

**HSS ENGINEERS BERHAD (1128564-U)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018**
*(The figures have not been audited)*

	Note	Quarter ended 30 June			Year to date ended 30 June		
		2018 RM'000	2017 RM'000	% + / (-)	2018 RM'000	2017 RM'000	% + / (-)
Revenue	B1	55,074	37,870	45.4	89,085	67,131	32.7
Direct costs		<u>(35,996)</u>	<u>(26,157)</u>		<u>(58,676)</u>	<u>(44,471)</u>	
Gross profit		19,078	11,713	62.9	30,409	22,660	34.2
Other operating income		432	279		842	653	
Administrative expenses		(6,615)	(6,154)		(15,118)	(11,381)	
Other operating expenses		<u>(930)</u>	<u>(1,023)</u>		<u>(1,719)</u>	<u>(2,303)</u>	
Profit for the year from operations		11,965	4,815	148.5	14,414	9,629	49.7
Finance costs		(2,073)	(366)		(2,450)	(709)	
Share of results of associates		90	40		152	96	
<b>Profit before taxation</b>		<b>9,982</b>	<b>4,489</b>	122.4	<b>12,116</b>	<b>9,016</b>	34.4
Taxation	B4	<u>(3,083)</u>	<u>(1,519)</u>		<u>(4,336)</u>	<u>(2,887)</u>	
<b>Profit for the financial period</b>		<b>6,899</b>	<b>2,970</b>	132.3	<b>7,780</b>	<b>6,129</b>	26.9
<b>Other comprehensive income:</b>							
<i>Item that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation (loss)/gain		-	(43)		(31)	16	
<b>Total comprehensive income for the financial period</b>		<b>6,899</b>	<b>2,927</b>	135.7	<b>7,749</b>	<b>6,145</b>	26.1
Profit for the financial period attributable to:-							
Owners of the Company		<u>6,899</u>	<u>2,970</u>	132.3	<u>7,780</u>	<u>6,129</u>	26.9
Total comprehensive income attributable to:-							
Owners of the Company		<u>6,899</u>	<u>2,927</u>	135.7	<u>7,749</u>	<u>6,145</u>	26.1
Earnings per share (sen)							
- Basic	B11	<u>1.60</u>	<u>0.85</u>	88.2	<u>1.79</u>	<u>1.76</u>	1.7
- Diluted	B11	<u>1.60</u>	<u>0.85</u>	88.2	<u>1.79</u>	<u>1.76</u>	1.7

**ENGINEERS****HSS ENGINEERS BERHAD (1128564-U)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018***(The figures have not been audited)*

		<b>Unaudited as at 30.6.2018 RM'000</b>	<b>Audited as at 31.12.2017 RM'000</b>
<b>ASSETS</b>	<b>Note</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		6,786	5,388
Intangible assets		690	690
Goodwill	A13	294,726	-
Investments in associates		1,415	1,263
Deferred tax assets		83	90
		<u>303,700</u>	<u>7,431</u>
<b>CURRENT ASSETS</b>			
Trade receivables		58,217	87,987
Contract assets		59,606	-
Other receivables, deposits and prepayments		4,772	5,175
Tax recoverable		64	138
Short term deposits with licensed banks		55,181	42,809
Cash and bank balances		11,059	5,682
		<u>188,899</u>	<u>141,791</u>
<b>TOTAL ASSETS</b>		<u><b>492,599</b></u>	<u><b>149,222</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		254,291	54,235
Warrants reserve		29,196	-
Foreign currency translation reserve		252	283
Retained profits		39,825	34,683
<b>TOTAL EQUITY</b>		<u>323,564</u>	<u>89,201</u>



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**HSS ENGINEERS BERHAD (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018 (cont'd)**

*(The figures have not been audited)*

		<b>Unaudited as at 30.6.2018 RM'000</b>	<b>Audited as at 31.12.2017 RM'000</b>
<b>NON-CURRENT LIABILITIES</b>	<b>Note</b>		
Retirement benefit obligations		72	54
Deferred tax liabilities		273	330
Other payable		7,668	-
Term loans	B8	73,196	81
Hire purchase payables	B8	931	939
		<u>82,140</u>	<u>1,404</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		25,087	24,860
Contract liabilities		4,309	-
Other payables, accruals and provisions		10,664	12,410
Amount due to an associate		10,945	-
Term loans	B8	10,149	34
Hire purchase payables	B8	880	899
Taxation		1,774	888
Bank overdrafts (secured)	B8	23,087	19,526
		<u>86,895</u>	<u>58,617</u>
<b>TOTAL LIABILITIES</b>		<u>169,035</u>	<u>60,021</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>492,599</b></u>	<u><b>149,222</b></u>
Net assets per share (RM)		<u>0.65</u>	<u>0.28</u>



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**HSS ENGINEERS BERHAD (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2018**

