



**ENGINEERS**

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

Malaysia's Engineering DNA

**INNOVATING  
THE ENGINEERING  
LANDSCAPE**

Annual Report 2016

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# COVER RATIONALE

The cover features a Light Rail Transit (“LRT”), which is one of our major projects. It symbolises our connection to a global presence, through our engineering expertise and experience. In addition, the impressive LRT highlights the massive scale of our infrastructure projects as well as our confidence as we surge into the future.





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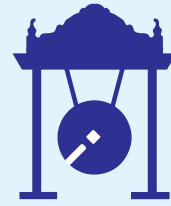
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Proxy Form

# HEB AT A GLANCE

LISTED ON THE ACE MARKET  
OF BURSA MALAYSIA SECURITIES  
BERHAD ON 10 AUGUST 2016



LEADING ENGINEERING CONSULTANT INVOLVED  
IN MRT & LRT PROJECTS, WESTPORTS, WEST  
COAST EXPRESSWAY, KWASA DAMANSARA, MAJU  
EXPRESSWAY, PENANG BRIDGE WIDENING,  
NORTH-SOUTH EXPRESSWAY AMONGST OTHERS



ORDER  
BOOK  
RM

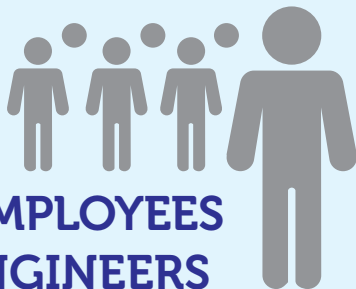
**378.4**

**MILLION**

AS AT 31 DECEMBER 2016



MORE  
THAN  
**1/2** OF  
OUR EMPLOYEES  
ARE ENGINEERS



ONE OF THE  
PIONEERS IN  
MALAYSIA  
TO ADOPT

**BIM** TECHNOLOGY



**REVENUE** **+14%** RM **139** in 2016  
**MILLION**  
(RM121.5 million in 2015)

# CORE SERVICES

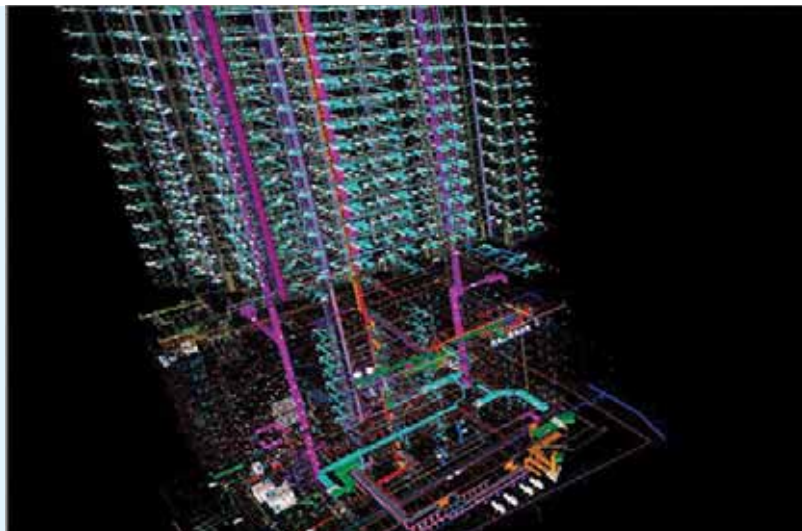
**ENGINEERING  
DESIGN AND  
CONSTRUCTION  
SUPERVISION  
SERVICES**



**PROJECT  
MANAGEMENT  
SERVICES**



**BUILDING  
INFORMATION  
MODELING ("BIM")  
SERVICES**







# MISSION STATEMENT

**“To be recognised as Malaysia’s premier engineering consultant, as reflected in our outstanding contribution to the development of the nation’s infrastructure; and retain this position through our excellent service and superior technical quality, innovation and performance”**

# ABOUT HEB

HSS Engineers Berhad (“HEB” or the “Company”) is an investment holding company which was incorporated in January 2015 under the Companies Act, 1965 as a private limited company under the name of HSS Engineers Sdn. Bhd. before it was converted into a public limited company. The Company assumed its present name in March 2015.

HEB, through its subsidiaries (“HEB Group” or the “Group”) and associates, is principally involved in the provision of engineering and project management services including engineering design, construction supervision, project management and building information modeling services.

To date, the Group’s total workforce consists of more than 600 employees, of which more than half are engineers. The Group operates from 3 main offices, based in Kuala Lumpur and Penang in Malaysia as well as Chennai in India.

The HEB Group has longstanding experiences in a wide array of sectors, which includes urban infrastructure, roads and highways, railways and metro systems, building and structures, transportation planning, power generation, and water resources and supply, just to name a few. The Group provides its services on a global scale, to local clients as well as clients in countries such as India and the Middle East.





# DRIVING ENGINEERING FORWARD

## GLOBAL EXPANSION

Our core competency lies in the field of engineering. Our capabilities have been put to the test through the past three decades. Indeed, our impressive track record encompasses iconic infrastructure projects across Malaysia.

Now, we continue to spread our wings globally, as we soar to fulfill our true potential.





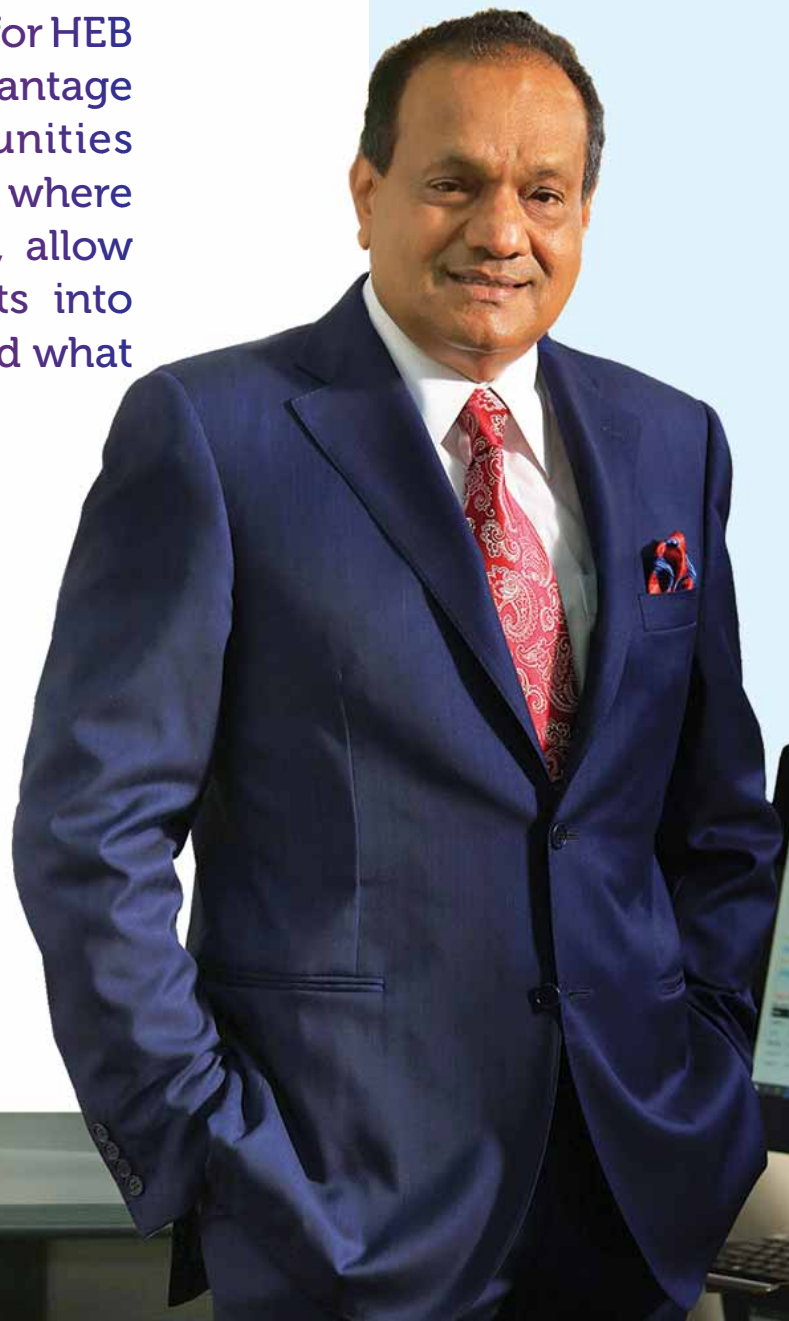


# OUR STORY

## DEAR SHAREHOLDERS,

It is my pleasure and privilege to present you with the inaugural Annual Report of HSS Engineers Berhad (“HEB” or “the Company”). Thank you for believing in HEB and for your invaluable support as our valued shareholders. The future holds much promise for HEB as we ramp up to take advantage of the many opportunities before us. To understand where your Company is heading, allow me to share some insights into where we’ve come from and what we stand for.

**Dato’ Sri Ir. Kuna Sittampalam**  
Co-Founder/Executive Director





## AN AUDACIOUS DREAM

In the 1980s, two young engineers were drawn together by an audacious dream of building a consulting firm that would transform the engineering landscape of Malaysia and take it to another level. With the steadfast belief that “Malaysia needed us”, the late Datuk Santhakumar and I, both then in our early 30’s, decided to model ourselves after the successful international management consultants of that time and build a firm based on innovation and excellence. Despite the challenges facing the construction industry then with projects hard to come by, we were determined that nothing would deter us and so we ventured out.

## A PASSION FOR INNOVATION AND EXCELLENCE

Being keen advocates of technology, and in line with our vision of innovation and excellence, we began to introduce cutting edge engineering technology into our local projects. While proven in the US and the UK, innovations such as, AutoCAD and total station surveys were novelties to the Malaysian engineering fraternity at the time. We were also the first to leverage on value engineering and risk management techniques, practices that have become commonplace nowadays. Our firm was also one of the pioneers in the use of 3D design or Building Information Modeling (“BIM”) in Malaysia.

We worked hard to scale-up our services to a level that made a real difference. Gradually, the engineering fraternity began to take notice of “those young engineers” and our unflinching commitment to innovation and new levels of excellence.

