

SUSTAINABILITY STATEMENT

PERFORMANCE DATA TABLE FROM BURSA MALAYSIA'S ESG REPORTING PLATFORM

Indicator	Measurement Unit	2021	2022	2023
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Professional	Percentage	70.00	75.00	76.00 *
Sub-Professional	Percentage	65.00	70.00	82.00 *
Administrative	Percentage	60.00	60.00	73.00 *
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	-	-	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	-	-	0.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	-	-	114
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Professional Under 30	Percentage	-	-	9.76 *
Professional Between 30-50	Percentage	-	-	60.56 *
Professional Above 50	Percentage	-	-	29.68 *
Sub-Professional Under 30	Percentage	-	-	9.54 *
Sub-Professional Between 30-50	Percentage	-	-	46.47 *
Sub-Professional Above 50	Percentage	-	-	43.98 *
Administrative Under 30	Percentage	-	-	20.59 *
Administrative Between 30-50	Percentage	-	-	51.47 *
Administrative Above 50	Percentage	-	-	27.94 *
Gender Group by Employee Category				
Professional Male	Percentage	-	-	96.92 *
Professional Female	Percentage	-	-	30.08 *
Sub-Professional Male	Percentage	-	-	79.67 *
Sub-Professional Female	Percentage	-	-	20.33 *
Administrative Male	Percentage	-	-	17.65 *
Administrative Female	Percentage	-	-	82.35 *
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	-	-	75.00
Female	Percentage	-	-	25.00
Under 30	Percentage	-	-	0.00
Between 30-50	Percentage	-	-	12.50 *
Above 50	Percentage	-	-	87.50 *
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	952.00	1,005.00	991.14 *
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00	0.00	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	89	80	93
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Professional	Hours	-	-	4,936 *
Sub-Professional	Hours	-	-	379 *
Administrative	Hours	-	-	476 *
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	-	-	56.80
Bursa C6(c) Total number of employee turnover by employee category				
Professional	Number	-	-	52 *
Sub-Professional	Number	-	-	36 *
Administrative	Number	-	-	16 *
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	99.00	99.00	99.00

SUSTAINABILITY STATEMENT

Indicator	Measurement Unit	2021	2022	2023
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	99.00	99.00	99.00
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	5.177000	6.018000	4.999000
Municipal potable water (%)	Percentage	100.00	100.00	100.00 *
Water from external or natural sources such as rivers, lakes, etc.	Percentage	0.00	0.00	0.00
Water-stressed areas (%)	Percentage	0.00	0.00	0.00
Bursa (Waste management)				
Bursa C10(a) Total waste generated	Metric tonnes	160.00	25.00	86.20 *
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	0.00	0.00	0.00
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	160.00	25.00	86.20 *
Bursa (Emissions management)				
Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	83.81	105.15	141.74 *
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	721.00	761.00	751.00 *
Nitrogen Oxides (NO _x)	Metric tonnes	0.00	0.00	0.00
Sulphur Oxides (SO _x)	Metric tonnes	0.00	0.00	0.00
Methane (CH ₄)	Metric tonnes	0.00	0.00	0.00
Volatile Organic Compound (VOCs)	Kilograms	0.00	0.00	0.00

Internal assurance

External assurance

No assurance

(*) Restated

ASSURANCE STATEMENT

The non-financial data presented in SS2023 has been internally assured. Moving forward, HEB remains committed to continuously improve and enhance our sustainability reporting processes and may explore additional measures for enhancing data validation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “**Board**”) of HSS Engineers Berhad (“**HEB**” or the “**Company**”) is committed to exercising 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 2023 which can be downloaded from HEB’s website at www.hssgroup.com.my or from Bursa Securities’ website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

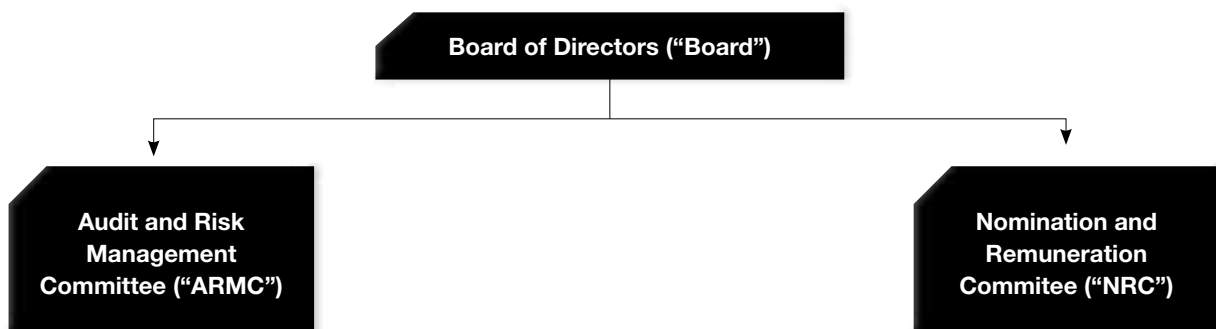
I. BOARD RESPONSIBILITIES

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 interests 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 structure consists of a set of structures, policies and procedures. The fundamental of this 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 detail 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 respective meetings.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board reserves full decision-making powers on the following matters:

- | | |
|--|---|
| (a) conflict of interest issues relating to substantial shareholders or Directors including but not limited to approving related party transactions or determining the appropriate course of action to take in conflict of interest matters; | (e) treasury policies; |
| (b) material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures; | (f) risk management policies; |
| (c) strategic investments, mergers and acquisitions and corporate exercises; | (g) key human resource issues and policies; |
| (d) limits of authority; | (h) sustainability policies; |
| | (i) dividend policies; |
| | (j) appointment of auditors, review and approval of financial statements; |
| | (k) financing and borrowing activities; |
| | (l) ensuring regulatory compliance; and |
| | (m) reviewing the adequacy and integrity of internal controls. |

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. 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, EVC and 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, the Board policies and procedures and the applicable laws and regulations which are required to be 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 from the Company Secretaries 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 and circulars from Bursa Securities as well as other legal and regulatory developments by the Company Secretaries.

The appointment and removal of the 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 Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 structural 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.

(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 the MMLR of Bursa Securities. 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 actual 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(f) Directors' Fit and Proper Policy

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.

(h) Conflict of Interest Policy

In November 2023, the Board adopted the Conflict of Interest Policy to ensure conflict of interest cases are handled appropriately, promoting transparency, fostering a culture of honesty and accountability as well as good governance within the Group. This policy applies to all Directors and Senior Management of HEB Group. It covers conflict of interest and potential conflict of interest that may arise between their personal interests and the interests of HEB or its subsidiaries. The Conflict of Interest Policy is made available on the Company's website at www.hssgroup.com.my.

(i) Corporate Disclosure Policies and Procedures

The Corporate Disclosure Policies and Procedures is established to develop an effective Investor Relations ("IR") programme and strategy to communicate the corporate vision, strategies, developments, financial plans and prospects to the investors, financial community and other stakeholders fairly and accurately and to obtain feedback from the stakeholders. It outlines the Company's approach towards the determination and dissemination of material information especially price-sensitive information, and under the circumstances where confidentiality of the information will be maintained, and prohibitions on insider trading. It also sets out the internal guidelines to facilitate implementation and consistent disclosure practices across HEB Group. The Corporate Disclosure Policies and Procedures Policy is made available on the Company's website at www.hssgroup.com.my.

(j) Other Policies

The Company has a number of other policies which define the Company's commitment towards good corporate governance and business practices, including Remuneration Policy, Dividend Policy, Diversity Policy and Human Rights Policy. All of these policies are 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 had held six (6) Board Meetings during the financial year ended 31 December 2023 ("FYE 2023") and the attendance record is as follows:

DIRECTORS	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Mohd Zakhir Siddiqy Bin Sidek <i>(Independent Non-Executive Chairman)</i>	6/6
Tan Sri Ir. Kunasingam A/L V.Sittampalam <i>(Executive Vice Chairman/Acting Group Chief Executive Officer)</i>	6/6
Ir. Sharifah Azlina Bt Raja Kamal Pasmah <i>(Executive Director)</i>	6/6
Datuk Ir. Teo Chok Boo <i>(Executive Director)</i>	6/6
Ir. Prem Kumar A/L M Vasudevan <i>(Executive Director)</i>	6/6
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh <i>(Senior Independent Non-Executive Director)</i>	6/6
Vanessa A/P Santhakumar <i>(Non-Independent Non-Executive Director)</i>	6/6
Tai Keat Chai <i>(Independent Non-Executive Director)</i>	6/6

There is a procedure in place for timely dissemination of Board and Board Committees' meeting 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 82 to 84 of this Annual Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NRC comprises entirely Non-Executive Directors who are majority independent. During the year under review, there were two (2) meetings held. The details of members of the NRC and the attendance record of meetings are as follows:

NRC MEMBERS	DESIGNATION	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh <i>(Senior Independent Non-Executive Director)</i>	Chairman	2/2
Tai Keat Chai <i>(Independent Non-Executive Director)</i>	Member	2/2
Vanessa A/P Santhakumar <i>(Non-Independent Non-Executive Director)</i>	Member	2/2

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

- Reviewed and recommended the revised NRC's Terms of Reference to the Board for approval and adoption;
- Reviewed and recommended to the Board for approval, the re-election and retirement by rotation of Directors in line with the Fit and Proper Policy at the Eighth Annual General Meeting ("**AGM**");
- Conducted the annual assessment of the Board, the Board Committees and the individual Directors;
- Reviewed the terms of office of ARMC and performance of the ARMC as well as each ARMC member;
- Reviewed and assessed the ARMC's activities, performance and the NRC Statement for inclusion into the Annual Report;
- Reviewed the independence of Independent Directors;
- Reviewed trainings accomplished as well as training needs for Directors;
- Reviewed the revised remuneration policy and remuneration framework;
- Reviewed the remuneration packages of the Executive Directors, Non-Executive Directors and Senior Management of the Company;
- Reviewed and recommended the revised Directors' Fit and Proper Policy to the Board for approval and adoption; and
- Reviewed and recommended the Succession Planning Policy to the Board for approval and adoption.

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/Acting GCEO, 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 the Executive Director. A brief profile of each Director is presented in pages 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 appointment of the Board members and Senior Management is 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, the Board has decided not to set any specific targets as it believes that it is more important to have the right mix and skills in the Board and Senior Management composition instead of merely looking at the percentage. Currently, there are two (2) female Directors serving as members of the Board, representing 25% female representation on the Board.

Diversity in Senior Management will induce constructive debates, which lead to better decision making and enabling discussion in an ever-changing environment. The Board also values the diversity of perspectives and experience at Senior Management level for better insights and competitive advantage. Currently there is one female representation in the Senior Management of the Company.

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 perspectives 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 subject to the Director's re-designation as Non-Independent Director. The Board, subject to justification and obtaining the approval of the shareholders, may retain an Independent Non-Executive Director who has served a cumulative term of nine (9) years as an Independent Non-Executive Director of the Company.

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 of 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 2023, there was no new appointment of Director at HEB's level. However, the Board through the NRC will continue to review and assess the composition of the Board, Board Committees, all Directorships and Senior Management of the Company and its subsidiaries pursuant to Clause 2.1 of the 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 at each AGM of the Company. 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 Ninth AGM continue to perform effectively and demonstrate commitment:

DIRECTORS	DESIGNATION
Dato' Mohd Zakhir Siddiqy Bin Sidek (Clause 93)	Independent Non-Executive Chairman
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh (Clause 93)	Senior Independent Non-Executive Director
Vanessa A/P Santhakumar (Clause 93)	Non-Independent Non-Executive Director

Information on each of the Directors standing for re-election is set out on pages 22, 27 and 28 of this Annual Report.

4. Annual Assessment

The NRC is responsible in 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 as well as 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 the relevant Directors for re-election at the AGM.

The NRC had on 27 February 2024 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 2023 to 31 December 2023.

The assessment criteria used in the assessment of the Board and individual Director include mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contribution of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency 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 Company's skills matrix. The Directors have diverse and relevant range of skills, background, 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' self and peer evaluation, the assessment criteria include abilities 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 satisfied with the outcome and opined that the skills and experience of the current Directors meet 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 of Bursa Securities.

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 briefings, seminars, conferences, workshops and training programmes attended by the Directors during the FYE 2023:-

SEMINARS/CONFERENCES/TRAINING PROGRAMS ATTENDED	ORGANISER
Section 17A Malaysian Anti-Corruption Commission Act 2009 & Adequate Procedures	Suruhanjaya Syarikat Malaysia ("SSM")
Transaction with Third Party and Related Party for PLCs	SSM
Sustainability Awareness Session for Board of Directors & Senior Management – ESG	The One Island Consultant & Training Centre Sdn. Bhd.
Cessation of Companies & Limited Liability Partnerships	SSM
CGS-CIMB 15th Annual Malaysia Virtual Corporate Day	CGS-CIMB
5th ASEAN India Business Summit	AI Business Council
HSS Group Integrity Day 2023 - Talk on Moving Forward from Corporate Liability to Corp Reliability by MACC	Malaysian Anti-Corruption Commission (MACC)
Its World Congress Suzhou, China 2023	World ITS
Bandung-Jakarta Technical Tour	ITSM
Issues Challenged during Audits & Investigations : Sales Tax Exemption	Thannees Tax Consulting Services
SIRIM ISO37001 Surveillance Audit	SIRIM
Invest Malaysia Reshaping Malaysia's Narrative Series 1: Strengthening Resilience & Sustaining Growth	Bursa Malaysia
KL ECO City Bridge Collapse – The Forensic Evidence and the Judgement	Events & Secretariat Solutions PLT
SVDP 2.0: Go Beyond Reporting Your Income Enhancing Tax Compliance and Opportunities	Deloitte Tax Services
Briefing on Directors and Officers Liability Insurance	Boardroom Corporate Services Sdn. Bhd.
Shared Responsibility in Strengthening AML/CFT Compliance: Risks, Challenges and Collaborations	SSM National Conference 2023
BEM Webinar on PAE Trainings for Examiners	Board of Engineers (BEM)
Forum on Disciplinary – Registration Engineers Act	BEM
Digital Technology from Tender to Construction for Consulting Engineers	Association of Consulting Engineers Malaysia (ACEM)
APNN International Conference of Women STEM in Mongolia	APNN
Women In Rail Malaysia Conference 2023	YTL Construction

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SEMINARS/CONFERENCES/TRAINING PROGRAMS ATTENDED	ORGANISER
BEM Convention – Engineering ESG for the Nation	BEM
1 st WE IEM Conference 2023	Institute Engineers Malaysia (IEM)
International Congress on Engineering & Technology 2023 (ICET)	Universiti Teknologi MARA (UITM)

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

III. REMUNERATION

In determining the remuneration of the Directors and Senior Management, the Company's objective is to provide fair and competitive remuneration to its Board and Senior Management in order for the Company to benefit by attracting and retaining a high-quality team. The remuneration packages for the Executive Directors and Senior Management comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances determined by the Group's Human Resource policies) and variable components (which 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.