*(The figures have not been audited)*

	Note	Non-Distributable			Distributable	Total RM'000
		Share Capital RM'000	Warrants Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	
As at 1 January 2018		54,235	-	283	34,683	89,201
Other comprehensive income:						
- Foreign currency translation loss		-	-	(31)	-	(31)
Profit for the financial period		-	-	-	7,780	7,780
Total comprehensive income for the financial period		-	-	(31)	7,780	7,749
Transactions with owners of the Company:						
Issuance of new shares	A7	200,056	29,196	-	-	229,252
Warrants exercised during the period	A7	^	^	-	-	-
Share issue expenses		-	-	-	(2,638)	(2,638)
Total transactions with owners for the financial period		200,056	29,196	-	(2,638)	226,614
<b>As at 30 June 2018</b>		<b>254,291</b>	<b>29,196</b>	<b>252</b>	<b>39,825</b>	<b>323,564</b>

^ Represents less than RM100.



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**HSS ENGINEERS BERHAD (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2018 (cont'd)**

*(The figures have not been audited)*

	<b>Non-Distributable</b>			<b>Distributable</b>	
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Foreign Currency Translation Reserve</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 2017	31,908	22,326	301	24,173	78,708
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)	22,326	(22,326)	-	-	-
Other comprehensive income:					
- Foreign currency translation income	-	-	16	-	16
Profit for the financial period	-	-	-	6,129	6,129
Total comprehensive income for the financial period	-	-	16	6,129	6,145
Transactions with owners of the Company:					
Dividend paid	-	-	-	(2,010)	(2,010)
<b>As at 30 June 2017</b>	<b>54,234</b>	<b>-</b>	<b>317</b>	<b>28,292</b>	<b>82,843</b>

Note a

The new Companies Act 2016 ('Act') which became effective from 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act provides that all shares issued before or upon commencement of the Act shall have no par or nominal value. In accordance with the transitional provision under Section 618(2) of the Act, any amount standing in the credit of the share premium account shall become part of the share capital. Pursuant to the aforesaid, the share premium of RM22,326,480 arising from the Company's public issue of shares was transferred to the share capital account and formed part of the share capital of the Company upon commencement of the Act on 31 January 2017. The transition to no par value shares has no effect on the number of ordinary shares in issue of the Company. Pursuant to Section 618(3) of the Act, the Company may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the Act. The Board of Directors will make a decision thereon by 31 January 2019.



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**HSS ENGINEERS BERHAD (1128564-U)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2018**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,116	9,016
Adjustments for:		
Depreciation of property, plant and equipment	665	546
Amortisation of intangible assets	139	163
Bad debts written off	-	89
Reversal of allowance for impairment losses	(12)	-
Unrealised loss on foreign exchange	-	53
Interest on hire purchase	77	47
Interest on bank overdrafts	764	662
Interest on term loan	1,498	-
Interest on deferred cash consideration	111	-
Net movement in provision for compensated absences	(60)	123
Share of results of associates	(152)	(96)
Interest income from short term deposits	(829)	(652)
(Gain)/loss on disposal of property, plant and equipment	(1)	2
<b>Operating profit before working capital changes</b>	<b>14,316</b>	<b>9,953</b>
Changes in working capital:		
Decrease/(Increase) in trade receivables	29,782	(3,358)
Increase in contract assets	(59,606)	-
Decrease/(Increase) in other receivables, deposits and prepayments	966	(876)
Increase in trade payables	227	3,459
Increase in contract liabilities	4,309	-
(Decrease)/Increase in other payables, accruals and provisions	(1,695)	1,472
Increase in amount due to an associate	10,945	-
Decrease in retirement benefit obligations	(33)	-
<b>Cash (used in)/generated from operations</b>	<b>(789)</b>	<b>10,650</b>
Tax refunded	673	-
Tax paid	(4,109)	(2,394)
<b>Net cash (used in)/from operating activities</b>	<b>(4,225)</b>	<b>8,256</b>

**HSS ENGINEERS BERHAD (1128564-U)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 JUNE 2018 (cont'd)**
*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(766)	(163)
Purchase of intangible assets	(140)	-
Proceeds from disposal of property, plant and equipment	2	^
Net cash outflow from acquisition of a subsidiary (Note A13)	(152,991)	-
Interest received on short term deposits	829	652
<b>Net cash (used in)/from investing activities</b>	<b>(153,066)</b>	<b>489</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on hire purchase financing	(590)	(367)
Placement of fixed deposits and bank balances pledged	(6,469)	(1,791)
Proceeds from term loan, net of transaction costs	83,112	-
Repayment of term loan	(25)	-
Proceeds from new shares issued pursuant to Placement	52,298	-
Proceeds from new shares issued pursuant to Rights Issue	41,481	-
Payment of shares issue expenses	(2,638)	-
Shares issued for warrants exercised	^	-
Interest paid on hire purchase	(77)	(47)
Interest paid on bank overdrafts	(764)	(662)
Interest paid on term loan	(1,347)	-
Dividend paid	-	(2,010)
<b>Net cash from/(used in) financing activities</b>	<b>164,981</b>	<b>(4,877)</b>
<b>Net increase in cash and cash equivalents during financial period</b>	<b>7,690</b>	<b>3,868</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>29</b>	<b>15</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>13,156</b>	<b>12,901</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>20,875</b>	<b>16,784</b>

^ Represents less than RM100.



