneration framework; and
(i) Reviewed the remuneration packages of the Executive Directors, Non-Executive Directors and Senior Management of the Company.
(j) Reviewed and recommended the Directors' Fit and Proper Policy to the Board for approval and adoption; and
(k) Reviewed the profiles and nominated candidates for appointment as directors in subsidiary companies.

II. BOARD COMPOSITION

1. Composition and Diversity

The Board believes that a truly diverse and inclusive Board will leverage the differences of its members, to achieve effective stewardship and in turn, retain its competitive advantage. In this respect, the Board through its NRC conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals.

The Board consists of one (1) Independent Non-Executive Chairman, one (1) Executive Vice Chairman, one (1) Senior Independent Non-Executive Director, one (1) Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director, three (3) Executive Directors and one (1) Alternate Director (to Executive Director). A brief profile of each Director is presented in Page 22 to 30 of this Annual Report.

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 endeavours 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 are two (2) women serving as members of the Board, representing 25% of female representation on the Board.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

An ongoing focus on Board composition allows the NRC to maintain a balanced mix of fresh insights (from recently appointed Directors). With 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 at www.hssgroup.com.my.

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, Dato' Sri Ir. Hj. Ismail Bin Md.Salleh and Mr Tai Keat Chai. 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. The Board must justify and subject to obtaining the approval of the shareholders, may retain an Independent Non-Executive Director who has served a cumulative term of nine (9) years. 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 appointment of Directors to the Board of HEB and its subsidiaries is subject to a formal, rigorous and transparent process. The Board, through the NRC, will consider the following for the appointment of new Directors and re-election of retiring Directors:

(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 his or her 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 2022, there was no new appointment of a Director at HEB's level. However, the Board through NRC will continue to review and assess the composition of the Board, Board Committees, all Directorships and Senior Management in the Company and its subsidiaries pursuant to Clause 2.1 of TOR of NRC.

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. Further, a retiring Director shall retain office until the conclusion of the AGM at which he retires.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Upon the recommendation of the NRC, the Board has confirmed that the following Directors who are retiring and standing for re-election at the Eighth 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
Datuk Ir. Teo Chok Boo *(Clause 93)*	Executive Director

Information on each of the Directors standing for re-election is set out in Pages 23, 24 and 25 of this Annual Report.

4. **Annual Assessment**

The NRC is responsible for evaluating the performance and effectiveness of the entire Board, the Board Committees and individual Directors on yearly basis. The evaluation process is led by the NRC 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 NRC meeting and also shared with the entire Board. The NRC reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for the purpose of forming the basis of recommending relevant Directors for re-election at the AGM.

The NRC had on 22 February 2023 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 2022 to 31 December 2022.

The criteria used in the assessment of Board and individual Director include a 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 of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their functions.

The Board is satisfied that the skills and experience of the current Directors meet 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' self-evaluation, 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' roles and responsibilities. For Directors' peer evaluation, the assessment criteria includes abilitiy and competency, calibre and personality, technical knowledge, objectivity and the level of participation at Board and Committee meetings including his or her contribution to the Board's processes.

During the year, the Board conducted an internally facilitated Board assessment. To facilitate the Board evaluation, the questionnaires were developed based on the abovementioned criteria and distributed to all the Directors for completion. Subsequently, 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 NRC also agreed on the re-appointment of the existing Board Committees' members for the ensuing year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

6. Directors Training

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

The Board members are also encouraged to attend training programmes conducted by highly competent professional organisations and which are relevant to the Group's operations and business. Listed below are the training programmes attended by Directors during the FYE 2022:

- UK Hydrogen Research
- India-Malaysia @65 : Charting the Way Forward
- Europe's Largest Construction Project
- Engineering The Future
- Doing Business in India
- Webinar : Issues & Challenges in BIM Application
- Webinar : Can BIM Goes Wrong?
- Webinar: Application of BIM in Reducing Design Errors
- Dialogue on Effective Media Communication
- BEM Convention 2022
- Malaysia's Corporate Taxes and Incentives Updates
- SheXo Forum 2022 : Leading with Trust
- Your Right, Your Role : Speak Up Against Corruption - Empowering People to Build Governance
- Talk on Planning Guideline and Best Practice Handbook for Water Supply System : Series 6 Section 7/Topic : Water Treatment Plan Layout and General Arrangements
- TCFD Climate Disclosure Training Programme
- ACEM Forum 2022
- Talk on Planning Guideline and Best Practice Handbook for Water Supply System : Series 6 Section 7/Topic : Water Treatment Plan Layout and General Arrangements
- MSA International Symposium 2022
- Webinar Series: Board Assessment : A key cog in an Effective Governance Structure
- The 18th ITS Asia Pacific Forum,Chengdu,China
- Workshop on Multi Free Flow. MLFF
- ASEAN ITS Symposium
- World ITS congress, Los Angeles, USA
- Board of Directors 101 Series
- Borneo Waste Water Exihibition, Kuching
- Specialised Conference & Exihibition on Water Quality & Treatment
- Asiawater Conference & Exihibition 2022, Kuala Lumpur
- Internation Symposium on Rail Industries Training

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 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 NRC takes into consideration the Directors' roles and responsibilities and the NRC also compares 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 Meeting 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 or her fees.

The Remuneration Policy is available for reference on the Group's website at www.hssgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Detailed information on the Directors' remuneration for the FYE2022 on a named basis is disclosed under Note 22 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 reasons.

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. ARMC

1. Composition

The ARMC comprises only the Independent Non-Executive Directors. 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 three (3) years before being appointed as a member of ARMC.

The NRC reviews the composition of ARMC annually and recommends to the Board for approval ensuring that all ARMC members shall be independent, 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.

The external auditors also have direct access to the ARMC to highlight any issues of concern at any point in time. Pursuant to the ARMC's TOR, the ARMC shall meet with the external auditors at least once a year without the presence of the Executive Directors and Management to discuss on audit findings, audit plans and the Company's financial statements.

3. Financial Reporting

The Board aims to present a clear, balanced and comprehensive 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 85 to 87 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is responsible for reviewing and approving the Group's overall risk philosophy and risk appetite, 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 adopts 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, Deloitte Business Advisory Sdn. Bhd., to ensure proper management and mitigation of risks. The Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to safeguard the Group's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The Statement on Risk Management and Internal Control of the Group in Pages 88 to 90 of this Annual Report provides an overview of the risk management practices and internal controls implemented by the Group.

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

I. 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, and 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.

When the Company makes announcement on a 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 dedicated meeting.

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. The stakeholders may 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 advises 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 27 April 2022, which was 41 clear days prior to the meeting on 8 June 2022.

In year 2022, the Company conducted its electronic and virtual AGM on 8 June 2022 through live streaming and online remote participation by using Remote Participation and Voting facilities ("**RPV facilities**"). It has greatly enhanced the participation of shareholders during the outbreak of Covid-19 pandemic. Shareholders were encouraged to raise questions, suggestions, or comments before and throughout the AGM and all the questions raised by the shareholders were responded. All Directors participated remotely at last year's Seventh AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. The poll results were also announced by the Company via Bursa LINK on the same day for the information of all shareholders. The Minutes of the Seventh AGM (including all the questions raised during the meeting) were published on the Company's corporate website no later than 30 business days after the AGM held on 8 June 2022.

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

   At the Seventh AGM in 2022, submission of e-Proxy Form was available on the RPV facilities for shareholders who were unable to attend the AGM to appoint a proxy. In addition, all the resolutions were put to vote by means of electronic poll voting using RPV facilities and all resolutions were duly passed. Thereafter, the outcome of the meeting 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 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 22 February 2023.

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 2022, 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
Tai Keat Chai *Independent Non-Executive Director*	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Chairman*	Member
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh *Senior Independent Non-Executive Director*	Member

Both Tai Keat Chai and Dato' Mohd Zakhir Siddiqy Bin Sidek are members 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 in its Terms of Reference ("**TOR**") requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC. The Board via ARMC also observed the requirement under 15.09(2) of the MMLR to ensure that no alternate director is appointed as a member of 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 2022 ("FYE 2022"), the ARMC had five (5) meetings and the attendance record is as follows:

ARMC MEMBERS	TOTAL NUMBER OF MEETINGS ATTENDED
Tai Keat Chai	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 FYE 2022 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 statements for the FYE 2022 before recommendation to the Board of Directors for approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(b) Internal Audit

- Reviewed and approved the internal audit plan for the FYE 2022.
- Reviewed and discussed the internal audit reports containing the audit findings and recommendations made by the Internal Auditors and Management's responses on those issues and whether or not appropriate action is taken on the recommendations.
- Reviewed and discussed the effectiveness of Risk Management and Internal Control of the Group.
- Monitored progress of actions taken by Management to address any significant issues identified by the Internal Auditors.
- Reviewed and assessed the adequacy of the scope, functions, competency and resources of the internal audit functions.
- Met with the Internal Auditors in the absence of the Executive Board members and Management at least once a year to discuss any significant issues which may have arisen in the course of their audit of the Group.

(c) External Audit

- Evaluated the performance of the external auditors (including assessment of their independence, objectivity and their services including non-audit services), Messrs KPMG PLT, ("**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 annual audited financial statements of the Group, and made recommendation 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 at least once a financial 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, Deloitte Risk Advisory 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 Transactions

- 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.
- Reviewed and recommended the Circular to Shareholders in relation to Proposed Variations and Extension of Timeframe for the Utilisation of Proceeds raised from the Initial Public Offering of the Company for Board's approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

4. Internal Audit Function

The Company outsources its internal audit function to a professional service firm, namely Deloitte Business Advisory 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 in order to perform audit assignments with impartiality, proficiency and due professional care. The main role of the Internal Auditors is to provide the Board, through the ARMC, reasonable assurance of the effectiveness of the risk management, internal 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 internal audit findings were presented in the ARMC meetings and appropriate recommendations were made on any areas of concern within the Company and the Group for the ARMC's deliberation. The following were the activities undertaken by the Internal Auditors during the financial year under review:

(a) Tabled the internal audit plan for the FYE 2022 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) 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 FYE 2022 was RM121,075.

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 organisational 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 plans to deal with the risks. Risk management information including new risks 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 and when necessary. The Group Chief Executive Officer will report to ARMC on an annual basis and as and when necessary; ARMC will then report and advise the Board of 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 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 define 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 and the Nomination and Remuneration Committee ("NRC"). Each committee has formal defined terms of reference and responsibilities and reports on activities of each committee are presented to the Board on a regular basis.

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

Audit and Risk Management Committee and Internal Audit

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Integrity Framework

The Group is committed to upholding integrity and ethical values within the Group and has put in place a framework consisting of a Code of Conduct, Anti-Bribery Policy and Whistle-Blower Policy. The Code of Conduct, Anti-Bribery Policy 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 Anti-Bribery Policy sets out the parameters to prevent the occurrence of bribery and corrupt practices in relation to the Group's businesses.

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 subsidiaries, namely HSS Engineering Sdn. Bhd. ("HSSE") and SMHB Engineering Sdn. Bhd. ("SMHBE") have established the QESH Management Systems which have been certified with ISO 9001:2015, ISO 45001:2018 and ISO 14001:2015 standards. In addition, the Group's other subsidiary, HSS BIM Solutions Private Limited has 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 minimise negative impact on the environment.

As per the requirement of the ISO 9001:2015, ISO 45001:2018 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.

Anti-Bribery Management System

The Company and its subsidiaries, HSSE, SMHBE and BIM Global Ventures Sdn. Bhd., have established the Anti-Bribery Management System which has been certified with ISO 37001:2016 as part of the commitment towards good corporate governance and compliance with Section 17 of the Malaysian Anti-Corruption Commission Act 2009.

Human Capital

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

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

Credit and Liquidity Risk Management

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

The Group minimises 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; and
- Adopts strict credit control policy

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Insurance

The Group has in place adequate insurance coverage to minimise the adverse impact of potential claims on its 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.

Review of The Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control* included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board has received assurance from the Acting Group Chief Executive 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 was approved by the Board on 6 April 2023.

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 13 April 2022, the Company announced its proposed variation and extension of timeframe ("EOT") which was thereafter duly approved in the EGM dated 8 June 2022 for the utilisation of balance proceeds raised from as set out below:

No	Details of Utilisation of IPO Proceeds	IPO Proceeds[(a)] (RM'000)	1st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3rd Revision/ Reallocation of Balance of IPO Proceeds Unutilised (RM'000)	4th Revision/ Reallocation of Balance of IPO Proceeds Unutilised (RM'000)	Actual Utilisation[(b)] (RM'000)	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	5,000	-	-	-	-	-	n/a
	(b) Expansion into India & ASEAN	-	-	6,000	3,000	-	-	-	n/a
	(c) Venture into the water sector in Malaysia	6,000	-	-	-	-	-	-	n/a
	(d) Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	6,000	6,000	18,000	18,000	-	Up to 4th Quarter 2023
	(e) Venture into the power sector in Malaysia	3,000	3,000	-	-	-	-	-	n/a
	(f) Building Information Modeling ("BIM")	-	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		8,000	-	-	-	-	-	n/a
	(i) Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	-	-	-	-	6,000	-	6,000	Up to 4th Quarter 2023
	Subtotal	**24,000**	**24,000**	**24,000**	**24,000**	**24,000**	**18,000**	**6,000**	
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		
	Total	**31,908**	**24,000**	**24,000**	**24,000**	**24,000**	**25,908**	**6,000**	

Notes:
(a) As per HEB's prospectus dated 29 June 2016
(b) As at 31 December 2022

ADDITIONAL COMPLIANCE INFORMATION

RATIONALE FOR THE EOT

After taking into consideration the on-going Covid-19 situation in the ASEAN region, closure of international boarders among ASEAN countries and the rising nationalism in Indonesia and Philippines, the Board is of the view that the aforesaid uncertainties are likely to delay HEB's geographical expansion plans particularly in Philippines, Indonesia and India.

As the Board continued to assess the option to expand HEB's business operations in other ASEAN countries, the Board takes note of the business opportunities in the ASEAN region and India. The Board takes note of the business opportunities in 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. The Company remains committed in its regional expansion plan, but is wary of the impact of the pandemic on regional economies. A certain degree of rising nationalism is expected in India, Indonesia and Philippines, as the governments of these countries aim to preserve domestic interests and internal resources by striking a delicate balance in empowering local talents and employing external expertise. As a result, the Company will need to evaluate the commitment of these countries to their high-growth infrastructure development plans, and the realistic mid-to-long term opportunities present to the Company.