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

Detailed information on the Directors' remuneration for the FYE2023 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 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 and terms of office of the 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 an 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 the 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) major changes in or implementation of accounting policies relevant to the Group;
- (b) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions and how these matters are 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 82 to 84 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, Centegy Governance Advisory Sdn. Bhd., to ensure proper management and mitigation of risks and report to the Board. 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 on pages 85 to 87 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 of the Bursa Securities, 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 Group General Manager, Corporate Communication and Business Development Unit.

When the Company makes an 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 exercises 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 public announcements, 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 of 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 the MMLR of the Bursa Securities, the notice of AGM shall be given to all shareholders at least 21 days before the meeting. Notwithstanding that, the Code recommended that the notice of AGM shall be given to the shareholders at least 28 days prior to the meeting. Hence, HEB had issued last year's Eighth AGM's ("8th AGM") Notice on 27 April 2023, which was 42 clear days prior to the meeting on 8 June 2023.

In 2023, the Company conducted its virtual AGM on 8 June 2023 through live streaming and online remote participation by using Remote Participation and Voting facilities ("RPV facilities"). It has greatly enhanced the participation of shareholders. 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 8th AGM.

2. Voting

In compliance with the MMLR of Bursa Securities, the Company has implemented poll voting for all resolutions set out in the Notice of AGM to be voted via electronic means, 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 8th 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 2023.

Shareholders who are unable to attend the AGM of the Company are encouraged to vote on the proposed motions by appointing a proxy. Submission of the Proxy Form was available via the RPV facilities platform for shareholders who were unable to attend to 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 together with the poll results verified by the independent scrutineer was announced to Bursa Securities on the same day. A summary of the key matters discussed at the AGM is available on the Company's website.

3. Communication and Engagement with Shareholders and Prospective Investors

The Board recognises the need to inform the shareholders of all significant developments concerning the Group on a timely basis and strict adherence to the MMLR of Bursa Securities. 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 2023 was approved by the Board on 24 April 2024.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF ANNUAL AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the audited financial statements are prepared with reasonable accuracy from the accounting records of the Group to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the financial performance and cash flow of the Company and the Group for the financial year then ended, and that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company and the Group for the financial year ended 31 December 2023, 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 of Bursa Securities 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 for the financial year ended 31 December 2023, 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 (“**Bursa Securities**”).

The ARMC has in its Terms of Reference (“**TOR**”) stated that a former external audit partner must 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 Paragraph 15.09(2) of the MMLR of Bursa Securities 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 are contained in the TOR of the ARMC.

The TOR of the ARMC, covering its scope of duties and responsibilities, authority and other relevant matters, is available on the Company’s website at www.hssgroup.com.my.

2. Attendance at Meetings

During the financial year ended 31 December 2023 (“**FYE 2023**”), 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 2023 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 of Bursa Securities before recommendation to the Board of Directors (“**Board**”) for approval.
- Reviewed the audited financial statements for the FYE 2023 before recommendation to the Board for approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(b) Internal Audit

- Reviewed and approved the internal audit plan for the FYE 2023.
- Reviewed and discussed the internal audit report containing the audit findings and recommendations made by the Internal Auditors and Management's responses on those issues and whether or not appropriate action is taken on the recommendations.
- 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 financial year to discuss any significant issues which may have arisen in the course of their audit of the Group.
- Evaluated and recommended the appointment of Centegy Governance Advisory Sdn. Bhd. ("**Centegy**") in replacement of Deloitte Risk Advisory Sdn. Bhd. ("**Deloitte**") as Internal Auditors of the Company to the Board for approval.

(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 the Group's financial reporting and auditing process.

(d) Risk Management

- Deliberated on the Enterprise Risk Management Report prepared by the Group's external consultants, Deloitte and subsequently Centegy appointed in replacement thereof, who were engaged to update the risk profile of the Group's principal business and the corresponding corrective and preventive action plans.

(e) Conflicts of Interest and Related Party Transactions

- Reviewed the conflict of interest policy and declaration made by all the Directors and Senior Management of the Company.
- Reviewed and reported to the Board any conflict of interest situations and related party transactions that arose, persist, may arise, or entered into by the Group on quarterly basis and the measures taken to resolve, eliminate or mitigate such conflicts since November 2023.

(f) Others

- Reviewed the TOR of the 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 the Solvency Test of the Group and recommended to the Board a first and final single tier dividend of 0.92 sen per ordinary share for the financial year ended 31 December 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

4. Internal Audit Function

The Company outsourced its internal audit function for the FYE 2023 to Centegy, after Deloitte relinquished its role as the Group's Internal Auditors in May 2023. 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 adequacy, integrity and effectiveness of the overall 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 approved by 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 at the ARMC meetings and appropriate recommendations were made on areas of concern arising 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 2023 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 Management.

The total cost of internal audit services rendered by the Internal Auditors for the FYE 2023 was RM81,950.

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 Acting Group Chief Executive Officer on a half-yearly basis and as and when necessary. The Acting 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Two of 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, another 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 three of 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

Credit 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

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Company Secretaries

The Company Secretaries provide 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 approval. 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 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 2023, 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 his observations in the course of his 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 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 24 April 2024.

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 29 December 2023, the Company announced its extension of timeframe (“EOT”) until 31 December 2024 for the utilisation of the Balance IPO Proceeds allocated for expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector which were initially intended to be utilised up to 31 December 2023.

Further therefrom, on 5 April 2024, the Company announced its intention to seek shareholders’ approval for a variation of the remaining RM5.795 million from IPO proceeds. Originally earmarked for expansion into India & ASEAN and recurring income and long-term based contracts, the funds are now proposed to be redirected towards partial repayment of wholly-owned subsidiary’s overdraft facilities as set out below:

No	Details of Utilisation of IPO Proceeds	IPO Proceeds ^(a) (RM'000)	1 st Revision of Balance of IPO Proceeds Unutilised (RM'000)	2 nd Revision of Balance of IPO Proceeds Unutilised (RM'000)	3 rd Revision/ Reallocation of Balance of IPO Proceeds Unutilised (RM'000)	4 th Revision/ Reallocation of Balance of IPO Proceeds Unutilised (RM'000)	5 th 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	18,000	-	
	(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	-	-	12,000	15,000	-	-	-	-	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	205	205	-	
	(j) Partial repayment of wholly-owned subsidiary’s overdraft facilities	-	-	-	-	-	5,795	-	5,795	Up to 31 December 2024
	Subtotal	24,000	24,000	24,000	24,000	24,000	24,000	18,205	5,795	
2.	Repayment of bank borrowings	4,000	-	-	-	-	-	4,000	-	n/a
3.	General working capital	708	-	-	-	-	-	708	-	n/a
4.	Estimated listing expenses	3,200	-	-	-	-	-	3,200	-	n/a
	Total	31,908	24,000	24,000	24,000	24,000	24,000	26,113	5,795	

Notes:

(a) As per HEB’s prospectus dated 29 June 2016

(b) As at 24 April 2024

ADDITIONAL COMPLIANCE INFORMATION

RATIONALE FOR THE PROPOSED VARIATION

As of 7 March 2024, HSS Engineering Sdn. Bhd. (“**HSSE**”), wholly owned subsidiary of HEB, has been leveraging operational overdraft facilities, resulting in outstanding borrowings of RM20.94 million. These funds are employed for operational purposes and to partially finance ongoing contracts and projects. The Company’s proposal for the redirection of RM5.795 million from the unused IPO proceeds for partial repayment of these overdraft facilities is projected to achieve an annual interest savings of approximately RM0.327 million.

This reallocation strategy is formulated with the objective of optimizing liquidity, aiming to reduce borrowing costs in the short term while enhancing the Company’s financial flexibility. Such financial prudence is crucial to the various expansion plans carried out by the Company, ensuring that necessary resources are available to seize growth opportunities effectively and sustainably. This decision is part of a broader commitment to safeguard and enhance shareholder value through strategic financial stewardship.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2023, 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	7,000	7,000
Total	50,000	248,000

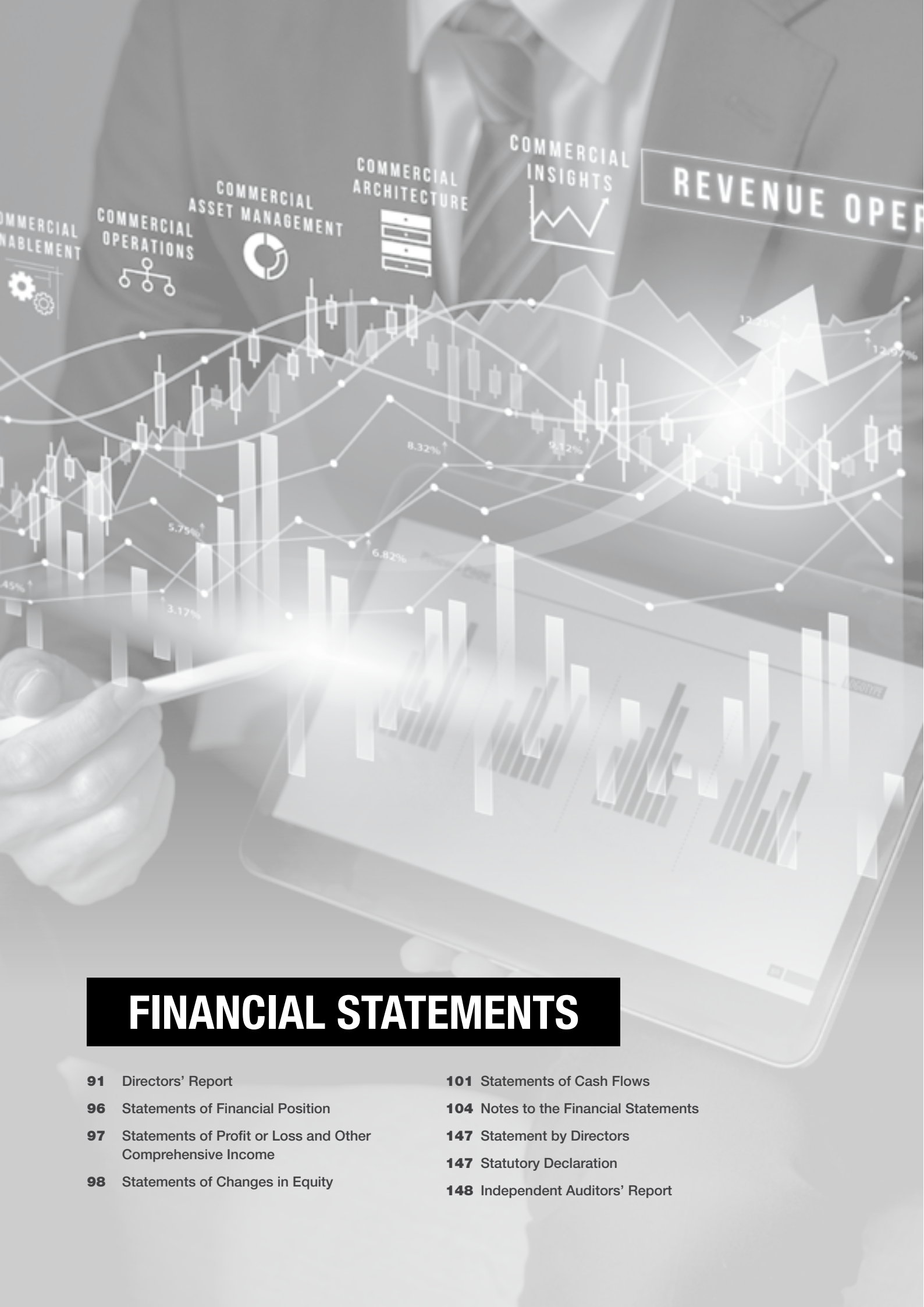
3. MATERIAL CONTRACTS INVOLVING DIRECTORS’ AND MAJOR SHAREHOLDERS’ INTERESTS

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 2023 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 RM270,000,00.00.

4. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”)

There were no RRPTs of a revenue or trading nature entered into during the financial year 31 December 2023 by the Group.



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

for the year ended 31 December 2023

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 2023.

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 attributable to:		
Owners of the Company	20,463,279	21,640,257
Non-controlling interests	(36,728)	-
	20,426,551	21,640,257

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 12 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid a final ordinary dividend of 0.92 sen per ordinary share amounting to RM4,563,016 on 23 June 2023 in respect of the financial year ended 31 December 2022.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2023 for shareholders' approval at the upcoming Annual General Meeting is 1.21 sen per ordinary share totalling RM6,152,609.