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED  
30 JUNE 2018 (cont'd)**

*(The figures have not been audited)*

Components of cash and cash equivalents as at 30 June 2018 is as follows:

	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Cash and bank balances	11,059	3,319
Short term deposits with licensed banks	55,181	41,166
Bank overdrafts (secured)	<u>(23,087)</u>	<u>(13,535)</u>
	43,153	30,950
Less: short term deposits and bank balances pledged with licensed banks	<u>(22,278)</u>	<u>(14,166)</u>
	<b><u>20,875</u></b>	<b><u>16,784</u></b>

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## HSS ENGINEERS BERHAD (1128564-U)

### NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018

#### 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 ("HEB" 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 Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 and 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 audited consolidated financial statements of the Group for the financial year ended 31 December 2017 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 2018:

##### **MFRSs (Including The Consequential Amendments)**

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- MFRS 15, Revenue from Contract with Customers
- Clarifications to MFRS 15, Revenue from Contract with Customers
- Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 140 - Transfers of Investment Property
- Amendments to MFRS 128 - Investments in Associates and Joint Ventures classified as "Annual Improvements to MFRSs 2014-2016 Cycle"
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The application of the above Amendments to Standards or new Standards did not have significant impact on this interim financial report other than as described below:

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

MFRS 9 requires the Group to apply retrospectively the expected credit loss ("ECL") model in determining impairment losses on its financial assets measured at amortised cost. The Group has applied the simplified approach under the Standard to determine the lifetime expected credit losses for its trade receivables and contract assets by using a provision matrix at the reporting date. The Group has assessed that there are no lifetime expected credit losses on the Group's trade receivables and contract assets. Accordingly, the initial application of the ECL model did not result in an increase in allowance for impairment losses on these financial assets for the current and prior periods.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**
**134: INTERIM FINANCIAL REPORT (cont'd)**
**A2. Changes in accounting policies (cont'd)**
**MFRS 15 and Clarifications to MFRS 15, Revenue from Contract with Customers**

The Group has applied MFRS 15 and Clarifications to MFRS 15, Revenue from Contract with Customers retrospectively in accordance with paragraph C3(b) of Appendix C to MFRS 15 with the cumulative effect of initially applying this Standard recognised as an adjustment to the opening balance of retained profits in the initial period of application and comparatives for prior period would not be adjusted. In accordance with the transition requirements, the Group applied this Standard retrospectively only to contracts that are not completed contracts at the date of initial application of the Standard, i.e. 1 January 2018.

As a result of the application of MFRS 15, revenue recognised for services rendered which is conditional on further performance obligation and progress billings of which performance obligation has yet to be satisfied relating to such contracts in progress are classified as contract assets and contract liabilities respectively with the contract assets subjected to impairment assessment for expected credit losses under MFRS 9.

The following table presents the impact on the financial statement line items as at 30 June 2018 arising from the application of the new MFRS 15 as compared with the previous revenue guidance under MFRS 111, MFRS 118 and related IC interpretations that were in effect before the change:

<b>Statement of Financial Position as at 30 June 2018 Group</b>	<b>As reported under previous revenue guidance RM'000</b>	<b>Changes RM'000</b>	<b>As reported under MFRS 15 RM'000</b>
<b>Current assets</b>			
Trade receivables	113,514	(55,297)	58,217
Contract assets	-	59,606	59,606
	<hr/>	<hr/>	<hr/>
<b>Current liabilities</b>			
Contract liabilities	-	4,309	4,309
	<hr/>	<hr/>	<hr/>

The initial application of MFRS 15 has no impact on the financial results for the current period and did not result in any adjustment to the opening retained profits as at the date of initial application.

**A3. Auditors' report on preceding audited financial statements**

The preceding year's audited financial statements of the Company, HSS Engineering Sdn Bhd, HSS BIM Solutions Pvt Ltd and BIM Global Ventures Sdn Bhd were not subject to any qualification.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**
**134: INTERIM FINANCIAL REPORT (cont'd)**
**A4. Seasonal or cyclical factors**

The Group's business operations are not materially affected by seasonal or cyclical factors on an annual basis but varies on a quarterly basis.