## STRENGTHENING OUR Foothold

The early to mid-90s were the years when the country was building iconic infrastructure. These were also our formative years where we truly came into our own. Our involvement in the ground breaking North-South Highway, KLIA, Westports and Putra LRT projects, among others, all enabled us to strengthen our core competencies and evolve into a major industry player. These were very fruitful years for us and we went on to win prestigious awards for our good work. More importantly, the industry began to pay more attention to us, acknowledging our position as an innovative engineering firm pursuing excellence.

Then came the Asian Crisis of 1997/1998 which hit everyone in the industry. While our operations were hit hard, we were able to weather the challenges and get back on our feet given our strong track record and proven credentials. At that time, we were very fortunate to have secured two solid projects. The first project, namely the the Maju Expressway (“MEX”), linking the Administrative Centre in Putrajaya to Kuala Lumpur’s CBD, kicked off in 2002. This was followed by the Rawang-Ipoh Double Tracking railway project in 2007. The challenging MEX project, which involved the construction of a highway hopping across dense built-up areas in the city, called for designs that departed from the norm. We successfully delivered on this project and were recognised for our efforts with the ACEM Engineering Award 2008.

The new millennium brought with it both new challenges and new opportunities. Amidst a highly competitive environment, we focused on innovating our design tools and methodologies as well as honing our people competencies to keep our competitive edge. We embraced new opportunities and delivered on our projects with aplomb. The many awards and accolades that we received throughout the decade bear testament to our efforts to become one of the nation’s leading engineering service providers.



*Conferment of “Leadership Excellence in Engineering” Award at the 7<sup>th</sup> Middle East Business Leaders Awards 2016*

# OUR STORY

## A FOCUS ON MEASURED, STEADFAST GROWTH

As you may know, HEB was listed on the ACE Market in August 2016 primarily to raise capital to expand overseas and to explore new opportunities locally. Our listing also comes at a time when foreign competition is expected to intensify with Malaysia being a signatory to the General Agreement on Trade In Services.

In the midst of all this, we believe that HEB can stand out as a tried and proven Malaysian engineering brand that has much to offer the world and which can hold its own against foreign competition. We will leverage on our reservoir of intellectual capital and our solid track

record to grow our brand and strengthen our position. We have a lot to offer and the capital infusion will allow us to do this. With the announcement of a slew of mega projects including the Bandar Malaysia and Tun Razak Exchange developments, the expansion of public rail transit networks, as well as the East Coast Rail Line and High-Speed Railway project linking Malaysia and Singapore, ample opportunities abound for local companies with strong technical and financial backing.

As HEB Group moves forward, we will leverage on our three existing core services, namely engineering services, project management and BIM services to drive sustainable growth. Our adoption

of BIM technology has certainly strengthened our arsenal. BIM is the game changer that will enable greater efficiencies and effectiveness for the construction industry. Based on overseas research, it has the potential to provide a 20%-25% cost reduction across the entire value chain, an immensely radical improvement. In tandem with this, we have set up two companies – BIM Global Ventures Sdn Bhd providing BIM services to our Malaysian customers and HSS BIM Solutions Pvt. Ltd. (incorporated in Chennai, India) to serve our international clientele. The latter operation is earmarked to be our centre of excellence for the continued development and proliferation of BIM services internationally.



*Puchong Tesco LRT station*





*BIM technology*

We will venture into a fourth core service, which is facility management and will also be exploring the many opportunities in the local power and water sectors through partnerships and acquisitions. We will also be looking to expand our international footprint by expanding our presence in ASEAN, the Middle East and India through strategic partnerships. With investments in infrastructure and building development in these regions expected to remain robust, we are optimistic of our chances in these markets.

Your Board of Directors is certainly mindful of what to expect when venturing beyond Malaysian shores. The Board has set certain stringent criteria when evaluating all opportunities and will conduct thorough due diligence before undertaking any new ventures.

### **CONSTANTLY EMBRACING CHANGE AND INNOVATION**

I must thank our loyal and talented staff for persevering with us throughout the years amidst the ups and downs of the industry. Their dedication and resilience bear testament to the strength of the HEB family. Ultimately it is our people's capability and our constant innovation that will take this Company very far.

In our rapidly changing world, change is the one constant and our people culture is such that we are constantly embracing change. Where there was apprehension in the past when we chose to innovate, now our people are ever ready to embrace change. Unlike many other vertical and hierarchical setups, our organisation is a very horizontal organisation. We encourage our people to remain creative and to be innovative as talent can only grow if you allow creativity to grow. It is this trait that has drawn good talent to our Company.



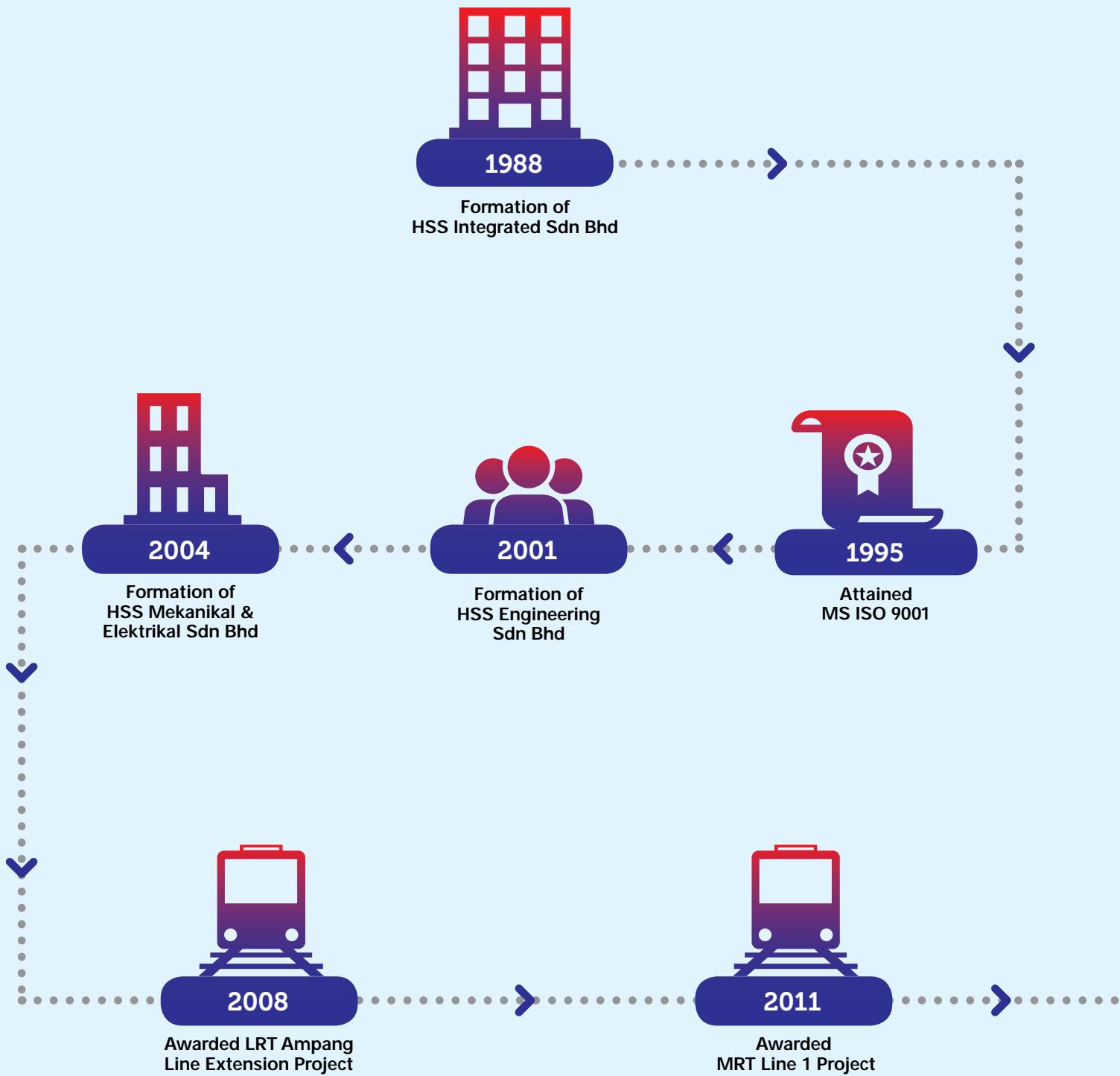
**BIM TECHNOLOGY**  
**20%-25%**  
**COST REDUCTION**  
**ACROSS THE ENTIRE**  
**VALUE CHAIN**

### **STILL AUDACIOUS BUT IN A MEASURED MANNER**

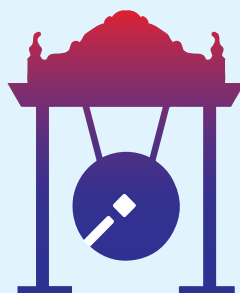
Today, we still have audacious dreams but they are more measured. There are exciting times ahead of us and your Company is in a good position to capitalise on the many opportunities out there. We will continue to pursue financial prudence as well as innovation and excellence to ensure our sustainable growth. Thank you once again for your trust and confidence in us.