DIRECTORS OF THE COMPANY AND ITS SUBSIDIARIES

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

HSS Engineers Berhad

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)

Subsidiaries

Ir. Ten Fui Chan @ Kenneth
 Ir. Md Jamil Bin Ishak
 Saiful Hazmi Bin Ab Hamid
 Zulkiflee Bin AB Hamid
 Ir. Sundrarajan A/L L.Krishnan
 Anandanayagam A/L Sharvanandan
 Ir. Reuben Selvarajah
 Sivasankar Arjunan
 Ir. Prakash A/L G.Selvaratnam (appointed on 8 April 2024)
 Ir. Sri Kanthan A/L Veeramuthu (appointed on 8 April 2024)
 Muhammad Imran Bin Roslan (appointed on 8 April 2024)

DIRECTORS' REPORT

for the year ended 31 December 2023

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:

	At 1.1.2023	Number of ordinary shares		At 31.12.2023
		Bought	Sold	
Dato' Mohd Zakhir Siddiqy Bin Sidek	1,592,650	-	-	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	-	(200,000)	4,150,000
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 1.1.2023	Expired [®]	At 31.12.2023
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.

® The Warrants 2018/2023 had expired on 15 March 2023.

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 2023 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 shown below) 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.

DIRECTORS' REPORT

for the year ended 31 December 2023

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Fees	378,675	366,300	378,675	366,300
Remuneration	3,356,889	3,236,800	3,048,300	2,932,800
Other short-term employee benefits	1,537,012	1,337,311	1,393,380	1,218,619
	5,272,576	4,940,411	4,820,355	4,517,719
Rental fee paid to a firm in which certain Directors have interest	2,802,324	2,802,324	-	-
	8,074,900	7,742,735	4,820,355	4,517,719

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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM254,291,378 to RM254,564,189 by way of issuance of 118,100 new ordinary shares pursuant to the exercise of Warrants 2018/2023 at an exercise price of RM1.70 per ordinary share for cash.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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 of 3 March 2023, a total of 118,115 Warrants 2018/2023 were exercised up to date and the remaining 47,744,036 Warrants 2018/2023 remained unexercised.

The Warrants 2018/2023 had expired on 15 March 2023 and delisted from Bursa Securities on 16 March 2023.

DIRECTORS' REPORT

for the year ended 31 December 2023

INDEMNITY AND INSURANCE COST

During the financial year, 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 RM72,000 respectively. There were no indemnity given or insurance effected for any auditors of the Group and of the Company.

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) all known bad debts have been 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 the amount written off for 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 2023 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.

SUBSEQUENT EVENTS

Subsequent events is disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT
for the year ended 31 December 2023**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 2023 are as follows:

	Group RM	Company RM
Audit fees	241,000	43,000
Non-audit fees	7,000	7,000
	248,000	50,000

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

.....
Ir. Prem Kumar A/L M. Vasudevan
Director

Kuala Lumpur,

Date: 24 April 2024

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Assets					
Property, plant and equipment	3	3,500,890	3,853,397	-	-
Right-of-use assets	4	6,344,480	3,367,480	-	-
Intangible assets	5	163,839,183	163,268,932	-	-
Investment in subsidiaries	6	-	-	210,865,677	210,865,671
Investment in associates	7	2,604,285	2,416,284	-	-
Employee benefits	14	-	21,923	-	-
Deferred tax assets	8	489,566	2,998,149	-	-
Total non-current assets		176,778,404	175,926,165	210,865,677	210,865,671
Trade and other receivables	9	49,323,322	56,505,711	90,960	69,403
Contract assets	10	121,990,121	135,322,419	-	-
Current tax assets		1,362,400	1,323,868	25,853	50,536
Derivative financial assets	16	163,633	493,547	163,633	493,547
Prepayment		6,643,896	3,760,186	98,280	118,496
Cash and cash equivalents	11	19,963,396	30,364,223	7,721,900	9,290,958
Total current assets		199,446,768	227,769,954	8,100,626	10,022,940
Total assets		376,225,172	403,696,119	218,966,303	220,888,611
Equity					
Share capital		254,564,189	254,291,378	254,564,189	254,291,378
Reserves		4,552,884	(11,293,959)	(50,222,954)	(67,228,154)
Equity attributable to owners of the Company	12	259,117,073	242,997,419	204,341,235	187,063,224
Non-controlling interests		(6,728)	-	-	-
Total equity		259,110,345	242,997,419	204,341,235	187,063,224
Liabilities					
Loans and borrowings	13	218,975	14,023,066	-	13,648,189
Lease liabilities		4,196,497	522,158	-	-
Employee benefits	14	8,212	-	-	-
Total non-current liabilities		4,423,684	14,545,224	-	13,648,189
Loans and borrowings	13	39,212,172	43,421,327	13,482,171	13,835,574
Lease liabilities		2,238,643	3,003,373	-	-
Trade and other payables	15	59,471,947	79,209,060	1,069,961	6,268,923
Contract liabilities	10	8,420,337	16,559,927	-	-
Current tax liabilities		2,879,838	3,474,526	-	-
Provision		468,206	485,263	72,936	72,701
Total current liabilities		112,691,143	146,153,476	14,625,068	20,177,198
Total liabilities		117,114,827	160,698,700	14,625,068	33,825,387
Total equity and liabilities		376,225,172	403,696,119	218,966,303	220,888,611

The notes on pages 104 to 146 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	17	187,342,733	186,041,738	31,456,800	17,288,000
Cost of sales		(125,202,366)	(125,308,018)	-	-
Gross profit		62,140,367	60,733,720	31,456,800	17,288,000
Other income		45,164	298,015	-	222,922
Administrative expenses		(24,230,616)	(23,004,953)	(8,071,431)	(7,402,088)
Other operating expenses		(6,822,489)	(7,202,566)	(459,652)	(200,867)
Net loss on impairment of financial instruments	21	(64,599)	(6,778,757)	-	-
Results from operating activities		31,067,827	24,045,459	22,925,717	9,907,967
Finance income	18	397,408	422,276	140,587	279,608
Finance costs	19	(2,912,253)	(3,172,885)	(1,426,047)	(2,102,971)
Share of profit of equity-accounted associates, net of tax		168,001	324,393	-	-
Profit before tax		28,720,983	21,619,243	21,640,257	8,084,604
Tax expense	20	(8,294,432)	(6,485,404)	-	-
Profit for the year	21	20,426,551	15,133,839	21,640,257	8,084,604
Other comprehensive income/(loss), net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operation		36,352	(53,439)	-	-
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability		(23,694)	9,953	-	-
Tax effect on remeasurement of defined benefit liability		5,963	(2,505)	-	-
Total other comprehensive income/(loss) for the year, net of tax		18,621	(45,991)	-	-
Total comprehensive income for the year		20,445,172	15,087,848	21,640,257	8,084,604
Profit attributable to:					
Owners of the Company		20,463,279	15,133,839	21,640,257	8,084,604
Non-controlling interests		(36,728)	-	-	-
Profit for the year		20,426,551	15,133,839	21,640,257	8,084,604
Total comprehensive income attributable to:					
Owners of the Company		20,481,900	15,087,848	21,640,257	8,084,604
Non-controlling interests		(36,728)	-	-	-
Total comprehensive income for the year		20,445,172	15,087,848	21,640,257	8,084,604
Basic earnings per share (sen)	23	4.13	3.05		

The notes on pages 104 to 146 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2023

Group	← Attributable to owners of the Company →				Total equity RM
	← Non-distributable →			Accumulated	
	Share capital RM	Warrants reserve RM	Translation reserve RM	losses RM	
At 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 for the year	-	-	(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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2023

Group	← Attributable to owners of the Company →				Total RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Warrants reserve RM	Translation reserve RM	(Accumulated losses)/ Retained earnings RM			
At 1 January 2023	254,291,378	29,195,903	170,924	(40,660,786)	242,997,419	-	242,997,419
Other comprehensive income:							
- Remeasurement of defined benefit liability	-	-	-	(17,731)	(17,731)	-	(17,731)
- Foreign currency translation differences for foreign operation	-	-	36,352	-	36,352	-	36,352
Total other comprehensive income for the year	-	-	36,352	(17,731)	18,621	-	18,621
Profit for the year	-	-	-	20,463,279	20,463,279	(36,728)	20,426,551
Total comprehensive income for the year	-	-	36,352	20,445,548	20,481,900	(36,728)	20,445,172
<i>Contributions by and distributions to owners of the Company</i>							
Issue of shares upon exercise of warrants	272,811	(72,041)	-	-	200,770	-	200,770
Transfer of warrants reserve upon expiry of warrants to retained earnings	-	(29,123,862)	-	29,123,862	-	-	-
Dividends to owners of the Company	-	-	-	(4,563,016)	(4,563,016)	-	(4,563,016)
Total transactions with owners of the Company	272,811	(29,195,903)	-	24,560,846	(4,362,246)	-	(4,362,246)
Subscription of shares in subsidiary by non- controlling interests	-	-	-	-	-	30,000	30,000
At 31 December 2023	254,564,189	-	207,276	4,345,608	259,117,073	(6,728)	259,110,345
	Note 12	Note 12	Note 12				

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2023

Company	← Attributable to owners of the Company →			Total equity RM
	Share capital RM	Warrants reserve RM	Accumulated losses RM	
At 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 2022/1 January 2023	254,291,378	29,195,903	(96,424,057)	187,063,224
Total comprehensive income for the year	-	-	21,640,257	21,640,257
Issue of shares upon exercise of warrants	272,811	(72,041)	-	200,770
Transfer of warrants reserve upon expiry of warrants to retained earnings	-	(29,123,862)	29,123,862	-
Dividend to owners of the Company	-	-	(4,563,016)	(4,563,016)
Total transactions with owners of the Company	272,811	(29,195,903)	24,560,846	(4,362,246)
At 31 December 2023	254,564,189	-	(50,222,954)	204,341,235
	Note 12	Note 12		

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from operating activities					
Profit before tax		28,720,983	21,619,243	21,640,257	8,084,604
<i>Adjustments for:</i>					
Net loss on impairment of financial instruments		64,599	6,778,757	-	-
Depreciation of property, plant and equipment	3	1,018,357	1,257,547	-	-
Depreciation of right-of-use assets	4	2,905,461	2,872,142	-	-
Amortisation of intangible assets	5	152,354	1,710,613	-	-
Finance income	18	(397,408)	(422,276)	(140,587)	(279,608)
Finance costs	19	2,912,253	3,172,885	1,426,047	2,102,971
Dividend income		-	-	(26,000,000)	(12,500,000)
Net fair value loss/(gain) on derivative	16	329,914	(222,922)	329,914	(222,922)
Gain on disposal of property, plant and equipment		-	(9,999)	-	-
Write off of property, plant and equipment	3	157	416	-	-
Gain on derecognition of right-of-use assets		(39,583)	-	-	-
Share of profit of equity-accounted associates, net of tax	7	(168,001)	(324,393)	-	-
Operating profit/(loss) before changes in working capital					
		35,499,086	36,432,013	(2,744,369)	(2,814,955)
Change in employee benefits and provision		(5,701)	(51,653)	-	(3,869)
Change in trade and other receivables and prepayments		4,248,790	(19,547,372)	(1,341)	46,598
Change in trade and other payables		(19,770,511)	10,199,091	(5,218,727)	(1,922,153)
Change in contract assets		13,353,480	(26,742,075)	-	-
Change in contract liabilities		(8,155,367)	4,236,670	-	-
Cash generated from/(used in) operations					
		25,169,777	4,526,674	(7,964,437)	(4,694,379)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash generated from/(used in) operations					
(continued)		25,169,777	4,526,674	(7,964,437)	(4,694,379)
Interest paid		(654,316)	(302,748)	(438,578)	(115,917)
Interest received		397,408	422,276	140,587	279,608
Net tax (paid)/refunded		(6,419,682)	(5,214,240)	24,683	(14,756)
Net cash from/(used in) operating activities		18,493,187	(568,038)	(8,237,745)	(4,545,444)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(319,984)	(771,840)	-	-
Acquisition of intangible assets	(i)	(684,971)	(24,349)	-	-
Investment in associate		(20,000)	(10)	-	-
Increase of investments in a subsidiary	6	-	-	-	(40,000)
Incorporation of subsidiaries	6	-	-	(6)	-
Proceeds from disposal of property, plant and equipment		-	10,000	-	-
Dividend received from subsidiaries		-	-	26,000,000	12,500,000
Dividend received from associate		-	600,000	-	-
Net cash (used in)/from investing activities		(1,024,955)	(186,199)	25,999,994	12,460,000
Cash flows from financing activities					
Subscription of shares in subsidiary by non-controlling interests		30,000	-	-	-
Proceeds from issue of shares upon exercise of warrants		200,770	-	200,770	-
Dividend paid		(4,563,016)	-	(4,563,016)	-
Net payment of hire purchase liabilities		(707,671)	(102,207)	-	-
Repayment of term loans		(14,001,592)	(18,358,004)	(14,001,592)	(18,358,004)
Net (payment)/proceeds from revolving credit		(8,101,577)	12,903,635	-	-
Payment of lease liabilities		(2,945,304)	(2,850,979)	-	-
Increase in deposit pledged with licensed bank		907,373	(6,561,450)	(30,207)	1,231,453
Interest paid		(2,237,937)	(2,685,137)	(967,469)	(1,802,054)
Net cash used in financing activities		(31,418,954)	(17,654,142)	(19,361,514)	(18,928,605)
Net decrease in cash and cash equivalents		(13,950,722)	(18,408,379)	(1,599,265)	(11,014,049)
Effect of foreign currency translation differences		39,424	(26,172)	-	-
Cash and cash equivalents at 1 January		3,983,589	22,418,140	7,910,251	18,924,300
Cash and cash equivalents at 31 December	11	(9,927,709)	3,983,589	6,310,986	7,910,251

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM662,114 (2022: RM896,053) of which RM342,130 (2022: RM124,213) was acquired by mean of hire purchase. The Group also acquired intangible asset with an aggregate cost of RM722,591 (2022: RM235,999) of which RM37,620 (2022: RM211,650) was acquired by mean of hire purchase.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2023

(ii) Cash outflows for leases as a lessee

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Included in net cash from operating activities:					
Payment relating to short-term and/or low-value assets	21	231,902	264,267	-	-
Interest paid in relation to lease liabilities	19	205,530	235,302	-	-
Included in net cash from financing activities:					
Payment of lease liabilities		2,945,304	2,850,979	-	-
Total cash outflows for leases		3,382,736	3,350,548	-	-

(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 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/ 1 January 2023	27,483,763	1,036,562	15,250,827	3,525,531	47,296,683
Acquisition	-	379,750	-	6,513,943	6,893,693
Derecognition	-	-	-	(682,043)	(682,043)
Net changes in financing cash flows	(14,001,592)	(707,671)	(8,101,577)	(2,945,304)	(25,756,144)
Effect movement in exchange rate	-	-	-	23,013	23,013
At 31 December 2023	13,482,171	708,641	7,149,250	6,435,140	27,775,202
Company					
At 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/ 1 January 2023	27,483,763	-	-	-	27,483,763
Net changes in financing cash flows	(14,001,592)	-	-	-	(14,001,592)
At 31 December 2023	13,482,171	-	-	-	13,482,171

The notes on pages 104 to 146 are an integral part of these financial statements.