**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**

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

Equity

As disclosed in Note 37(a) of the audited financial statements for year ended 31 December 2017 of HEB which is included in HEB Annual Report 2017, the details of new ordinary shares ("HEB Shares") and warrants ("HEB Warrants") issued during the current period pursuant to the Placement, Rights With Bonus Issue and Warrants and SMHB Acquisition are as follows:

	<b>No. of HEB Shares</b>	<b>Amount (RM)</b>
As at 31 December 2017	319,081,010	54,234,581
New shares issued on 7 March 2018 pursuant to the Placement	34,182,000	52,298,460
Rights Shares issued on 16 March 2018 pursuant to the Rights with Bonus Issue and Warrants	31,908,101	<sup>(1)</sup> 12,284,619
Bonus Shares issued on 16 March 2018 pursuant to the Rights with Bonus Issue and Warrants	15,954,050	-
Shares Consideration issued on 28 March 2018 pursuant to the SMHB Acquisition	94,736,842	135,473,684
Issuance of new shares arising from exercise of warrants	15	25
Transfer from warrants reserve for warrant exercised during the period	-	9
<b>Share capital as at 30 June 2018</b>	<b>495,862,018</b>	<b>254,291,378</b>

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**
**134: INTERIM FINANCIAL REPORT (cont'd)**
**A7. Debt and equity securities (cont'd)**

	<b>No. of HEB Warrants</b>	<b>Amount (RM)</b>
As at 31 December 2017	-	-
New warrants issued on 16 March 2018 pursuant to the Rights with Bonus Issue and Warrants	47,862,151	<sup>(1)</sup> 29,195,912
Transfer to share capital for warrants exercised during the period	(15)	<sup>(1)</sup> (9)
<b>Warrants as at 30 June 2018</b>	<b>47,862,136</b>	<b>29,195,903</b>

(1) Being proceeds from the Rights with Bonus Issue and Warrants allocated between the share capital account and the warrants reserve account of the Company based on the theoretical fair value of the Warrants of RM0.61 per Warrant, which was derived from the trinomial option pricing model.

**A8. Dividend paid**

An interim single tier dividend of 0.79 sen per ordinary share for the financial year ended 31 December 2017 totalling RM2,520,740 was paid on 23 January 2018. There was no dividend paid during the current quarter under review.

**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 Modeling ("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 2018 were as follows:-

	<b>RM'000</b>
Authorised but not contracted for:	<u>3,297</u>

**A12. Material events subsequent to the end of the current financial period**

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**
**134: INTERIM FINANCIAL REPORT (cont'd)**
**A13. Effect of Changes in composition of the Group**
Acquisition of Entire Equity Interest in SMHB Engineering Sdn Bhd

On 27 October 2017, the Company announced that it has entered into a conditional share sale agreement ("SSA") with the shareholders of SMHB Engineering Sdn Bhd ("SMHB Engineering") to acquire the entire equity interest in SMHB Engineering for a purchase consideration of RM270,000,000 to be satisfied via the issuance of 94,736,842 new ordinary shares ("Shares Consideration") in HEB at an issue price of RM1.14 per HEB share and RM162,000,000 in cash ("Cash Consideration") ("collectively known as SMHB Acquisition").

An internal reorganisation of SMHB Engineering was executed prior to the acquisition to facilitate the SMHB Acquisition. Post the internal reorganisation, SMHB Engineering together with its wholly owned subsidiary namely SMHB Environmental Sdn Bhd and a 30% owned associate namely SMHB Sdn Bhd ("collectively known as SMHB Engineering Group") shall be involved in the provision of engineering and project management services in water infrastructure sector.

On 28 March 2018, the Company completed the SMHB Acquisition and following which, SMHB Engineering Sdn Bhd and SMHB Environmental Sdn Bhd became wholly owned subsidiaries of the Group and SMHB Sdn Bhd became associate of the Group.

Details of the assets and liabilities arising from the acquisition of SMHB Engineering Group are as follows:

	<b>RM'000</b>
Property, plant and equipment	1,304
Investment in associate	*
Cash and bank balances	9
Amount due to an associate	(9)
Goodwill (Note 1)	294,726
Fair value of purchase consideration	<u>296,030</u>

\* Represents RM4.00 only.

The fair value of purchase consideration was derived as follows:

	<b>RM'000</b>
Upfront Cash Consideration	153,000
Deferred Cash Consideration (Note 2)	7,557
Fair value of Shares Consideration issued on 28 March 2018 (Note 3)	<u>135,473</u>
Total	<u>296,030</u>



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**HSS ENGINEERS BERHAD (1128564-U)**

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

**EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS")**

**134: INTERIM FINANCIAL REPORT (cont'd)**

**A13. Effect of Changes in composition of the Group (cont'd)**

Note 1: Goodwill is a provisional amount as at 30 June 2018 pending the completion of the Purchase Price Allocation ("PPA") exercise to identify and measure the fair values of intangible assets acquired from the SMHB Acquisition. The acquisition was only completed on 28 March 2018 and therefore PPA exercise is still on-going as at the end of the reporting date.

Note 2: A deferred cash consideration amounting to RM9,000,000 will only be paid to the shareholders of SMHB Engineering on the third (3<sup>rd</sup>) anniversary from the completion date of SMHB Acquisition. The aforesaid amount is discounted at the rate of 6.0% per annum being the existing borrowing rate of the Group to arrive at the fair value of RM7,556,574 on initial recognition.