**Dato' Sri Ir. Kuna Sittampalam**  
Co-Founder/Executive Director

# MILESTONES







2016 – HEB LISTED ON ACE MARKET



Awarded MRT Line 2 Project



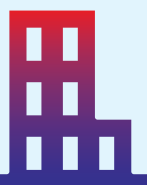
Formation of HSS Engineers Berhad (HEB)



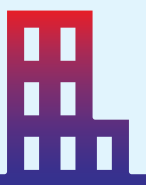
Awarded  
• ISO 9001:2008 for Quality Management System  
• ISO 14001:2004 for Environmental Management System  
• Occupational Health and Safety Policies OHSAS 18001:2007



Registered Turnover of More than RM100 Million



Formation of BIM Global Ventures Sdn Bhd



Formation of HSS BIM Solutions Private Limited



Incorporated BIM as Core Services

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Mohd Zakhir Siddiqy Bin Sidek**  
Independent Non-Executive (Chairman)

**Dato' Sri Ir. Kunasingam**  
**A/L V. Sittampalam**  
Executive Director

**Dato' Ir. Nitchiananthan**  
**A/L Balasubramaniam**  
Executive Director/  
Chief Executive Officer

**Dato' Ir. Khairudin Bin Sidek**  
Executive Director

**Mohan A/L Ramalingam**  
Senior Independent  
Non-Executive Director

**Foo Lee Khean**  
Independent Non-Executive Director

**Ir. Sharifah Azlina**  
**Bt Raja Kamal Pasmah**  
Alternate Director to  
Dato' Ir. Nitchiananthan  
A/L Balasubramaniam/  
Chief Operating Officer

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Foo Lee Khean** (Chairman)  
**Dato' Mohd Zakhir Siddiqy Bin Sidek**  
**Mohan A/L Ramalingam**

## REMUNERATION COMMITTEE

**Mohan A/L Ramalingam** (Chairman)  
**Dato' Mohd Zakhir Siddiqy Bin Sidek**  
**Foo Lee Khean**

## NOMINATION COMMITTEE

**Mohan A/L Ramalingam** (Chairman)  
**Dato' Mohd Zakhir Siddiqy Bin Sidek**  
**Foo Lee Khean**

## REGISTERED OFFICE

**Boardroom Corporate Services (KL) Sdn Bhd** (3775-X)  
Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel: +603 - 7720 1188  
Fax: +603 - 7720 1111

## HEAD OFFICE

**Wisma HSS Integrated**  
B1 (1-4) Block B, Plaza Dwtasik  
No. 21, Jalan 5/106  
Bandar Sri Permaisuri  
56000 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel: +603 - 9173 0355  
Fax: +603 - 9173 0939  
Email: heb@hss.com.my  
Website: www.hssgroup.com.my

## COMPANY SECRETARIES

**Tai Yit Chan** (MAICSA 7009143)  
**Tan Ai Ning** (MAICSA 7015852)  
**Ng Kuan Yee** (MIA 17693)

## AUDITORS

**Azman, Wong, Salleh & Co.** (AF0012)  
12th Floor, Wisma Tun Sambanthan  
No. 2, Jalan Sultan Sulaiman  
50000 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel: +603 - 2273 2688  
Fax: +603 - 2274 2688

## PRINCIPAL BANKER

**Affin Bank Berhad** (25046-T)  
17th Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel: +603 - 2055 9000

## SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel: +603 - 2783 9299  
Fax: +603 - 2783 9222

## ADVISOR AND SPONSOR

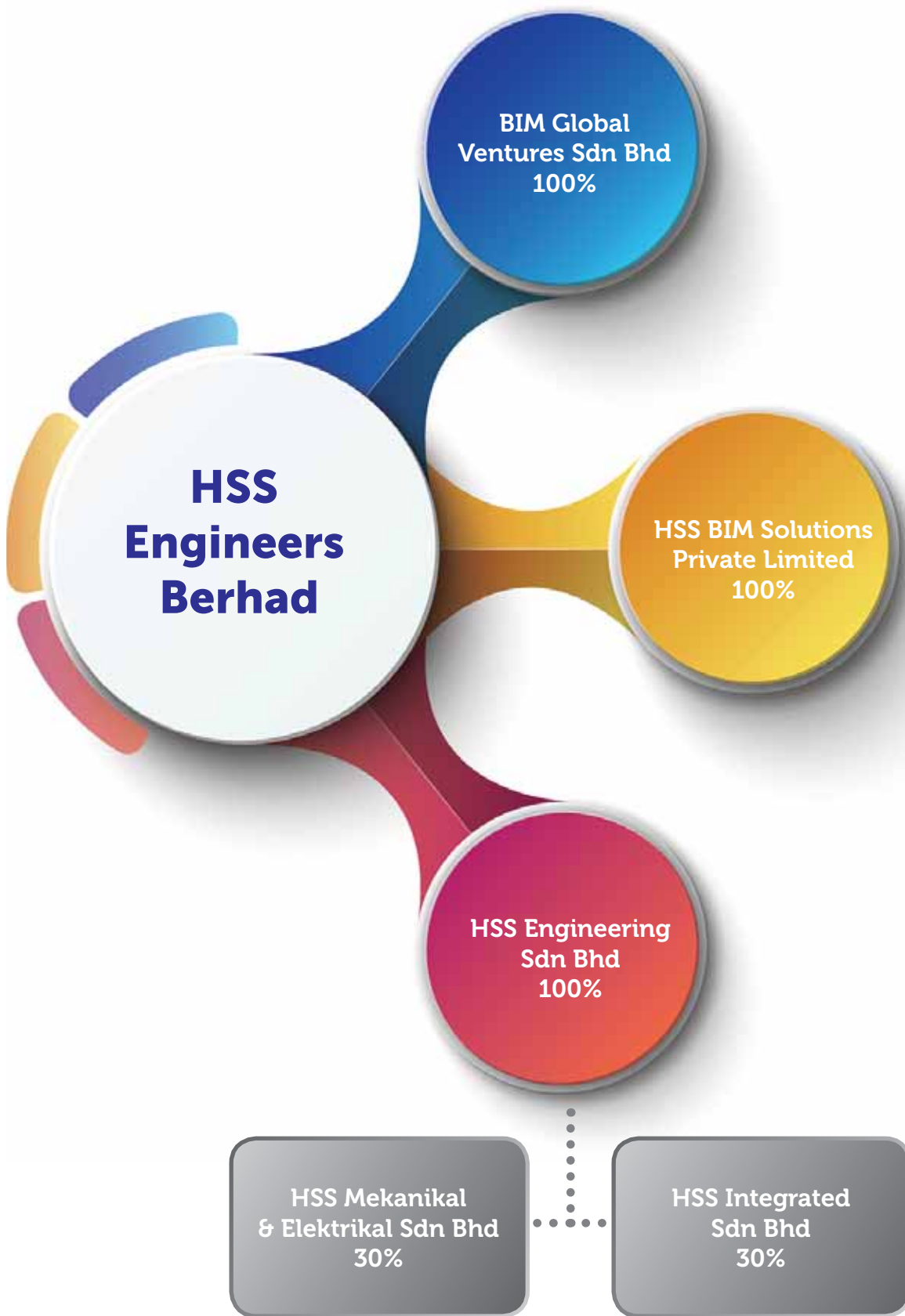
**M&A Securities Sdn Bhd** (15017-H)  
No.45-11, The Boulevard  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel: +603 - 2284 2911  
Fax: +603 - 2284 2718

## STOCK EXCHANGE LISTING

**ACE Market of Bursa Malaysia Securities Berhad**  
Stock Name : HSSEB  
Stock Code : 0185  
Stock Sector : Trading/Services

# CORPORATE STRUCTURE

As At 27 March 2017





# ENGINEERING SERVICES

## ENGINEERING IS IN OUR DNA

We provide engineering design and construction supervision of proven calibre. Our management team comprises Executive Directors who have an average of over 30 years' experience in the industry. Bringing to bear their skill sets that encompass conception to commissioning, including master planning, detailed design, supervision and project management.