Further to that, as part of the Company'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 water and renewable energy sources. The Board believes that venturing into the water and renewable energy sector will provide a stable revenue base for the Group, considering the vast support given towards this sector by the Government. In line with the foregoing, RM6.00 million of the Balance IPO proceeds shall be re-allocated for the purpose of venturing into the renewable energy sector. Further, the implementation of the movement control order (MCO), conditional movement control order (CMCO), enhanced movement control order (EMCO) and National Recovery Plan has resulted in disruption of the power sector. However, with the current progress of the National Recovery Plan and the Government's efforts towards renewable energy, the Board believes that the sector will regain its momentum for the next few years.

In addition, the Revised Timeframe allows the Company to have more time until the fourth quarter of 2023 to implement the proposals as highlighted above.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2022, the amount of audit and non-audit fees paid/payable by the Company and the Group to the external auditors, Messrs KPMG PLT are as follows:

Details	Company (RM)	Group (RM)
Audit services:		
- Messrs KPMG PLT	43,000	241,000
Non-audit fees:		
- Messrs KPMG PLT	13,000	13,000
Total	**56,000**	**254,000**

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 2022 or entered into since the end of the previous financial year are as follows:

(a) The Share Sale Agreement dated 27 October 2017, as supplemented by the First Supplemental Agreement dated 15 December 2020, 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 for the acquisition by the Company of the entire equity interest of SMHB Engineering Sdn. Bhd. ("SMHBE") for a total consideration of RM270,000,000.00.

4. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs")

There were no RRPTs of a revenue or trading nature entered into during the financial year 31 December 2022 by the Group.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the financial year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

There has been no significant changes in the nature of the activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the year	15,133,839	8,084,604

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2022 for shareholders' approval at the upcoming Annual General Meeting is 0.92 sen per ordinary share totalling RM4.5million.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Mohd Zakhir Siddiqy Bin Sidek
Tan Sri Ir. Kunasingam A/L V.Sittampalam
Ir. Sharifah Azlina Bt Raja Kamal Pasmah
Datuk Ir. Teo Chok Boo
Ir. Prem Kumar A/L M Vasudevan
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh
Tai Keat Chai
Vanessa A/P Santhakumar
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (Alternate Director to Datuk Ir. Teo Chok Boo)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REPORT
for the financial year ended 31 December 2022

Directors' interests in shares

The direct and deemed interests in the ordinary share of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2022	**Bought**	**Sold**	**At 31.12.2022**
Dato' Mohd Zakhir Siddiqy Bin Sidek	582,950	1,009,800	(100)	1,592,650
Tan Sri Ir. Kunasingam A/L V.Sittampalam				
- indirect interest *	108,208,632	-	-	108,208,632
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,350,000	-	-	4,350,000
Datuk Ir. Teo Chok Boo				
- direct interest	33,516,895	-	-	33,516,895
- indirect interest #	16,994,106	-	-	16,994,106
Ir. Prem Kumar A/L M Vasudevan	7,401,447	-	-	7,401,447
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (Alternate Director to Datuk Ir. Teo Chok Boo)	9,273,684	-	-	9,273,684

	Number of Warrants 2018/2023		
	At 1.1.2022	**Converted**	**At 31.12.2022**
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
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	450,000	-	450,000
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 of the subsidiaries of the Company.

None of the other directors holding office at 31 December 2022 had any interest in the shares and warrants of the Company and its subsidiaries during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT
for the financial year ended 31 December 2022

Directors' remuneration

The Directors' remuneration paid to or receivable by the Directors of the Company from the Company and its subsidiaries are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Fees	366,300	377,758	366,300	377,758
Remuneration	3,236,800	3,209,800	2,932,800	2,412,800
Other short-term employee benefits	1,337,311	1,227,348	1,218,619	967,610
	4,940,411	4,814,906	4,517,719	3,758,168

Issue of shares and debentures

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issuance of warrants described below.

Warrants

On 16 March 2018, the Company issued 47,862,151 new warrants ("Warrants 2018/2023") pursuant to the Rights with Bonus Issue and Warrants 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"). 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. The registered holders are entitled to subscribe for one (1) new ordinary shares in the Company at a price of RM1.70 per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid deed poll and can be exercised at any time during the five-year subscription period up to 15 March 2023.

As at 3 March 2023, 118,115 Warrants 2018/2023 were exercised and the remaining 47,744,036 Warrants 2018/2023 remained unexercised.

Indemnity and insurance cost

During the financial year:

i) the total amount of sum insured and premium paid for the Directors of the Company and its subsidiaries are RM30,000,000 and RM84,810 respectively which expired on 1 December 2022.
ii) the total amount of sum insured and premium paid for the Directors and officers of the Company and its subsidiaries are RM30,000,000 and RM81,630 respectively.

There were no indemnity given or insurance effected for any auditors of the Group and of the Company.

DIRECTORS' REPORT
for the financial year ended 31 December 2022

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The amount of audit and non-audit fees paid or payable to KPMG PLT by the Group and the Company for the financial year ended 31 December 2022 are as follows:

	Group RM	Company RM
Audit fees	241,000	43,000
Non-audit fees	13,000	13,000
	254,000	56,000

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Tan Sri Ir. Kunasingam A/L V.Sittampalam
Director

....

Datuk Ir. Teo Chok Boo
Director

Kuala Lumpur,

Date: 6 April 2023

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Assets					
Property, plant and equipment	3	**3,853,397**	4,220,574	**-**	-
Right-of-use assets	4	**3,367,480**	5,790,657	**-**	-
Intangible assets	5	**163,268,932**	164,743,565	**-**	-
Investment in subsidiaries	6	**-**	-	**210,865,671**	210,825,671
Investment in associates	7	**2,416,284**	2,691,881	**-**	-
Employee benefits	14	**21,923**	-	**-**	-
Deferred tax assets	8	**2,998,149**	1,648,657	**-**	-
Total non-current assets		**175,926,165**	179,095,334	**210,865,671**	210,825,671
Trade and other receivables	9	**56,505,711**	44,869,871	**69,403**	126,149
Contract assets	10	**135,322,419**	108,613,833	**-**	-
Current tax assets		**1,323,868**	851,409	**50,536**	35,780
Derivative financial assets	16	**493,547**	270,625	**493,547**	270,625
Prepayment		**3,760,186**	2,649,214	**118,496**	108,348
Cash and cash equivalents	11	**30,364,223**	31,509,521	**9,290,958**	21,536,460
Total current assets		**227,769,954**	188,764,473	**10,022,940**	22,077,362
Total assets		**403,696,119**	367,859,807	**220,888,611**	232,903,033
Equity					
Share capital		**254,291,378**	254,291,378	**254,291,378**	254,291,378
Reserves		**(11,293,959)**	(26,381,807)	**(67,228,154)**	(75,312,758)
Total equity	12	**242,997,419**	227,909,571	**187,063,224**	178,978,620
Liabilities					
Loans and borrowings	13	**14,023,066**	32,953,056	**13,648,189**	32,551,723
Lease liabilities		**522,158**	3,149,497	**-**	-
Employee benefits	14	**-**	24,789	**-**	-
Deferred tax liabilities	8	**-**	377,000	**-**	-
Other payables	15	**-**	7,192,500	**-**	7,192,500
Total non-current liabilities		**14,545,224**	43,696,842	**13,648,189**	39,744,223
Loans and borrowings	13	**43,421,327**	18,881,405	**13,835,574**	13,290,044
Lease liabilities		**3,003,373**	2,778,443	**-**	-
Trade and other payables	15	**79,209,060**	61,740,758	**6,268,923**	813,576
Contract liabilities	10	**16,559,927**	12,347,716	**-**	-
Current tax liabilities		**3,474,526**	-	**-**	-
Provision		**485,263**	505,072	**72,701**	76,570
Total current liabilities		**146,153,476**	96,253,394	**20,177,198**	14,180,190
Total liabilities		**160,698,700**	139,950,236	**33,825,387**	53,924,413
Total equity and liabilities		**403,696,119**	367,859,807	**220,888,611**	232,903,033

The notes on pages 105 to 156 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Revenue	17	**186,041,738**	164,693,151	**17,288,000**	16,195,000
Cost of sales		**(125,308,018)**	(124,741,679)	**-**	-
Gross profit		**60,733,720**	39,951,472	**17,288,000**	16,195,000
Other income		**298,015**	584,666	**222,922**	562,264
Administrative expenses		**(23,004,953)**	(20,176,878)	**(7,402,088)**	(6,875,283)
Other operating expenses		**(7,202,566)**	(8,404,935)	**(200,867)**	(175,868)
Net loss on impairment of financial instruments	21	**(6,778,757)**	(3,213,934)	**-**	-
Results from operating activities		**24,045,459**	8,740,391	**9,907,967**	9,706,113
Finance income	18	**422,276**	506,071	**279,608**	391,507
Finance costs	19	**(3,172,885)**	(3,540,010)	**(2,102,971)**	(3,027,559)
Share of profit of equity-accounted associates, net of tax		**324,393**	360,314	**-**	-
Profit before tax		**21,619,243**	6,066,766	**8,084,604**	7,070,061
Tax (expense)/credit	20	**(6,485,404)**	(3,037,659)	**-**	64,868
Profit for the year	21	**15,133,839**	3,029,107	**8,084,604**	7,134,929
Other comprehensive loss, net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		**(53,439)**	16,252	**-**	-
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		**9,953**	(22,346)	**-**	-
Tax effect on remeasurement of defined benefit liability		**(2,505)**	5,624	**-**	-
Total other comprehensive loss for the year, net of tax		**(45,991)**	(470)	**-**	-
Total comprehensive income for the year		**15,087,848**	3,028,637	**8,084,604**	7,134,929
Basic earnings per share (sen)	23	**3.05**	0.61		

The notes on pages 105 to 156 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2022

Group	Share capital RM	Warrants reserve RM	Translation reserve RM	Accumulated losses RM	Total RM
	← Attributable to owners of the Company →				
	← Non-distributable →				
At 1 January 2021	254,291,378	29,195,903	208,111	(58,814,458)	224,880,934
Other comprehensive loss:					
- Remeasurement of defined benefit liability	-	-	-	(16,722)	(16,722)
- Foreign currency translation differences for foreign operation	-	-	16,252	-	16,252
Total other comprehensive loss	-	-	16,252	(16,722)	(470)
Profit for the year	-	-	-	3,029,107	3,029,107
Profit and total comprehensive loss for the year	-	-	16,252	3,012,385	3,028,637
At 31 December 2021/1 January 2022	254,291,378	29,195,903	224,363	(55,802,073)	227,909,571
Other comprehensive loss:					
- Remeasurement of defined benefit liability	-	-	-	7,448	7,448
- Foreign currency translation differences for foreign operation	-	-	(53,439)	-	(53,439)
Total other comprehensive loss	-	-	(53,439)	7,448	(45,991)
Profit for the year	-	-	-	15,133,839	15,133,839
Profit and total comprehensive loss for the year	-	-	(53,439)	15,141,287	15,087,848
At 31 December 2022	**254,291,378**	**29,195,903**	**170,924**	**(40,660,786)**	**242,997,419**
	Note 12	Note 12	Note 12		

Company	Share capital RM	Warrants reserve RM	Accumulated losses RM	Total RM
	← Attributable to owners of the Company →			
	← Non-distributable →			
At 1 January 2021	254,291,378	29,195,903	(111,643,590)	171,843,691
Total comprehensive income for the year	-	-	7,134,929	7,134,929
At 31 December 2021/1 January 2022	**254,291,378**	**29,195,903**	**(104,508,661)**	**178,978,620**
Total comprehensive income for the year	**-**	**-**	**8,084,604**	**8,084,604**
At 31 December 2022	**254,291,378**	**29,195,903**	**(96,424,057)**	**187,063,224**
	Note 12	Note 12		

The notes on pages 105 to 156 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Cash flows from operating activities					
Profit before tax		**21,619,243**	6,066,766	**8,084,604**	7,070,061
Adjustments for:					
Net loss on impairment of financial instruments		**6,778,757**	3,213,934	**-**	-
Depreciation of property, plant and equipment	3	**1,257,547**	1,353,075	**-**	-
Depreciation of right-of-use assets	4	**2,872,142**	2,792,908	**-**	-
Amortisation of intangible assets	5	**1,710,613**	3,620,235	**-**	-
Finance income	18	**(422,276)**	(506,071)	**(279,608)**	(391,507)
Finance costs	19	**3,172,885**	3,540,010	**2,102,971**	3,027,559
Dividend income		**-**	-	**(12,500,000)**	(12,000,000)
Net fair value gain on derivative	16	**(222,922)**	(562,264)	**(222,922)**	(562,264)
(Gain)/loss on disposal of property, plant and equipment		**(9,999)**	8,208	**-**	-
Write off of property, plant and equipment	3	**416**	-	**-**	-
Share of profit of equity-accounted associates, net of tax	7	**(324,393)**	(360,314)	**-**	-
Operating profit/(loss) before changes in working capital		**36,432,013**	19,166,487	**(2,814,955)**	(2,856,151)
Change in employee benefits and provision		**(51,653)**	(6,358)	**(3,869)**	37,519
Change in trade and other receivables and prepayments		**(19,547,372)**	(8,893,597)	**46,598**	1,096,331
Change in trade and other payables		**10,199,091**	18,747,100	**(1,922,153)**	(1,927,237)
Change in contract assets		**(26,742,075)**	(19,537,453)	**-**	-
Change in contract liabilities		**4,236,670**	3,635,901	**-**	-
Cash generated from/(used in) operations		**4,526,674**	13,112,080	**(4,694,379)**	(3,649,538)