Note 3: The fair value of Shares Consideration is derived by multiplying the total new shares issued of 94,736,842 with RM1.43, being the closing market price of HEB share as at 28 March 2018.

The net effects of cash flows arising from the acquisition of SMHB Engineering Group are as follows:

	<b>RM'000</b>
Upfront Cash Consideration paid	(153,000)
Cash and bank balances acquired	9
Net cash outflow	<u>(152,991)</u>

**A14. Contingent assets or contingent liabilities**

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

**A15. Related party transactions**

There were no related party transactions entered into during the current period under review.

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**ENGINEERS**

**HSS ENGINEERS BERHAD (1128564-U)**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Review of performance**

For the current quarter and current period to date under review, the Group recorded revenue of RM55.0 million and RM89.0 million respectively.

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

	Quarter ended				Year to date ended			
	30 June 2018	30 June 2017	Variance		30 June 2018	30 June 2017	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Engineering services</b>								
- Engineering design	21,534	10,417	11,117	>100	34,805	19,979	14,826	74.2
- Construction supervision	19,142	5,481	13,661	>100	25,587	11,415	14,172	>100
<b>Project management</b>	10,990	15,260	(4,270)	(28.0)	23,334	27,934	(4,600)	(16.5)
<b>BIM services</b>	175	255	(80)	(31.3)	55	721	(666)	(92.4)
<b>Reimbursable income</b>	3,233	6,457	(3,224)	(50.0)	5,304	7,082	(1,778)	(25.1)
<b>TOTAL</b>	<b>55,074</b>	<b>37,870</b>	<b>17,204</b>	<b>45.4</b>	<b>89,085</b>	<b>67,131</b>	<b>21,954</b>	<b>32.7</b>

Engineering design

Engineering design revenue increased substantially by RM11.1 million and RM14.8 million for the current quarter and current period ended 30 June 2018 respectively as compared to the corresponding quarter and period in previous year. This is attributable to the major on-going projects which includes East Coast Rail Line ("ECRL") detailed design and preliminary design, Proposed Tun Razak Exchange (TRX) External Roads and West Coast Expressway have contributed to the major proportion of engineering design revenue. However, this was compensated by the completion of few projects including ECRL scheme design and Temporary Common Camp Facilities and Infrastructure for Refinery and Petrochemicals Integrated Development ("RAPID") Project.

In addition, our newly acquired subsidiary, SMHB Engineering Sdn Bhd who started to contribute revenue to our Group post acquisition has led to an increase in engineering design revenue by RM6.7 million.



**ENGINEERS**

## **HSS ENGINEERS BERHAD (1128564-U)**

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### **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

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

##### **B1. Review of performance (cont'd)**

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

###### Construction supervision

Our major on-going supervision projects including Maju Expressway Extension To KLIA, Sungei Besi-Ulu Kelang Elevated Expressway and West Coast Expressway, ECRL supervision which are progressing well in line with the construction stage of these projects continued to contribute majority of the supervision revenue during current period and quarter ended 30 June 2018. However, this was offsetted by completed project, i.e. LRT Ampang Line Extension and Kuantan Port Expansion in line with their completion status.

In addition, our newly acquired subsidiary, SMHB Engineering Sdn Bhd who started to contribute revenue to our Group post acquisition has led to a substantial increase in construction supervision revenue by RM12.4 million.

###### Project management

The revenue from project management for both current period and quarter decreased as compared to the same corresponding periods in previous year. This is in line with the progress of the on-going project management projects which include MRT Line 2 –Jajaran Sg. Buloh-Serdang-Putrajaya and MRT Line 1- Jajaran Sg. Buloh-Kajang. However, this is offset by project Pelaksanaan Pembangunan Rumah Mampu Milik (Rumah Selangorku) which is progressing as per schedule.

###### BIM services

BIM services accounted for small proportion of the Group's revenue. The reduction in revenue for both current period and quarter was mainly due to the completion of certain BIM projects.

###### Reimbursable income

Reimbursable income is recognised on a back to back basis with sub-consultant and allowances claimed by supervision staff and therefore it has no significant impact on the financial performance of the Group regardless of the decline or rise in reimbursable income.



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**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	30 June	Variance		30 June	30 June	Variance	
	2018	2017	RM'000	%	2018	2017	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Local</b>								
Malaysia	55,053	37,126	17,927	48.3	88,723	65,979	22,744	34.5
<b>Overseas</b>								
India	(3)	141	(144)	>(100)	12	214	(202)	(94.3)
Middle East	1	48	(47)	(98.7)	(39)	383	(422)	>(100)
Brunei	-	555	(555)	(100)	-	555	(555)	(100)
Indonesia	23	-	23	100	389	-	389	100
<b>TOTAL</b>	<b>55,074</b>	<b>37,870</b>	<b>17,204</b>	<b>45.4</b>	<b>89,085</b>	<b>67,131</b>	<b>21,954</b>	<b>32.7</b>

Local market continued to contribute significant portion of revenue amounting to 98.0% of the Group's total revenue. The higher revenue posted by Malaysia segment was attributed to local projects explained in section (a) above.