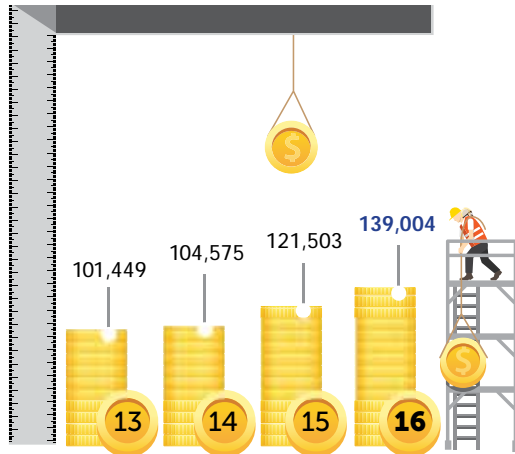




# FINANCIAL HIGHLIGHTS

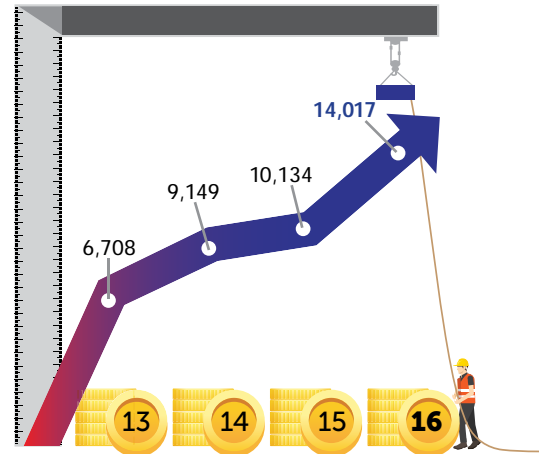
## REVENUE

RM'000



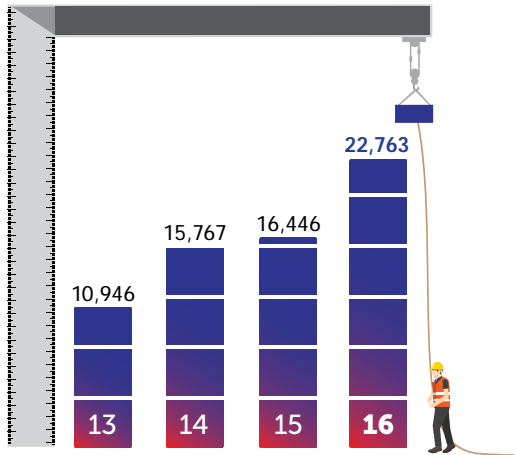
## PROFIT AFTER TAX

RM'000



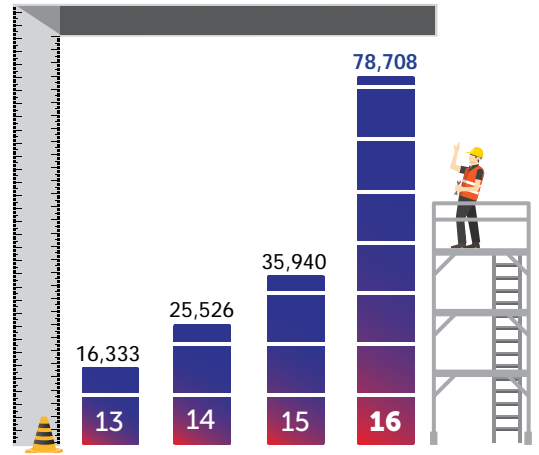
## EBITDA

RM'000



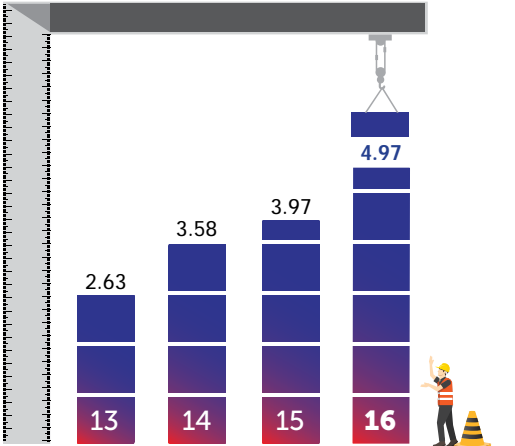
## SHAREHOLDERS' EQUITY

RM'000



## EPS

SEN





Financial Year Ended 31 December	2013	2014	2015	2016
Revenue (RM'000)	101,449	104,575	121,503	<b>139,004</b>
Gross profit ("GP")(RM'000)	29,621	37,202	40,728	<b>50,601</b>
Profit before taxation ("PBT")(RM'000)	8,889	13,420	13,720	<b>19,890</b>
Profit after taxation ("PAT")(RM'000)	6,708	9,149	10,134	<b>14,017</b>
EBITDA (RM'000)	10,946	15,767	16,446	<b>22,763</b>
No. of shares in issue ('000)	255,265	255,265	255,265	<b>319,081</b>
Total assets (RM'000)	57,645	64,469	77,302	<b>125,192</b>
GP margin (%)	29.20	35.57	33.52	<b>36.40</b>
PBT margin (%)	8.76	12.83	11.29	<b>14.31</b>
PAT margin (%)	6.61	8.75	8.34	<b>10.08</b>
EPS (sen)	2.63	3.58	3.97	<b>4.97</b>

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# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

The year 2016 was an exhilarating year for the team at HSS Engineers Berhad ("HEB" or "the Company") as we successfully executed our listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 10 August 2016.

The response to HEB's initial public offering ("IPO") was overwhelming, with the retail portion of our IPO oversubscribed by 21.7 times. We ended our first day on the ACE market at 57 sen, some 14% higher against our IPO price of 50 sen. Upon the completion of the exercise, the Group had successfully raised total gross proceeds amounting to RM31.9 million.

### POISED TO ENTER A NEW PHASE OF GROWTH

HEB is poised to enter a new phase of growth as a listed entity, backed by our strong track record and a forward-looking business strategy. We now have access to funds which will allow us to expand both overseas and organically. The funds will certainly facilitate our market penetration internationally in a more conducive manner.

### POST-IPO ACHIEVEMENTS

I am pleased to announce that following our IPO, we secured two projects for RM13.7 million and RM41.3 million respectively. The first contract will see us serving as an Independent Checking Consultant to the Ministry of Transport Malaysia for bridge and track works in the East Coast of Peninsular Malaysia. The second calls for us to undertake construction supervision services for the West Coast Expressway Selangor Alignment under the IJMC-KEB joint venture. You will find the finer details of these and other operational elements in the Management Discussion and Analysis ("MD&A") section on pages 22 to 35 of this Annual Report.

### AN ATTRACTIVE INVESTOR VALUE PROPOSITION

HEB's intrinsic value and competitive advantage is grounded in several key areas. Firstly, the Group's reputation in the industry is built upon several key strengths in addition to our established and proven track record spanning 15 years of our operating history and participation in various landmark projects. The HEB Group itself is led by a strong



and experienced key management team comprising Executive Directors who each have on average more than thirty 30 years of experience and expertise in the various disciplines of the engineering consultancy services industry. This established reputation of reliability and trustworthiness, plus our focus on high quality service delivery, have enabled the Group to regularly secure repeated business from major clients, as well as be recommended for new referrals.

On top of this, the Group has solid growth prospects given our RM378.4 million order book and healthy financial position. We are positioned to do well in the coming year because of the Malaysian Government spending in the infrastructure sector. Coupled with our commitment to being at the forefront of technological innovation and the strength of our talented workforce, where more than one-half are engineers, we remain an attractive investor proposition.

HEB is committed to creating good value for all our shareholders in a holistic manner. For the period under review, the Board of HEB has proposed a single tier final dividend of 0.63 sen per ordinary share, representing a dividend payout ratio of 14.3% of its Group's Profit After Tax. We intend to adopt a stable and sustainable dividend policy in the near term to allow our shareholders to participate in the profits of our Group whilst ensuring optimal capital structure and sufficient funds for our future growth.

## MOVING FORWARD

Having only recently begun our journey as a listed company, we will continue to work hard on our business and our geographical expansion plans. Our focus at this juncture is to grow the business and to create value for our shareholders. For comprehensive insights into our prospects, strategic direction and future plans, please turn to the MD&A section on pages 22 to 35 of this Annual Report.

## IN APPRECIATION

On behalf of the Board of Directors of HEB, I wish to convey my heartfelt appreciation to the many parties who have helped us get to where we are today.

Our heartfelt gratitude goes to our shareholders and customers for their unwavering support and belief in the Group. While we are encouraged by our maiden year's performance, rest assured that we will not rest on our laurels but will work hard to ensure that we build upon the good momentum achieved to date.

Our sincere appreciation to our bankers and financiers, business partners and associates, for their continued commitment and confidence in HEB. I would like to extend our earnest thanks to the Securities Commission, Bursa Malaysia, M&A Securities (our advisor, sponsor and underwriter) for their kind support and cooperation in helping us attain listing status in such a smooth manner.

On behalf of the Board of HEB, I would especially like to convey my deepest appreciation to HEB's management team and our over 600 employees throughout the region for their fine work. We owe them a huge debt of gratitude for their diligence and sacrifices. My deep gratitude also goes to my fellow Board members for their wise counsel and astute insights that helped steer HEB through the listing exercise and the highly competitive business landscape we operate in.

The Board of HEB has approved for the management to undertake the proposed transfer of the listing of and quotation for our entire issued and paid-up share capital from the ACE Market to the Main Market of Bursa Malaysia. I hope that this step will put another milestone on HSS Engineers Berhad's exciting journey ahead.

HEB stands poised to expand its horizons and pursue new growth opportunities. As we embrace the new financial year and the challenges and opportunities that come with it, I call upon all our stakeholders to continue according to their steadfast support. Thank you.

**Dato' Mohd Zakhir Siddiqy Bin Sidek**  
Chairman



LRT - Ampang Line Extension



# MANAGEMENT DISCUSSION & ANALYSIS

## DEAR VALUED SHAREHOLDERS,

2016 was a remarkable year for HSS Engineers Berhad. We delivered a robust performance across key financial and operational metrics in our maiden year on the Malaysian stock exchange.

I am pleased to present the finer details of the financial and operational performance of HSS Engineers Berhad ("HEB" or "the Group") for the financial year ended 31 December 2016 ("FY 2016") following our listing on the ACE market on 10 August 2016.

### OUR BUSINESSES

HEB is an investment holding company which has subsidiaries HSS Engineering Sdn Bhd, BIM Global Ventures Sdn Bhd and HSS BIM Solutions Private Limited (incorporated in Chennai, India) under its umbrella. The Group's core services are in the provision of Engineering Services (primarily Engineering Design and Construction Supervision), Project Management Services, as well as Building Information Modeling ("BIM") Services through its subsidiaries and associates. In line with our listing plan, the Group aims to venture into a fourth core service, namely Facility Management, which will enable the Group to be a full-fledged engineering services provider.

Our current workforce comprises more than 600 employees who are spread out in various locations, namely our headquarters in Kuala Lumpur, an office in Penang, as well as another office in Chennai, India. Being an engineering services provider, more than half of our workforce are engineers.

As a Group, we have some 15 years of engineering and project management experience to our name. Our expertise cuts across a wide array of sectors such as urban infrastructure, roads and highways, railways and metro systems, buildings and structures, transportation planning, power generation, and water resources, to name a few. Our reach extends beyond the Malaysian market and we provide services on a global scale to clients in India and the Middle East.



*Dato' Ir. B. Nitchiananthan*

## CORE SERVICES



### ENGINEERING SERVICES



### PROJECT MANAGEMENT SERVICES



### BIM SERVICES

#### Engineering Services

The Group's Engineering Services mainly revolve around Engineering Design and Construction Supervision activities. Engineering Design activities for construction projects involve three phases, namely concept design, preliminary and detailed design, as well as the specification and procurement phase. The aim of Construction Supervision is to ensure that the construction works are in compliance with the approved drawings and specifications, project schedules, relevant laws and guidelines, plus within clients' budgets.

#### Project Management Services

HEB's Project Management Services covers the areas of project and design management, procurement/contract management, construction management, interface management and risk management.

#### BIM Services

Building Information Modeling or BIM is the process of designing a building or infrastructure collaboratively using an intelligent system of 3D and computer simulation. It involves the integration of various project participants at various levels and the generation of the characteristics of the facility being designed. Going beyond the planning and design phase of a project, the Group's BIM Services takes into account the entire building or infrastructure life cycle and the supporting processes including cost management, construction management, project management and operations.

## OUR STRATEGIC OBJECTIVES

HEB's strategic business objectives remain unchanged since our listing in August 2016. For the near-term, we will continue to focus on strengthening our foothold in the Engineering Services and Project Management Services areas while enhancing our capability to be a major player in BIM Services in Malaysia and overseas.

In line with our geographical expansion plan, we are looking at forming strategic partnership/joint venture or acquisition of credible firms that are already operating in ASEAN, the Middle East and India. Local firms in these markets would already have established an existing presence and network in their respective countries and it would make sense to partner with or acquire them to ensure fast and effective market penetration. Our selection of these geographies is based on our analysis of market demographics and other economic data, as well as the various opportunities given the robust economic growth and development in these countries. In the local market, we are pursuing a similar strategy to enhance our services in the water and power sector.