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 Dwtiasik
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 2023 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 consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 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 24 April 2024.

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”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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 plan to apply the abovementioned accounting standards, interpretations and amendments:

- 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.
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

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 consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

Items	Measurement bases
Derivative financial instruments	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation

(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
- Note 5 – measurement of the recoverable amount of cash-generating unit
- Note 6 – measurement of the recoverable amount of investment of subsidiaries
- Note 17 – revenue recognition
- Note 26 – measurement of expected credit loss ("ECL")

2. CHANGES IN MATERIAL ACCOUNTING POLICIES

2.1 Material accounting policy information

The Group adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosure of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendment did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

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 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/ 1 January 2023	925,988	1,318,373	5,297,244	1,424,634	6,102,176	15,068,415
Additions	7,693	-	581,639	34,478	38,304	662,114
Write off	-	-	(11,505)	(290)	-	(11,795)
Effect of movement in exchange rate	3,983	-	13,775	1,912	45	19,715
At 31 December 2023	937,664	1,318,373	5,881,153	1,460,734	6,140,525	15,738,449
Accumulated depreciation						
At 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/ 1 January 2023	524,519	1,109,748	4,251,543	1,194,422	4,134,786	11,215,018
Depreciation for the year	56,708	81,809	417,348	84,729	377,763	1,018,357
Write off	-	-	(11,505)	(133)	-	(11,638)
Effect of movement in exchange rate	3,671	-	10,303	1,803	45	15,822
At 31 December 2023	584,898	1,191,557	4,667,689	1,280,821	4,512,594	12,237,559
Carrying amounts						
At 1 January 2022	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
At 31 December 2023	352,766	126,816	1,213,464	179,913	1,627,931	3,500,890
Carrying amounts of property, plant and equipment held under hire purchase arrangements						
At 1 January 2022	-	93,886	385,816	-	-	479,702
At 31 December 2022	29,709	30,398	370,346	-	526,717	957,170
At 31 December 2023	26,423	-	616,000	-	466,960	1,109,383

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Material accounting policy information

(a) Recognition and measurement

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

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

(b) Depreciation

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

4. RIGHT-OF-USE ASSETS

Group	Office premises RM	Office equipment RM	Total RM
Cost			
At 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 2022/1 January 2023	13,723,168	1,026,783	14,749,951
Additions	6,374,209	139,734	6,513,943
Derecognition*	(9,670,568)	-	(9,670,568)
Effect of movement in exchange rate	12,127	-	12,127
At 31 December 2023	10,438,936	1,166,517	11,605,453

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (CONTINUED)

Group	Office premises RM	Office equipment RM	Total RM
Accumulated depreciation			
At 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 2022/1 January 2023	10,710,719	671,752	11,382,471
Depreciation for the year	2,741,153	164,308	2,905,461
Derecognition*	(9,028,108)	-	(9,028,108)
Effect of movement in exchange rate	1,149	-	1,149
At 31 December 2023	4,424,913	836,060	5,260,973
Carrying amounts			
At 1 January 2022	5,416,136	374,521	5,790,657
At 31 December 2022	3,012,449	355,031	3,367,480
At 31 December 2023	6,014,023	330,457	6,344,480

* Derecognition of the right-of-use assets was a result of early termination of certain lease arrangements.

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.

4.1 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.

4.2 Material accounting policy information

(a) Recognition and measurement

All right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Lease and non-lease components

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.

(c) Recognition exemption

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.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM	Customer contracts RM	Proprietary asset RM	Computer software RM	Total RM
Cost						
At 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/ 1 January 2023		282,091,512	16,706,000	-	3,501,097	302,298,609
Additions		-	-	680,000	42,591	722,591
Effect of movements in exchange rate		-	-	-	17,554	17,554
At 31 December 2023		282,091,512	16,706,000	680,000	3,561,242	303,038,754
Amortisation and impairment loss						
At 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
Amortisation for the year	5.2	-	-	-	152,354	152,354
Effect of movements in exchange rate		-	-	-	17,540	17,540
At 31 December 2023						
Accumulated amortisation		-	16,706,000	-	3,078,763	19,784,763
Accumulated impairment loss		119,414,808	-	-	-	119,414,808
		119,414,808	16,706,000	-	3,078,763	139,199,571
Carrying amounts						
At 1 January 2022		162,676,704	1,571,000	-	495,861	164,743,565
At 31 December 2022		162,676,704	-	-	592,228	163,268,932
At 31 December 2023		162,676,704	-	680,000	482,479	163,839,183

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

- 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, computer software and proprietary asset 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 further impairment loss is required based on current year’s impairment assessment as the estimated recoverable amount of the CGU exceeds its carrying amount.

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% (2022: 3%). Key assumptions used in the value in use include revenue growth rate of 10% (2022: 10%) and pre-tax discount rate of 16% (2022: 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 2023, the net carrying amount of intangible assets under hire purchase arrangements was RM37,620 (2022: RM402,475).

5.5 Material accounting policy information

(a) Recognition and measurement

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.

(b) Amortisation

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
• Proprietary asset	10 years

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES

	Note	Company	
		2023 RM	2022 RM
Unquoted shares - at cost		321,596,735	321,596,729
Less: Impairment loss	6.1	(110,731,058)	(110,731,058)
		210,865,677	210,865,671

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2023 %	2022 %
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
HEB Energy Sdn. Bhd.	Malaysia	Provision of energy development projects	100	100
HSS International Sdn. Bhd. ^(*)	Malaysia	Investment holding and provision of engineering or project management consultancy services	100	-
HSS Technologies Sdn. Bhd. ^(*)	Malaysia	Investment holding in technology and drone-related assets	100	-
HSS London Private Company Limited ^(*)	United Kingdom	Investment holding	100	-
HSS Propick Technologies Sdn. Bhd. ^(*) ⁽¹⁾	Malaysia	Provision of drone driven solutions and IT consulting across agriculture and engineering industries	70	-

(*) Not audited by KPMG PLT.

(*) The non-controlling interests in this subsidiary are not material to the Group and hence no further disclosures on its financial information.

(1) Newly incorporated subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

- 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.

6.3 Material accounting policy information

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

7. INVESTMENT IN ASSOCIATES

	Group	
	2023 RM	2022 RM
Investment in share	926,508	906,508
Share of post-acquisition reserve	1,677,777	1,509,776
	2,604,285	2,416,284

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest	
			2023 %	2022 %
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	37
HSS Alliance Sarawak Sdn. Bhd. ("HSSAS") ⁽¹⁾	Malaysia	Provision of project management and other related technical consultancy services by the Group.	40	-
Venus - HSS (UK) Joint Venture Ltd. ("VHJV") ⁽¹⁾⁽²⁾	United Kingdom	Provision of engineering professional services & project management services to construction projects in Europe.	40	-

⁽¹⁾ Newly acquired associate.

⁽²⁾ The associate is not material to the Group and hence no further disclosures on its financial information.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATES (CONTINUED)

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.

2023	Group					Total RM
	HSSI RM	HSSME RM	SMHB RM	HSSJV RM	HSSAS RM	
Summarised financial information						
As at 31 December						
Total assets	131,575,298	622,839	28,587,343	43,612,858	212,945	204,611,283
Total liabilities	(127,443,724)	(1,292,989)	(24,037,963)	(46,717,574)	(383,857)	(199,876,107)
Net assets/(liabilities)	4,131,574	(670,150)	4,549,380	(3,104,716)	(170,912)	4,735,176
Year ended 31 December						
Total comprehensive income/(loss)	511,016	(110,698)	175,592	(3,153,386)	(220,912)	(2,798,388)
Included in the total comprehensive income:						
Revenue	121,415,807	520,665	35,338,208	60,736,706	-	218,011,386
Reconciliation of net assets to carrying amount as at 31 December						
Group's share of net assets	1,239,471	-*	1,364,814	-#	-#	2,604,285
Group's share of results for the year ended 31 December						
Group's share of total comprehensive income/(loss)	153,305	-*	52,677	(17,981)	(20,000)	168,001

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN ASSOCIATES (CONTINUED)

2022	HSSI RM	HSSME RM	Group SMHB RM	HSSJV RM	Total RM
Summarised financial information					
As at 31 December					
Total assets	134,686,513	468,379	33,388,776	33,392,944	201,936,612
Total liabilities	(131,065,954)	(1,027,831)	(29,014,991)	(33,344,350)	(194,453,126)
Net assets/(liabilities)	3,620,559	(559,452)	4,373,785	48,594	7,483,486
Year ended 31 December					
Total comprehensive (loss)/income	(484,710)	(120,250)	1,506,116	48,570	949,726
Included in the total comprehensive income:					
Revenue	108,647,483	432,400	45,417,615	32,522,131	187,019,629
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)

* The Group has not recognised losses related to HSSME, totalling RM33,209 (2022: RM36,075) in the current financial year and RM201,045 (2022: RM167,836) cumulatively, since the Group has no obligation in respect of these losses.

The Group's share of loss for the year of HSSJV and HSSAS has been restricted to its interest in the associate. The share of loss for the year not recognised by the Group amounted to RM1,148,772 and RM68,365 respectively.

7.1 Material accounting policy information

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2023 RM	2022 RM	2023 RM	2022 RM	2023 RM	2022 RM
Property, plant and equipment	18,847	21,316	(216,554)	(228,899)	(197,707)	(207,583)
Right-of-use assets	-	-	(1,524,407)	(811,035)	(1,524,407)	(811,035)
Intangible assets	-	-	(61,822)	(49,596)	(61,822)	(49,596)
Provision	513,613	3,195,758	-	-	513,613	3,195,758
Lease liabilities	1,546,314	849,052	-	-	1,546,314	849,052
Other deductible temporary differences	213,575	21,553	-	-	213,575	21,553
Tax assets/(liabilities)	2,292,349	4,087,679	(1,802,783)	(1,089,530)	489,566	2,998,149
Set off of tax	(1,802,783)	(1,089,530)	1,802,783	1,089,530	-	-
Net tax assets	489,566	2,998,149	-	-	489,566	2,998,149

Unrecognised deferred tax assets

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Unabsorbed business losses	1,733,306	1,752,673	-	-
Unabsorbed capital allowances	-	70,907	-	-
Other taxable temporary differences	(8,030)	(10,709)	-	-
	1,725,276	1,812,871	-	-

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 subsidiary 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	1,251,155	2028
2019	117,516	2029
2020	10,003	2030
2021	221,789	2031
2022	132,843	2032
	1,733,306	

NOTES TO THE FINANCIAL STATEMENTS

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

Movement of temporary differences during the year

	Group	
	2023 RM	2022 RM
At 1 January	2,998,149	1,271,657
Recognised in profit or loss	(2,513,892)	1,729,070
Recognised in equity	5,963	(2,505)
Effect of movement in exchange rate	(654)	(73)
At 31 December	489,566	2,998,149

9. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Current					
Trade					
Trade receivables	9.1	43,574,263	51,363,517	-	-
Amounts due from subsidiaries	9.2	-	-	4,600	8,000
		43,574,263	51,363,517	4,600	8,000
Non-trade					
Other receivables		4,444,666	4,149,195	2,850	2,850
Deposits		1,304,393	992,999	2,000	2,000
Amounts due from subsidiaries	9.3	-	-	81,510	56,553
		5,749,059	5,142,194	86,360	61,403
		49,323,322	56,505,711	90,960	69,403

9.1 Included in trade receivables of the Group are

- (i) amounts due from associates amounting to RM42,206,410 (2022: RM50,501,373). The credit term range from 30 to 90 days (2022: 30 to 90 days).
- (ii) retention sums amounting to RM18,281 (2022: Nil) which are expected to be received in accordance with terms of respective contracts.

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

9.3 The non-trade amounts due from subsidiaries are unsecured, subject to interest of 5.48% (2022: 4.80%) per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

10. CONTRACT WITH CUSTOMERS

Contract assets/(liabilities)

	2023 RM	Group 2022 RM
Contract assets	121,990,121	135,322,419
Contract liabilities	(8,420,337)	(16,559,927)

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.