(c) Profit after tax ("PAT")

PAT for current quarter ended 30 June 2018 grew substantially by RM3.93 million or 132.3% is mainly attributable to newly acquired subsidiary, i.e. SMHB Engineering Sdn Bhd who contributed RM3.3 million in current quarter post acquisition apart from higher PAT contributed by existing subsidiary, HSS Engineering Sdn Bhd. However, this is compensated by higher interest expense by RM1.7 million mainly arising from the term loan of RM85 million to part finance the acquisition of SMHB Engineering Sdn Bhd.

PAT for current period ended 30 June 2018 increased by RM1.65 million or 27.0% is mainly attributable to newly acquired subsidiary, i.e. SMHB Engineering Sdn Bhd who contributed RM3.3 million in current quarter post acquisition apart from higher PAT contributed by existing subsidiary, HSS Engineering Sdn Bhd. However, this is compensated by higher interest expense by RM1.74 million mainly arising from the term loan of RM85 million to part finance the acquisition of SMHB Engineering Sdn Bhd and one-off expenses totalling RM2.58 million incurred for our multiple corporate exercises for the acquisition of SMHB Engineering Sdn Bhd which were completed in March 2018.

**HSS ENGINEERS BERHAD (1128564-U)**
**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B1. Review of performance (cont'd)**

- (d) Our unbilled order book which includes order book from SMHB Engineering Sdn Bhd as at 30 June 2018 is as follows:

	<b>RM'000</b>	<b>%</b>
Engineering services		
- Engineering design	155,326	24.6
- Construction supervision	355,794	56.4
Project management	113,700	18.1
	<u>624,820</u>	<u>99.1</u>
BIM services	5,969	0.9
<b>Total</b>	<b><u>630,789</u></b>	<b><u>100</u></b>

The above unbilled order book will be billed progressively on average over the next two (2) to five (5) years.

**B2. Comparison with preceding quarter's profit before taxation**

	<b>Current Quarter 30 June 2018 RM'000</b>	<b>Preceding Quarter 31 March 2018 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Revenue	55,074	34,011	21,063	61.9
Gross profit	19,078	11,331	7,747	68.4
Profit before taxation	9,982	2,134	7,848	>100.0

The profit before tax ("PBT") for current quarter grew substantially by more than 100% or RM7.85 million as compared to PBT for immediate preceding quarter ended 31 March 2018. This was mainly due to contribution from SMHB Engineering Sdn Bhd which reported a PBT of RM4.46 million. In addition, the lower PBT in previous quarter was impacted by one-off expenses totalling RM2.58 million incurred for our multiple corporate exercises for the acquisition of SMHB Engineering Sdn Bhd which were completed in March 2018.



**ENGINEERS**

## **HSS ENGINEERS BERHAD (1128564-U)**

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### **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

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

##### **B3. Prospects**

###### **(i) Prospects in the Water Infrastructure Sector**

For the current quarter, revenue and earnings have been boosted by the consolidation of results of SMHB Engineering Group as the completion of the acquisition was completed on 28 March 2018. SMHB Engineering Group is principally involved in engineering consultancy services primarily in water infrastructure sector with more than 35 years of expertise and experiences in the water sector. In view of this, the Board of Directors is of the view that through SMHB Engineering Group, our enlarged Group will be able to leverage on their expertise and track record in the water sector whereby there will be accelerated spending in this sector given their strategic importance to the country.

On 3 August 2018, Selangor State Government through a special purpose vehicle ("SPV") Pengurusan Air Selangor Sdn Bhd has made a fresh offer of RM2.55 billion for 100% stake in water treatment operator, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"). This positive development brings closure to the 10-year deadlock situation in Selangor's water consolidation initiative.

The acquisition will allow for all water assets in Selangor to be restructured and to facilitate investments in the water industry to have an efficient and optimized water supply management system in the state. Investments in water assets in terms of source, treatment and distribution are required to resolve the continuing water crisis by boosting water reserve margins, to accommodate for the increasing demand by both industrial and consumer users, improving connectivity and also to reduce non revenue water loss.

###### **(ii) Status of East Coast Rail Link ("ECRL") Pending Government's Review**

Given the high national debt level, we are supportive of the government's efforts in reducing the debt level which includes the review of mega projects like ECRL. On 9 July 2018, we have made announcements on the suspension of services for both detail design and supervising consultancy services for infrastructure work for one of the packages in ECRL.

There was no significant impact on the operations and financials of the Company up to the date of suspension in the current financial period as all completed works shall be compensated for in accordance with the terms and conditions of the contracts.