Looking forward over a longer time horizon, we intend to venture into a fourth core service, namely the provision of Facility Management. This will see us becoming a full-fledged engineering services provider which will enable us to build a steady recurring income business model. We are well-positioned to provide Facility Management services given our existing multi-disciplinary engineering expertise and involvement from conception to commissioning. Our involvement at the initial stage of a project allows us to define the optimum requirements before and during the project's development stage. Hence, venturing into Facility Management Services is a natural progression that will continue after the completion or commissioning of a project. To achieve our goal, we will leverage on our BIM capabilities as an enabler to complement Facility Management throughout the project life cycle.

The next three to four years will see the Group focusing its efforts on becoming a regional player in the provision of total engineering services and project management services. We acknowledge the need to increase on geographical footprint so that we minimise our dependence on any single market.

# MANAGEMENT DISCUSSION & ANALYSIS

## OUR 2016 PERFORMANCE

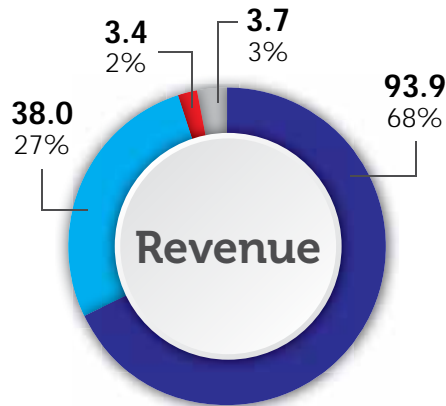
### GROUP FINANCIAL PERFORMANCE

Figures in RM'mil and %

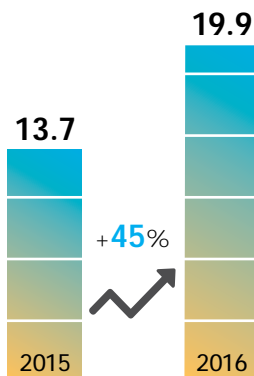
**REVENUE +14%**  
to RM **139** million in FY2016

#### GROUP'S TOTAL REVENUE

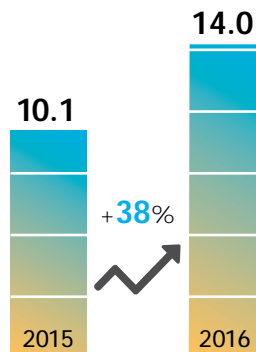
- Engineering Services
- Project Management
- BIM Services
- Reimbursable Income



#### PBT



#### PAT



The year saw us turning in a gross profit ("GP") margin of 36.4%, a slight improvement over the GP margin of 33.5% recorded in FY 2015. The slight increase in GP margin was mainly due to the improved GP margins from Engineering Design and higher contributions from Project Management. Our major direct costs for the year comprised staff costs, sub-consultancy and reimbursable expenses. A detailed analysis of the revenue, direct costs and GP margins for each of our core services is highlighted in the "Performance by Core Services" section.

The Group registered a profit before tax ("PBT") of RM19.9 million and profit after tax ("PAT") of RM14.0 million in FY 2016 against PBT of RM13.7 million and PAT of RM10.1 million respectively in FY 2015. The year's PBT and PAT margins at 14.3% and 10.0% respectively, were considerably higher against FY 2015's PBT and PAT margins of 11.3% and 8.3% respectively.

The increase in PBT by 45.0% or RM6.2 million was mainly attributable to the increase in GP by RM9.8 million which came on the back of an overall increase in the GP and GP margin from Engineering Design and Project Management services. The PBT has taken into account the additional listing expenses amounting to RM1.0 million and a death gratuity of RM1.4 million paid to our late co-founder in recognition of his invaluable contribution to the Group. The additional listing expenses were incurred due to the delay in our Initial Public Offering ("IPO") exercise caused by the unfortunate passing of our co-founder after the submission of the IPO application to the relevant authorities and also due to Prospectus launch expenses. All the abovementioned expenses were one-off in nature.

I am pleased to report that for FY 2016, HEB Group recorded revenue of RM139 million, a 14% increase over revenue of RM121.5 million in FY 2015. This increase in Group's revenue by RM17.5 million was mainly attributable to the higher revenue contributions from ongoing projects such as the MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya) project, wharf/yard works related to Westports, and the West Coast Expressway from Tg. Karang to Banting.

Malaysia, where the bulk of our existing operations are centred, contributed approximately 98% of the Group's revenue for FY 2016. The remaining 2% came from overseas contributions, namely from India and the Middle East. To reduce our dependence on a single market and to ensure long-term sustainability, we intend to extend our market presence internationally by expanding our business operations in ASEAN, the Middle East and India.



Our PBT was further impacted by the following expenses:

- the Company's post listing compliance and operating expenses of RM0.7 million; and
- an increase in operating expenses amounting to RM0.9 million mainly attributable to the increase in staff mobilisation in line with the increase in revenue. Staff mobilisation activities typically align with the progress of each project.

Our Group's effective tax rate was 29.5% in FY 2016 which was higher than the 26.1% rate in FY 2015 and statutory tax rate of 24.0%. During the year under review, the one-off listing expenses (which are non-deductible) increased the effective tax rate apart from other recurring non-deductible expenses. In addition, losses incurred by our Company and BIM Global Ventures Sdn Bhd resulted in a lower PBT which indirectly increased our effective tax rate.

### Performance by Core Services

The Group's business activities are divided into three core services as follows:

- (i) Engineering Services
  - (a) Engineering Design
  - (b) Construction Supervision
- (ii) Project Management
- (iii) BIM Services

### Engineering Design

The Group's Engineering Design projects posted higher revenue of RM63.8 million in FY 2016 as compared to RM46.3 million in FY 2015, representing an increase of 37.8% or RM17.5 million. This was mainly attributable to revenue contributions from the following existing and new design projects:

- MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya) project (RM13.0 million);
- Wharf and Yard designs relating to the Westports project (RM5.8 million); and
- Westcoast Expressway (RM3.9 million).

However, the increase was partially offset by the decrease in revenue from certain projects that were nearing completion in 2016 including:

- LRT Ampang Line Extension (RM2.5 million); and
- Kuantan Port Expansion (RM1.6 million).



MRT Line 2 – Jajaran Sg. Buloh-Serdang-Putrajaya

# MANAGEMENT DISCUSSION & ANALYSIS

Engineering Design projects registered a GP margin of 26.2% in FY 2016, slightly higher than GP margin of 24.8% recorded in FY 2015. The major cost components for Engineering Design included staff costs and sub-consultancy which recorded an increase by RM2.6 million and RM9.6 million respectively in the year under review. The increase in staff costs was mainly attributable to the increase in professional employees in line with the increase in Engineering Design projects and annual salary increments. The higher sub-consultancy costs were consistent with the increase in revenue from Engineering Design projects. Both increases in revenue and direct costs were in equal proportion and this resulted in the constant GP margin recorded for FY 2016.

## Construction Supervision

The year saw the Group's Construction Supervision projects generating revenue of RM30.1 million in comparison to revenue of RM39.1 million in FY 2015. This 23.0% or RM9.0 million decline in revenue was mainly due to the completion of the following projects:

- LRT Ampang Line Extension (RM8.7 million); and
- North-South Expressway Fourth Lane Widening between Nilai (Utara) Interchange and Seremban (RM4.1 million).

However, this decrease was partially offset by the increase in revenue from certain supervision projects on which construction supervision had commenced in FY 2016. These projects were as follows:

- West Coast Expressway from Tg. Karang to Banting (RM2.4 million);
- Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE") (RM0.6 million); and
- Maju Expressway ("MEX") Extension to KLIA (RM0.3 million).

The Construction Supervision segment recorded a constant GP margin for both FY 2016 (31.7%) and FY 2015 (31.5%). Staff costs and sub-consultancy costs decreased by RM0.5 million and RM5.7 million respectively in FY 2016 which was consistent with the decrease in Construction Supervision revenue. As a result, GP margins were consistent for both financial years.

## Project Management

Project Management projects posted higher revenue of RM38.0 million in the year under review as compared to RM28.5 million in FY 2015, representing an increase of 33.3% or RM9.5 million.

The following two projects secured in FY 2015 contributed to the increase in revenue:

- MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya) project (RM14.5 million); and
- East Klang Valley Expressway ("EKVE") project (RM1.5 million).

However, the increase was partially offset by the decrease in revenue of RM6.5 million attributable to the MRT Line 1 (Jajaran Sg. Buloh-Kajang) project as it neared completion stage.

Staff costs for the Project Management segment increased by RM2.6 million in FY 2016 as compared to the preceding financial year. This was mainly attributable to the increase in the staff mobilisation for the MRT Line 2. A higher GP margin was recorded in FY2016 due to lower requirements to have sub-consultants involved in projects. The above factors resulted in a higher GP margin of 55.4% in FY 2016 as compared to 45.6% in FY 2015.

## BIM Services

For FY 2016, the revenue contribution by the BIM Services segment decreased by 13.2% or RM0.5 million to RM3.4 million in FY 2016 from RM4.0 million previously. The decrease was mainly due to the completion of the MRT Line 1 (Jajaran Sg. Buloh-Kajang Stations/Depots-Southern Package) and the Jaslok Project in FY 2015 which resulted in a decrease in revenue by RM1.3 million in FY 2016.

However, the decrease was partially offset by the increase in two newly secured projects in 2016. These were the Doha Metro Phase 1 and 2 project and a mixed commercial development on Lot 91 at the Kuala Lumpur City Centre, which contributed revenue of RM0.7 million and RM0.2 million respectively in the year under review.

The GP margin from our BIM services segment reduced marginally from 43.0% in FY 2015 to 39.4% in FY 2016 due to the margins of the portfolio of projects secured.

## ANALYSIS OF GROUP REVENUE

The Group revenue of FY2016 is analysed based on the following segments namely:-

- (i) core services
- (ii) geographical location
- (iii) sources of project funding
- (iv) market discipline

**Core Services**



**CONTRIBUTED**  
**95%** of GROUP'S  
**TOTAL REVENUE**  
 in FY2016

In FY 2016, some 95.0% or RM131.9 million of the Group's total revenue was derived from the Engineering Services and Project Management Services segments, a 15.8% increase over FY 2015's total revenue contribution by these segments. Within the Engineering Services segment, Engineering Design activities contributed 45.9% or RM63.8 million of overall revenue, while Construction Supervision activities contributed 21.7% or RM30.1 million of the segment's revenue.

