



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2016 ⁽¹⁾

(The figures have not been audited)

	Note	Quarter ended 30 June		Year to date ended 30 June	
		2016 RM'000	2015 ⁽²⁾ RM'000	2016 RM'000	2015 ⁽²⁾ RM'000
Revenue	B1	33,610	N/A	65,827	N/A
Direct costs		<u>(22,071)</u>	<u>N/A</u>	<u>(44,325)</u>	<u>N/A</u>
Gross profit		11,539	N/A	21,502	N/A
Other operating income		114	N/A	224	N/A
Administrative expenses		(5,640)	N/A	(11,166)	N/A
Other operating expenses		<u>(782)</u>	<u>N/A</u>	<u>(2,063)</u>	<u>N/A</u>
Profit for the year from operations		5,231	N/A	8,497	N/A
Finance costs		(401)	N/A	(727)	N/A
Share of results of associates		2	N/A	2	N/A
Profit before taxation		4,832	N/A	7,772	N/A
Taxation	B4	<u>(1,537)</u>	<u>N/A</u>	<u>(2,550)</u>	<u>N/A</u>
Profit for the financial period		3,295	N/A	5,222	N/A
Other comprehensive income/(loss):					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation income/(loss)		12	N/A	(134)	N/A
Total comprehensive income for the financial period		3,307	N/A	5,088	N/A
Profit for the financial period attributable to:-					
Owners of the Company		<u>3,295</u>	<u>N/A</u>	<u>5,222</u>	<u>N/A</u>
Total comprehensive income attributable to:-					
Owners of the Company		<u>3,307</u>	<u>N/A</u>	<u>5,088</u>	<u>N/A</u>
Earnings per share (sen)					
- Basic ⁽³⁾	B11	<u>1.29</u>	<u>N/A</u>	<u>2.04</u>	<u>N/A</u>
- Diluted ⁽⁴⁾	B11	<u>1.29</u>	<u>N/A</u>	<u>2.04</u>	<u>N/A</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2016 ⁽¹⁾ (cont'd)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim report.
- (2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). There are no comparative figures for the corresponding quarter and year to date in preceding financial year available as no interim financial report was prepared for the comparative financial period concerned.
- (3) Basic earnings per share is calculated based on the shares in issue of 255,264,810 after the acquisition by HSS Engineers Berhad ("HSSEB") of the entire issued and paid up capital of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Private Limited ("HBS"), BIM Global Ventures Sdn Bhd ("BGV") and shares subscription by two (2) former shareholders of HBS but before public issue.
- (4) Diluted earnings per share of the Group for the quarter and year to date ended 30 June 2016 is equivalent to the basic earnings per share as the Group does not have convertible options as at the end of the reporting period.

N/A- Not applicable

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HSS ENGINEERS BERHAD (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 ⁽¹⁾**

(The figures have not been audited)

	Unaudited As At 30 June 2016	Audited As At 31 December 2015
	Note	
	RM'000	RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	5,615	5,492
Intangible assets	925	1,122
Investments in associates	908	-
Deferred tax assets	44	48
	<u>7,492</u>	<u>6,662</u>
CURRENT ASSETS		
Trade receivables	53,837	53,296
Other receivables, deposits and prepayments	6,277	5,883
Tax recoverable	107	566
Short term deposits with licensed banks	14,390	10,284
Cash and bank balances	1,859	611
	<u>76,470</u>	<u>70,640</u>
TOTAL ASSETS	<u>83,962</u>	<u>77,302</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	25,526	^
Invested equity ⁽²⁾	-	6,302
Foreign currency translation reserve	131	265
Retained profits	15,371	29,373
TOTAL EQUITY	<u>41,028</u>	<u>35,940</u>

**ENGINEERS****HSS ENGINEERS BERHAD (1128564-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2016 ⁽¹⁾ (cont'd)***(The figures have not been audited)*