Upon completion of the Government's review, there will be clearer visibility upon receipt of direction from the client for us to assess the financial impact, if any. In the event the suspension of the contracts is lifted, it is expected for both contracts to contribute positively to the revenue and earnings of the Company.



**ENGINEERS**

**HSS ENGINEERS BERHAD (1128564-U)**

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

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

**B3. Prospects (cont'd)**

(iii) Future Plans

The Group has put in place a series of future plans as follows:-

- (a) Continuous enhancement on its Building Information Modeling ("BIM") services which will be made mandatory in 2020 onwards for public projects worth RM100 million in Malaysia;
- (b) Proposed venture into a fourth (4<sup>th</sup>) core service i.e. facility management to develop a steady long term income business model;
- (c) Geographical expansion into ASEAN and India regions; and
- (d) Venturing into the provision of support services to the power generation sector which is expected to receive strong government support.

Premised on the aforesaid plans (i) and (iii), the Group expects reasonable performance in the financial year 2018 given the existing unbilled order book balance of RM630.8 million which will provide visibility in earnings for the next 2-3 years.

Despite of the current business environment and 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 2018 will remain challenging.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B4. Income tax expense**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 June 2018 RM'000</u>	<u>30 June 2017 RM'000</u>	<u>30 June 2018 RM'000</u>	<u>30 June 2017 RM'000</u>
<u>Income tax expense</u>				
- Current financial period	3,065	1,522	4,393	2,965
<u>Deferred tax</u>				
Current financial period	18	(3)	(57)	(78)
Total tax expense	<u>3,083</u>	<u>1,519</u>	<u>4,336</u>	<u>2,887</u>
Effective tax rate (%)	<u>30.9</u>	<u>33.8</u>	<u>35.8</u>	<u>32.0</u>

The effective tax rate for the current quarter and financial year to date ended 30 June 2018 is higher than the statutory tax rate of 24% mainly due to a one-off non-deductible expenses totalling RM2.58 million incurred for our multiple corporate exercises for the acquisition of SMHB Engineering Sdn Bhd which were completed in March 2018. 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 which are non-deductible had also contributed to the increase in effective tax rate.

**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**

There is no corporate proposal announced but not completed as at the date of this report.



ENGINEERS

**HSS ENGINEERS BERHAD (1128564-U)**

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**

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

**B7. Status of utilisation of proceeds from corporate exercise**

**(i) Utilisation of proceeds from the Initial Public Offering ("IPO")**

On 6 February 2018, the Company announced its intention to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the ACE Market of Bursa Malaysia Securities Berhad on 10 August 2016. The Company has raised gross proceeds of approximately RM31.91 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

No.	Details of Utilisation	IPO Proceeds <sup>(a)</sup> (RM'000)	Actual Utilisation <sup>(b)</sup> (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation (RM'000)	Proposed Variations of IPO Proceeds Utilisation (RM'000)	Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)	Revised Expected Timeframe for Utilisation of IPO Proceeds (from the listing date)
1.	(a) Expansion into India	15,000	-	15,000	(10,000) <sup>(c)</sup>	5,000	18 months	Up to 36 months
	(b) Venture into the water sector in Malaysia	6,000	-	6,000	(6,000) <sup>(c)</sup>	-	18 months	-
	(c) Venture into the power sector in Malaysia	3,000	-	3,000	-	3,000	18 months	Up to 36 months
	(d) Building Information Modeling ("BIM")	-	-	-	8,000	8,000	-	Up to 36 months
	(e) Facility Management	-	-	-	8,000	8,000	-	Up to 36 months
	<b>Subtotal</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>		
2.	Repayment of bank borrowings	4,000	4,000	-	-	-	3 months	n/a
3.	General working capital	708	708	-	-	-	12 months	n/a
4.	Estimated listing expenses	3,200	3,200	-	-	-	1 month	n/a
	<b>Total IPO proceeds</b>	<b>31,908</b>	<b>7,908</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>		

**Notes:**

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

(b) As at 30 June 2018

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

**HSS ENGINEERS BERHAD (1128564-U)**
**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B7. Status of utilisation of proceeds from corporate exercise (cont'd)**
**(ii) Utilisation of proceeds from the Placement**

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation <sup>(a)</sup> (RM'000)	Intended Timeframe for Utilisation	Deviation (RM'000)
To pay partially the upfront Cash Consideration of RM153,000,000 for SMHB Acquisition	52,298	52,298	Within 1 month from the date of listing of the Placement shares <sup>(b)</sup>	-