Meanwhile, the BIM Services segment accounted for some 2.0% or RM3.4 million of Group revenue, a marginal 13.2% decrease over its FY 2015 revenue contribution.

**Geographical Locations**

For FY 2016, the domestic market continued to generate the bulk of the Group's revenue accounting for 98% or RM136.1 million of total revenue. Meanwhile, overseas markets such as India and the Middle East contributed approximately 2% or RM2.90 million of Group revenue. The contribution ratios from local and overseas markets in FY 2016 and FY 2015 were fairly consistent.

**Sources of Project Funding**

In the year under review, 71% of the Group's projects were funded by the Malaysian Government, in line with our major revenue contribution expectations from infrastructure projects.

**Market Discipline**

In terms of revenue contribution by market discipline, more than 63% of the Group's FY 2016 revenue was attributable to infrastructure projects comprising railway and transit systems. This reflects the Malaysian Government's commitment to driving economic transformation and improving urban transportation infrastructure.

**Revenue by Market Discipline**

**Railway & Transit**



**63%**

- Heavy Rail
- Transit System
- Transportation Planning
- Geotechnical & Foundations

**Building & Township**



**9%**

- Urban Infrastructure
- Industrial Building
- Building Structure
- Drainage & Irrigation
- Geotechnical & Foundations

**Highway & Transportation**



**15%**

- Highway
- Roads
- Bridges
- Tunnels
- Transportation Planning
- Geotechnical & Foundations

**Property**



**2%**

- Township Planning
- Township Development
- Geotechnical & Foundations

**Port**



**10%**

- Land Reclamation
- Container Terminal
- Stacking Yard
- Berths & Jetty Terminals
- Geotechnical & Foundations

**Mechanical & Engineering**



**1%**

- Mechanical
- Electrical
- Plumbing



# MANAGEMENT DISCUSSION & ANALYSIS



*Discussion on highway project*

## Liquidity and Capital Resources

As at 31 December 2016, the Group's balance of cash and cash equivalents increased significantly, reflecting a positive balance of RM12.9 million. This was mainly attributable to the unutilised proceeds of RM24.0 million raised during the IPO in August 2016 as opposed to the negative balance/a deficit of RM10.4 million pre-IPO.

The increase in the short term deposits by RM30.8 million was mainly attributable to the placement of unutilised IPO proceeds raised during the IPO exercise and due to higher sinking fund build-up.

The Group's bank overdrafts increased to RM16.4 million as at 31 December 2016 from RM13.7 million as at 31 December 2015, mainly due to timing issues pertaining to billings and collections. The balance of cash and cash equivalents consisted of short term deposits pledged with licensed banks which increased considerably by RM4.8 million to RM12.4 million from RM7.6 million previously due to the higher collections.

## Gearing Ratio

The Group registered a gearing ratio of 0.23 times as at 31 December 2016 in comparison to 0.43 times as at 31 December

2015. The reduced gearing ratio was mainly due to the increase in shareholders' equity following the completion of our IPO.

## Capital Management, Future Commitments and Funding Sources

The details of the Group's capital management activities are disclosed in Note 35 of the consolidated financial statements in this Annual Report.

The Group's total capital commitments authorised for property, plant and equipment amounted to RM2.4 million as at 31 December 2016. This capital expenditure had been authorised but not contracted for as at year end. Our Group's capital structure consists of bank overdrafts, hire purchase and bank balances as well as total equity.

## Projects Highlights

This section outlines the progress of our current (ongoing) key projects, the key projects completed in FY 2016, the new projects secured in FY 2016 and the total order book as at 31 December 2016.

## Current Key Projects in FY 2016

The table below highlights the major ongoing projects within the Engineering and Project Management services segment:

No	Project description	Contract value (RM' million)	Accumulated billings up to 31 December 2016 (RM' million)	Unbilled as at 31 December 2016 (RM' million)	Commencement/Completion date
1	Bukit Raja – Integrated Township	18.6	16.3	2.3	December 1999/2018
2	LRT – Ampang Line Extension	184.2	176.6	7.6	December 2008/ June 2017
3	Maju Expressway Extension to KLIA	17.8	3.5	14.3	May 2010/ December 2019
4	Mass Rapid Transit Line 1 – Jajaran Sg. Buloh - Kajang	100.5	95.2	5.3	February 2011/ July 2017
5	West Coast Expressway from Tg. Karang to Banting (Design)	20.6	11.6	9.0	June 2011/2018
6	Westports Construction and Completion on Land Reclamation works, Wharf and Yard	43.6	42.5	1.1	July 2010/ March 2018
7	Sungei Besi – Ulu Kelang Elevated Expressway	50.9	8.6	42.3	January 2012/2018
8	Metro Project in Northern State (Penang)	13.0	4.3	8.7	December 2014/2018
9	Temporary Common Camp Facilities and Infrastructure for Refinery And Petrochemicals Integrated Development ("RAPID") Project, Pengerang, Johor	9.8	9.0	0.8	October 2014/ April 2017
10	Kwasa Damansara Township Development	17.3	6.6	10.7	July 2014/2020
11	East Klang Valley Expressway	6.1	1.9	4.2	April 2015/2019
12	Mass Rapid Transit Line 2 – Jajaran Sg. Buloh - Serdang - Putrajaya	196.7	30.8	165.9	April 2015/2022
13	West Coast Expressway from Tg. Karang to Banting (Section 3 and 5) (Supervision)	19.2	2.1	17.1	December 2015/ 2019
14	Selangor Alignment of the West Coast Expressway (Section 1, 2, 6 and 7) (Supervision)	40.8	–	40.8	4 <sup>th</sup> quarter 2016/ 2 <sup>nd</sup> quarter 2020
15	Projek Membaikpulih dan Menariktaraf Landasan Keretapi di Sektor Pantai Timur	13.1	–	13.1	3 <sup>rd</sup> quarter 2016/ 3 <sup>rd</sup> quarter 2020
16	Proposed Bridge crossing Sg. Pulai & Link Road from Pelabuhan Tanjung Pelepas to Tg. Bin Mukim Air Masin & Sg. Karang, Daerah Pontian & Mukim Pulai, Johor Bahru	11.7	1.2	10.5	September 2014/ December 2020
17	Detailed design and supervision for Kuantan Port Expansion external infrastructure works, Kuantan, Pahang	7.3	6.2	1.1	February 2014/ April 2018
18	Pasir Mas Halal Park – detailed design and supervision of infrastructure works for the proposed Pasir Mas Halal Park (Phase 2) Pasir Mas, Kelantan	4.4	1.7	2.7	September 2015/ January 2018
19	Proposed Coronation Square Mixed Commercial Development Project Johor Bahru	4.3	–	4.3	May 2016/2021
	<b>TOTAL</b>	<b>779.9</b>	<b>418.1</b>	<b>361.8</b>	

# MANAGEMENT DISCUSSION & ANALYSIS

The table below highlights the major ongoing projects within the BIM Services segment:

No	Project description	Contract value (RM' million)	Accumulated billings up to 31 December 2016 (RM' million)	Unbilled as at 31 December 2016 (RM' million)	Commencement/ Completion date
1	Mixed Commercial Development at Lot 91 Kuala Lumpur City Centre	0.35	0.03	0.32	July 2016/ March 2020
2	Post Office Tower (" POT") in United Arab Emirates (" UAE")	1.20	1.10	0.10	December 2014/ August 2017
3	Al Bayt Stadium Al Khor City – Structural & Architectural in UAE	0.50	0.30	0.20	October 2016/ April 2017
4	Adventz tower in UAE	0.40	0.20	0.20	December 2015/ April 2017
5	Oracle, Bangalore Campus (IT Park) in India	0.60	0.30	0.30	June 2016/ April 2018
6	Manyata Campus – Front Parcel in India	0.60	0.04	0.56	October 2016/ October 2018
7	Wave Parcel 3L in India	0.70	0.03	0.67	May 2016/ August 2018
	<b>TOTAL</b>	<b>4.35</b>	<b>2.00</b>	<b>2.35</b>	

## Key Projects Completed in FY 2016

The table below highlights completed key projects within Engineering and Project Management Services segment:

No	Project description	Contract value (RM' million)
1	Seri Kembangan Interchange	2.3
2	North - South Expressway Fourth Lane Widening Between Nilai (Utara) Interchange and Seremban	24.1
3	Site Preparation for Refinery and Petrochemicals Integrated Development (RAPID) Project, Pengerang, Johor (Package 1, 2 & 18C)	3.6
4	5,500 Houses for the National Housing Scheme of Brunei Darussalam	22.6
	<b>TOTAL</b>	<b>52.6</b>

The key BIM Services projects completed by the Group during FY 2016 included the following:

No	Project description	Contract value (RM' million)
1	Banyan Tree Signature Project	0.5
2	Serviced Apartment at Kajang Utama Phase 7, Kajang	0.3
3	Development of 13-Storey Office Tower with 2 storey Basement Carpark at Lot 2C4, Precinct 2, Putrajaya	0.2
4	MRT Line 1 – Jajaran Sg. Buloh - Kajang Stations/Depots – Southern Package	3.8
5	Doha Metro Major Stations – Phase 1 & 2 in UAE	0.7
6	Jaslok Project	0.2
7	Rove Hotel in UAE	0.1
	<b>TOTAL</b>	<b>5.8</b>



## Key Projects Secured in FY 2016

In August 2016, the Group, through associate company HSSI, was awarded a contract valued at RM41.3 million by the IJMC-KEB Joint Venture to provide construction supervision services for the Selangor Alignment of the West Coast Expressway which is expected to be completed within 39 to 41 months from the commencement of construction works. The contract entails the provision of construction supervision for Section 1 (Banting Interchange to SKVE Interchange), Section 2 (SKVE Interchange to SAE Interchange), Section 6 (Kapar Interchange to Assam Jawa Interchange), and Section 7 (Assam Jawa Interchange to Tg Karang Interchange).

This contract is in addition to HSSI's ongoing involvement with the West Coast Expressway project, which includes the provision of engineering design for the expressway from Tg. Karang to Banting, as well as the construction supervision for the Selangor Alignment of Section 3 and 5 of the expressway.