		Unaudited As At 30 June 2016	Audited As At 31 December 2015
	Note	RM'000	RM'000
NON-CURRENT LIABILITIES			
Hire purchase payables	B8	696	917
Retirement benefit obligations		55	60
Deferred tax liabilities		98	177
		<u>849</u>	<u>1,154</u>
CURRENT LIABILITIES			
Trade payables		12,739	19,212
Other payables, accruals and provisions		7,096	4,034
Amount due to associates		2,636	-
Amount due to related parties		-	2,368
Hire purchase payables	B8	704	749
Taxation		685	77
Bank overdrafts (secured)	B8	18,225	13,768
		<u>42,085</u>	<u>40,208</u>
		<u>42,934</u>	<u>41,362</u>
TOTAL LIABILITIES		<u>42,934</u>	<u>41,362</u>
TOTAL EQUITY AND LIABILITIES		<u>83,962</u>	<u>77,302</u>
Net assets per share (RM) ⁽³⁾		<u>0.16</u>	<u>0.14</u>

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HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 ⁽¹⁾ (cont'd)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are detailed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim report.
 - (2) Invested equity comprises aggregate share capital and share premium of all the entities of the Group. They are HSSEB, HSSE, HBS and BGV.
 - (3) Net assets per share is calculated based on the shares in issue of 255,264,810 after the acquisition by HSS Engineers Berhad ("HSSEB") of the entire issued and paid up capital of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Private Limited ("HBS"), BIM Global Ventures Sdn Bhd ("BGV") and shares subscription by two (2) former shareholders of HBS but before public issue.
- ^ Represents RM10 only.

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HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2016⁽¹⁾

(The figures have not been audited)

	Note	Share Capital RM'000	Invested Equity RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total RM'000
As at 1 January 2016		^	6,302	265	29,373	35,940
Issuance of new ordinary shares arising from acquisition of subsidiaries	A7 (a)	25,033	-	-	-	25,033
Effect of merger ⁽²⁾		-	(6,302)	-	(19,224)	(25,526)
Issuance of new ordinary shares arising from shares subscription	A7 (b)	493	-	-	-	493
Other comprehensive income:						
- Foreign currency translation loss		-	-	(134)	-	(134)
Profit for the financial period		-	-	-	5,222	5,222
Total comprehensive income for the financial period		-	-	(134)	5,222	5,088
As at 30 June 2016		25,526	-	131	15,371	41,028



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HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2016⁽¹⁾ (cont'd)

Notes:

- ⁽¹⁾ The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are detailed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim report.
- ⁽²⁾ These represent the effects of applying the merger method of accounting for the acquisition of subsidiaries detailed in A7 (a). Under this method, the invested equity of RM6,302,164 was set off against the purchase consideration totalling RM25,526,471 for the aforesaid acquisitions and the resulting difference of RM19,224,307 being a merger deficit was charged directly to equity against the retained profits.
- # This is the first interim financial report announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). There are no comparative figures for the corresponding year to date in preceding year available as no interim financial report was prepared for the comparative financial period concerned.
- ^ Represents RM10 only.



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HSS ENGINEERS BERHAD (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 JUNE 2016⁽¹⁾**

(The figures have not been audited)

	Year to date ended	
	30 June 2016	30 June 2015⁽²⁾
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,772	N/A
Adjustments for:		
Depreciation of property, plant and equipment	510	N/A
Amortisation of intangible assets	204	N/A
Unrealised loss on foreign exchange	322	N/A
Interest on hire purchase	63	N/A
Interest on bank overdrafts	664	N/A
Provision for compensated absences	159	N/A
Share of results of associates	(2)	N/A
Interest income from short term deposits	(135)	N/A
Gain on disposal of property, plant and equipment	(54)	N/A
Operating profit before working capital changes	9,503	N/A
Changes in working capital:		
Increase in trade receivables	(863)	N/A
Increase in other receivables, deposits and prepayments	(394)	N/A
Decrease in trade payables	(6,473)	N/A
Increase in other payables, accruals and provisions	2,903	N/A
Increase in amounts due to associates	2,636	N/A
Decrease in amount due to related parties	(2,368)	N/A
Cash generated from operations	4,944	N/A
Tax paid	(1,562)	N/A
Net cash from operating activities	3,382	N/A