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Cash generated from/(used in) operations		**4,526,674**	13,112,080	**(4,694,379)**	(3,649,538)
Interest paid		**(302,748)**	(488,170)	**(115,917)**	(222,201)
Interest received		**422,276**	506,071	**279,608**	391,507
Net tax paid		**(5,214,240)**	(5,096,853)	**(14,756)**	(15,664)
Net cash (used in)/from operating activities		**(568,038)**	8,033,128	**(4,545,444)**	(3,495,896)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	**(771,840)**	(1,282,818)	**-**	-
Acquisition of intangible assets	(i)	**(24,349)**	-	**-**	-
Investment in associate		**(10)**	-	**-**	-
Increase of investments in a subsidiary	6	**-**	-	**(40,000)**	-
Proceeds from disposal of property, plant and equipment		**10,000**	29,500	**-**	-
Dividend received from subsidiaries		**-**	-	**12,500,000**	12,000,000
Dividend received from associate		**600,000**	-	**-**	-
Net cash (used in)/from investing activities		**(186,199)**	(1,253,318)	**12,460,000**	12,000,000
Cash flows from financing activities					
Net payment of hire purchase liabilities		**(102,207)**	(117,805)	**-**	-
Repayment of term loans		**(18,358,004)**	(11,953,227)	**(18,358,004)**	(11,953,227)
Net proceeds from revolving credit		**12,903,635**	933,621	**-**	-
Payment of lease liabilities		**(2,850,979)**	(2,674,863)	**-**	-
Deposit pledged with licensed bank		**(6,561,450)**	9,240,325	**1,231,453**	5,629,947
Interest paid		**(2,685,137)**	(2,859,340)	**(1,802,054)**	(2,612,858)
Net cash used in financing activities		**(17,654,142)**	(7,431,289)	**(18,928,605)**	(8,936,138)
Net decrease in cash and cash equivalents		**(18,408,379)**	(651,479)	**(11,014,049)**	(432,034)
Effect of foreign currency translation differences		**(26,172)**	4,226	**-**	-
Cash and cash equivalents at 1 January		**22,418,140**	23,065,393	**18,924,300**	19,356,334
Cash and cash equivalents at 31 December	11	**3,983,589**	22,418,140	**7,910,251**	18,924,300

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM896,053 (2021: RM1,691,848) of which RM124,213 (2021: RM409,030) was acquired by mean of hire purchase. The Group also acquired intangible asset with an aggregate cost of RM235,999 (2021: RM255,109) of which RM211,650 (2021: RM255,109) was acquired by mean of hire purchase.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

(ii) Cash outflows for leases as a lessee

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Included in net cash from operating activities:					
Payment relating to short-term and/or low-value assets	21	**264,267**	521,692	**-**	-
Interest paid in relation to lease liabilities	19	**235,302**	322,356	**-**	-
Included in net cash from financing activities:					
Payment of lease liabilities		**2,850,979**	2,674,863	**-**	-
Total cash outflows for leases		**3,350,548**	3,518,911	**-**	-

(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

	Term loans RM	Hire purchase liabilities RM	Revolving credit RM	Lease liabilities RM	Total RM
Group					
At 1 January 2021	57,794,994	153,730	1,413,571	6,853,513	66,215,808
Acquisition	-	664,139	-	1,749,290	2,413,429
Net changes in financing cash flows	(11,953,227)	(117,805)	933,621	(2,674,863)	(13,812,274)
At 31 December 2021/ 1 January 2022	45,841,767	700,064	2,347,192	5,927,940	54,816,963
Acquisition	-	911,494	-	462,318	1,373,812
Net changes in financing cash flows	(18,358,004)	(574,996)	12,903,635	(2,850,979)	(8,880,344)
Effect movement in exchange rate	-	-	-	(13,748)	(13,748)
At 31 December 2022	**27,483,763**	**1,036,562**	**15,250,827**	**3,525,531**	**47,296,683**
Company					
At 1 January 2021	57,794,994	-	-	-	57,794,994
Net changes in financing cash flows	(11,953,227)	-	-	-	(11,953,227)
At 31 December 2021/ 1 January 2022	45,841,767	-	-	-	45,841,767
Net changes in financing cash flows	(18,358,004)	-	-	-	(18,358,004)
At 31 December 2022	**27,483,763**	**-**	**-**	**-**	**27,483,763**

NOTES TO THE FINANCIAL STATEMENTS

HSS Engineers Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company are as follows:

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

Registered office
12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates. The financial statements of the Company as at and for the financial year ended 31 December 2022 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 6 April 2023.

1. BASIS OF PREPARATION

(a) Statement of compliance

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 and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and* MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and Company.

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2 to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – incremental borrowing rate in relation to leases

  The Group assesses at lease commencement by applying judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rate before using judgement to determine the adjustments required to reflect the term, security, value and economic environment of the respective leases.

- Note 5 – measurement of the recoverable amount of cash-generating unit

  The Group performs annual goodwill impairment assessment by comparing the carrying amount of goodwill against the recoverable amount based on estimated future cash flows of the CGU to which goodwill was allocated. The estimation of future cash flows involves prospective financial information based on assumptions made by the Directors.

  The determination of recoverable amount of goodwill is inherently uncertain and it requires the exercise of significant judgement in applying key assumptions particularly the revenue growth rate, terminal growth rate and discount rate.

- Note 6 – measurement of the recoverable amount of investment of subsidiaries

  There is an indication of impairment where the carrying amount of the investment in certain subsidiaries is higher than their net tangible asset. The Company assesses the recoverability of investments in subsidiaries for impairment when there is an indication of impairment based on estimated future cash flows generated by those subsidiaries which involved prospective financial information based on assumptions made by the Directors.

  The determination of recoverable amount of investment in subsidiaries is inherently uncertain and it requires the exercise of significant judgement in applying key assumptions particularly the revenue growth rate, terminal growth rate and discount rate.

- Note 17 – revenue recognition

  The Group's service revenue is derived from long-term service contracts of which revenue is recognised over time using cost incurred method. This is calculated on the proportion of total internal costs (for design services) or total costs (for supervision services) incurred at the reporting date compared to Directors' estimation of total internal costs (for design services) or total costs (for supervision services) of the contracts.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

- Note 17 – revenue recognition (continued)

  The determination of percentage of completion is complex due to the high level of management estimation involved, in particular relating to forecasting total cost to complete at the initiation of the contract and revisions to total forecast for certain events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract.

- Note 25 – measurement of expected credit loss ("ECL")

  The Group applies judgements to determine that financial instruments of the Group are recognised and measured in accordance with the accounting standard, MFRS 9 as described in Note 2(c) to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

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

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) **Financial instruments (continued)**

(ii) **Financial instrument categories and subsequent measurement (continued)**

Financial assets (continued)

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

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of the ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the 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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- Furniture and fittings 10 years
- Motor vehicles 5 years
- Computer 3 – 7 years
- Office equipment 5 – 7 years
- Renovation 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The 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, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- 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 a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Amortisation

Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- Computer software 3 – 7 years
- Customer contract 0.75 – 4.75 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(i)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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 investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

(iii) Defined benefit plans (continued)

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(l) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Management fee income

Management fee income from the provision of management services is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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 that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. 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 2021	763,499	1,130,984	4,334,056	1,381,276	5,051,609	12,661,424
Additions	86,296	-	664,415	32,385	908,752	1,691,848
Disposal	-	-	-	-	(125,000)	(125,000)
Write off	-	-	-	(1,078)	-	(1,078)
Effect of movement in exchange rate	1,952	-	5,892	1,103	23	8,970
At 31 December 2021/1 January 2022	851,747	1,130,984	5,004,363	1,413,686	5,835,384	14,236,164
Additions	79,939	187,389	341,232	20,637	266,856	896,053
Disposal	-	-	(8,611)	-	-	(8,611)
Write off	-	-	(19,950)	(6,937)	-	(26,887)
Effect of movement in exchange rate	(5,698)	-	(19,790)	(2,752)	(64)	(28,304)
At 31 December 2022	**925,988**	**1,318,373**	**5,297,244**	**1,424,634**	**6,102,176**	**15,068,415**
Accumulated depreciation						
At 1 January 2021	399,162	780,524	3,399,601	954,174	3,209,381	8,742,842
Depreciation for the year	64,265	205,150	441,851	133,398	508,411	1,353,075
Disposal	-	-	-	-	(87,292)	(87,292)
Write off	-	-	-	(1,078)	-	(1,078)
Effect of movement in exchange rate	1,591	-	5,345	1,084	23	8,043
At 31 December 2021/1 January 2022	465,018	985,674	3,846,797	1,087,578	3,630,523	10,015,590
Depreciation for the year	64,760	124,074	447,990	116,396	504,327	1,257,547
Disposal	-	-	(8,610)	-	-	(8,610)
Write off	-	-	(19,534)	(6,937)	-	(26,471)
Effect of movement in exchange rate	(5,259)	-	(15,100)	(2,615)	(64)	(23,038)
At 31 December 2022	**524,519**	**1,109,748**	**4,251,543**	**1,194,422**	**4,134,786**	**11,215,018**
Carrying amounts						
At 1 January 2021	364,337	350,460	934,455	427,102	1,842,228	3,918,582
At 31 December 2021	386,729	145,310	1,157,566	326,108	2,204,861	4,220,574
At 31 December 2022	**401,469**	**208,625**	**1,045,701**	**230,212**	**1,967,390**	**3,853,397**
Carrying amounts of property, plant and equipment held under hire purchase arrangements						
At 1 January 2021	-	157,230	-	-	-	157,230
At 31 December 2021	-	93,886	385,816	-	-	479,702
At 31 December 2022	**29,709**	**30,398**	**370,346**	**-**	**526,717**	**957,170**

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS

Group	Office premises RM	Office equipment RM	Total RM
Cost			
At 1 January 2021	11,786,511	768,409	12,554,920
Additions	1,634,873	114,417	1,749,290
At 31 December 2021/1 January 2022	13,421,384	882,826	14,304,210
Additions	318,361	143,957	462,318
Effect of movement in exchange rate	(16,577)	-	(16,577)
At 31 December 2022	**13,723,168**	**1,026,783**	**14,749,951**
Accumulated depreciation			
At 1 January 2021	5,380,202	340,443	5,720,645
Depreciation for the year	2,625,046	167,862	2,792,908
At 31 December 2021/1 January 2022	8,005,248	508,305	8,513,553
Depreciation for the year	2,708,695	163,447	2,872,142
Effect of movement in exchange rate	(3,224)	-	(3,224)
At 31 December 2022	**10,710,719**	**671,752**	**11,382,471**
Carrying amounts			
At 1 January 2021	6,406,309	427,966	6,834,275
At 31 December 2021	5,416,136	374,521	5,790,657
At 31 December 2022	**3,012,449**	**355,031**	**3,367,480**

The Group leases office premises and office equipment that run between 1 year to 5 years, with no option to renew the lease after that date.

Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM	Customer contracts RM	Computer software RM	Total RM
Cost					
At 1 January 2021		282,091,512	16,706,000	3,025,872	301,823,384
Additions		-	-	255,109	255,109
Effect of movements in exchange rate		-	-	9,277	9,277
At 31 December 2021/1 January 2022		282,091,512	16,706,000	3,290,258	302,087,770
Additions		-	-	235,999	235,999
Effect of movements in exchange rate		-	-	(25,160)	(25,160)
At 31 December 2022		**282,091,512**	**16,706,000**	**3,501,097**	**302,298,609**
Amortisation and impairment loss					
At 1 January 2021					
Accumulated amortisation		-	11,636,000	2,663,952	14,299,952
Accumulated impairment loss		119,414,808	-	-	119,414,808
		119,414,808	11,636,000	2,663,952	133,714,760
Amortisation for the year	5.2	-	3,499,000	121,235	3,620,235
Effect of movements in exchange rate		-	-	9,210	9,210
At 31 December 2021/1 January 2022					
Accumulated amortisation		-	15,135,000	2,794,397	17,929,397
Accumulated impairment loss		119,414,808	-	-	119,414,808
		119,414,808	15,135,000	2,794,397	137,344,205
Amortisation for the year	5.2	-	1,571,000	139,613	1,710,613
Effect of movements in exchange rate		-	-	(25,141)	(25,141)
At 31 December 2022					
Accumulated amortisation		**-**	**16,706,000**	**2,908,869**	**19,614,869**
Accumulated impairment loss		**119,414,808**	**-**	**-**	**119,414,808**
		119,414,808	**16,706,000**	**2,908,869**	**139,029,677**
Carrying amounts					
At 1 January 2021		162,676,704	5,070,000	361,920	168,108,624
At 31 December 2021		162,676,704	1,571,000	495,861	164,743,565
At 31 December 2022		**162,676,704**	**-**	**592,228**	**163,268,932**

5.1 Customer contracts refer to material unfulfilled contracts identified separately from goodwill and recognised by the Group arising from the business combination.

5.2 The customer contracts and computer software are amortised over their useful lives and are recognised in other operating expenses.

5.3 Impairment testing for cash-generating unit ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to CGU within the Group which will benefit from the synergies arising from the acquisition of SMHB Engineering Sdn. Bhd.. The recoverable amount of the goodwill was based on its value in use, determined by discounting future cash flows to be generated by the CGU.

In 2018, the Group recognised an impairment loss on goodwill amounting to RM119,414,808 based on the impairment assessment as the carrying amount of the CGU exceeded its estimated recoverable amount. No futher impairment loss is required based on current year's impairment assessment as the estimated recoverable amount of the CGU exceeds its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Impairment testing for cash-generating unit ("CGU") containing goodwill (continued)

Value in use was determined based on the cash flow projection approved by the directors covering a five-year period. Cash flows beyond five-year period were extrapolated using the terminal growth rate of 3% (2021: 3%). Key assumptions used in the value in use include revenue growth rate of 10% (2021: 10%) and pre-tax discount rate of 16% (2021: 16%).

The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data).

The directors have considered and assessed reasonably possible changes in the key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount and concluded that any reasonably possible change in the key assumptions would not result in impairment loss as the above estimates are not particularly sensitive to any area.

5.4 At 31 December 2022, the net carrying amount of intangible asset under hire purchase arrangements was RM402,475 (2021: RM245,542).

6. INVESTMENT IN SUBSIDIARIES

	Note	Company 2022 RM	Company 2021 RM
Unquoted shares - at cost		**321,596,729**	321,556,729
Less: Impairment loss	6.1	**(110,731,058)**	(110,731,058)
		210,865,671	210,825,671

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2022 %	Effective ownership interest and voting interest 2021 %
HSS Engineering Sdn. Bhd.	Malaysia	Provision of engineering and project management services	**100**	100
BIM Global Ventures Sdn. Bhd.	Malaysia	Provision of Building Information Modelling ("BIM") services	**100**	100
HSS BIM Solutions Private Limited*	India	Provision of BIM services	**100**	100
SMHB Engineering Sdn. Bhd.	Malaysia	Provision of engineering and project management services	**100**	100
SMHB Environmental Sdn. Bhd.#	Malaysia	Provision of environmental consultancy services	**-**	100
HEB Energy Sdn. Bhd.	Malaysia	Provision of energy development projects	**100**	100

* Not audited by KPMG PLT.
\# Liquidated on 30 December 2022.

6.1 In 2018, due to the impairment of goodwill allocated to the CGU which included SMHB Engineering Sdn. Bhd. ("SMHBE"), the Group performed impairment assessment on investment in SMHBE based on key assumptions and estimates as disclosed in Note 5.3 to the financial statements. As a result, an impairment loss of RM110,731,058 was recognised. No further impairment is required based on current year's impairment assessment.