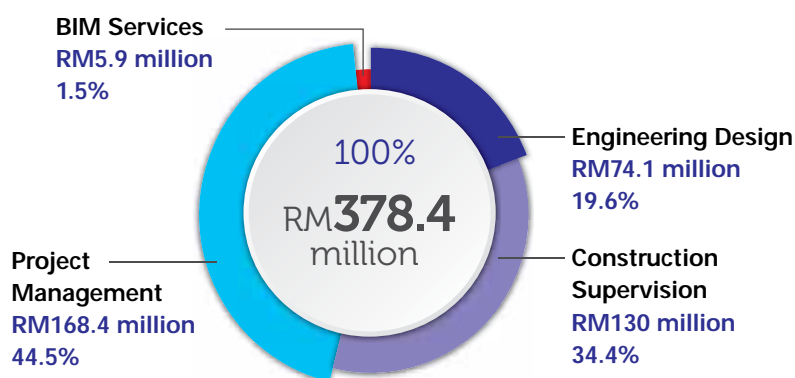
In the same month, HSSI was appointed by the Ministry of Transport Malaysia as the Independent Checking Consultant for rehabilitation and upgrading works on the railway line in the East Coast sector. The works comprise the rehabilitation of the track formation as well as replacement of ballast and associated works between Jerantut in Pahang and the Gua Musang Railway Station in Kelantan. The RM13.7 million contract, commenced at the end of the third quarter of 2016 and is expected to be completed within a 48-month period by the third quarter of 2020.

During the year under review, the BIM Services segment managed to secure several new projects in the UAE totalling RM1.2 million. They were the Al Bayt Stadium-Structural & Architectural (RM0.5 million) project and the Doha

Metro Phase 1 and Phase 2 (RM0.7 million) project. Apart from this, various projects totalling RM1.9 million were secured in India by our BIM Services segment. These included projects for Oracle (RM0.6 million), Manyata Campus – Front Parcel (RM0.6 million) and the Wave City Centre (RM0.7 million). All these projects, with the exception of the Doha Metro Phase 1 & 2 project, have commenced and are expected to be completed between FY 2017 and FY 2018.

## Our Total Order Book

As at 31 December 2016, HEB has in hand an unbilled order book amounting to RM378.4 million as depicted below:



The above order book will keep us busy for the next three to five years and will be billed progressively over this period.

## OUTLOOK AND PROSPECTS

### Global Outlook

According to the International Monetary Fund's (IMF) World Economic Outlook update as of January 2017, global economic activity is set to pick up in 2017 to 2018, following a lacklustre 2016. The IMF forecasts that global growth will touch 3.4% and 3.6% in 2017 and 2018 respectively in comparison to 3.15% growth in 2016. The advanced economies are projected to make small steps up, while activities in emerging market and developing economies will continue to drive global growth. However, at the same time global risks remain significant and difficult to predict.

Reservations about US policy under President Trump, the risks of muddled Brexit negotiations and the outcome of upcoming multiple leadership elections in the Eurozone, all lend to the air of uncertainty. Add to this China's structural slowdown and Japan's struggle with deflation and the outlook is indeed pessimistic. However, there is also some optimism that things can turn around for the better should policies that promote sustainable and inclusive growth as well as cooperation and coordination be brought into play.

We see that China continues to increase its engagement through multilateral agreements such as the ASEAN-China Free Trade Agreement, its Go Abroad strategy and One Belt One Road strategy. The latter initiative is a multi-faceted strategy to boost the flow of trade, capital and services between China and the rest of the world.

# MANAGEMENT DISCUSSION & ANALYSIS



*Construction supervision services at Kwasa Damansara MRT Station*

It involves about 65 countries and covers 63% of the global population and some 29% of global GDP.

## **Domestic Prospects**

In Malaysia, domestic demand will likely remain the anchor of growth for the nation's economy in 2017. While ongoing investment into sizeable long-gestation infrastructure projects on both the public and private fronts is expected to provide a certain degree of resiliency, private investment growth will likely be limited by the lack of investment in the oil and gas industry, the relative slowdown in the property market, rising business costs and ringgit volatility. Overall economic growth is projected to rise between 4.3% and 4.8% in 2017 (2016: 4.2%) on the back of gradual economic recovery and resilient domestic demand.

The HEB Group operates within the engineering and project management

services market in Malaysia, and our prospects remains favourable given the outlook for the local industry. Growth for the Engineering and Project Management Services market is expected to remain robust with an estimated CAGR of 6.5% between 2015 and 2020. Growth is likely to be driven by government-led initiatives and spending, sustained economic growth to support spending and investment in properties, steady population growth, increasing participation by professionals into the provision of engineering and project management services, and the strategic need for project management services.

## **Domestic Growth Drivers**

The growth momentum of the Malaysian construction industry is expected to strengthen in 2017 (from growth of 7.4% in 2016 to 8% in 2017) with much of this hinging upon the effective implementation of various projects identified under the

11th Malaysia Plan ("11MP") and the Economic Transformation Programme ("ETP"), along with the continued execution of various public-private partnership projects.

Under the 11MP (2016-2020), a budget allocation of RM260 billion has been set aside, some 13% higher than the 10MP. For 2016, development expenditure amounted to some RM45 billion, while RM46 billion has reportedly been allocated for 2017. This leaves a balance of RM169 billion for the years 2018 to 2020. Assuming that this amount is spread uniformly over a three-year spread, spending momentum could pick up strongly in 2018 by 22% to RM56 billion.

The Malaysian Government also expects private investment to play a more significant role in economic development going forward, and public-private partnership ("PPP") will continue

to be one of the key instruments in helping the country achieve growth and development beyond 2020. The Malaysian Government has backed its commitment to the PPP initiative by establishing the Unit Kerjasama Awam Swasta ("UKAS") which is serving as a dedicated agency responsible for PPP implementation in Malaysia. On top of this, the Government has earmarked some RM20 billion for the Facilitation Fund to encourage private sector investment in strategic key economic areas.

In the wake of announcements surrounding a flurry of multi-billion ringgit mega projects including Pan-Borneo Highway, Bandar Malaysia, Tun Razak Exchange, Warisan Merdeka, KL Underground City, Forest City Johor, Melaka Gateway Project, Pulau Carey Port City Project and Bukit Bintang City Centre developments, as well as the expansion of public railway networks such as the East Coast Rail Line and High-Speed Railway project linking Malaysia and Singapore, ample opportunities abound for local companies with strong financial backing. HEB possesses extensive experience and a credible track record from our previous participation in government funded projects and this bodes well for us. For FY2016, as much as 71% of the Group's revenue came from government-funded projects.

The surge of investments by companies from China too augurs well for our future and that of the nation. Malaysia recently signed 14 business-to-business memorandums of understanding with China worth RM144 billion while several development projects involving Chinese companies are already underway. The latter includes the RM55 billion East Coast Rail Line project that will connect the West Coast of Malaysia to its East Coast over a 600 km stretch, plus the Melaka Gateway, a new multi-billion ringgit offshore trading port in Melaka which will pose stiff competition to Singapore as the main trading port in Southeast Asia. Collaborative efforts between China and Malaysia have resulted in the creation of the Malaysia-China Kuantan Industrial Park, the Kuantan Port Consortium and the Malaysian campus of Xiamen University, among many others.

We will see China making aggressive investments into Malaysia's network of ports and rail links which will bring vast economic benefits and opportunities to Malaysia. This game-changing strategy is set not only to benefit the nation's construction sector but it will have significant spillover effects into the energy, tourism and real estate sectors too.

Our adoption of BIM technology since 2012 too bodes well for us. With the Construction Industry Development Board's (CIDB) mandatory requirement for construction industry players to utilise BIM on government projects worth over RM100 million by 2020, we stand to reap the benefits of early adoption as well as a strong competitive advantage. The CIDB recognises

that the use of BIM will optimise project efficiencies and bring about significant savings. To this end, it aims to set up a BIM Centre of Excellence in Kuala Lumpur by March 2017 to help industry stakeholders, including architects, consultants and civil engineers, gain a better understanding of BIM practices.

The BIM initiative aligns with the Construction Industry Transformation Programme ("CITP") formulated by CIDB in collaboration with the Ministry of Works to help steer the construction industry towards higher productivity and sustainability. BIM submission for architecture and engineering will be made mandatory by 2017 and 2018 respectively.

### Overseas Opportunities

HEB is also set to expand its presence both domestically and overseas in ASEAN, the Middle East and India. To this end, we have in place a series of plans to help us sustain our business and provide growth opportunities for our Group.

### ASEAN

We also intend to progressively develop our market presence regionally in ASEAN as it is expected that the construction industry in ASEAN, especially in emerging countries, will witness growth in the near future. Significant public investments in large-scale transportation infrastructure construction projects, private sector development and overall economic development will be the catalysts for growth. Within the ASEAN region, we have set our sights on establishing a presence in Indonesia due to the recognised need for major infrastructure development, which is an area where we have significant experience in.

Indonesia's construction industry is expected to enjoy the fastest construction market growth of any Asian country over the medium term, on the back of increased spending in infrastructure by the Indonesian Government. Growth within Indonesia's construction industry is also supported by improved investor sentiment subsequent to the introduction of the Masterplan for Acceleration and Expansion of Indonesia's Economic Development in 2011. The Masterplan outlines various strategies including that of encouraging private sector participation to help the country achieve its goal of becoming a developed nation by 2025.

In line with this, various highway and railway projects are being developed to improve connectivity in the country. Among these are the proposed Jakarta Mass Rapid Transportation project constituting the North-South line and the East-West line stretching over 110 km which is expected to be completed by 2027 plus a slew of highway and railway infrastructure projects. Indonesia is also set to benefit from the strong government



# MANAGEMENT DISCUSSION & ANALYSIS

support towards developing its energy infrastructure to cater for the anticipated rise in energy demand from economic expansion, rapid urbanisation and population growth. Indonesia's population of some 250 million plus people is projected to grow beyond 290 million by 2045, with the majority living in urban areas.