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 JUNE 2016⁽¹⁾ (cont'd)**

(The figures have not been audited)

	Year to date ended	
	30 June 2016	30 June 2015⁽²⁾
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(436)	N/A
Purchase of intangible assets	(16)	N/A
Proceeds from disposal of property, plant and equipment	54	N/A
Interest received on short term deposits	135	N/A
Investments in associates	(906)	N/A
Net cash used in investing activities	(1,169)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(483)	N/A
Placement of fixed deposits pledged	(3,335)	N/A
Interest paid on hire purchase	(63)	N/A
Interest paid on bank overdrafts	(664)	N/A
Net cash used in financing activities	(4,545)	N/A
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(2,332)	N/A
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(106)	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	(10,457)	N/A
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	(12,895)	N/A



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
30 JUNE 2016⁽¹⁾ (cont'd)**

(The figures have not been audited)

Components of cash and cash equivalents as at 30 June 2016 is as follows:

	Unaudited as at 30 June 2016 RM'000	Unaudited as at 30 June 2015 RM'000
Cash and bank balances	1,859	N/A
Short term deposits with licensed banks	14,390	N/A
Bank overdrafts (secured)	<u>(18,225)</u>	<u>N/A</u>
	(1,976)	N/A
Less: short term deposits pledged with licensed banks	<u>(10,919)</u>	<u>N/A</u>
	<u>(12,895)</u>	<u>N/A</u>

(1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are detailed in Note A1 and should be read in conjunction with the accompanying explanatory notes attached to this interim report.

(2) This is the first interim financial report announced in compliance with the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). There are no comparative figures for the corresponding year to date in preceding year available as no interim financial report was prepared for the comparative financial period concerned.

N/A- Not applicable



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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report of HSS Engineers Berhad ("**HSSEB**" or the "**Company**") and its subsidiaries ("**the Group**") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134- Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Securities.

This is the first interim financial report on the consolidated results for the second (2nd) quarter ended 30 June 2016 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial report have been prepared using the principles of merger accounting whereby it is assumed that the business combination constituting the Group as detailed in A7 (a) had occurred from the earliest date presented in this report and that the Group has operated as a single entity throughout the financial periods presented in this report. The interim financial report should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company dated 29 June 2016 except for the adoption of the following applicable Amendments to Standards or new Standards during the current financial period which is effective from 1 January 2016:

MFRSs (Including The Consequential Amendments)

- Amendments to MFRS 10, 12 and 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138- Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127- Equity Method in Separate Financial Statements
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012-2014 -Cycle"

The application of the above Amendments to Standards or new Standards did not have significant impact on this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)
A3. Auditors' report on preceding audited financial statements

The preceding year's audited financial statements of the Company, HSSE, HBS and BGV were not subject to any qualification.

A4. Seasonal or cyclical factors

The Group's business operations are not materially affected by seasonal or cyclical factors during the current financial period under review.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period under review.

A6. Material changes in estimates

There were no changes in estimates of amounts reported in previous financial years that have a material effect on the results for the current financial period under review.

A7. Debt and equity securities

Save as disclosed below, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during current financial period under review.