6.2 The shares in SMHB Engineering Sdn. Bhd. have been pledged as securities for the term loan facility granted to the Company as disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATES

	Group 2022 RM	Group 2021 RM
Investment in share	**906,508**	906,498
Share of post-acquisition reserve	**1,509,776**	1,785,383
	2,416,284	2,691,881

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest 2022 %	2021 %
HSS Integrated Sdn. Bhd. ("HSSI")	Malaysia	Provision of engineering consultancy services by the Group.	**30**	30
HSS Mekanikal & Elektrikal Sdn. Bhd. ("HSSME")	Malaysia	Provision of engineering consultancy services by the Group.	**30**	30
SMHB Sdn. Bhd. ("SMHB")	Malaysia	Provision of engineering consultancy services by the Group.	**30**	30
HSS Joint Venture Sdn. Bhd. ("HSSJV")	Malaysia	Provision of engineering consultancy services by the Group.	**37**	-

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

2022	Group HSSI RM	HSSME RM	SMHB RM	HSSJV RM	Total RM
Summarised financial information					
As at 31 December					
Total assets	**134,686,513**	**467,447**	**33,388,776**	**33,392,944**	**201,935,680**
Total liabilities	**(131,065,954)**	**(1,027,949)**	**(29,014,991)**	**(33,344,350)**	**(194,453,244)**
Net assets/(liabilities)	**3,620,559**	**(560,502)**	**4,373,785**	**48,594**	**7,482,436**
Year ended 31 December					
Total comprehensive (loss)/income	**(484,710)**	**(121,300)**	**1,506,116**	**48,570**	**948,676**
Included in the total comprehensive income:					
Revenue	**108,647,483**	**413,000**	**45,417,615**	**32,522,131**	**187,000,229**
Reconciliation of net assets to carrying amount as at 31 December					
Group's share of net assets	**1,086,168**	**-***	**1,312,136**	**17,980**	**2,416,284**
Group's share of results for the year ended 31 December					
Group's share of total comprehensive (loss)/income	**(145,413)**	**-***	**451,835**	**17,971**	**324,393**
Other information					
Dividend received by the Group	**(600,000)**	**-**	**-**	**-**	**(600,000)**

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATES (CONTINUED)

	Group				
2021	HSSI RM	HSSME RM	SMHB RM	HSS JV RM	Total RM
Summarised financial information					
As at 31 December					
Total assets	130,126,828	686,269	41,781,083	-	172,594,180
Total liabilities	(124,021,558)	(1,125,470)	(38,913,416)	-	(164,060,444)
Net assets/(liabilities)	6,105,270	(439,201)	2,867,667	-	8,533,736
Year ended 31 December					
Total comprehensive income/(loss)	183,351	(127,160)	1,017,696	-	1,073,887
Included in the total comprehensive income:					
Revenue	111,295,220	641,559	53,487,612	-	165,424,391
Reconciliation of net assets to carrying amount as at 31 December					
Group's share of net assets	1,831,581	-*	860,300	-	2,691,881
Group's share of results for the year ended 31 December					
Group's share of total comprehensive income	55,005	-*	305,309	-	360,314

* The Group has not recognised losses related to HSSME, totalling RM36,390 (2021: RM38,148) in the current financial year and RM168,150 (2021: RM131,760) cumulatively, since the Group has no obligation in respect of these losses.

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM
Property, plant and equipment	**21,316**	27,592	**(228,899)**	(168,345)	**(207,583)**	(140,753)
Right-of-use assets	**-**	-	**(811,035)**	(1,389,758)	**(811,035)**	(1,389,758)
Intangible assets	**-**	-	**(49,596)**	(396,434)	**(49,596)**	(396,434)
Provision	**3,195,758**	1,754,874	**-**	-	**3,195,758**	1,754,874
Lease liabilities	**849,052**	1,422,706	**-**	-	**849,052**	1,422,706
Other deductible temporary differences	**21,553**	21,022	**-**	-	**21,553**	21,022
Tax assets/(liabilities)	**4,087,679**	3,226,194	**(1,089,530)**	(1,954,537)	**2,998,149**	1,271,657
Set off of tax	**(1,089,530)**	(1,577,537)	**1,089,530**	1,577,537	**-**	-
Net tax assets/(liabilities)	**2,998,149**	1,648,657	**-**	(377,000)	**2,998,149**	1,271,657

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Unabsorbed business losses	**1,746,333**	1,619,830	**-**	-
Unabsorbed capital allowances	**68,465**	63,577	**-**	-
Other taxable temporary differences	**(20,442)**	(28,303)	**-**	-
	1,794,356	1,655,104	**-**	-

With effective from year of assessment ("YA") 2019, any unabsorbed business losses can only be carried forward for a maximum period of ten consecutive YAs. The unabsorbed business losses for YA 2018 and prior YAs can be carried forward until 2028. The other deductible temporary differences do not expire under current tax legislation. Deferred tax asset have not been fully recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

YA in which tax losses arose	Unabsorbed business losses RM	Year in which tax losses will expire
2018 and before	1,270,522	2028
2019	117,516	2029
2020	10,003	2030
2021	221,789	2031
2022	126,503	2032
	1,746,333	

Movement of temporary differences during the year

	Group	
	2022 RM	2021 RM
At 1 January	**1,271,657**	(312,660)
Recognised in profit or loss	**1,729,070**	1,583,160
Recognised in equity	**(2,505)**	5,624
Effect of movement in exchange rate	**(73)**	(4,467)
At 31 December	**2,998,149**	1,271,657

NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Current					
Trade					
Trade receivables	9.1	**51,363,517**	42,566,382	**-**	-
Amounts due from subsidiaries	9.2	**-**	-	**8,000**	77,574
		51,363,517	42,566,382	**8,000**	77,574
Non-trade					
Other receivables		**4,149,195**	1,307,847	**2,850**	-
Deposits		**992,999**	995,642	**2,000**	2,000
Amounts due from subsidiaries	9.3	**-**	-	**56,553**	46,575
		5,142,194	2,303,489	**61,403**	48,575
		56,505,711	44,869,871	**69,403**	126,149

9.1 Included in trade receivables of the Group are:

(i) amounts due from associates amounting to RM50,501,373 (2021: RM41,851,469). The credit term range from 30 to 90 days (2021: 30 to 90 days).

(ii) retention sums amounting to Nil (2021: RM226,818) which are expected to be received in accordance with terms of respective contracts.

9.2 The trade amounts due from subsidiaries are unsecured and subject to normal trade terms.

9.3 The non-trade amounts due from subsidiaries are unsecured, subject to interest of 4.80% (2021: 3.44%) per annum and repayable on demand.

10. CONTRACT WITH CUSTOMERS

Contract assets/(liabilities)

	Group 2022 RM	Group 2021 RM
Contract assets	**135,322,419**	108,613,833
Contract liabilities	**(16,559,927)**	(12,347,716)

Contract assets primarily relate to the Group's rights to consideration for work completed on service contracts but not yet billed at the reporting date. Typically, the amount will be billed according to project milestone and payment is expected within 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS

10. CONTRACT WITH CUSTOMERS (CONTINUED)

Contract liabilities primarily relate to the advance billings issued to customers for service contract, which revenue is recognised over time. The contract liabilities are expected to be recognised as revenue based on the stage of completion of work performed.

The contract assets and liabilities are expected to be recognised as revenue over a period of 90 days.

11. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances		**11,527,460**	7,257,930	**1,781,958**	819,728
Short-term deposits		**18,836,763**	24,251,591	**7,509,000**	20,716,732
Cash and cash equivalents in the statements of financial position		**30,364,223**	31,509,521	**9,290,958**	21,536,460
Pledged deposits		**(12,707,393)**	(6,145,943)	**(1,380,707)**	(2,612,160)
Bank overdraft	13	**(13,673,241)**	(2,945,438)	**-**	-
Cash and cash equivalents in the statements of cash flows		**3,983,589**	22,418,140	**7,910,251**	18,924,300

Short-term deposits amounting to RM12,707,393 (2021: RM6,145,943) and RM1,380,707 (2021: RM2,612,160) of the Group and of the Company respectively have been pledged to licensed banks as security for credit facilities granted to Company and its subsidiaries as disclosed in Notes 13 to the financial statements.

12. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	**495,862,018**	**254,291,378**	495,862,018	254,291,378

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

No dividend has been paid or declared by the Company since the end of the previous financial year.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2022 for shareholders' approval at the upcoming Annual General Meeting is 0.92 sen per ordinary share totalling RM4.5million.

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES (CONTINUED)

Warrants reserve

The Company issued 47,862,151 new warrants ("Warrants 2018/2023") pursuant to the Rights with Bonus Issue and Warrants 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"). 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. The registered holders are entitled to subscribe for one (1) new ordinary shares in the Company at a price of RM1.70 per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid deed poll and can be exercised at any time during the five-year subscription period up to 15 March 2023.

As at 3 March 2023, 118,115 Warrants 2018/2023 were exercised and the remaining 47,744,036 Warrants 2018/2023 remained unexercised.

The warrants reserve arose from the issuance of warrants which is non-distributable. Warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to unexercised warrants at the expiry will be transferred to accumulated losses.

Foreign currency translation reserve

The foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations including subsidiaries.

13. LOANS AND BORROWINGS

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Non-current					
Hire purchase liabilities	13.1	**374,877**	401,333	**-**	-
Term loan - secured	13.2	**13,648,189**	32,551,723	**13,648,189**	32,551,723
		14,023,066	32,953,056	**13,648,189**	32,551,723
Current					
Hire purchase liabilities	13.1	**661,685**	298,731	**-**	-
Term loan - secured	13.2	**13,835,574**	13,290,044	**13,835,574**	13,290,044
Revolving credit - secured	13.3	**15,250,827**	2,347,192	**-**	-
Bank overdrafts - secured	13.4	**13,673,241**	2,945,438	**-**	-
		43,421,327	18,881,405	**13,835,574**	13,290,044
		57,444,393	51,834,461	**27,483,763**	45,841,767

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS (CONTINUED)

13.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Future minimum lease payments 2022 RM	Interest 2022 RM	Present value of minimum lease payments 2022 RM	Future minimum lease payments 2021 RM	Interest 2021 RM	Present value of minimum lease payments 2021 RM
Less than one year	**707,204**	**45,519**	**661,685**	332,664	33,933	298,731
Between one and five years	**387,023**	**12,146**	**374,877**	421,827	20,494	401,333
Total	**1,094,227**	**57,665**	**1,036,562**	754,491	54,427	700,064

Included in the hire purchase liabilities is RM983,097 (2021: RM604,750) secured by the corporate guarantee from the Company.

13.2 Term loan – secured

The term loan is under the Islamic principle of Commodity Murabahah Term Financing-i ("CMTF-i") facility of up to RM85million granted to the Company for the purpose of part-financing the cash consideration for the acquisition of subsidiary, SMHB Engineering Sdn. Bhd. ("SMHBE"). 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. Effective from September 2021, the loan is restructured and repayable by way of monthly principal repayment over the tenure of 7 years from the date of first drawdown on 26 March 2018.

The CMTF-i facility is secured by:

(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 11 to the financial statements.

13.3 Revolving credit – secured

The revolving credit with total limit of RM33,000,000 (2021: RM33,000,000) are secured by short-term deposits in (Note 11) and corporate guarantees from the Company.

13.4 Bank overdrafts – secured

The bank overdrafts with total limit of RM25,000,000 (2021: RM25,000,000) are secured by short-term deposits in (Note 11) and corporate guarantees from the Company.

NOTES TO THE FINANCIAL STATEMENTS

14. EMPLOYEE BENEFITS

	Group 2022 RM	Group 2021 RM
Net defined benefit (asset)/liability	**(21,923)**	24,789

The Group's provision for employees' retirement benefit obligations is attributable to a foreign subsidiary, 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.

Movement in defined benefit liability

	Group 2022 RM	Group 2021 RM
Balance as at 1 January	**83,523**	66,133
Included in profit or loss		
- Current service cost	**12,610**	13,191
- Interest cost	**5,973**	3,785
	18,583	16,976
Included in other comprehensive loss		
- Actuarial (gain)/loss	**(9,953)**	20,574
Benefits paid	**(1,600)**	(21,528)
Effect of movements in exchange rate	**(4,915)**	1,368
	85,638	83,523

Movement in fair value of plan asset

	Group 2022 RM	Group 2021 RM
Balance as at 1 January	**(58,734)**	(20,108)
Interest expense	**(6,010)**	(2,617)
Contribution paid by the employer	**(50,474)**	(58,867)
Expected return on plan assets	**-**	1,772
Benefits paid	**1,600**	21,528
Effect of movements in exchange rate	**6,057**	(442)
	(107,561)	(58,734)
Net defined benefit (asset)/liability	**(21,923)**	24,789

Defined benefit obligation

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group 2022	Group 2021
Discount rate	**7.59%**	7.17%
Future salary growth	**6.00%**	6.00%
Withdrawal rate	**5.00%**	5.00%

NOTES TO THE FINANCIAL STATEMENTS

14. EMPLOYEE BENEFITS (CONTINUED)

Defined benefit obligation (continued)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation increase/ (decrease)	
	2022 RM	2021 RM
Discount rate (1% increase)	**(8,468)**	(8,658)
Future salary growth	**10,188**	10,442

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

15. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Non-current					
Non-trade					
Other payable	15.1	**-**	7,192,500	**-**	7,192,500
Current					
Trade					
Trade payables	15.2	**9,242,792**	2,287,529	**-**	-
Accrued expenses		**53,286,270**	50,469,247	**-**	-
		62,529,062	52,756,776	**-**	-
Non-trade					
Other payables	15.1	**7,909,542**	2,288,905	**5,567,825**	153,018
Amounts due to associates	15.3	**2,601,318**	1,194,193	**-**	-
Amounts due to subsidiaries	15.4	**-**	-	**19,955**	-
Accrued expenses		**6,169,138**	5,500,884	**681,143**	660,558
		16,679,998	8,983,982	**6,268,923**	813,576
		79,209,060	61,740,758	**6,268,923**	813,576
		79,209,060	68,933,258	**6,268,923**	8,006,076

15.1 Included in other payable of the Group and of the Company is deferred cash consideration amounting to RM5,377,500 (2021: RM7,192,500) that is payable to the vendor of SMHB Engineering Sdn. Bhd. on 28 March 2023 for the acquisition of SMHB Engineering Sdn. Bhd.. The amount are subject to interest rate 3.00% (2021: 3.00% to 6.00%) per annum.