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 liabilities are expected to be recognised as revenue over a period of 90 days.

11. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances		2,163,376	11,527,460	310,986	1,781,958
Short-term deposits		17,800,020	18,836,763	7,410,914	7,509,000
Cash and cash equivalents in the statements of financial position		19,963,396	30,364,223	7,721,900	9,290,958
Pledged deposits		(11,800,020)	(12,707,393)	(1,410,914)	(1,380,707)
Bank overdraft	13	(18,091,085)	(13,673,241)	-	-
Cash and cash equivalents in the statements of cash flows		(9,927,709)	3,983,589	6,310,986	7,910,251

Short-term deposits amounting to RM11,800,020 (2022: RM12,707,393) and RM1,410,914 (2022: RM1,380,707) 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 Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES

Share capital

	Number of shares 2023	Group and Company		Amount 2022 RM
		Amount 2023 RM	Number of shares 2022	
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January	495,862,018	254,291,378	495,862,018	254,291,378
Issuance pursuant to exercise of warrants	118,100	272,811	-	-
At 31 December	495,980,118	254,564,189	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.

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 of 3 March 2023, a total of 118,115 Warrants 2018/2023 were exercised up to date 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 retained earnings.

On 15 March 2023, the remaining 47,744,036 warrants have since expired and delisted from Bursa Securities on 16 March 2023 and the corresponding warrants reserve of RM29,123,862 has been transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL AND RESERVES (CONTINUED)

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

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Non-current					
Hire purchase liabilities	13.1	218,975	374,877	-	-
Term loan - secured	13.2	-	13,648,189	-	13,648,189
		218,975	14,023,066	-	13,648,189
Current					
Hire purchase liabilities	13.1	489,666	661,685	-	-
Term loan - secured	13.2	13,482,171	13,835,574	13,482,171	13,835,574
Revolving credit - secured	13.3	7,149,250	15,250,827	-	-
Bank overdrafts - secured	13.4	18,091,085	13,673,241	-	-
		39,212,172	43,421,327	13,482,171	13,835,574
		39,431,147	57,444,393	13,482,171	27,483,763

13.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2023 RM	2023 RM	2023 RM	2022 RM	2022 RM	2022 RM
Less than one year	516,575	26,909	489,666	707,204	45,519	661,685
Between one and five years	227,862	8,887	218,975	387,023	12,146	374,877
Total	744,437	35,796	708,641	1,094,227	57,665	1,036,562

Included in the hire purchase liabilities is RM676,995 (2022: RM983,097) secured by the corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

13. LOANS AND BORROWINGS (CONTINUED)

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 2022, 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.

The outstanding balances of RM13,482,171 were fully settled on 27 February 2024.

13.3 Revolving credit – secured

The revolving credit with total limit of RM31,977,210 (2022: RM33,000,000) is 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 RM36,022,790 (2022: 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	
	2023 RM	2022 RM
Net defined benefit liability/(asset)	8,212	(21,923)

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

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

Group	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2023 RM	2022 RM	2023 RM	2022 RM	2023 RM	2022 RM
Balance as at 1 January	85,638	66,133	(107,561)	(58,734)	(21,923)	7,399
Included in profit or loss						
- Current service cost	14,667	12,610	-	-	14,667	12,610
- Interest cost	6,280	5,973	(8,222)	(6,010)	(1,942)	(37)
	20,947	18,583	(8,222)	(6,010)	12,725	12,573
Included in other comprehensive loss						
Remeasurement loss/(gain)						
- Actuarial loss/(gain) arising from:	23,694	(9,953)	-	-	23,694	(9,953)
- Return on plan assets excluding interest income	(1,503)	(1,600)	1,503	1,600	-	-
Effect of movements in exchange rate	3,117	12,475	(4,357)	6,057	(1,240)	18,532
	25,308	922	(2,854)	7,657	22,454	8,579
Other						
Contributions paid by the employer	-	-	(5,044)	(50,474)	(5,044)	(50,474)
Benefits paid	(14,734)	-	14,734	-	-	-
	(14,734)	-	9,690	(50,474)	(5,044)	(50,474)
Balance at 31 December	117,159	85,638	(108,947)	(107,561)	8,212	(21,923)

Defined benefit obligation*Actuarial assumptions*

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

	Group	
	2023	2022
Discount rate	7.48%	7.59%
Future salary growth	8.00%	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)	
	2023 RM	2022 RM
Discount rate (1% increase)	(11,573)	(8,468)
Future salary growth	11,646	10,188

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

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Current					
Trade					
Trade payables	15.1	9,124,782	9,242,792	-	-
Accrued expenses		35,962,651	53,286,270	-	-
		45,087,433	62,529,062	-	-
Non-trade					
Other payables		2,840,720	7,909,542	489,868	5,567,825
Amounts due to associates	15.2	8,028,561	2,601,318	-	-
Amounts due to subsidiaries	15.3	-	-	9,182	19,955
Accrued expenses		3,515,233	6,169,138	570,911	681,143
		14,384,514	16,679,998	1,069,961	6,268,923
		59,471,947	79,209,060	1,069,961	6,268,923

15.1 Included in trade payables of the Group is amounts due to associates amounting to RM4,130,770 (2022: RM6,644,035). The credit terms range from 30 to 90 days (2022: 30 to 90 days).

15.2 The amounts due to associates of the Group are unsecured, subject to interest of 5.48% (2022: 4.80%) per annum and repayable on demand.

15.3 The amounts due to subsidiaries are unsecured, subject to interest of 5.48% (2022: 4.80%) per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL ASSETS

Group and Company	2023		2022	
	Nominal value RM	Assets RM	Nominal value RM	Assets RM
Derivatives at fair value through profit or loss				
- Interest rate swap	18,660,692	163,633	32,718,586	493,547

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 nominal value of RM18,660,692 (2022: RM32,718,586).

17. REVENUE

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers	187,342,733	186,041,738	5,456,800	4,788,000
Other revenue				
- Dividend income	-	-	26,000,000	12,500,000
Total revenue	187,342,733	186,041,738	31,456,800	17,288,000
Timing and recognition				
Over time	187,342,733	186,041,738	5,456,800	4,788,000
Revenue from contracts with customers	187,342,733	186,041,738	5,456,800	4,788,000
Other revenue	-	-	26,000,000	12,500,000
Total revenue	187,342,733	186,041,738	31,456,800	17,288,000

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	2024 RM	2025 RM	After 2025 RM	Total RM
2023				
Services	193,970,627	185,491,161	789,767,923	1,169,229,711
Group	2023 RM	2023 RM	After 2023 RM	Total RM
2022				
Services	184,616,831	250,324,679	661,760,111	1,096,701,621

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost	397,408	422,276	140,587	279,608
Recognised in profit or loss	397,408	422,276	140,587	279,608

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCE COSTS

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest expense of financial liabilities that are not at fair value through profit or loss	2,706,723	2,937,583	1,426,047	2,102,971
Interest expense on lease liabilities	205,530	235,302	-	-
Recognised in profit or loss	2,912,253	3,172,885	1,426,047	2,102,971

20. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current tax expense				
Malaysian - current year	8,282,938	8,359,324	-	-
- prior year	(2,523,660)	(155,264)	-	-
Overseas - current year	14,455	10,414	-	-
- prior year	6,807	-	-	-
	5,780,540	8,214,474	-	-
Deferred tax benefit				
Origination and reversal of temporary differences	44,132	(1,763,299)	-	-
Under provision in prior year	2,469,760	34,229	-	-
	2,513,892	(1,729,070)	-	-
Income tax expense	8,294,432	6,485,404	-	-
Share of tax of equity-accounted associates	30,763	83,661	-	-
Total income tax expense	8,325,195	6,569,065	-	-

Reconciliation of tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit for the year	20,426,551	15,133,839	21,640,257	8,084,604
Total income tax expense	8,325,195	6,569,065	-	-
Profit excluding tax	28,751,746	21,702,904	21,640,257	8,084,604
Income tax calculated using Malaysian tax rate of 24% (2022: 24%)	6,900,419	5,208,697	5,193,662	1,940,305
Effect of tax rate in foreign tax jurisdiction	(430)	1,616	-	-
Non-deductible expenses	1,523,513	1,536,680	1,046,338	1,059,695
Tax exempt income	(30,191)	(90,313)	(6,240,000)	(3,000,000)
Effect of deferred tax assets not recognised	(21,023)	33,420	-	-
Over provision in prior year	(47,093)	(121,035)	-	-
Total income tax expense	8,325,195	6,569,065	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. PROFIT FOR THE YEAR

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Profit for the year is arrived at after charging/(crediting):					
Auditors' remunerations:					
- Audit fees					
KPMG PLT		241,000	241,000	43,000	43,000
Other auditors		25,456	19,589	-	-
- Non-audit fees					
KPMG PLT		7,000	13,000	7,000	13,000
Material expenses/(income)					
Gain on disposal of property, plant and equipment		-	(9,999)	-	-
Write off of property, plant and equipment	3	157	416	-	-
Amortisation of intangible assets	5	152,354	1,710,613	-	-
Depreciation of property, plant and equipment	3	1,018,357	1,257,547	-	-
Depreciation of right-of-use assets	4	2,905,461	2,872,142	-	-
Gain on derecognition of right-of-use assets		(39,583)	-	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		8,761,300	8,317,035	519,402	505,056
- Expenses related to defined benefit plans	14	20,947	18,583	-	-
- Wages, salaries and others		95,956,619	88,688,010	5,311,879	5,787,852
Net foreign exchange loss		53,991	17,211	111	-
Net fair value loss/(gain) on derivative		329,914	(222,922)	329,914	(222,922)
Expenses arising from leases					
Expenses arising from leases	a	231,902	264,267	-	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		64,599	6,778,757	-	-

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. DIRECTORS' 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:

2023	Salaries RM	Fees RM	Other short-term employee benefits RM	Total RM
Group				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	1,008,500	-	526,018	1,534,518
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	479,800	-	238,276	718,076
Datuk Ir. Teo Chok Boo	960,000	-	375,743	1,335,743
Ir. Prem Kumar A/L M Vasudevan	600,000	-	208,343	808,343
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi	308,589	-	143,632	452,221
	3,356,889	-	1,492,012	4,848,901
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	103,275	11,000	114,275
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	91,800	13,000	104,800
Tai Keat Chai	-	91,800	13,000	104,800
Vanessa A/P Santhakumar	-	91,800	8,000	99,800
	-	378,675	45,000	423,675
	3,356,889	378,675	1,537,012	5,272,576
Company				
Executive Directors				
Tan Sri Ir. Kunasingam A/L V.Sittampalam	1,008,500	-	526,018	1,534,518
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	479,800	-	238,276	718,076
Datuk Ir. Teo Chok Boo	960,000	-	375,743	1,335,743
Ir. Prem Kumar A/L M Vasudevan	600,000	-	208,343	808,343
	3,048,300	-	1,348,380	4,396,680
Non-Executive Directors				
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	103,275	11,000	114,275
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh	-	91,800	13,000	104,800
Tai Keat Chai	-	91,800	13,000	104,800
Vanessa A/P Santhakumar	-	91,800	8,000	99,800
	-	378,675	45,000	423,675
	3,048,300	378,675	1,393,380	4,820,355

NOTES TO THE FINANCIAL STATEMENTS

22. DIRECTORS' REMUNERATION (CONTINUED)

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
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

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:

	2023	Group 2022
Profit for the year attributable to owners of the Company (RM)	20,463,279	15,133,839
Weighted average number of ordinary shares in issue during the financial year	495,961,028	495,862,018
Basic earnings per share (sen)	4.13	3.05

Diluted earnings per ordinary share

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

24. DIVIDEND

Dividend recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2023			
Final 2022 ordinary	0.92	4,563,016	23 June 2023

After the end of the reporting year the following dividend were proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

	Sen per share	Total amount RM
2023		
Final 2023 ordinary	1.21	6,152,609

25. 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 3 major customers with revenue more than 10% of the Group's total revenue amounting to RM183,007,062 (2022: RM150,336,181).

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS

26.1 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”)

2023	Carrying Amount RM	AC RM	Mandatorily at FVTPL RM
Financial assets			
Group			
Trade and other receivables	49,323,322	49,323,322	-
Cash and cash equivalents	19,963,396	19,963,396	-
Derivative financial assets	163,633	-	163,633
	69,450,351	69,286,718	163,633
Company			
Trade and other receivables	90,960	90,960	-
Cash and cash equivalents	7,721,900	7,721,900	-
Derivative financial assets	163,633	-	163,633
	7,976,493	7,812,860	163,633
Financial liabilities			
Group			
Trade and other payables	(59,471,947)	(59,471,947)	-
Loans and borrowings	(39,431,147)	(39,431,147)	-
	(98,903,094)	(98,903,094)	-
Company			
Trade and other payables	(1,069,961)	(1,069,961)	-
Loans and borrowings	(13,482,171)	(13,482,171)	-
	(14,552,132)	(14,552,132)	-

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Categories of financial instruments (continued)

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)	-

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Net (losses)/gains on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	(329,914)	222,922	(329,914)	222,922
Financial assets at amortised cost	297,480	(6,364,792)	140,587	279,608
Financial liabilities at amortised cost	(2,725,385)	(2,946,483)	(1,426,158)	(2,102,971)
	(2,757,819)	(9,088,353)	(1,615,485)	(1,600,441)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.3 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

26.4 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.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

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.