- (a) HSSEB had issued a total of 250,332,404 new ordinary shares of RM0.10 each ("HSSEB Shares") amounting to RM25,033,240 and had paid cash amounting to RM493,231 pursuant to the three (3) share sale agreements entered on 16 April 2015 (as supplemented by supplemental share sale agreements dated 11 April 2016) to acquire the entire equity interest in HSSE, HBS and BGV. The details of the acquisitions are disclosed as follows:

Name of company	Equity acquired	Purchase consideration (RM)	Mode of settlement of purchase consideration	
			No. of HSSEB Shares issued	Cash paid (RM)
HSSE	100%	22,739,776	227,397,760	None
HBS	100%	1,644,102	11,508,714	493,231
BGV	100%	1,142,593	11,425,930	None
TOTAL		25,526,471	250,332,404	493,231

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016**A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)****A7. Debt and equity securities (cont'd)**

- (a) The acquisitions of HSSE, HBS and BGV were completed on 7 June 2016, 8 June 2016 and 14 June 2016 respectively. Thereafter, HSSE, HBS and BGV became wholly owned subsidiaries of the Group.
- (b) HSSEB had entered into a share subscription agreement dated 11 April 2016 with two (2) former shareholders of HBS for them to subscribe 4,932,306 new HSSEB Shares at an issue price of RM0.10 each ("HSSEB Shares Subscription"). The HSSEB Shares Subscription was satisfied wholly in cash and was completed on 13 June 2016.
- (c) On 29 June 2016, the Company issued its Prospectus in connection with a public issue of 63,816,200 new HSSEB Shares at an issue price of RM0.50 per HSSEB Share ("IPO Price") allocated in the following manner ("Public Issue"):-
 - 15,954,000 new HSSEB Shares made available for application by the Malaysian public;
 - 7,977,000 new HSSEB Shares made available for application by our eligible directors, employees and business associates/persons who have contributed to the success of the Group; and
 - 39,885,200 new HSSEB Shares made available by way of private placement to selected investors;

In conjunction with the above public issue, an offer for sale of 31,908,100 HSSEB Shares was made available for application by way of private placement to selected Bumiputera investors approved by the Ministry of International Trade and Industry.

Thereafter, the listing of and quotation for the Company's entire enlarged issued and paid up share capital comprising 319,081,010 HSSEB Shares on the ACE Market of Bursa Securities is expected to be on 10 August 2016.

A8. Dividend paid

There was no dividend paid during the current financial period under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)

A9. Segmental information

The Group's activities are conducted within a single industry segment comprising provision of engineering and project management services and provision of Building Information Modelling ("BIM") services. As such, the operating revenue and results of this segment is reflected in the Unaudited Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income. The segment assets and liabilities are as presented in the Unaudited Condensed Consolidated Statement of Financial Position.

A10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current financial period under review.

A11. Capital commitments

The capital commitments of the Group as at 30 June 2016 were as follows:-

	RM'000
Authorised but not contracted for:	<u>2,414</u>

The breakdown of the capital commitments are as follows:-

	RM'000
Renovations	656
Computers	578
Motor vehicles	12
Furniture and fittings	61
Computer software	<u>1,107</u>
	<u>2,414</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)
A12. Material events subsequent to the end of the current financial period

There were no material events subsequent to the end of the current financial period that have not been reflected in this interim financial report.

A13. Effect of Changes in composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the current financial period under review.

- (a) On 30 May 2016, HSSE entered into two (2) share sale agreements to acquire thirty percent (30%) equity interest in HSS Integrated Sdn Bhd ("HSSI") and HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME") respectively. The acquisition was completed on 30 May 2016. Thereafter, HSSI and HSSME became our associates.

The details of the acquisition are as follows:

Name of company	Equity acquired	Purchase consideration (RM)	Cash paid (RM)
HSSI	30%	897,710	897,710
HSSME	30%	8,784	8,784
TOTAL		906,494	906,494

The effects on the results of the Group arising from the above acquisitions have been reflected in the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income included in this interim financial report.

A14. Contingent assets or contingent liabilities

The Group has no contingent assets and contingent liabilities as at the date of this report.