15.2 Included in trade payables of the Group is amounts due to associates amounting to RM6,644,035 (2021: RM2,198,529). The credit terms range from 30 to 90 days (2021: 30 to 90 days).

15.3 The amounts due to associates of the Group are unsecured, subject to interest of 4.80% (2021: 3.44%) per annum and repayable on demand.

15.4 The amounts due to subsidiaries are unsecured, subject to interest of 4.80% (2021: 3.44%) per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL ASSETS

Group and Company	2022 Nominal value RM	2022 Assets RM	2021 Nominal value RM	2021 Assets RM
Derivatives at fair value through profit or loss				
- Interest rate swap	**32,718,586**	**493,547**	46,160,367	270,625

Interest rate swaps are used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's policy. The Group and the Company entered into interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of a term loan. In the current financial year, the interest rate swaps has norminal value of RM32,718,586 (2021: RM46,160,367).

17. REVENUE

	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Revenue from contracts with customers	**186,041,738**	164,693,151	**4,788,000**	4,195,000
Other revenue				
- Dividend income	**-**	-	**12,500,000**	12,000,000
Total revenue	**186,041,738**	164,693,151	**17,288,000**	16,195,000
Timing and recognition				
Over time	**186,041,738**	164,693,151	**4,788,000**	4,195,000
Revenue from contracts with customers	**186,041,738**	164,693,151	**4,788,000**	4,195,000
Other revenue	**-**	-	**12,500,000**	12,000,000
Total revenue	**186,041,738**	164,693,151	**17,288,000**	16,195,000

17.1 Nature of revenue from contracts with customers

Revenue from contracts with customers of the Group includes engineering, project management and building information management services. Revenue is recognised over time using cost incurred method. This is calculated on the proportion of total internal costs (for design services) or total costs (for supervision services) incurred at the reporting date compared to Directors' estimation of total internal costs (for design services) or total costs (for supervision services) of the contract.

Payment terms are based on agreed milestones. For engineering services, liquidated damages would be imposed and to reduce the transaction price if a project does not meet the defined milestones in a contract.

Revenue from contracts with customers of the Company includes management fees charged to subsidiaries. Revenue is recognised over time when services are performed over the contract term. Payment terms are 30 days from the date of the invoice.

NOTES TO THE FINANCIAL STATEMENTS

17. REVENUE (CONTINUED)

17.2 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the financial year end. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2023 RM	2024 RM	After 2024 RM	Total RM
2022				
Services	184,616,831	250,324,679	661,760,111	1,096,701,621

	2022 RM	2023 RM	After 2023 RM	Total RM
2021				
Services	147,304,807	96,274,608	178,878,415	422,457,830

The amount disclosed above does not include variable consideration.

The Group and the Company apply the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

17.3 Significant judgements and assumptions arising from revenue recognition

The Group measured the performance of service done based on the stage of completion of work performed at the end of reporting period. The determination of percentage of completion is complex due to the high level of management estimation involved, in particular relating to forecasting total cost to complete at the initiation of the contract and revisions to total forecast for certain events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract.

18. FINANCE INCOME

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost	**422,276**	506,071	**279,608**	391,507
Recognised in profit or loss	**422,276**	506,071	**279,608**	391,507

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCE COSTS

	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Interest expense of financial liabilities that are not at fair value through profit or loss	**2,937,583**	3,217,654	**2,102,971**	3,027,559
Interest expense on lease liabilities	**235,302**	322,356	**-**	-
Recognised in profit or loss	**3,172,885**	3,540,010	**2,102,971**	3,027,559

20. TAX EXPENSE/(CREDIT)

Recognised in profit or loss

	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Current tax expense				
Malaysian - current year	**8,359,324**	4,409,240	**-**	-
- prior year	**(155,264)**	208,469	**-**	(64,868)
Overseas - current year	**10,414**	3,110	**-**	-
- prior year	**-**	-	**-**	-
	8,214,474	4,620,819	**-**	(64,868)
Deferred tax benefit				
Origination and reversal of temporary differences	**(1,763,299)**	(1,576,960)	**-**	-
Over provision in prior year	**34,229**	(6,200)	**-**	-
	(1,729,070)	(1,583,160)	**-**	-
Income tax expense/(credit)	**6,485,404**	3,037,659	**-**	(64,868)
Share of tax of equity-accounted associates	**83,661**	132,242	**-**	-
Total income tax expense/(credit)	**6,569,065**	3,169,901	**-**	(64,868)

Reconciliation of tax expense

	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Profit for the year	**15,133,839**	3,029,107	**8,084,604**	7,134,929
Total income tax expense/(credit)	**6,569,065**	3,169,901	**-**	(64,868)
Profit excluding tax	**21,702,904**	6,199,008	**8,084,604**	7,070,061
Income tax calculated using Malaysian tax rate of 24% (2021: 24%)	**5,208,697**	1,487,762	**1,940,305**	1,696,815
Effect of tax rate in foreign tax jurisdiction	**1,616**	873	**-**	-
Non-deductible expenses	**1,536,680**	1,490,624	**1,059,695**	1,183,185
Tax exempt income	**(90,313)**	(65,372)	**(3,000,000)**	(2,880,000)
Effect of deferred tax assets not recognised	**33,420**	53,745	**-**	-
(Over)/Under provision in prior year	**(121,035)**	202,269	**-**	(64,868)
Total income tax expense/(credit)	**6,569,065**	3,169,901	**-**	(64,868)

21. PROFIT FOR THE YEAR

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Profit for the year is arrived at after charging/(crediting):					
Auditors' remunerations:					
- Audit fees					
KPMG PLT		**241,000**	216,500	**43,000**	36,500
Other auditors		**19,589**	19,622	**-**	-
- Non-audit fees					
KPMG PLT		**13,000**	69,500	**13,000**	67,000
Material expenses/(income)					
(Gain)/loss on disposal of property, plant and equipment		**(9,999)**	8,208	**-**	-
Write off of property, plant and equipment	3	**416**	-	**-**	-
Amortisation of intangible assets	5	**1,710,613**	3,620,235	**-**	-
Depreciation of property, plant and equipment	3	**1,257,547**	1,353,075	**-**	-
Depreciation of right-of-use assets	4	**2,872,142**	2,792,908	**-**	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		**8,317,035**	8,099,143	**505,056**	414,914
- Expenses related to defined benefit plans	14	**18,583**	16,976	**-**	-
- Wages, salaries and others		**88,688,010**	85,044,376	**5,787,852**	5,333,171
Net foreign exchange loss		**17,211**	81,997	**-**	198
Net fair value gain on derivative		**(222,922)**	(562,264)	**(222,922)**	(562,264)
Expenses arising from leases					
Expenses arising from leases	a	**264,267**	521,692	**-**	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		**6,778,757**	3,213,934	**-**	-

Note a

The Group leases office premises and office equipment with contract terms of 1 to 3 years. These leases are short-term and/or low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

22. DIRECTOR REMUNERATION

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

2022	Salaries RM	Fees RM	Other short-term employee benefits RM	Total RM
Group				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	936,000	-	389,043	1,325,043
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	436,800	-	185,690	622,490
Datuk Ir. Teo Chok Boo	960,000	-	377,643	1,337,643
Ir. Prem Kumar A/L M Vasudevan	600,000	-	210,243	810,243
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	304,000	-	118,692	422,692
	3,236,800	-	1,281,311	4,518,111
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	99,900	13,000	112,900
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	88,800	16,000	104,800
Tai Keat Chai#	-	88,800	16,000	104,800
Vanessa A/P Santhakumar	-	88,800	11,000	99,800
	-	366,300	56,000	422,300
	3,236,800	366,300	1,337,311	4,940,411
Company				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	936,000	-	389,043	1,325,043
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	436,800	-	185,690	622,490
Datuk Ir. Teo Chok Boo	960,000	-	377,643	1,337,643
Ir. Prem Kumar A/L M Vasudevan	600,000	-	210,243	810,243
	2,932,800	-	1,162,619	4,095,419
Company				
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	99,900	13,000	112,900
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	88,800	16,000	104,800
Tai Keat Chai#	-	88,800	16,000	104,800
Vanessa A/P Santhakumar	-	88,800	11,000	99,800
	-	366,300	56,000	422,300
	2,932,800	366,300	1,218,619	4,517,719

NOTES TO THE FINANCIAL STATEMENTS

22. DIRECTOR REMUNERATION (CONTINUED)

2021	Salaries RM	Fees RM	Other short-term employee benefits RM	Total RM
Group				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	936,000	-	358,913	1,294,913
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	436,800	-	170,507	607,307
Datuk Ir. Teo Chok Boo	960,000	-	375,593	1,335,593
Ir. Prem Kumar A/L M Vasudevan	600,000	-	208,192	808,192
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	277,000	-	69,143	346,143
	3,209,800	-	1,182,348	4,392,148
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	99,900	13,000	112,900
Mohan A/L Ramalingam©	-	29,600	6,000	35,600
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	88,800	14,000	102,800
Tai Keat Chai#	-	38,432	5,000	43,432
Vanessa A/P Santhakumar	-	121,026	7,000	128,026
	-	377,758	45,000	422,758
	3,209,800	377,758	1,227,348	4,814,906
Company				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	936,000	-	358,913	1,294,913
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	436,800	-	170,507	607,307
Datuk Ir. Teo Chok Boo	640,000	-	252,395	892,395
Ir. Prem Kumar A/L M Vasudevan	400,000	-	140,795	540,795
	2,412,800	-	922,610	3,335,410
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	99,900	13,000	112,900
Mohan A/L Ramalingam©	-	29,600	6,000	35,600
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	88,800	14,000	102,800
Tai Keat Chai#	-	38,432	5,000	43,432
Vanessa A/P Santhakumar	-	121,026	7,000	128,026
	-	377,758	45,000	422,758
	2,412,800	377,758	967,610	3,758,168

© Deceased on 26 April 2021
Appointed on 26 July 2021

NOTES TO THE FINANCIAL STATEMENTS

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2022	**2021**
Profit for the year attributable to owners of the Company (RM)	**15,133,839**	3,029,107
Weighted average number of ordinary shares in issue during the financial year	**495,862,018**	495,862,018
Basic earnings per share (sen)	**3.05**	0.61

Diluted earnings per ordinary share

The effects of potential ordinary shares arising from the exercise of Warrants 2018/2023 are anti-dilutive and accordingly, it is not included in the calculation of dilutive earnings per share. As a result, the diluted earnings per ordinary share is the same as basic earning per share.

24. SEGMENT INFORMATION

The Group operates under a single reportable segment, the provision of engineering, project management and building information management services, which is the Group's strategic business unit. The Group's Chief Operating Decision Maker (i.e. acting Group Chief Executive Officer) reviews internal management reports at least on a quarterly basis. No segment reporting is presented as the Group operates solely in a single reportable segment.

Major customers

There are 2 major customers with revenue more than 10% of the Group's total revenue amounting to RM150,336,181 (2021: RM161,164,160).

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

(b) Amortised cost ("AC")

2022	Carrying Amount RM	AC RM	Mandatorily at FVTPL RM
Financial assets			
Group			
Trade and other receivables	56,505,711	56,505,711	-
Cash and cash equivalents	30,364,223	30,364,223	-
Derivative financial assets	493,547	-	493,547
	87,363,481	86,869,934	493,547
Company			
Trade and other receivables	69,403	69,403	-
Cash and cash equivalents	9,290,958	9,290,958	-
Derivative financial assets	493,547	-	493,547
	9,853,908	9,360,361	493,547
Financial liabilities			
Group			
Trade and other payables	(79,209,060)	(79,209,060)	-
Loans and borrowings	(57,444,393)	(57,444,393)	-
	(136,653,453)	(136,653,453)	-
Company			
Trade and other payables	(6,268,923)	(6,268,923)	-
Loans and borrowings	(27,483,763)	(27,483,763)	-
	(33,752,686)	(33,752,686)	-

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

2021	Carrying Amount RM	AC RM	Mandatorily at FVTPL RM
Financial assets			
Group			
Trade and other receivables	44,869,871	44,869,871	-
Cash and cash equivalents	31,509,521	31,509,521	-
Derivative financial assets	270,625	-	270,625
	76,650,017	76,379,392	270,625
Company			
Trade and other receivables	126,149	126,149	-
Cash and cash equivalents	21,536,460	21,536,460	-
Derivative financial assets	270,625	-	270,625
	21,933,234	21,662,609	270,625
Financial liabilities			
Group			
Trade and other payables	(68,933,258)	(68,933,258)	-
Loans and borrowings	(51,834,461)	(51,834,461)	-
	(120,767,719)	(120,767,719)	-
Company			
Trade and other payables	(8,006,076)	(8,006,076)	-
Loans and borrowings	(45,841,767)	(45,841,767)	-
	(53,847,843)	(53,847,843)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	**222,922**	562,264	**222,922**	562,264
Financial assets at amortised cost	**(6,364,792)**	(2,785,166)	**279,608**	391,507
Financial liabilities at amortised cost	**(2,946,483)**	(3,222,348)	**(2,102,971)**	(3,027,757)
	(9,088,353)	(5,445,250)	**(1,600,441)**	(2,073,986)

25.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through review of trade receivables ageing.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The exposures of credit risk for trade receivables as at the end of the current and previous reporting periods by geographic region is mainly domestic.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's debt recovery process is as follows:

(a) The Group will start to initiate a structured debt recovery process which is monitored by the sales management team should there be indicators where the debts owing by a customer may not be fully recoverable; and

(b) The Group will commence a legal proceeding against the customer if there was no response from customers or any financial difficulties faced by the customers.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past two years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

For low risk of default customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external ratings, where applicable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Group	Gross carrying amount RM	Loss allowances RM	Net balance RM
2022			
Current (not past due)	**165,098,801**	**-**	**165,098,801**
1 - 90 days past due	**10,337,602**	**-**	**10,337,602**
91 - 180 days past due	**702,949**	**-**	**702,949**
	176,139,352	**-**	**176,139,352**
Credit impaired			
181 - 365 days past due	**5,242,656**	**(151,812)**	**5,090,844**
More than 365 days past due	**5,804,465**	**(348,725)**	**5,455,740**
Individually impaired	**10,778,004**	**(10,778,004)**	**-**
	197,964,477	**(11,278,541)**	**186,685,936**
Trade receivables	**62,642,058**	**(11,278,541)**	**51,363,517**
Contract assets	**135,322,419**	**-**	**135,322,419**
	197,964,477	**(11,278,541)**	**186,685,936**

Group	Gross carrying amount RM	Loss allowances RM	Net balance RM
2021			
Current (not past due)	131,060,464	-	131,060,464
1 - 90 days past due	5,218,958	-	5,218,958
91 - 180 days past due	1,088,809	-	1,088,809
	137,368,231	-	137,368,231
Credit impaired			
181 - 365 days past due	1,946,921	(203,657)	1,743,264
More than 365 days past due	15,889,588	(3,820,868)	12,068,720
Individually impaired	476,369	(476,369)	-
	155,681,109	(4,500,894)	151,180,215
Trade receivables	47,067,276	(4,500,894)	42,566,382
Contract assets	108,613,833	-	108,613,833
	155,681,109	(4,500,894)	151,180,215

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	Trade receivables			
	Lifetime ECL RM	**Credit impaired RM**	**Contract assets RM**	**Total RM**
Group				
Balance at 1 January 2021	809,810	476,369	-	1,286,179
Net remeasurement of loss allowance	3,213,934	-	-	3,213,934
Effect of movement in exchange rate	781	-	-	781
Balance at 31 December 2021/ 1 January 2022	4,024,525	476,369	-	4,500,894
Net remeasurement of loss allowance	(3,522,878)	10,301,635	-	6,778,757
Effect of movement in exchange rate	(1,110)	-	-	(1,110)
Balance at 31 December 2022	**500,537**	**10,778,004**	**-**	**11,278,541**

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions of the Group and the Company. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and utilities. The Group manages the credit risk for deposits together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses since it is not material.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to the subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries. The Company assumes that there is a significant increase in credit risk when a inter-company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the inter-companies' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for inter-companies' advances as at 31 December.