Group	Gross carrying amount RM	Loss allowances RM	Net balance RM
2023			
Current (not past due)	149,135,491	-	149,135,491
1 - 90 days past due	2,848,392	-	2,848,392
91 - 180 days past due	2,079,635	-	2,079,635
	154,063,518	-	154,063,518
Credit impaired			
181 - 365 days past due	2,972,476	(77,501)	2,894,975
More than 365 days past due	9,062,462	(456,571)	8,605,891
Individually impaired	10,809,093	(10,809,093)	-
	176,907,549	(11,343,165)	165,564,384
Trade receivables	54,917,428	(11,343,165)	43,574,263
Contract assets	121,990,121	-	121,990,121
	176,907,549	(11,343,165)	165,564,384

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 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	5,786,162	(330,422)	5,455,740
Individually impaired	10,796,307	(10,796,307)	-
	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

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

Group	Trade receivables			Contract assets RM	Total RM
	Lifetime ECL RM	Credit impaired RM			
Balance at 1 January 2022	4,024,525	476,369	-	-	4,500,894
Net remeasurement of loss allowance	(3,542,291)	10,321,048	-	-	6,778,757
Effect of movement in exchange rate	-	(1,110)	-	-	(1,110)
Balance at 31 December 2022/ 1 January 2023	482,234	10,796,307	-	-	11,278,541
Net remeasurement of loss allowance	51,838	12,761	-	-	64,599
Effect of movement in exchange rate	-	25	-	-	25
Balance at 31 December 2023	534,072	10,809,093	-	-	11,343,165

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

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.

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 have a low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' 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.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4 Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment loss (continued)

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 subsidiaries' advances as at 31 December.

Company	Gross carrying amount RM	Impairment loss allowances RM	Net balance RM
2023			
Low credit risk	86,110	-	86,110
2022			
Low credit risk	64,553	-	64,553

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 RM25,917,330 (2022: RM29,907,165) 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.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 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.

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
2023						
<i>Non-derivative financial liabilities</i>						
Term loan - secured	13,482,171	5.0%	13,957,984	13,957,984	-	-
Bank overdrafts - secured	18,091,085	5.7%	18,091,085	18,091,085	-	-
Revolving credit - secured	7,149,250	5.7%	7,149,250	7,149,250	-	-
Lease liabilities	6,435,140	5.3% to 6.0%	6,927,458	2,513,577	4,288,490	125,391
Hire purchase liabilities	708,641	2.3% to 3.4%	744,437	516,575	191,114	36,748
Amounts due to associates	8,028,561	5.5%	8,468,526	8,468,526	-	-
Trade and other payables	51,443,386	-	51,443,386	51,443,386	-	-
	105,338,234		106,782,126	102,140,383	4,479,604	162,139
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	18,660,692	18,660,692	-	-
Inflow	(163,633)	-	(18,824,325)	(18,824,325)	-	-
	105,174,601		106,618,493	101,976,750	4,479,604	162,139

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

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						
<i>Non-derivative financial liabilities</i>						
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 guarantee	-	-	19,733,420	19,733,420	-	-
	140,178,984		161,805,208	146,955,218	14,644,544	205,446
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	32,718,586	32,718,586	-	-
Inflow	(493,547)	-	(33,212,133)	(33,212,133)	-	-
	139,685,437		161,311,661	146,461,671	14,644,544	205,446

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 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
2023						
<i>Non-derivative financial liabilities</i>						
Term loan – secured	13,482,171	5.0%	13,957,984	13,957,984	-	-
Amount due to subsidiaries	9,182	5.5%	9,685	9,685	-	-
Trade and other payables	1,060,779	-	1,060,779	1,060,779	-	-
Financial guarantees	-	-	25,240,335	25,240,335	-	-
	14,552,132		40,268,783	40,268,783	-	-
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	18,660,692	18,660,692	-	-
Inflow	(163,633)	-	(18,824,325)	(18,824,325)	-	-
	14,388,499		40,105,150	40,105,150	-	-
2022						
<i>Non-derivative financial liabilities</i>						
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	-
<i>Derivative financial liabilities</i>						
Forward exchange contracts (gross settled):						
Outflow	-	-	32,718,586	32,718,586	-	-
Inflow	(493,547)	-	(33,212,133)	(33,212,133)	-	-
	33,259,139	-	83,504,406	69,587,256	13,917,150	-

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 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.

26.6.1 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 RM18,660,692 (2022: RM32,718,586) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 31 December 2023, 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	2023	2022
	RM	RM
Fixed rate instruments		
Financial assets	17,800,020	18,836,763
Financial liabilities	(708,641)	(6,414,062)
	17,091,379	12,422,701
Floating rate instruments		
Financial assets	359,804	-
Financial liabilities	(46,751,067)	(59,009,149)
	(46,391,263)	(59,009,149)
Company		
Fixed rate instruments		
Financial assets	7,410,914	7,509,000
Financial liabilities	-	(5,377,500)
	7,410,914	2,131,500
Floating rate instruments		
Financial assets	81,510	56,553
Financial liabilities	(13,491,353)	(27,503,718)
	(13,409,843)	(27,447,165)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.6 Market risk (continued)

26.6.1 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		Company	
	Profit or loss		Profit or loss	
	2023	2022	2023	2022
	RM	RM	RM	RM
Floating rate instruments	(352,574)	(448,470)	(101,915)	(208,598)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 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.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2023										
Financial assets										
Derivative financial assets	-	163,633	-	163,633	-	-	-	-	163,633	163,633
	-	163,633	-	163,633	-	-	-	-	163,633	163,633
Financial liabilities										
Term loan – secured	-	-	-	-	-	-	(13,482,171)	(13,482,171)	(13,482,171)	(13,482,171)
Hire purchase liabilities	-	-	-	-	-	-	(700,723)	(700,723)	(700,723)	(708,641)
	-	-	-	-	-	-	(14,182,894)	(14,182,894)	(14,182,894)	(14,190,812)
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)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2023								
Financial assets								
Derivative financial assets	-	163,633	-	163,633	-	-	-	163,633
	-	163,633	-	163,633	-	-	-	163,633
Financial liabilities								
Term loan – secured	-	-	-	-	-	(13,482,171)	(13,482,171)	(13,482,171)
	-	-	-	-	-	(13,482,171)	(13,482,171)	(13,482,171)
2022								
Financial assets								
Derivative financial assets	-	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)
Deferred cash consideration	-	-	-	-	-	(5,377,500)	(5,377,500)	(5,377,500)
	-	-	-	-	-	(32,861,263)	(32,861,263)	(32,861,263)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.7 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 (2022: 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 in the Group at the reporting date.

27. CAPITAL COMMITMENTS

	Group	
	2023	2022
	RM	RM
Authorised but not contracted for:		
Purchase of property, plant and equipment	1,975,000	1,377,000

28. CONTINGENT LIABILITIES

	2023	2022
	RM	RM
Group		
<i>Litigation</i>		
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. The claimant is claiming for an order for reinstatement and/or backwages.	-	437,500

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

29. 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 2023 and at 31 December 2022 were as follows:

	Note	2023 RM	Group 2022 RM
Loans and borrowings	13	39,431,147	57,444,393
Lease liabilities		6,435,140	3,525,531
Less: Cash and cash equivalents	11	(19,963,396)	(30,364,223)
Net debt		25,902,891	30,605,701
Total equity		259,110,345	242,997,419
Debt-to-equity ratios		0.10	0.13

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 RM40 million. The Company has complied with this requirement.

30. RELATED PARTIES

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	
	2023 RM	2022 RM	2023 RM	2022 RM
A. Subsidiaries				
Dividend income	-	-	26,000,000	12,500,000
Management fee income	-	-	5,456,800	4,788,000
Management fee expense	-	-	(1,384,000)	(441,231)
B. Associates				
Service rendered	183,521,679	183,216,274	-	-
C. Entities in which certain Directors have interest				
Rental of premises	(2,802,324)	(2,802,324)	-	-
D. Key management personnel				
Fees	378,675	366,300	378,675	366,300
Remuneration	6,048,177	5,561,410	3,301,675	3,174,300
Other short term employee benefits	1,685,565	1,301,892	1,022,879	825,060
Total short term employee benefits	8,112,417	7,229,602	4,703,229	4,365,660
Post employment benefits	794,939	736,455	487,650	468,900
	8,907,356	7,966,057	5,190,879	4,834,560

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTIES (CONTINUED)

Significant Related Party Transactions (Continued)

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, HSSME and HSSJV 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.

31. SUBSEQUENT EVENTS

(a) Private placement

On 8 February 2024, the Company has issued 12,500,000 new ordinary shares through first tranche of private placement at an issue price of RM1.11 per share for total consideration of RM13,875,000. The funds raised from the first tranche were specifically allocated to settle the Company's term loan. The outstanding loan balance, which stood at RM13.4 million as of 31 December 2023, was fully repaid on 27 February 2024.

(b) Acquisition of interest in PT Oriental Consultants Indonesia

In December 2023, the Group, via its wholly-owned subsidiary, HSS International Sdn. Bhd. entered into a Share Sale Agreement ("SSA") to acquire 12% equity interest in PT Oriental Consultants Indonesia for a total cash consideration of USD41,760.

The acquisition was completed on 29 March 2024.

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 96 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board 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 2023 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

.....
Ir. Prem Kumar A/L M. Vasudevan
Director

Kuala Lumpur,

Date: 24 April 2024

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 96 to 146 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 24 April 2024.

.....
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 2023 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 material accounting policy information, as set out on pages 96 to 146.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 5 – Goodwill

The key audit matter

As at 31 December 2023, the Group's statement of financial position included goodwill amounting to RM162.7 million.

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 cash generating unit ("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

to the members of HSS Engineers Berhad

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 reliability of cash flow forecasts;
- Compared assumptions used in the Group cash flows 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 flows projection;
- Inquired and challenged Directors on the key assumptions used in the Group's cash flows 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 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.

INDEPENDENT AUDITORS' REPORT

to the members of HSS Engineers Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Impairment of investment in subsidiaries – Company

Refer to Note 6 – Investment in subsidiaries

The key audit matter

As at 31 December 2023, the Company's statement of financial position included investment in subsidiaries amounting to RM210.9 million.

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 Company's impairment assessment process including the preparation and review of the cash flows projection;
- Compared the Company's cash flows projection prepared last year for the purpose of impairment assessment with the actual performance for the current year to assess the reliability of the cash flow forecasts;
- Compared assumptions used in the Company cash flows 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

to the members of HSS Engineers Berhad

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, IFRS Accounting 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 scepticism 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.

INDEPENDENT AUDITORS' REPORT

to the members of HSS Engineers Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Petaling Jaya, Selangor

Date: 24 April 2024

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

ANALYSIS OF SHAREHOLDINGS

As at 22 March 2024

Total Number of Issued Shares : 508,480,118 ordinary shares
Class of shares : Ordinary shares
Voting rights : One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	229	9.77	4,803	0.00
100 - 1,000	415	17.71	224,429	0.04
1,001 - 10,000	980	41.83	4,983,486	0.98
10,001 - 100,000	510	21.77	16,526,900	3.25
100,001 - 25,424,004 (*)	204	8.71	269,014,973	52.91
25,424,005 and above (**)	5	0.21	217,725,527	42.82
TOTAL:	2,343	100.00	508,480,118	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Flamingo Works Sdn. Bhd.	90,000,000	17.70	-	-
Victech Solutions Sdn. Bhd.	108,208,632	21.28	-	-
Tan Sri Ir. Kunasingam A/L V.Sittampalam	-	-	108,208,632 ⁽¹⁾	21.28
SK Capital Management Sdn. Bhd.	-	-	90,000,000 ⁽²⁾	17.70
Shantamalar A/P C.Sivasubramaniam	-	-	90,000,000 ⁽³⁾	17.70
Datuk Ir. Teo Chok Boo	33,516,895	6.59	16,994,106 ⁽⁴⁾	3.34

Notes:

⁽¹⁾ Deemed interest by virtue of his direct interest in Victech Solutions Sdn. Bhd.

⁽²⁾ Deemed interest by virtue of its direct interest in Flamingo Works Sdn. Bhd.

⁽³⁾ Deemed interest by virtue of her direct interest in SK Capital Management Sdn. Bhd.

⁽⁴⁾ Deemed interest through shares held by his spouse, Datin Tee Kui Kiau and his son, Ir. Teo Koon Hau.

ANALYSIS OF SHAREHOLDINGS

As at 22 March 2024

SHAREHOLDINGS OF DIRECTORS

(as per Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Mohd Zakhir Siddiqy Bin Sidek	1,592,650	0.31	-	-
Tan Sri Ir. Kunasingam A/L V.Sittampalam	-	-	108,208,632 ⁽¹⁾	21.28
Datuk Ir. Teo Chok Boo	33,516,895	6.59	16,994,106 ⁽²⁾	3.34
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,150,000	0.82	-	-
Ir. Prem Kumar A/L M Vasudevan	7,401,447	1.46	-	-
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	1.82	-	-

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

Notes:

⁽¹⁾ Deemed interest by virtue of his direct interest in VICTECH SOLUTIONS SDN. BHD.

⁽²⁾ Deemed interest through shares held by his spouse, Datin Tee Kui Kiau and his son, Ir. Teo Koon Hau.