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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)

A15. Related party transactions

(a) During the financial period under review, the material related party transactions entered by the Group with related parties are as follows:

	Year to date ended 30 June 2016 RM'000	Year to date ended 30 June 2015⁽¹⁾ RM'000
(i) <u>Associates:</u>		
<u>HSS Integrated Sdn Bhd</u> Provision of engineering and project management services by HSSE ⁽²⁾	64,715	N/A
<u>HSS Mekanikal & Elektrikal Sdn Bhd</u> Provision of engineering and project management services by HSSE ⁽²⁾	450	N/A
(ii) In which a Director and substantial shareholders have interest		
<u>Matmer Corporation Sdn Bhd</u> Rental of premises charged to HSSE	1,359	N/A

Notes:

(1) This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding year to date available as no interim financial report was prepared for the comparative financial period concerned.

(2) These related party transactions are transacted pursuant to the exclusive arrangement between HSSI and HSSME to collaborate, co-operate and work together with HSSE 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 ("REA") with each party contributing to the collaboration, their relevant area of competency and expertise.

N/A- Not applicable



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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)

A15. Related party transactions (cont'd)

(b) As at 30 June 2016, the amount of guarantee provided by the Group to SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL") is as follows:

	Unaudited As At 30 June 2016 RM'000	Audited As At 31 December 2015 RM'000
Guarantee provided to SNCL in respect of payment obligations of HSSI to SNCL in connection with services to be provided by HSSI-SNC Lavalin Joint Venture ("HSSI-SNCL")		
- Amount of guarantee at inception	64,794	64,794
- Amount of guarantee at period end	18,314	25,363

HSSI-SNCL is an unincorporated joint venture equally owned by HSSI and SNCL. The abovementioned guarantee pursuant to a Guarantee Agreement dated 12 February 2014 arose from additional scope of services ("Variation Order") awarded to HSSI-SNCL but which is to be executed solely by HSSI. The Group shall be liable for the outstanding payment obligations of HSSI to SNCL under the guarantee in the event the payments are withheld by the employer due to default on the part of HSSI in the execution of the Variation Order only. SNCL can only demand payments for its portion of the billings rendered by HSSI-SNCL which are yet to be paid by the employer at any time due to the default. The Group's exposure to the outstanding payment obligations of HSSI to SNCL at the end of the financial period is RM259,534 (31 December 2015: RM1,733,679).

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES
B1. Review of performance

For the current financial quarter under review, the Group recorded revenue of RM33.6 million. The Group's revenue was mainly derived from engineering services and project management amounted to RM31.0 million. Local market continued to contribute significant portion of revenue amounting to RM33.2 million or 99.0% of the Group's total revenue.

For the current financial year to date under review, the Group recorded revenue of RM65.8 million. The Group's revenue was mainly derived from engineering services and project management amounted to RM61.5 million. Local market continued to contribute significant portion of revenue amounting to RM65.1 million or 99.0% of the Group's total revenue.

The Group registered a profit before taxation of RM4.83 million and RM7.77 million for the current financial quarter and current financial year to date under review respectively.

(a) Analysis of our revenue by activities is as follows:-

	← Quarter ended →			← Year to date ended →		
	30 June 2016		30 June 2015 ⁽¹⁾	30 June 2016		30 June 2015 ⁽¹⁾
	RM'000	%	RM'000	RM'000	%	RM'000
Engineering services						
- Engineering design	13,925	41.4	N/A	25,662	39.0	N/A
- Construction supervision	8,166	24.3	N/A	17,788	27.0	N/A
Project management	8,979	26.8	N/A	18,109	27.5	N/A
BIM services	348	1.0	N/A	661	1.0	N/A
Reimbursable income	2,192	6.5	N/A	3,607	5.5	N/A
	33,610	100.0	N/A	65,827	100.0	N/A

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B1. Review of performance (cont'd)

(b) Analysis of our revenue by geographical locations is as follows:-

	← Quarter ended →			← Year to date ended →		
	30 June 2016 RM'000	%	30 June 2015 ⁽¹⁾ RM'000	30 June 2016 RM'000	%	30 June 2015 ⁽¹⁾ RM'000
Local						
Malaysia	33,261	99.0	N/A	65,141	99.0	N/A
Overseas						
India	253	0.7	N/A	397	0.6	N/A
Middle East	96	0.3	N/A	217	0.3	N/A
Brunei	-	-	N/A	72	0.1	N/A
	33,610	100.0	N/A	65,827	100.0	N/A

Notes:

⁽¹⁾ This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding quarter and year to date available as no interim financial report was prepared for the comparative financial period concerned.