Company	Gross carrying amount RM	Impairment loss allowances RM	Net balance RM
2022			
Low credit risk	**64,553**	**-**	**64,553**
2021			
Low credit risk	124,149	-	124,149

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to banks in respect of credit facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM28,924,068 (2021: RM5,292,630) representing the outstanding credit facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. Accordingly, the financial guarantees have not been recognised since the fair value on initial recognition was not material.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the financial guarantees individually using internal information available.

No allowance for impairment losses is made for financial guarantees as at the end of the reporting period.

25.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate/ coupon/ Discount rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2022						
Non-derivative financial liabilities						
Term loan - secured	**27,483,763**	**4.8%**	**28,909,259**	**14,992,109**	**13,917,150**	**-**
Bank overdrafts - secured	**13,673,241**	**5.4%**	**13,673,241**	**13,673,241**	**-**	**-**
Revolving credit - secured	**15,250,827**	**5.4%**	**15,250,827**	**15,250,827**	**-**	**-**
Lease liabilities	**3,525,531**	**4.6% to 6.0%**	**3,648,986**	**3,103,169**	**376,455**	**169,362**
Hire purchase liabilities	**1,036,562**	**2.3% to 3.4%**	**1,094,227**	**707,204**	**350,939**	**36,084**
Deferred cash consideration	**5,377,500**	**3.0%**	**5,538,825**	**5,538,825**	**-**	**-**
Amounts due to associates	**2,601,318**	**4.8%**	**2,726,181**	**2,726,181**	**-**	**-**
Trade and other payables	**71,230,242**	**-**	**71,230,242**	**71,230,242**	**-**	**-**
Bank guarantees	**-**	**-**	**19,733,420**	**19733,420**	**-**	**-**
	140,178,984		**161,805,208**	**146,955,218**	**14,644,544**	**205,446**
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	**-**	**-**	**32,718,586**	**32,718,586**	**-**	**-**
Inflow	**(493,547)**	**-**	**(32,225,039)**	**(32,225,039)**	**-**	**-**
	139,685,437		**162,298,755**	**147,448,765**	**14,644,544**	**205,446**
2021						
Non-derivative financial liabilities						
Term loan - secured	45,841,767	4.6%	49,630,787	15,246,088	15,224,056	19,160,643
Bank overdrafts - secured	2,945,438	4.4%	2,945,438	2,945,438	-	-
Revolving credit - secured	2,347,192	4.4%	2,347,192	2,347,192	-	-
Lease liabilities	5,927,940	4.6% to 6.0%	6,235,027	2,997,756	2,960,476	276,795
Hire purchase liabilities	700,064	2.3% to 4.3%	754,491	332,664	312,044	109,783
Deferred cash consideration	7,192,500	3.0% to 6.0%	7,408,275	-	7,408,275	-
Amounts due to associates	1,194,193	3.4%	1,234,796	1,234,796	-	-
Trade and other payables	60,546,565	-	60,546,565	60,546,565	-	-
	126,695,659		131,102,571	85,650,499	25,904,851	19,547,221
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	-	-	46,160,367	46,160,367	-	-
Inflow	(270,625)	-	(46,430,992)	(46,430,992)	-	-
	126,425,034		130,831,946	85,379,874	25,904,851	19,547,221

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM	Contractual interest rate/ coupon/ Discount rate	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
2022						
Non-derivative financial liabilities						
Term loan – secured	**27,483,763**	**4.8%**	**28,909,259**	**14,992,109**	**13,917,150**	**-**
Deferred cash consideration	**5,377,500**	**3.0%**	**5,538,825**	**5,538,825**	**-**	**-**
Amount due to subsidiaries	**19,955**	**4.8%**	**20,913**	**20,913**	**-**	**-**
Trade and other payables	**871,468**	**-**	**871,468**	**871,468**	**-**	**-**
Financial guarantees	**-**	**-**	**48,657,488**	**48,657,488**	**-**	**-**
	33,752,686		**83,997,953**	**70,080,803**	**13,917,150**	**-**
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	**-**	**-**	**32,718,586**	**32,718,586**	**-**	**-**
Inflow	**(493,547)**	**-**	**(32,225,039)**	**(32,225,039)**	**-**	**-**
	33,259,139		**84,491,500**	**70,574,350**	**13,917,150**	**-**
2021						
Non-derivative financial liabilities						
Term loan – secured	45,841,767	4.6%	49,630,787	15,246,088	15,224,056	19,160,643
Deferred cash consideration	7,192,500	3.0% to 6.0%	7,408,275	-	7,408,275	-
Trade and other payables	813,576	-	813,576	813,576	-	-
Financial guarantees	-	-	5,292,630	5,292,630	-	-
	53,847,843		63,145,268	21,352,294	22,632,331	19,160,643
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
Outflow	-	-	46,160,367	46,160,367	-	-
Inflow	(270,625)	-	(46,430,992)	(46,430,992)	-	-
	53,577,218		62,874,643	21,081,669	22,632,331	19,160,643

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Group's and the Company's financial position or cash flows.

25.6.1 Interest rate risk

The Group's fixed rate borrowings and deposits with licensed banks are exposed to a risk of changes in their fair value due to changes in interest rate. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rate. The Company's exposure to interest rate risk arises principally from its amount due from subsidiaries. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group has entered into interest rate swap with a notional contract amount of RM32,718,586 (2021: RM46,160,367) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 31 December 2022, the swap matures over the next 3 years following the maturity of the floating rate bank loan and has a fixed swap rate of 4.6%.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Group	2022 RM	2021 RM
Fixed rate instruments		
Financial assets	**18,836,763**	24,251,591
Financial liabilities	**(6,414,062)**	(7,892,564)
	12,422,701	16,359,027
Floating rate instruments		
Financial liabilities	**(59,009,149)**	(52,328,590)
Company		
Fixed rate instruments		
Financial assets	**7,509,000**	20,716,732
Financial liabilities	**(5,377,500)**	(7,192,500)
	2,131,500	13,524,232
Floating rate instruments		
Financial assets	**56,553**	46,575
Financial liabilities	**(27,503,718)**	(45,841,767)
	(27,447,165)	(45,795,192)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group Profit or loss		Company Profit or loss	
	2022 RM	2021 RM	2022 RM	2021 RM
Floating rate instruments	**(448,470)**	(397,697)	**(208,598)**	(348,043)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term loans and borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
2022										
Financial assets										
Derivative financial assets	-	**493,547**	-	**493,547**	-	-	-	-	**493,547**	**493,547**
	-	**493,547**	-	**493,547**	-	-	-	-	**493,547**	**493,547**
Financial liabilities										
Term loan – secured	-	-	-	-	-	-	**(27,483,763)**	**(27,483,763)**	**(27,483,763)**	**(27,483,763)**
Hire purchase liabilities	-	-	-	-	-	-	**(1,023,745)**	**(1,023,745)**	**(1,023,745)**	**(1,036,562)**
Deferred cash consideration	-	-	-	-	-	-	**(5,377,500)**	**(5,377,500)**	**(5,377,500)**	**(5,377,500)**
	-	-	-	-	-	-	**(33,885,008)**	**(33,885,008)**	**(33,885,008)**	**(33,897,825)**
2021										
Financial assets										
Derivative financial assets	-	270,625	-	270,625	-	-	-	-	270,625	270,625
	-	270,625	-	270,625	-	-	-	-	270,625	270,625
Financial liabilities										
Term loan – secured	-	-	-	-	-	-	(45,841,767)	(45,841,767)	(45,841,767)	(45,841,767)
Hire purchase liabilities	-	-	-	-	-	-	(684,321)	(684,321)	(684,321)	(700,064)
Deferred cash consideration	-	-	-	-	-	-	(7,192,500)	(7,192,500)	(7,192,500)	(7,192,500)
	-	-	-	-	-	-	(53,718,588)	(53,718,588)	(53,718,588)	(53,734,331)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Company	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
2022										
Financial assets										
Derivative financial assets	-	**493,547**	-	**493,547**	-	-	-	-	**493,547**	**493,547**
	-	**493,547**	-	**493,547**	-	-	-	-	**493,547**	**493,547**
Financial liabilities										
Term loan – secured	-	-	-	-	-	-	**(27,483,763)**	**(27,483,763)**	**(27,483,763)**	**(27,483,763)**
Deferred cash consideration	-	-	-	-	-	-	**(5,377,500)**	**(5,377,500)**	**(5,377,500)**	**(5,377,500)**
	-	-	-	-	-	-	**(32,861,263)**	**(32,861,263)**	**(32,861,263)**	**(32,861,263)**
2021										
Financial assets										
Derivative financial assets	-	270,625	-	270,625	-	-	-	-	270,625	270,625
	-	270,625	-	270,625	-	-	-	-	270,625	270,625
Financial liabilities										
Term loan – secured	-	-	-	-	-	-	(45,841,767)	(45,841,767)	(45,841,767)	(45,841,767)
Deferred cash consideration	-	-	-	-	-	-	(7,192,500)	(7,192,500)	(7,192,500)	(7,192,500)
	-	-	-	-	-	-	(53,034,267)	(53,034,267)	(53,034,267)	(53,034,267)

NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information (continued)

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using the risk free interest rate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either direction).

Level 3 fair value

The valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models for financial instruments not carried at fair value.

The fair value of long term borrowing and payables are determined using the discounted cash flows valuation technique based on the current market rate of borrowing of the respective Companies at the reporting date.

26. CAPITAL COMMITMENTS

	Group	
	2022 RM	**2021 RM**
Authorised but not contracted for:		
Purchase of property, plant and equipment	**1,377,000**	1,436,000

27. CONTINGENT LIABILITIES

	2022 RM	**2021 RM**
Group		
Litigation		
An Industrial relations case lodged by the Claimant against a subsidiary for unfair dismissal of his employment who was terminated on the basis of incompetency and failure to execute his role properly. He is claiming for an order for reinstatement and/or backwages.	**437,500**	-
Company		
Corporate guarantee		
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**28,924,068**	5,292,630

The Directors are of the opinion that a provision is not required in respect of the matters above as it is not probable that future sacrifice of economic benefits will be required.

NOTES TO THE FINANCIAL STATEMENTS

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The debt-to-equity ratios at 31 December 2022 and at 31 December 2021 were as follows:

		Group	
	Note	2022 RM	2021 RM
Loans and borrowings	13	**57,444,393**	51,834,461
Lease liabilities		**3,525,531**	5,927,940
Less: Cash and cash equivalents	11	**(30,364,223)**	(31,509,521)
Net debt		**30,605,701**	26,252,880
Total equity		**242,997,419**	227,909,571
Debt-to-equity ratios		**0.13**	0.12

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40million. The Company has complied with this requirement.

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, associates, related parties and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

29. RELATED PARTIES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 15 to the financial statements.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
A. Subsidiaries				
Dividend income	-	-	**12,500,000**	12,000,000
Management fee income	-	-	**4,788,000**	4,195,000
Management fee expense	-	-	**(441,231)**	(348,800)
B. Associates				
Service rendered	**183,216,274**	161,802,593	-	-
C. Entities in which certain Directors have interest				
Rental of premises	**(2,802,324)**	(2,802,324)	-	-
D. Key management personnel				
Fees	**366,300**	377,758	**366,300**	377,758
Remuneration	**5,561,410**	6,297,653	**3,174,300**	3,142,413
Other short term employee benefits	**1,301,892**	1,385,429	**825,060**	783,290
Total short term employee benefits	**7,229,602**	8,060,840	**4,365,660**	4,303,461
Post employment benefits	**736,455**	758,454	**468,900**	401,090
	7,966,057	8,819,294	**4,834,560**	4,704,551

The details of remuneration for Board of Directors' of the Company are disclosed in Note 22 to the financial statements.

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.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 99 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements 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 of 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Ir. Kunasingam A/L V.Sittampalam
Director

Datuk Ir. Teo Chok Boo
Director

Kuala Lumpur,

Date: 6 April 2023

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Wang Thee Kit, the Officer primarily responsible for the financial management of HSS Engineers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 99 to 156 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Wang Thee Kit, NRIC: 770303-10-5637, MIA 22881 at Kuala Lumpur in the Federal Territory on 6 April 2023.

Wang Thee Kit

Before me:

INDEPENDENT AUDITORS' REPORT

to the members of HSS Engineers Berhad

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 2022 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 99 to 156.

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 2022, and of their financial performance and 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 auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

Impairment of goodwill

Refer to Note 2(f)(i) – Significant accounting policies: Goodwill and Note 5 – Goodwill

The key audit matter

As at 31 December 2022, the Group's statement of financial position included goodwill amounting to RM162.7million.

The Group performed annual goodwill impairment assessment by comparing the carrying amount of goodwill against the recoverable amount based on estimated future cash flows of the CGU to which goodwill was allocated. The estimation of future cash flows involved prospective financial information based on assumptions made by the Directors.