LIST OF TOP 30 SHAREHOLDERS

AS AT 22 MARCH 2024

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

No.	Name	No. of Shares	%
1	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR FLAMINGO WORKS SDN BHD	61,000,000	12.00
2	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN BHD	55,900,000	10.99
3	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR VICTECH SOLUTIONS SDN. BHD.	38,308,632	7.53
4	TEO CHOK BOO	33,516,895	6.59
5	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR FLAMINGO WORKS SDN. BHD. (PB)	29,000,000	5.70
6	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD.	16,563,700	3.26
7	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR LGT BANK AG (LOCAL)	14,000,000	2.75
8	TEO KOON HAU	9,767,684	1.92
9	SYED MOHAMED ADNAN BIN MANSOR ALHABSHI	9,273,684	1.82
10	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH GROWTH FUND	8,500,000	1.67
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. NATIONAL TRUST FUND (IFM KAF) (446190)	7,723,200	1.52
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEGDED SECURITIES ACCOUNT FOR PREM KUMAR A/L M VASUDEVAN	7,389,947	1.45
13	TEE KUI KIAU	7,226,422	1.42

ANALYSIS OF SHAREHOLDINGS

As at 22 March 2024

No.	Name	No. of Shares	%
14	AMANAHRAYA TRUSTEES BERHAD <i>AMANAHA SAHAM MALAYSIA 3</i>	5,639,200	1.11
15	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. <i>PAMB FOR PARTICIPATING FUND</i>	5,187,000	1.02
16	AMANAHRAYA TRUSTEES BERHAD <i>AMANAHA SAHAM NASIONAL</i>	5,018,080	0.99
17	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>NATIONAL TRUST FUND (IFM EASTSPRING) (410140)</i>	4,870,300	0.96
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>EXEMPT AN FOR AIA PUBLIC TAKAFUL BHD.</i>	4,693,400	0.92
19	ZULKIFLEE BIN AB HAMID	4,512,142	0.89
20	CITIGROUP NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)</i>	4,400,000	0.87
21	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>KAF CORE INCOME FUND</i>	4,331,600	0.85
22	SHARIFAH AZLINA BT. RAJA KAMAL PASMAH	4,150,000	0.82
23	AMANAHRAYA TRUSTEES BERHAD <i>ASN UMBRELLA FOR ASN IMBANG (MIXED ASSET BALANCED) 2</i>	3,763,900	0.74
24	AMANAHRAYA TRUSTEES BERHAD <i>ASN IMBANG (MIXED ASSET BALANCED) 1</i>	3,499,400	0.69
25	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. <i>PLEGDED SECURITIES ACCOUNT FOR LOO AI CHOO</i>	3,430,105	0.67
26	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>EMPLOYEES PROVIDENT FUND BOARD (AM INV)</i>	3,391,400	0.67
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA AL-ILHAM</i>	3,156,700	0.62
28	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>URUSHARTA JAMAAH SDN. BHD. (MAYBANK 2)</i>	3,150,000	0.62
29	NITCHIANANTHAN A/L BALASUBRAMANIAM	3,129,247	0.62
30	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>KAF TACTICAL FUND</i>	3,100,000	0.61
	Total	367,592,638	72.29

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Universal Standards		
GRI 2: General Disclosures 2021	2-2: Entities included in the organisation's sustainability reporting	Scope of This Statement, Pg 35
	2-3: Reporting period, frequency and contact point	Scope of This Statement, Pg 35
	2-6: Activities, value chain and other business relationship	Management Discussion and Analysis, Pg 13-21
	2-7: Employees	Employee Engagement, Pg 60; Diversity, Equity and Inclusion, Pg 61-62
	2-9: Governance structure and composition	Sustainability Governance, Pg 36; Corporate Governance Overview Statement, Pg 68-81
	2-10: Nomination and selection of highest governance body	Sustainability Governance, Pg 36; Corporate Governance Overview Statement, Pg 68-81
	2-11: Chair of the highest governance body	Sustainability Governance, Pg 36; Corporate Governance Overview Statement, Pg 68-81
	2-12: Role of the highest governance body in overseeing the management of impacts	Corporate Governance Overview Statement, Pg 68-81
	2-13: Delegation of responsibility for managing impacts	Corporate Governance Overview Statement, Pg 68-81
	2-14: Role of the highest governance body in sustainability reporting	Sustainability Governance, Pg 36;
	2-15: Conflict of interest	Corporate Governance Overview Statement, Pg 68-81
	2-16: Communication of critical concerns	Corporate Governance Overview Statement, Pg 68-81
	2-17: Collective knowledge of the highest governance body	Corporate Governance Overview Statement, Pg 68-81
	2-18: Evaluation of the performance of the highest governance body	Corporate Governance Overview Statement, Pg 68-81
	2-19: Remuneration policies	Corporate Governance Overview Statement, Pg 68-81
	2-20: Process to determine remuneration	Corporate Governance Overview Statement, Pg 68-81
	2-23: Policy commitments	Corporate Governance Overview Statement, Pg 68-81
	2-24: Embedding policy commitments	Corporate Governance Overview Statement, Pg 68-81
	2-25: Processes to remediate negative impacts	Whistleblowing, Pg 48
	2-27: Compliance with laws and regulations	Corporate Governance Overview Statement, Pg 68-81
2-29: Approach to stakeholder engagement	Respecting Human Rights, Pg 62-63 Stakeholders' Engagement, Pg 37	
GRI 3: Material Topics 2021	3-1: Process to determine material topics	Materiality Assessment, Pg 38
	3-2: List of material topics	Materiality Assessment, Pg 38
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GRI Standards	Disclosure	Page
200 series (Economic topics)		
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	Financial Statement, Pg 91-147
GRI 203: Indirect Economic Impacts 2016	203-1: Infrastructure investments and services supported	Sustainable Solutions, Pg 43-45
	203-2 : Significant indirect economic impacts	Sustainable Solutions, Pg 43-45
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	Anti-Bribery, Pg 47-48
	205-2: Communication and training about anti-corruption policies and proceduresw	Anti-Bribery, Pg 47-48
	205-3: Confirmed incidents of corruption and actions taken	Anti-Bribery, Pg 47-48
300 series (Environmental topics)		
GRI 302: Energy 2016	302-1: Energy consumption within the organisation	Energy Management and Climate Change, Pg 49-50
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GRI 303: Water and Effluents 2018	303-5: Water consumption	Water Management, Pg 52
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	Energy Management and Climate Change, Pg 49-50
	305-2: Energy indirect (Scope 2) GHG emissions	Energy Management and Climate Change, Pg 49-50
GRI 306: Waste 2020	306-1: Management of significant waste-related impacts	Waste Management, Pg 51-52
	306-3: Waste generated	Waste Management, Pg 51-52
400 series (Social topics)		
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	Talent Management, Pg 56-58
GRI 403: Occupational Health and Safety 2018	403-1: Occupational health and safety management system	Employee and Public Safety, Pg 53-55
	403-2: Hazard identification, risk assessment, and incident investigation	Employee and Public Safety, Pg 53-55
	403-3: Occupational health services	Employee and Public Safety, Pg 53-55
	403-4: Worker participation, consultation, and communication on occupational health and safety	Employee and Public Safety, Pg 53-55
	403-5: Worker training on occupational health and safety	Employee and Public Safety, Pg 53-55
	403-9: Work-related injuries	Employee and Public Safety, Pg 53-55
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee	Career Development, Pg 58-61
	404-2: Programs for upgrading employee skills and transition assistance programs	Career Development, Pg 58-61
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	Diversity, Equity and Inclusion Pg 61-62; Corporate Governance Overview Statement, Pg 68-81
GRI 413: Local Communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	Local Communities, Pg 64
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NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting (“9th AGM”) of HSS Engineers Berhad (“the Company”) will be held at Banyan Room, Ground Floor, Sime Darby Convention Centre (SDCC), 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Thursday, 6 June 2024 at 10.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this notice:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note 1)*
2. To declare a final single tier dividend of 1.21 sen per ordinary share for the financial year ended 31 December 2023. **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 RM475,200 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 2**
(Please refer to Explanatory Note 2)
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 from this Annual General Meeting until the next Annual General Meeting of the Company. **Ordinary Resolution 3**
(Please refer to Explanatory Note 2)
5. To re-elect the following Directors who are retiring pursuant to Clause 93 of the Constitution of the Company:-
 - (i) Dato’ Mohd Zakhir Siddiqy Bin Sidek
 - (ii) Dato’ Sri Ir. Hj. Ismail Bin Md.Salleh
 - (iii) Vanessa A/P Santhakumar**Ordinary Resolution 4**
Ordinary Resolution 5
Ordinary Resolution 6
(Please refer to Explanatory Note 3)
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. **Proposed Continuation in Office of Dato’ Mohd Zakhir Siddiqy Bin Sidek as Independent Non-Executive Director** **Ordinary Resolution 8**
(Please refer to Explanatory Note 4)

“THAT approval be and is hereby given to Dato’ Mohd Zakhir Siddiqy Bin Sidek who has served as the Independent Non-Executive Director cum Chairman of the Company for a cumulative term of nine (9) years as of 16 April 2024, to continue to serve as an Independent Non-Executive Director cum Chairman of the Company for the period from 16 April 2024 until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code of Corporate Governance.”
8. **Proposed Variation for the Utilisation of Proceeds raised from the Initial Public Offering (“IPO Proceeds”) (“Proposed Variation”)** **Ordinary Resolution 9**
(Please refer to Explanatory Note 5)

“THAT approval be and is hereby given to the Company for the variation for the utilisation of the IPO Proceeds, the details of which are set out in Section 3 of the Circular to Shareholders of the Company dated 30 April 2024.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things, and execute all necessary documents as they may consider necessary or expedient or in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Variation.”

9. Authority to Allot and Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016

Ordinary Resolution 10

(Please refer to Explanatory Note 6)

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 (“**the Act**”), the Directors be and are hereby authorised to allot and issue shares in the Company (“**New Shares**”) from time to time, at such price, to such persons 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 such New Shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, subject always to the Constitution of the Company and approval of all relevant regulatory authorities being obtained for such allotment and issuance (“**Proposed General Mandate**”).

THAT such approval on the Proposed General Mandate shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“**AGM**”) of the Company held after the approval was given;
- (b) the expiration of the period within which the next AGM of the Company is required to be held after the approval was given; or
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also authorised and empowered to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities and to obtain the approval from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT in connection with the above, pursuant to Section 85 of the Act read together with Clause 8 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights to be offered New Shares in proportion of their holdings ranking equally to the existing issued shares in the Company at such price and at such terms to be offered arising from any issuance of New Shares of the Company pursuant to Sections 75 and 76 of the Act.

AND THAT the New Shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing issued 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.”

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 9th AGM of the Company, a final single tier dividend of 1.21 sen per ordinary share in respect of the financial year ended 31 December 2023 will be paid on 26 June 2024 to depositors whose name appear in the Record of Depositors on 11 June 2024.

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 11 June 2024 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: 30 April 2024

NOTES:

1. A member of the Company entitled to attend 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.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the 9th AGM shall have the same rights as the member to participate at the 9th AGM.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy must be executed under its Common Seal or signed by an officer or attorney so authorised, if the appointor is a corporation.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or 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 Kuala Lumpur. Alternatively, to be submitted electronically via TIIH Online website at <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 9th AGM for further information on electronic submission of proxy form via TIIH Online.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 30 May 2024 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 9th AGM of the Company shall be put to vote by way of poll. Poll administrator and independent scrutineer will be appointed to conduct the polling process and verify the results of the poll respectively.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

EXPLANATORY NOTES

1. Agenda Item 1 – To receive the Audited Financial Statements for the financial year ended 31 December 2023

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 item 1 as it does not require shareholders’ approval. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolutions 2 and 3 – Payment of Directors’ Fees and Benefits

The Directors’ Fees payable includes fees payable to Non-Executive Directors as member of the 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 9th 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 9th 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, general meeting(s) and provisional sum as a contingency for future appointment of Director(s) to 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 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 Resolutions 4, 5 and 6 – Re-election of Directors

Clause 93 of the Constitution states that at every AGM, one-third of the Directors for the time being, or the number nearest to one-third, shall retire from office. The said clause also states that all Directors shall retire from office at least once in every three (3) years and all Directors who retire from office shall be eligible for re-election.

Dato’ Mohd Zakhir Siddiqy Bin Sidek, Dato’ Sri Ir. Hj. Ismail Bin Md.Salleh and Ms. Vanessa A/P Santhakumar, being eligible, have offered themselves for re-election at this 9th AGM pursuant to Clause 93 of the Constitution. Their profiles are set out on pages 22, 27 and 28 of the Annual Report 2023.

The Board, via the Nomination and Remuneration Committee (“NRC”), was satisfied with the performance, contribution as well as the fitness and properness of each retiring Directors, and have recommended to the shareholders the proposed re-election of each retiring Directors at the 9th AGM under Ordinary Resolutions 4, 5 and 6 based on the following justifications:-

Ordinary Resolution 4 – Re-election of Dato’ Mohd Zakhir Siddiqy Bin Sidek

- a. **Dato’ Mohd Zakhir Siddiqy Bin Sidek** has been actively making independent assessments of the information, reports or statements to constructively challenge Management’s proposals and contribute to the development of the business strategy and direction of the Company.
- b. As Chairman, he has been managing the interface between the Board and the Management by encouraging active participation and allowing dissenting views to be freely expressed during board meeting. He has accumulated over 35 years of working experience and has been involved in various industries.
- c. He has exercised his due care and carried out his professional duties proficiently and independently during his tenure as Independent Non-Executive Chairman of the Company.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

Ordinary Resolution 5 – Re-election of Dato' Sri Ir. Hj. Ismail Bin Md.Salleh

- a. **Dato' Sri Ir. Hj. Ismail Bin Md.Salleh** has successfully acted as a liaison for the Chairman, ensuring that Independent Directors are fully engaged in agenda setting, advising on the adequacy of information provided by Management for effective decision-making and facilitating discussions on sensitive issues.
- b. As Senior Independent Non-Executive Director, he actively functions as the primary point of contact for Independent Directors and shareholders for consultations and direct communications on issues not resolved through regular interactions with the Chairman or Group Chief Executive Officer.
- c. He has exercised his due care and carried out his professional duties proficiently and independently during his tenure as Senior Independent Non-Executive Director of the Company.