**(iii) Utilisation of proceeds from Rights with Bonus Issue and Warrants**

	Purpose	Proposed Utilisation (RM'000)	Actual Utilisation <sup>(a)</sup> (RM'000)	Intended Timeframe for Utilisation	Deviation	
					(RM'000)	%
1.	To pay partially the upfront Cash Consideration of RM153,000,000 for SMHB Acquisition	15,700	15,702	Within 1 month from the date of listing of the Rights shares <sup>(c)</sup>	2	0.01%
2.	Forming part of the deferred Cash Consideration of RM9,000,000 for SMHB Acquisition to be paid on third anniversary from the completion date of the aforesaid acquisition	9,000	-	On the third anniversary of the completion date of SMHB Acquisition <sup>(d)</sup>	N/A	N/A
3.	Repayment of the financing facility for the SMHB Acquisition	9,281	-	Within 6 months from the date of listing of the Rights shares <sup>(c)</sup>	N/A	N/A
4.	Defray estimated expenses relating to the corporate exercises which comprised SMHB Acquisition, Placement and Rights with Bonus Issue and Warrants	7,500	7,147	Within 1 month from the date of listing of the Rights shares <sup>(c)</sup>	353 <sup>(e)</sup>	4.7%
	<b>TOTAL</b>	<b>41,481</b>	<b>22,849</b>			

(a) As at 30 June 2018.

(b) The listing date of Placement shares was on 8 March 2018.

(c) The listing date of the Rights shares was on 21 March 2018.

(d) The completion date of SMHB Acquisition was on 28 March 2018.

(e) The actual expenses was only RM7.147 million and hence, resulted in a variance of RM353,000.

**HSS ENGINEERS BERHAD (1128564-U)**
**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B8. Group's borrowings and debt securities**

The Group's borrowings as at 30 June 2018 are as follows:-

	<b>As at 30 June 2018 RM'000</b>	<b>As at 30 June 2017 RM'000</b>
<b>Current:</b>		
Hire purchase payables	880	753
Bank overdrafts	23,087	13,535
Term loans	10,149	-
	34,116	14,288
<b>Non-current:</b>		
Hire purchase payables	931	445
Term loans	73,196	-
	74,127	445
<b>Total borrowings:</b>		
Hire purchase payables	1,811	1,198
Bank overdrafts	23,087	13,535
Term loans	83,345	-
	<b>108,243</b>	<b>14,733</b>

Included in term loans above is a foreign currency term loan which is unsecured and denominated in Indian Rupee ("INR") and the details as at 30 June 2018 is as follows:

	<b>Amount in foreign currency INR'000</b>	<b>Amount in RM<sup>^</sup> RM'000</b>
Current	645	38
Non-current	885	52
	<b>1,530</b>	<b>90</b>

<sup>^</sup> It is translated based on the middle rate of Bank Negara Malaysia's exchange rate of INR100: RM5.8864 as at 29 June 2018.

The INR term loan is not hedged to Ringgit Malaysia as the amount is immaterial to the Group.

Saved as disclosed in the above, all other borrowings are secured and denominated in Ringgit Malaysia.



**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**B8. Group's borrowings and debt securities (cont'd)**

The significant increase in borrowings as at the end of the current period is attributable to a Commodity Murabahah Term Financing-I ("CMTF-I") term loan facility of up to RM85.0 million secured by the Company from a financial institution on 2 November 2017 to part-finance the cash consideration for the SMHB Acquisition. The facility has a tenure of 5 years from the date of first drawdown and bears an effective profit rate of 2.25% above the financier's cost of fund per annum. The facility is secured by charge and assignment of shares in SMHB Engineering Sdn Bhd including all rights and benefits to the pledged shares, assignment of contract proceeds of the Company, assignment of contract proceeds and contracts by the Company's subsidiaries and associates, debenture over the Company's fixed and floating assets, negative pledge over the Group's present and future assets, undertaking by the Company to prepay the CMTF-I with any proceeds raised from the exercise of the HEB warrants and assignment of designated bank accounts. The Company has utilized in full the CMTF-I on 27 March 2018 for the SMHB Acquisition.

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

**B9. Material litigation**

There is no litigation or arbitration 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.

**B10. Dividend Payable**

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

**B11. Earnings per share ("EPS")**

The basic and diluted EPS are computed as follows:

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	6,899	2,970	7,780	6,129
Weighted average number of ordinary shares in issue ('000)	433,544	347,408	433,544	347,408
Basic EPS (sen)	<u>1.60</u>	<u>0.85</u>	<u>1.79</u>	<u>1.76</u>
Diluted EPS (sen)	<u>1.60</u>	<u>0.85</u>	<u>1.79</u>	<u>1.76</u>

The calculation of diluted earnings per share of the Group for current period excluded warrants issued by the Company in the current period as its inclusion would have been antidilutive.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2018**
**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)**
**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		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Depreciation of property, plant and equipment	380	275	665	546
Amortisation of intangible assets	65	78	139	163
Reversal of allowance for impairment losses	(12)	-	(12)	-
Bad debts written off	-	89	-	89
Interest expense	2,073	366	2,450	709
Interest income	(426)	(278)	(829)	(652)
Loss/(Gain) on disposal of property, plant & equipment	-	2	(1)	2
(Gain)/Loss on foreign exchange	(27)	41	23	83

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

**B13. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 15 August 2018.

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