N/A- Not applicable

B2. Comparison with preceding quarter's results

There are no comparative figures for the preceding quarter as this is the first interim financial report being announced by the Company in compliance with the Listing Requirements of Bursa Securities.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B3. Prospects

As disclosed in the Prospectus of the Company dated 29 June 2016, the Group has put in place a series of future plans as follows:-

- (a) Geographical expansion into India, Middle East and ASEAN regions;
- (b) Continuous enhancement on its three (3) existing core services (i.e. engineering services, project management and Building Information Modeling ("BIM") services) and proposed venture into a fourth (4th) core service i.e. facility management; and
- (c) Venturing into the provision of support services to the water and power generation sectors which are expected to continue receiving strong government support given their strategic importance to the country.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the prospects for the remaining period to the end of the financial year ending 31 December 2016 will remain favourable.

B4. Income tax expense

	Quarter ended 30 June 2016 RM'000	Year-to-date ended 30 June 2016 RM'000
Income tax expense		
- Current financial period	1,581	2,629
Deferred tax		
- Current financial period	(44)	(79)
Total tax expense	1,537	2,550
Effective tax rate (%)	31.8	32.8

The effective tax rate for the current and financial year to date ended 30 June 2016 is higher than the statutory tax rate of 24% mainly due to the losses incurred in HBS and BGV. Such losses had resulted in lower profit before tax of the Group which indirectly increased the effective tax rate. In addition, recurring non-deductible expenses such as legal and professional fees, business development and entertainment, gift and donations and restriction on certain interest expenses had also contributed to the increase in effective tax rate.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B5. Variance of actual profit from profit forecast and profit guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial period under review.

B6. Status of corporate proposals

Save as disclosed in Note A7(c), there were no other corporate proposals announced but not completed as at the date of this report.

B7. Utilisation of proceeds from the Initial Public Offering ("IPO")

Based on the IPO Price, the gross proceeds arising from the Public Issue amounting to RM31.9 million is intended to be utilised in the following manner:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Estimated Timeframe for utilisation⁽¹⁾
(a) Expansion / venture into same or allied services:-				
- Expansion into India	15,000	-	-	Within 18 months
- Venture into the provision of support services to the water sector in Malaysia	6,000	-	-	
- Venture into the provision of support services to the power sector in Malaysia	3,000	-	-	
(b) Repayment of bank borrowings	4,000	-	-	Within 3 months
(c) General working capital	708	-	-	Within 12 months
(d) Estimated listing expenses	3,200	-	-	Within 1 month
Total	31,908	-	-	

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B7. Utilisation of proceeds from the Initial Public Offering ("IPO") (cont'd)

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 29 June 2016.

As at the date of this report, the IPO is pending completion and hence there was no utilisation of IPO proceeds.

Notes:

(1) From the date of listing of the Company on the ACE Market of Bursa Securities which is expected to be on 10 August 2016.

B8. Group's borrowings and debt securities

The Group's borrowings as at 30 June 2016 are as follows:-

	Unaudited as at 30 June 2016 RM'000	Audited as at 31 December 2015 RM'000
Current:		
Hire purchase payables	704	749
Bank overdrafts	18,225	13,768
	18,929	14,517
Non-current:		
Hire purchase payables	696	917
Total borrowings:		
Hire purchase payables	1,400	1,666
Bank overdrafts	18,225	13,768
	19,625	15,434

All the borrowings are secured and denominated in Ringgit Malaysia. Bank overdrafts are secured against the short term deposits pledged with licensed banks as disclosed in the Unaudited Condensed Consolidated Statement of Cash Flows.