Ordinary Resolution 6 – Re-election of Ms. Vanessa A/P Santhakumar

- a. **Ms. Vanessa A/P Santhakumar** contributes valuable insights to the Board and serves to stimulate and constructively challenge the Management by asking probing questions.
- b. She has exercised her due care and carried out her professional duties proficiently during her tenure as Non-Independent Non-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 – Proposed Continuation in Office of Dato' Mohd Zakhir Siddiqy Bin Sidek as Independent Non-Executive Director**

Dato' Mohd Zakhir Siddiqy Bin Sidek was appointed as an Independent Non-Executive Director of the Company on 17 April 2015 and has served the Board for a cumulative term of nine (9) years as of 16 April 2024.

The Board had via the NRC assessed the independence of Dato' Mohd Zakhir Siddiqy Bin Sidek and recommended that he shall continue to act as Independent Non-Executive Director cum Chairman of the Company based on the following justifications:-

- a) He fulfills the criteria under the definition of an "Independent Director" as outlined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and has expressed his intent to continue serving as an Independent Non-Executive Director cum Chairman of the Company.
- b) His broad and deep experience equips him to endow the Board with a wide array of knowledge, skills, and independent insight, enhancing the governance and operational strategies of the Company and its subsidiaries ("**Group**").
- c) Throughout his tenure as an Independent Non-Executive Director, he has consistently remained objective, acted with integrity and dedication to the Company's best interests. He is able to exercise his independent judgment in all deliberations and decision-making processes, both in Board and Board Committee meetings, demonstrating a thorough understanding of the Company's business operations.
- d) He has established himself as a dependable Independent Director, characterised by his professional competence and insightful business acumen. He has committed ample time and attention to fulfill his duties, contributing to well-informed and equitable decision-making, thereby safeguarding the interests of both the Company and its shareholders.

The proposed resolution, if approved by the shareholders via the two-tier voting process, will allow Dato' Mohd Zakhir Siddiqy Bin Sidek, who is also the Chairman of the Company, to continue his office as Independent Non-Executive Director of the Company for the period from 16 April 2024 until the next AGM.

NOTICE OF THE NINTH ANNUAL GENERAL MEETING (9TH AGM)

5. **Ordinary Resolution 9 – Proposed Variation for the Utilisation of Proceeds raised from the Initial Public Offering (“Proposed Variation”)**

Further information on the Proposed Variation is set out in the Circular to Shareholders dated 30 April 2024 which is dispatched together with the Company’s Annual Report 2023.

6. **Ordinary Resolution 10 – Authority to Allot and Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016**

The Ordinary Resolution 10 proposed under item 9 of the Agenda seeks the shareholders’ approval of a general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act and empowering the Directors of the Company to issue and allot shares in the Company from time to time, provided that the aggregate number of such shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being (“**Proposed General Mandate**”).

The Proposed General Mandate, if passed, will provide flexibility to the Company and empower the Directors to allot and issue new shares speedily in the Company for purpose of funding working capital or strategic development of the Group. This would also eliminate any delay arising from and cost involved in convening a general meeting to obtain approval from the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

By approving the issuance and allotment of shares pursuant to Sections 75 and 76 of the Act and the Constitution of the Company, the shareholders, having agreed to irrevocably waive their statutory pre-emptive rights pursuant to Section 85 of the Act read together with Clause 8 of the Constitution of the Company which will result in a dilution to their shareholding percentage in the Company, 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 Proposed General Mandate.

If there should be a decision to issue new shares after the Proposed 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 9TH AGM

Date	:	Thursday, 6 June 2024
Time	:	10.00 a.m.
Venue	:	Banyan Room, Ground Floor, Sime Darby Convention Centre (SDCC), 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur

INDIVIDUAL MEMBERS

Individual members who are unable to attend the 9th AGM and who wish to exercise their votes are encouraged to appoint proxy or Chairman of the Meeting to attend and/or vote on your behalf at the 9th AGM by indicating the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

CORPORATE MEMBERS

1. Corporate members who wish to appoint authorised representative(s) instead of a proxy to attend and vote at the 9th AGM **MUST** deposit their **original** or **duly certified** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd.'s ("**Tricor**") office not later than **Tuesday, 4 June 2024 at 10.00 a.m.**
2. Attorney(s) appointed by Power of Attorney **MUST** deposit their **original** Power of Attorney with the Share Registrar of the Company at Tricor's office not later than **Tuesday, 4 June 2024 at 10.00 a.m.** to attend and vote at the 9th AGM.
3. If a corporate member [through its corporate representative(s) or appointed proxy(ies)] is unable to attend the 9th AGM, you may appoint the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE 9TH AGM

Only shareholders whose names appear on the Record of Depositors of the Company ("**ROD**") as of **Thursday, 30 May 2024** shall be eligible to attend and vote at the 9th AGM or to appoint proxy(ies), corporate representative(s) or attorney(s) to attend and vote on his/her behalf at the 9th AGM.

Shareholder who wishes to personally attend the 9th AGM **MUST NOT** submit any Proxy Form for the 9th AGM. A shareholder will not be allowed to attend the 9th AGM together with the appointed proxy(ies).

APPOINTMENT OF PROXY/CORPORATE REPRESENTATIVE/ATTORNEY

Shareholders may appoint proxy(ies), corporate representative(s) or attorney(s) to attend and vote on his/her behalf at the 9th AGM of the Company.

DULY EXECUTED Proxy Form(s) and/or document(s) relating to the appointment of proxy(ies) for the 9th AGM, whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 4 June 2024 at 10.00 a.m.**:-

- (i) In hard copy form

By hand or post to Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia; OR

ADMINISTRATIVE GUIDE FOR THE 9TH AGM

(ii) By electronic means via TIIH Online

Shareholders may submit their Proxy Form(s) electronically via Tricor's TIIH Online. The procedures to submit the Proxy Form(s) electronically are summarised below:-

Procedure	Action
i. Steps for Individual Shareholders	
<i>Note: Shareholder MUST register as a user of Tricor's TIIH Online prior to the appointment of proxy(ies).</i>	
Register as a user with Tricor's TIIH Online <i>Registered user may proceed to the next step – "Submission of Proxy Form"</i>	<ul style="list-style-type: none"> Using your computer, access TIIH Online website at https://tiih.online. Register as a user under the "e-Services" by selecting the "Sign Up" button, followed by "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. User registration will be approved within one (1) working day and you will be notified via e-mail. If you are already a registered user with TIIH Online, you are not required to register again.
Submission of Proxy Form(s)	<ul style="list-style-type: none"> Login to Tricor's TIIH Online website at https://tiih.online with your user ID (i.e. email address) and password. Select the corporate event: "HSS ENGINEERS BERHAD 9TH AGM – SUBMISSION OF PROXY FORM". Read and agree to the Terms & 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. Appoint your proxy(ies) and insert the required details of your proxy(ies) or appoint Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your vote(s). Review and confirm your proxy(ies) appointment. Print proxy form for your record.
ii. Steps for Corporation or Institutional Shareholders	
<i>Note: The representative of a Corporation or Institutional Shareholder MUST register as a user before subscribing to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications/ assistance on the user registration.</i>	
Register as a user with Tricor's TIIH Online	<ul style="list-style-type: none"> Access Tricor's TIIH Online website 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 e-mail and re-set your own password.
Submission of Proxy Form(s)	<ul style="list-style-type: none"> Login to Tricor's TIIH Online website at https://tiih.online. Select the corporate event: "HSS ENGINEERS BERHAD 9TH AGM – SUBMISSION OF PROXY FORM". Read and agree to the Terms & Conditions and confirm the 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 proxy(ies) by inserting the required data. 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.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM

REGISTRATION ON THE DAY OF THE 9TH AGM

1. Registration will commence at 8:30 a.m. and shall remain open until the conclusion of the 9th AGM or such other time as may be determined by Chairman of the Meeting. Please read the signage to ascertain the registration area and proceed for registration.
2. Please present your **original** National Registration Identity Card (“**NRIC**”) or Passport (for foreign member) to the registration staff for verification. Please ensure your original NRIC or Passport is returned to you after registration.
3. Upon verification and registration:-
 - (a) please sign on the attendance list and an identification wristband will be provided at the registration counter;
 - (b) if you are attending the 9th AGM as a member as well as a proxy, you will be registered once and will only be given one identification wristband;
 - (c) the identification wristband has passcode printed, which will be required for electronic voting purposes. No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event that the identification wristband is lost or misplaced; and
 - (d) you may proceed to the meeting venue thereafter.
4. Registration must be done in person. Please also note that you will not be allowed to register on behalf of another person even with the original NRIC or Passport of that other person.
5. The registration counters will only handle verification of identity, registration and revocation of proxy/proxies. If you have any queries, please proceed to the Help Desk.

MEETING PROCEEDINGS

- You may enter the meeting hall after registration.
- Please ensure that your mobile devices are switched off or put on silent mode during the AGM to ensure smooth and uninterrupted proceedings.
- All members or proxies are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.
- Resolutions set out on the Notice of AGM will be considered at the AGM. You will be asked to vote on these resolutions.

POLL VOTING AT THE MEETING

The voting at the 9th AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”). The Company has appointed Tricor as Poll Administrator to conduct the poll by way of electronic voting and Asia Securities Sdn. Bhd. as independent Scrutineers to verify the poll results.

Voting for all the resolutions set out in the Notice of AGM will take place concurrently upon the conclusion of the deliberation of all businesses to be transacted at the AGM.

Upon completion of the voting session for the 9th AGM, the Independent Scrutineers will verify the poll results, followed by the Chairman’s declaration of the poll results at the 9th AGM. Subsequently, poll results will be announced via an announcement by the Company through Bursa Malaysia at www.bursamalaysia.com.

NO RECORDING OR PHOTOGRAPHY

Strictly **NO** unauthorised recording or photography of the proceedings of the 9th AGM is allowed.

ADMINISTRATIVE GUIDE FOR THE 9TH AGM

ANNUAL REPORT 2023 AND OTHER DOCUMENTS

The Company's Annual Report 2023 and Circular are available under the 'Investor Relations' section on the Company's website at <https://hssgroup.listedcompany.com/home.html> and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.

You may request for a printed copy of the Annual Report 2023 and/or Circular at <https://tjih.online> by selecting "**Request for Annual Report/Circular**" under the "**Investor Services**". Nevertheless, we hope you would consider the environment before you decide to request for the printed copy.

ENQUIRY

If you have any enquiries on the above, please contact the Share Registrar 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.

Registration No. 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3,

Bangsar South, No. 8, Jalan Kerinchi,

59200 Kuala Lumpur, Malaysia

General Line: +603-2783 9299

Fax Number: +603-2783 9222

Email: is.enquiry@my.tricorglobal.com

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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 Contact 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			
Contact No./Email Address			

*and him/her (*delete as appropriate)

Full Name	NRIC No./Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact 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 Ninth Annual General Meeting ("9th AGM") of the Company to be held at Banyan Room, Ground Floor, Sime Darby Convention Centre (SDCC), 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on **Thursday, 6 June 2024 at 10.00 a.m.** or at any adjournment thereof and to vote in respect of *my/our shareholdings(s) in the manner indicated below:-

RESOLUTIONS			FOR	AGAINST
Ordinary Business				
1.	Declaration of a final single tier dividend of 1.21 sen per ordinary share for the financial year ended 31 December 2023.	Ordinary Resolution 1		
2.	To approve the payment of Directors' Fees payable to the Non-Executive Directors of the Company up to an amount of RM475,200 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 2		
3.	To approve the payment of Directors' benefits (excluding Directors' Fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM126,000 from this Annual General Meeting until the next Annual General Meeting of the Company.	Ordinary Resolution 3		
4.	Re-election of Dato' Mohd Zakhir Siddiqy Bin Sidek as Director pursuant to Clause 93 of the Constitution of the Company.	Ordinary Resolution 4		
5.	Re-election of Dato' Sri Ir. Hj. Ismail Bin Md.Salleh as Director pursuant to Clause 93 of the Constitution of the Company.	Ordinary Resolution 5		
6.	Re-election of Ms. Vanessa A/P Santhakumar 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		
Special Business				
8.	Proposed Continuation in Office of Dato' Mohd Zakhir Siddiqy Bin Sidek as Independent Non-Executive Director.	Ordinary Resolution 8		
9.	Proposed Variation for the Utilisation of Proceeds raised from the Initial Public Offering.	Ordinary Resolution 9		
10.	Authority to Allot and Issue Shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary Resolution 10		

[Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy(ies) will vote or abstain from voting as he/she thinks fit.]

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)	No. of shares held: _____ Securities Account No.: _____ (CDS Account No.) (Compulsory) Date: _____

Dated this _____ day of _____ 2024.

* Strike out whichever is not applicable.

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NOTES:

1. A member of the Company entitled to attend 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.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the 9th AGM shall have the same rights as the member to participate at the 9th AGM.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy must be executed under its Common Seal or signed by an officer or attorney so authorised, if the appointor is a corporation.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan or 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 Kuala Lumpur. Alternatively to be submitted electronically, via TIIH Online at website <https://tjih.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 9th AGM for further information on electronic submission of proxy form via TIIH Online.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 30 May 2024 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to Paragraph 8.29(A) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 9th AGM of the Company shall be put to vote by way of poll. Poll administrator and independent scrutineer will be appointed to conduct the polling process and verify the results of the poll respectively.

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 the 9th AGM dated 30 April 2024.

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**AFFIX
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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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www.hssgroup.com.my

HSS ENGINEERS BERHAD 201501003232 (1128564-U)
B1 (1-4), Block B, Plaza Dwtasik,
No. 21, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur

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