We have determined impairment of goodwill as a key audit matter because the determination of recoverable amount of goodwill is inherently uncertain and it requires the exercise of significant judgement in applying key assumptions particularly the revenue growth rate, terminal growth rate and discount rate.

INDEPENDENT AUDITORS' REPORT
for the year ended 31 December 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Assessed the determination of CGU based on our understanding of the Group's business activities;
- Obtained an understanding of the Group's goodwill impairment assessment process including the preparation and review of the cash flows projection;
- Compared the Group's cash flows projection prepared last year for the purpose of impairment assessment with the actual performance for the current year to assess the accuracy of cash flow forecasts;
- Compared assumptions used in the Group cash flow projection, including revenue growth rate and terminal growth rate to historical results and industry data as well as our understanding of the Group and the industry;
- Involved our own valuation specialists to review the appropriateness of the methodology adopted by the Group including the discount rate used in Group's cash flow projection;
- Assessed the outcome of sensitivity analysis around the key assumptions that were expected to be sensitive to the future recoverable amount to identify the likelihood of impairment; and
- Assessed the financial statement disclosures, including disclosures of key assumptions and sensitivities.

Revenue recognition

Refer to Note 2(m)(i) – Significant accounting policies: Revenue and Note 17 – Revenue.

The key audit matter

The Group's service revenue is derived from long-term service contracts of which revenue is recognised over time using cost incurred method. This is calculated on the proportion of total internal costs (for design services) or total costs (for supervision services) incurred at the reporting date compared to Directors' estimation of total internal costs (for design services) or total costs (for supervision services) of the contracts.

The determination of percentage of completion is complex due to the high level of management estimation involved, in particular relating to forecasting total cost to complete at the initiation of the contract and revisions to total forecast for certain events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- Evaluated the Group's project budget process and monitoring of project costs and activities that were used in determining the amounts of revenue recognised in Group's financial statements;
- For a selection of contracts:
  - (i) assessed the estimated cost to complete by agreeing to internal budget;
  - (ii) agreed the total contract sums to contract entered into by the Group and its customers; and
  - (iii) agreed the total costs incurred during the year to the project time cost report or subconsultants' invoices.
- Compared prior year's estimated cost to complete for selected completed contracts to final outcome of actual cost to complete to assess the reliability of the Group's estimation process; and
- Assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition in Note 17.

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Impairment of investment in subsidiaries – Company

Refer to Note 2(i)(ii) – Significant accounting policies: Impairment – other assets and Note 6 – Investment in subsidiaries

The key audit matter

As at 31 December 2022, the Company's statement of financial position included investment in subsidiaries amounting to RM210.9million.

There was an indication of impairment where the carrying amount of the investment in certain subsidiaries was higher than their net tangible asset. The Company assessed the recoverability of those investments when indication existed based on estimated future cash flows generated by those subsidiaries which involved prospective financial information based on assumptions made by the Directors.

We have determined impairment in subsidiaries as a key audit matter because the determination of recoverable amount of investment in subsidiaries is inherently uncertain and it requires the exercise of significant judgement in applying key assumptions particularly the revenue growth rate, terminal growth rate and discount rate.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- For those investment in subsidiaries where indicators of impairment existed, we obtained an understanding of the Group's impairment assessment process including the preparation and review of the cash flows projection;
- Compared the Group's cash flows projection prepared last year for the purpose of impairment assessment with the actual performance for the current year to assess the accuracy of the cash flow forecasts;
- Compared assumptions used in the Company cash flow projection, including revenue growth rate and terminal growth rate to historical results and industry data as well as our understanding of the subsidiaries and the industry they operated in;
- Involved our own valuation specialists to compare the discount rate used in Company's cash flow projection against other companies in the industry; and
- Assessed the outcome of sensitivity analysis around the key assumptions that are expected to be sensitive to the future recoverable amount to identify the likelihood of impairment.

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 annual report 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 annual report and, in doing so, consider whether the annual report 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
for the year ended 31 December 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- 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.

INDEPENDENT AUDITORS' REPORT
for the year ended 31 December 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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, actions taken to eliminate threats or safeguards applied.

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 auditors' 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 subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lam Shuh Siang
Approval Number: 03045/02/2025 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 6 April 2023

ANALYSIS OF SECURITIES
AS AT 20 MARCH 2023

Total Number of Issued Shares	:	495,980,118 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	222	7.50	4,826	0.00
100 – 1,000	448	15.13	248,159	0.05
1,001 – 10,000	1,256	42.42	6,769,051	1.36
10,001 – 100,000	834	28.16	28,403,421	5.73
100,001 – 24,799,004 (*)	196	6.62	232,829,134	46.94
24,799,005 AND ABOVE (**)	5	0.17	227,725,527	45.92
TOTAL:	**2,961**	**100.00**	**495,980,118**	**100.00**

Notes:
* *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 Shareholders	No. of Shares	%	No. of Shares	%
Flamingo Works Sdn. Bhd.	100,000,000	20.16	-	-
Victech Solutions Sdn. Bhd.	108,208,632	21.82	-	-
Tan Sri Ir. Kunasingam A/L V.Sittampalam	-	-	108,208,632(1)	21.82
SK Capital Management Sdn. Bhd.	-	-	100,000,000(2)	20.16
Shantamalar A/P C.Sivasubramaniam	-	-	100,000,000(3)	20.16
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,994,106(4)	3.43

Notes:
(1) Deemed interest by virtue of his interests in Victech Solutions Sdn. Bhd.
(2) Deemed interest by virtue of its interests in Flamingo Works Sdn. Bhd.
(3) Deemed interest by virtue of her direct interests in SK Capital Management Sdn. Bhd.
(4) Held by spouse and son.

ANALYSIS OF SECURITIES

AS AT 20 MARCH 2023

SHAREHOLDINGS OF DIRECTORS

(as per Register of Directors' Shareholdings)

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Mohd Zakhir Siddiqy Bin Sidek	1,592,650	0.32	-	-
Tan Sri Ir. Kunasingam A/L V.Sittampalam	-	-	108,208,632[(1)]	21.82
Datuk Ir. Teo Chok Boo	33,516,895	6.76	16,994,106[(2)]	3.43
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,350,000	0.88	-	-
Ir. Prem Kumar A/L M Vasudevan	7,401,447	1.49	-	-
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh	-	-	-	-
Tai Keat Chai	-	-	-	-
Vanessa A/P Santhakumar	-	-	-	-
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	9,273,684	1.87	-	-

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 son.*

LIST OF TOP 30 HOLDERS

AS AT 20 MARCH 2023
(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Shares	%
1	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN. BHD.*	71,000,000	14.32
2	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN. BHD.*	55,900,000	11.27
3	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN. BHD.*	38,308,632	7.72
4	TEO CHOK BOO	33,516,895	6.76
5	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR FLAMINGO WORKS SDN. BHD. (PB)*	29,000,000	5.85
6	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR LGT BANK AG (LOCAL)*	14,000,000	2.82
7	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *EMPLOYEES PROVIDENT FUND BOARD (PHEIM)*	10,896,100	2.20
8	MOHD ROUSDIN BIN HASSAN	10,421,053	2.10
9	TEO KOON HAU	9,767,684	1.97
10	SYED MOHAMED ADNAN BIN MANSOR ALHABSHI	9,273,684	1.87
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK PRIVATE WEALTH MANAGEMENT FOR GNANALINGAM A/L GUNANATH LINGAM (PW-M00077) (276776)*	7,500,000	1.51
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR PREM KUMAR A/L M VASUDEVAN*	7,389,947	1.49
13	TEE KUI KIAU	7,226,422	1.46
14	NITCHIANANTHAN A/L BALASUBRAMANIAM	6,780,647	1.37

ANALYSIS OF SECURITIES
AS AT 20 MARCH 2023

No.	Name	Holdings	%
15	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK PRIVATE WEALTH MANAGEMENT FOR SHALINE GNANALINGAM (PW-M00580)(418601)*	6,500,000	1.31
16	AMANAHRAYA *TRUSTEES BERHAD* *AMANAH SAHAM MALAYSIA 3*	5,622,600	1.13
17	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR PRINCIPAL SMALL CAP OPPORTUNITIES FUND (240218)*	5,321,400	1.07
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *EMPLOYEES PROVIDENT FUND BOARD (CPIAM EQ)*	5,050,000	1.02
19	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM NASIONAL*	5,018,080	1.01
20	CITIGROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)*	4,800,000	0.97
21	ZULKIFLEE BIN AB HAMID	4,736,842	0.96
22	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *URUSHARTA JAMAAH SDN. BHD. (PRINCIPAL 2)*	4,691,600	0.94
23	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	4,350,000	0.88
24	SUHASHINI A/P VIJAYA KUMAR	3,955,000	0.80
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LOO AI CHOO*	3,430,105	0.69
26	PRATHAPAN A/L P.BHASKARAN PILLAI	3,116,200	0.63
27	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. *PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN. BHD. FOR LEMBAGA TABUNG HAJI*	3,000,000	0.60
28	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)*	2,682,400	0.54
29	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)*	2,639,400	0.53
30	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND*	2,576,800	0.52
	Total	**378,471,491**	**76.31**

GRI CONTENT INDEX

GRI STANDARD /OTHER SOURCE	DISCLOSURE ITEM	SECTION REFERENCE	REFERENCE PAGE(S) IN ANNUAL REPORT
GRI 2: General Disclosures 2021			
1. The organisation and its reporting practice			
2-1	Organisation details	About Us	36
2-2	Entities included in the organisation's sustainability reporting	Scope of This Statement	36
2-3	Reporting period, frequency and contact point	Scope of This Statement	36
2. The organisation and its reporting practice			
2-6	Activities, value chain and other business relationship	Management Discussion and Analysis	13-21
2-7	Employees	Employee Engagement Diversity, Equal Opportunity, and Non-Discrimination	67 68-70
3. Governance			
2-9	Governance structure and composition	Our Sustainability Governance Corporate Governance Overview Statement	38-39 74-84
2-10	Nomination and selection of highest governance body	Our Sustainability Governance Corporate Governance Overview Statement	38-39 74-84
2-11	Chair of the highest governance body	Our Sustainability Governance Corporate Governance Overview Statement	38-39 74-84
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Overview Statement	74-84
2-13	Delegation of responsibility for managing impacts	Corporate Governance Overview Statement	74-84
2-14	Role of the highest governance body in sustainability reporting	Our Sustainability Governance	38-39
2-15	Conflict of interest	Corporate Governance Overview Statement	74-84
2-16	Communication of critical concerns	Whistleblowing Corporate Governance Overview Statement	55 74-84
2-17	Collective knowledge of the highest governance body	Corporate Governance Overview Statement	74-84
2-18	Evaluation of the performance of the highest governance body	Corporate Governance Overview Statement	74-84
2-19	Remuneration policies	Corporate Governance Overview Statement	74-84
2-20	Process to determine remuneration	Corporate Governance Overview Statement	74-84
4. Strategy, policies and practices			
2-22	Statement on sustainable development strategy	Empowering Through Sustainable Development Goals	44
2-23	Policy commitments	Whistleblowing Employee Engagement	54-55
2-24	Embedding policy commitments	Corporate Governance Overview Statement	75-76
2-25	Processes to remediate negative impacts	Whistleblowing	55
2-26	Mechanism for seeking advice and raise concerns	Whistleblowing	55
2-27	Compliance with laws and regulations	Corporate Governance Regulatory Compliance	54-55 56
5. Stakeholder engagement			
2-29	Approach to stakeholder engagement	Key Stakeholders' Engagement	39

GRI CONTENT INDEX

GRI STANDARD /OTHER SOURCE	DISCLOSURE ITEM	SECTION REFERENCE	REFERENCE PAGE(S) IN ANNUAL REPORT
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Material Sustainability Matters	40
3-2	List of material topics	HEB's Materiality Matrix HEB's Key Materiality Matters	41-42
3-3	Management of material topics	HEB's Key Materiality Matters	41-42
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Financial highlights Management Discussion and Analysis	9 15-18
201-2	Financial implications and other risks and opportunities due to climate change	Gathering and analyse the necessary data to include TCFD in future sustainability reports	36
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	Industry Advancement	50-53
203-2	Significant indirect economic impacts	Management Discussion and Analysis	18-21
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance	54-55
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance	54-55
GRI 302: Energy 2016			
302-1	Energy consumption within the organisation	Energy Management and Climate Change	58
302-4	Reduction of energy consumption	Energy Management and Climate Change	58
GRI 303: Water and Effluents 2018			
303-5	Water consumption	Water Management	59
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	Carbon Emissions	61
305-2	Energy indirect (Scope 2) GHG emissions	Carbon Emissions	61
GRI 306: Waste 2020			
306-2	Management of significant waste-related impacts	Waste Management	59-60
306-3	Waste generated	Waste Management	59-60
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Diversity, Equal Opportunity, and Non-Discrimination	68-70
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not Applicable	-
401-3	Parental leave	Not Applicable	-
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Employee and Public Safety	62-64
403-2	Hazard identification, risk assessment, and incident investigation	Employee and Public Safety	62-64
403-3	Occupational health services	Employee and Public Safety	62-64
403-4	Worker participation, consultation, and communication on occupational health and safety	Employee and Public Safety	62-64

GRI CONTENT INDEX

GRI STANDARD /OTHER SOURCE	DISCLOSURE ITEM	SECTION REFERENCE	REFERENCE PAGE(S) IN ANNUAL REPORT
GRI 403: Occupational Health and Safety 2018			
403-5	Worker training on occupational health and safety	Employee and Public Safety	62-64
403-6	Promotion of worker health	Employee and Public Safety	62-64
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employee and Public Safety	62-64
403-9	Work-related injuries	Employee and Public Safety	62-64
403-10	Work-related ill health	Employee and Public Safety	62-64
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Career Development	70-73
404-2	Programs for upgrading employee skills and transition assistance programs	Career Development	70-73
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Diversity, Equal Opportunity, and Non-Discrimination	68-70
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Job Creation	67-68
413-2	Operations with significant actual and potential negative impacts on local communities	Nation Building Through Our Market Presence & Business Operations	46-49

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (8TH AGM)

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting ("**8th AGM**") of HSS Engineers Berhad (the "**Company**" or "**HEB**") will be conducted as a fully virtual meeting through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities via the online meeting platform of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration no. with MYNIC: D1A282781) on Thursday, 8 June 2023 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 2022 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 1 of the Explanatory Notes)*

2. To declare a final single tier dividend of 0.92 sen per ordinary share for the financial year ended 31 December 2022. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees payable to the 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 2** *(Please refer to Note 2 of the Explanatory Notes)*

4. To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM126,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 3** *(Please refer to Note 2 of the Explanatory Notes)*

5. 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 4**
   (ii) Ir. Sharifah Azlina Bt Raja Kamal Pasmah **Ordinary Resolution 5**
   (iii) Datuk Ir. Teo Chok Boo **Ordinary Resolution 6**
   (Please refer to Note 3 of the Explanatory Notes)

6. To re-appoint KPMG PLT as External Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business

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

7. **Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares** **Ordinary Resolution 8** *(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 ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance.