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)

B9. Material litigation

There is no litigation or arbitration which has a material effect on the financial position of the Group and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings as at the date of this interim financial report. However, our associated company, HSSI, is involved in the following:-

Kuala Lumpur High Court Suit No. WA-23NCVC-26-06/2016

MRCB Engineering Sdn Bhd ("MESB") vs Somnath Mukherjee and HSSI

MESB ("Plaintiff") filed a Writ of Summons and Statement of Claim against Somnath Mukherjee, as the First Defendant, and HSSI as the Second Defendant, on 15 June 2016 alleging that the First Defendant had made a defamatory statement during a meeting held on 2 March 2016 with regards to the Light Rail Transit ("LRT") Ampang Line Extension project ("Project"). The Plaintiff is the contractor for the construction of the facilities work for the Project. Somnath Mukherjee is an employee of HSSE and HSSI is the engineering and supervising consultant for the Project.

Pursuant to the Statement of Claim, the Plaintiff is claiming for damages on the basis that the alleged defamatory statement was calculated to disparage the Plaintiff in its trade and/or business and/or to injure the Plaintiff's business reputation and good name. The Plaintiff did not specify the amount of damages claimed for in the Statement of Claim and it will be up to the discretion of the Court to determine the amount of damages to be awarded to the Plaintiff, if any.

HSSI's solicitors are of the opinion that HSSI has a good defence inter alia in qualified privilege, to the claim made by the Plaintiff. Nevertheless, in the event that HSSI is unsuccessful in its defence, HSSI's solicitors are of the opinion that the damages are unlikely to exceed RM300,000.

At the date of this interim financial report, the matter is fixed for case management on 26 August 2016.

B10. Dividend

The Board of Directors does not recommend any dividend for the current financial quarter under review.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B11. Earnings per share ("EPS")

The basic and diluted EPS for the current financial quarter and financial year-to-date are computed as follows:

	Quarter ended 30 June 2016	Year-to-date ended 30 June 2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,295	5,222
Number of ordinary shares in issue ('000)	255,265	255,265
Basic EPS (sen) ⁽¹⁾	1.29	2.04
Diluted EPS (sen) ⁽²⁾	1.29	2.04

Notes:

⁽¹⁾ Basic earnings per share is calculated based on the shares in issue of 255,264,810 after the acquisition by HSS Engineers Berhad ("HSSEB") of the entire issued and paid up capital of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Private Limited ("HBS"), BIM Global Ventures Sdn Bhd ("BGV") and shares subscription by two (2) former shareholders of HBS but before public issue.

⁽²⁾ Diluted earnings per share of the Company for the current quarter and year to date ended 30 June 2016 is equivalent to the basic earnings per share as the Company does not have convertible options as at the end of the reporting period.

B12. Notes to the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Profit for the financial period is arrived at after charging/(crediting) the following expense/(income):

	Quarter ended 30 June 2016 RM'000	Year-to-date ended 30 June 2016 RM'000
Depreciation of property, plant and equipment	259	510
Amortisation of intangible assets	93	204
Interest expense	401	727
Interest income	(66)	(135)
Gain on disposal of property, plant and equipment	(41)	(54)
(Gain)/loss on foreign exchange	(19)	324

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2016

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)

B13. Disclosure of realized and unrealized profits or losses

The realized and unrealized retained profits of the Group as at 30 June 2016 are analysed as follows:-

	Unaudited As At 30 June 2016 RM'000	Unaudited As At 31 December 2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	34,958	28,864
- Unrealised	(365)	509
	<u>34,593</u>	<u>29,373</u>
Total share of retained profits from associates:		
- Realised	<u>2</u>	<u>-</u>
Less: consolidation adjustments	(19,224)	-
Total retained profits of the Group	<u><u>15,371</u></u>	<u><u>29,373</u></u>

B14. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 5 August 2016.

BY ORDER OF THE BOARD OF DIRECTORS

5 August 2016