   THAT in connection with the above, pursuant to Section 85 and Clause 8 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.

   AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

8. To transact any other business for which due notice shall have been given.

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (8TH AGM)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 8th AGM, a final single tier dividend of 0.92 sen per ordinary share for the financial year ended 31 December 2022 will be paid on 23 June 2023 to depositors whose names appear in the Record of Depositors on 13 June 2023.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

a) Shares transferred to the Depositor's securities account before 4.30 p.m. on 13 June 2023 in respect of transfers.

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143) (SSM PC No.: 202008001023)
TAN AI NING (MAICSA 7015852) (SSM PC No.: 202008000067)
Company Secretaries

Selangor Darul Ehsan
Date: 27 April 2023

NOTES:

1. The 8th AGM will be conducted on a fully virtual basis via TIIH Online website at https://tiih.online. Please refer to the Administrative Guide for the 8th AGM for the procedures to register, participate and vote remotely through the RPV facilities.

   The Administrative Guide on the conduct of the fully virtual 8th AGM of the Company is available at the Company's website at https://www.hssgroup.com.my/.

2. The conduct of a fully virtual 8th AGM is in line with the revised Guidance Note and Frequently Asked Questions on the conduct of General Meetings for Listed Issuers issued by Securities Commission of Malaysia. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online.

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. 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. A proxy appointed to participate and vote at the 8th AGM shall have the same rights as the member to participate at the 8th AGM.

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 accoun**t") 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 must be executed under its Common Seal or signed by an officer or attorney so authorised, if the appointor is a corporation.

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 or Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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. Please refer to the Administrative Guide for the 8th AGM for further information on electronic submission of proxy form via TIIH Online.

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (8TH AGM)

8. The members, proxies or corporate representatives may submit questions in relation to the resolutions to be tabled at the 8th AGM to the Board of Directors at https://tiih.online prior to the 8th AGM or to use the query box to transmit questions by typed texts via RPV facilities during live streaming of the 8th AGM.

9. In respect of deposited securities, only members whose names appear on the Record of Depositors on 1 June 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

10. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions at the 8th AGM of the Company shall be put to vote by way of poll.

EXPLANATORY NOTES

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 2 and Ordinary Resolution 3

The Directors' fees payable includes fees payable to Non-Executive Directors as members of Board and Board Committees from this Annual General Meeting ("**AGM**") until the conclusion of the next AGM of the Company pursuant to the Act which shareholders' approval will be sought at this 8th AGM in accordance with Section 230 of the Act.

The 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 8th AGM in accordance with Section 230 of the Act.

In determining the estimated total amount of Directors' fees and benefits payable to the Directors of the Company, the Board has considered various factors including the number of scheduled meetings for the Board and Board Committees, and general meeting and provisional sum as a contingency for future appointment of Directors on the Board.

Payment of Directors' fees and any benefits payable will be made by the Company on a monthly basis or as and when incurred. The Board is of the view that it is just and equitable for the Directors' fees to be paid on monthly basis or as and when incurred, after the Directors have discharged their responsibilities and rendered their services to the Company.

3. Ordinary Resolution 4, 5 and 6 on Re-election of Directors

The profiles of the Directors who are standing for re-election under item 5 of this Agenda are set out in the Board of Directors' profile of the Annual Report 2022.

The Board via NRC was satisfied with the performance, contribution as well as the fitness and properness of each of the retiring Directors, and have recommended to the shareholders the proposed re-election at the 8th AGM under Resolutions 4, 5 and 6 based on the following justifications:-

Ordinary Resolution 4 – Re-election of Tan Sri Ir. Kunasingam A/L V.Sittampalam

a. Tan Sri Ir. Kunasingam A/L V.Sittampalam is the co-founder of the Company and he has accumulated over 43 years of experience within the engineering and project management services market and contributed to the development of business strategies and direction of the Company. He also probed management to take into consideration the varying opportunities and risks whilst developing strategic plans.

b. He has exercised his due care and carried out his professional duties proficiently during his tenure as Executive Vice Chairman and Acting Group Chief Executive Officer of the Company.

NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING (8TH AGM)

Ordinary Resolution 5 – Re-election of Ir. Sharifah Azlina Bt Raja Kamal Pasmah

a. Ir. Sharifah Azlina Bt Raja Kamal Pasmah has accumulated over 33 years of experience within the engineering and project management services market and she has been a qualified practising engineer since 1997. She constructively challenged and contributed to the development of strategies of the Company and probed management when there were red flags or concerns which could, amongst others, indicate possible non-compliance of regulatory requirements.

b. She has exercised her due care and carried out her professional duties proficiently during her tenure as Executive Director of the Company.

Ordinary Resolution 6 – Re-election of Datuk Ir. Teo Chok Boo

a. Datuk Ir. Teo Chok Boo has accumulated 45 years of experience in various sectors of engineering, particularly in dams and water-related projects and had been the project director for several mega water supply projects in Malaysia. He provided unique insight to issues presented and shared personal requisite knowledge for the strategies of the Company and he defended own stand through constructive deliberations at Board meetings, where necessary.

b. He has exercised his due care and carried out his professional duties proficiently during his tenure as Executive Director of the Company.

The retiring Directors have consented to their re-election and abstained from deliberations and voting in relation to their re-election at the NRC Meeting and/or Board Meeting.

4. Ordinary Resolution 8 on the Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares

The Ordinary Resolution 8 proposed under item 7 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Act not exceeding ten per centum (10%) of the total number of issued shares of the Company. The mandate, if passed, serves as a measure to meet the Company's immediate working capital needs in the short term without relying on conventional debt financing (which will result in higher finance costs to be incurred) for the purpose of funding investment project(s), working capital and/ or acquisition(s). This would also 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.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 8 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the general mandate.

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors of the Company at the Seventh Annual General Meeting held on 8 June 2022 and which will lapse at the conclusion of the 8th AGM. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect thereof.

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.*

ADMINISTRATIVE GUIDE FOR THE 8TH AGM

Date	:	Thursday, 8 June 2023
Time	:	10.00 a.m.
Online Meeting Platform	:	https://tiih.online or https://tiih.com.my (Domain Registration No. with MYNIC – D1A282781)

(i) MODE OF MEETING

In view of the Covid-19 endemic and as part of the safety measures, the 8th AGM will be conducted fully virtual through **live streaming from the online meeting platform** and online remote voting via the Remote Participation and Voting Facilities ("**RPV**") via TIIH Online provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its website at https://tiih.online or https://tiih.com.my (Domain Registration No. with MYNIC – D1A282781).

(ii) RPV

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 8th AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("**Tricor**") via its TIIH Online website at https://tiih.online. Please refer to item (iii) below for the Procedure for RPV.

A shareholder who has appointed a proxy(ies) or attorney(s) or authorised representative(s) to participate at this 8th AGM via RPV must request his/her proxy(ies) or attorney or authorised representative to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please refer to item (iii) below for the Procedure for RPV.

As the 8th AGM is a fully virtual AGM, shareholders who are unable to participate in this 8th AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the proxy form.

(iii) PROCEDURES FOR RPV

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 8th AGM using the RPV facilities:

Before the 8th AGM Day

Procedure	Action
i. Register as a user with TIIH Online	• Using your computer, access to website at https://tiih.online. Register as a user under the "e-Services" select "Create Account by **Individual Holder**". Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via e-mail. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.

ADMINISTRATIVE GUIDE FOR THE 8TH AGM

Before the 8th AGM Day

Procedure	Action
ii. Submit your request to attend 8th AGM remotely	• Registration is open from **Thursday, 27 April 2023 until the day of 8th AGM on on Thursday, 8 June 2023**. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 8th AGM to ascertain their eligibility to participate the 8th AGM using the RPV. • Login with your user ID (i.e. e-mail address) and password and select the corporate event: **(Registration) HSS ENGINEERS BERHAD 8th AGM** • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an **e-mail to notify** that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 1 June 2023, the system will send you an **e-mail after 6 June 2023 to approve or reject** your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*

On the 8th AGM Day

Procedure	Action
i. Login to TIIH Online	• Login with your user ID and password for remote participation at the 8th AGM at any time from 9.00 a.m. i.e. 1 hour before the commencement of meeting at 10.00 a.m. on Thursday, 8 June 2023.
ii. Participate through Live Streaming	• Select the corporate event: **(Live Stream Meeting) HSS ENGINEERS BERHAD 8th AGM** to engage in the proceedings of the HSSEB 8th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 8th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii.Online remote voting	• Voting session commences from 10.00 a.m. on Wednesday, 8 June 2023 until a time when the Chairman announces the end of the session. • Select the corporate event: **(Remote Voting) HSS ENGINEERS BERHAD 8th AGM** or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
iv. End of remote participation	• Upon the announcement by the Chairman on the conclusion of the 8th AGM, the Live Streaming will end.

Note to users of the RPV facilities:

1. Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

ADMINISTRATIVE GUIDE FOR THE 8TH AGM

(iv) APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

Shareholders who appoint proxy(ies) to participate via RPV at the 8th AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor not later than **Tuesday, 6 June 2023 at 10.00 a.m.**

The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the item (v) below for the Procedure for Electronic Submission of Proxy Form.

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan not later than **Tuesday, 6 June 2023 at 10.00 a.m.** to participate via RPV in the 8th AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan not later than **Tuesday, 6 June 2023 at 10.00 a.m.** to participate via RPV in the 8th AGM. The certificate of appointment should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
  (a) at least two (2) authorised officers, of whom one shall be a director; or
  (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

ADMINISTRATIVE GUIDE FOR THE 8TH AGM

(v) PROCEDURE FOR ELECTRONIC SUBMISSION OF PROXY FORM

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "**HSS ENGINEERS BERHAD 8th AGM - Submission of Proxy Form**". • Read and agree to the Terms and Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. • Review and confirm your proxy(ies) appointment. • Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online. • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects **"Create Account by Representative of Corporate Holder"**. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and re-set your own password. Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.
Proceed with submission of form of proxy	• Login to TIIH Online at https://tiih.online. • Select the corporate exercise name: "**HSS ENGINEERS BERHAD 8th AGM - Submission of Proxy Form**". • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: "**HSS ENGINEERS BERHAD 8th AGM - Submission of Proxy Form**". • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

(vi) POLL VOTING

The voting at the 8th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting (e-voting).

Shareholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions at any time from 8 June 2023, 10.00 a.m. but before the end of the voting session which will be announced by the Chairman of the meeting. Kindly refer to item (iii) of the above Procedures for RPV for guidance on how to vote remotely from TIIH Online website at https://tiih.online.

Upon completion of the voting session for the 8th AGM, the Independent Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

ADMINISTRATIVE GUIDE FOR THE 8TH AGM

(vii) PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions in advance for the 8th AGM to the Board via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically not later than **Tuesday, 6 June 2023 at 10.00 a.m.** The Board will endeavor to answer the questions received at the 8th AGM.

(viii) DOOR GIFT/FOOD VOUCHER

There will be no door gifts or food vouchers for attending the 8th AGM.

(ix) NO RECORDING OR PHOTOGRAPHY

Unauthorised recording and photography are strictly prohibited at the 8th AGM.

(x) ENQUIRY

If you have any enquiries on the above, please contact our Share Registrar at following during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com

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HSS ENGINEERS

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

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			
Telephone no./ Email address			

*and him/her (*delete as appropriate)

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Telephone no./ Email 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 Eighth Annual General Meeting ("**8th AGM**") of the Company to be conducted as a fully virtual meeting through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities via the online meeting platform of TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration no. with MYNIC: D1A282781) on Thursday, 8 June 2023 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.	Declaration of a final single tier dividend of 0.92 sen per ordinary share for the financial year ended 31 December 2022.	Ordinary Resolution 1		
2.	Approval of the payment of Directors' Fees payable to the 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 2		
3.	Approval of the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM126,000.00 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 3		
4.	Re-election of Tan Sri Ir. Kunasingam A/L V.Sittampalam as Director pursuant to Clause 93 of the Constitution of the Company.	Ordinary Resolution 4		
5.	Re-election of Ir. Sharifah Azlina Bt Raja Kamal Pasmah as Director pursuant to Clause 93 of the Constitution of the Company.	Ordinary Resolution 5		
6.	Re-election of Datuk Ir. Teo Chok Boo as Director pursuant to Clause 93 of the Constitution of the Company.	Ordinary Resolution 6		
7.	Re-appointment of KPMG PLT as External Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
8.	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 8		

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 ______________ 2023.

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

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NOTES:

1. The 8th AGM will be conducted on a fully virtual basis via TIIH Online website at https://tiih.online. Please refer to the Administrative Guide for the 8th AGM for the procedures to register, participate and vote remotely through the RPV facilities.

   The Administrative Guide on the conduct of the fully virtual 8th AGM of the Company is available at the Company's website at https://www.hssgroup.com.my/.

2. The conduct of a fully virtual 8th AGM is in line with the revised Guidance Note and Frequently Asked Questions on the conduct of General Meetings for Listed Issuers issued by Securities Commission of Malaysia. An online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including Chairman of the meeting, board members, senior management and shareholders are to participate in the meeting online.

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. 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. A proxy appointed to participate and vote at the 8th AGM shall have the same rights as the member to participate at the 8th AGM.

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 must be executed under its Common Seal or signed by an officer or attorney so authorised, if the appointor is a corporation.

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 or Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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. Please refer to the Administrative Guide for the 8th AGM for further information on electronic submission of proxy form via TIIH Online.

8. The members, proxies or corporate representatives may submit questions in relation to the resolutions to be tabled at the 8th AGM to the Board of Directors at https://tiih.online prior to the 8th AGM or to use the query box to transmit questions by typed texts via RPV facilities during live streaming of the 8th AGM.

9. In respect of deposited securities, only members whose names appear on the Record of Depositors on 1 June 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

10. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions at the 8th 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 27 April 2023.

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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

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No. 21, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur

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