## *The Middle East*

We will also continue to selectively expand our presence in the Middle East region, in particular the UAE, Qatar and Saudi Arabia, and expect to do so via local strategic partnerships. Where the construction industry in this region experienced turbulence from mid-2014 onwards, things have now turned around for the better. Major developments in the Middle East, including those from countries leading the growth in the region, namely Qatar, UAE and the Kingdom of Saudi Arabia are expected to provide the impetus for the industry's growth in the long-run. Among the opportunities in this region are the implementation of various developments in Qatar in preparation for the World Cup 2022; the construction opportunities relating to the UAE's hosting of the 2020 World Expo in Dubai which is expected to involve USD7 billion in spending; as well as the USD95 billion King Abdullah Economic City development in the Kingdom of Saudi Arabia which is targeted for completion by 2035.

Our past involvement in notable design projects in the UAE serve as strong testimonies of our capabilities in this region. We expect to be able to bid for various contracts for ongoing and future developments that will require our project management and/or engineering services expertise.

## *India*

Opportunities in India are abound, particularly in the transportation, energy and public security sectors, and these present attractive opportunities for HEB. The construction industry in India remains favourable for the long-term with growth expected to stem from various government-led initiatives and policies for industrialisation, urbanisation and economic development. More importantly, the Indian population is projected to continue flourishing to 1.35 billion by 2022 from the estimated 1.28 billion in 2016. This is expected to spur the demand for shelter and better infrastructure. The large amounts allocated by the Indian Government for the development of smart cities, the construction of industrial and economic corridors, as well as investments in power and transportation infrastructure are expected to stimulate demand for activities and services within the construction industry.

In terms of funding, the ease of access to foreign direct investment ("FDI") is expected to have a positive impact on the construction industry in India. The 2015 Consolidated FDI Policy Circular outlines the Indian Government's intention to attract more investment by allowing FDI of up to 100% for the construction, operation and maintenance of railway infrastructure.

## **RISK FACTORS**

As the Group ventures forth, we recognise that we may be exposed to certain anticipated or known risks that may have a material effect on our operations, performance, financial condition, and liquidity. In line with Bursa Malaysia's new disclosure requirements, we discuss these risks and our strategies to mitigate such risks.

## **Reliance on Infrastructure Projects Awarded by Governmental Bodies**

We do acknowledge the Group's reliance on government projects and the increasingly competitive landscape. Failure to continue securing such projects may adversely affect the Group's financial performance. With that in mind, we continue to establish, maintain and strengthen good relationships with clients representing government bodies, agencies and government-linked companies. We continue to build confidence among our clientele by leveraging on our past track record and reputation in this segment as well as developing innovative solutions. Going forward, we anticipate that there will be ample opportunities to expand our current revenue base given the shift in government spending towards PPP projects in particular.

## **Risks Relating to Our Growth and Expansion**

Our future geographical expansion plans ASEAN, the Middle East and India may expose us to economic, social and political vagaries within these geographies. To mitigate this, our overseas expansion strategy sees us cooperating closely with and/or acquiring local strategic partners who possess credible experience and a solid understanding of the local business environments in these markets. Our past collaboration with various strategic partners and experience in these foreign markets too have provided us good insights into the workings of these markets and local market conditions.



*Bukit Jalil Interchange highway*

## NEW AVENUES OF OPPORTUNITY

As we strengthen our footprint domestically and internationally by way of our core businesses, we are also currently exploring the enhancement of engineering and project management services to the water and power sectors in Malaysia. These sectors are expected to continue receiving strong government support given their strategic importance to the country. In terms of opportunities in the water sector, demand for clean water and wastewater treatment have been on the increase due to population, industrial and manufacturing sector growth. Demand will continue to increase in tandem with the escalation and expansion of economic activities in Malaysia. By 2020, the Government aims to provide 99% of the population with clean and treated water and 80% with connected sewerage services. There is also a plan to reduce non-revenue water to 25%.

In terms of power sector opportunities, the Government aims to lift domestic oil and gas production through implementing a number of Entry Point Projects under the ETP. Plans are also underway to catalyse the renewable energy sector in terms of biomass,

biogas, solar PV, and mini hydro production, while a total of RM28 billion has been allocated to build three coal plants in Johor, Perak and Negeri Sembilan as well as two gas plants in Penang and Johor. On top of this, a few new generation projects in the Peninsula will be launched by the Energy Commission between 2016 and 2025. In all this, the Group plans to use its relevant expertise and existing track record together with those of local or foreign partners to bid for these new water and power opportunities.

Moving forward, we anticipate 2017 will be another exciting year for HEB given our strong pipeline of projects across multiple sectors and our healthy order book value of RM378.4 million as at 31 December 2016. Our plan is to fully leverage on our depth of experience to deliver our projects with aplomb as well as to capture all growth opportunities in our home and target markets. We will continue to derive further synergies and efficiencies from our operations as well as ensure the best outcomes for all that we set our hands to. We are confident of the Group's prospects going forward.

## ACKNOWLEDGEMENTS

FY 2016 was truly a remarkable year for HEB as it entrenched us firmly as a leader in our playing field. Many parties helped us deliver on our promises and we owe them a debt of gratitude.

I wish to express my sincere appreciation to our dedicated management team and employees for their fine work as well as their commitment to innovation and excellence. I also wish to convey my heartfelt gratitude to our Board of Directors for guiding us through this exciting year and providing us with much stability. I trust all our stakeholders will continue to lend us their unwavering support as we set our sights on delivering another solid performance in the coming year. Thank you.

**Dato' Ir. B. Nitchiananthan**  
Executive Director/ Chief Executive Officer

# AWARDS AND ACCOLADES



**2015**  
**Majlis SIRIM Industri**  
 HSS Engineering Sdn Bhd  
 HSS Integrated Sdn Bhd  
 ISO 14001 : 2004

· Awards  
 lence



**2015**  
**Majlis SIRIM Industri**  
 SS Engineering Sdn Bhd  
 HSS Integrated Sdn Bhd  
 OHSAS 18001 : 2007



**2015**  
**Majlis SIRIM Industri**  
 HSS Mekanikal &  
 Elektrikal Sdn Bhd  
 OHSAS 18001 : 2007



**2015**  
**Majlis SIRIM Industri**  
 HSS Mekanikal &  
 Elektrikal Sdn Bhd  
 ISO14001 : 2004



**2015**  
**Sime Darby Property**  
 HSS Integrated Sdn Bhd  
 5 Star rating in the  
 Safety and Health Assessment  
 System in Construction (SHASSIC)

**2015**  
**Sin Chew Business Excellence Awards**  
 Product and Services Excellence Award







**2015**  
**Asia Pacific CSR Awards**  
Master Class in Labour Standard

**2015**  
**CIDB Malaysia National BIM Day Recognition Award**



**2015**

**Majlis SIRIM Industri**  
HSS Mekanikal & Elektrikal Sdn Bhd  
MS ISO 9001 : 2008



**2013**  
**Association of Consulting Engineers Malaysia (ACEM)**  
- Engineering Award 2013  
- Silver Award of Merit



**2008**  
**Association of Consulting Engineers Malaysia (ACEM)**  
Engineering Award 2008  
Silver Award of Merit



**2003**  
**New Dimensions in Bridges**  
Highly Commendable Paper Award



**2001**  
**Muhibbah Engineering (M) Bhd**  
Appreciation Award



**2000**  
**Muhibbah Engineering (M) Bhd**  
Appreciation Award

**1998**  
**Putra LRT**  
Recognition Award



# HEB IN THE NEWS



### HSS to use listing proceeds to venture overseas

**SINGAPORE** HSS Engineers Berhad (HEB) has announced that it will use the proceeds from its initial public offering (IPO) to venture overseas. The company, which is listed on the ACE Market of Bursa Malaysia, said it plans to invest in infrastructure projects in other parts of the region and beyond.

The IPO, which was held on 15 October 2014, raised a total of RM1.2 billion. HEB said that the proceeds will be used to fund its expansion into other markets, including the Philippines, Vietnam, and Cambodia.

### HSS Engineers' strong debut

**SINGAPORE** HSS Engineers Berhad (HEB) made a strong debut on the ACE Market of Bursa Malaysia on 15 October 2014. The company's shares opened at RM12.50, a 16% premium over its offer price of RM10.80.

HEB said that the strong debut was a reflection of the company's solid financial performance and its potential for growth. The company's revenue for the first nine months of 2014 was RM1.1 billion, up from RM950 million in the same period last year.

### HSS Engineers makes strong debut with 16% premium

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# HSS banks on track record

## Consultancy says ability to retain its staff provides it with the edge

By TOM KAH INN  
kahn@poh.com.my



**T**he Standard Bank for the Market writes that HSS Engineers had 50% in its bid to win the construction of a new 100MW power plant in the power industry and a new 100MW power plant in the power industry.

The bank's under bank, which gives you a view of the company's performance, says that HSS is a company that is clearly a leader in the industry and is clearly a leader in the industry.

Kate believed that the company could make a difference in the industry by providing services that have been one of the main drivers of the industry's growth.

The early 90s was the era of large scale construction, which the company has very much benefited from.

One of the main drivers of the industry's growth is the ability to retain its staff, which provides it with the edge.

The group is looking to raise RM2.5 billion in the next few years to fund its expansion into new markets.

As part of the plan, HSS is looking to expand its operations in the power and water sectors.



# HSS Engineers sasar IPO jana modal RM31.91 juta

HSS Engineers Berhad, pemodal terbesar dalam industri kejuruteraan di Malaysia, mengumumkan bahawa syarikat itu akan melancarkan IPO pada 2011.

Salah satu tujuan utama IPO adalah untuk meningkatkan modal syarikat dan membolehkan syarikat itu memperluaskan operasi ke pasaran antarabangsa.

## HSS IPO集資3191萬 擴大水務電力支援服務

【吉隆坡20日訊】建築工程設計與項目管理公司——HSS (HSS Engineers Berhad) 將於2011年在馬六甲上市。該公司計劃通過IPO集資3191萬令吉，以擴大其在水務和電力支援服務方面的業務。

該公司表示，IPO所得款項將用於擴大其業務規模，並為其客戶提供更高質量的服務。該公司目前正積極尋求投資者，並計劃在未來幾個月內完成上市程序。

據悉，HSS Engineers Berhad 是一家領先的建築工程設計與項目管理公司，擁有豐富的行業經驗和專業技術。該公司在馬來西亞和海外市場均享有盛譽，並承接了多項大型工程項目。



Engineers and Securities

度升至58.5仙

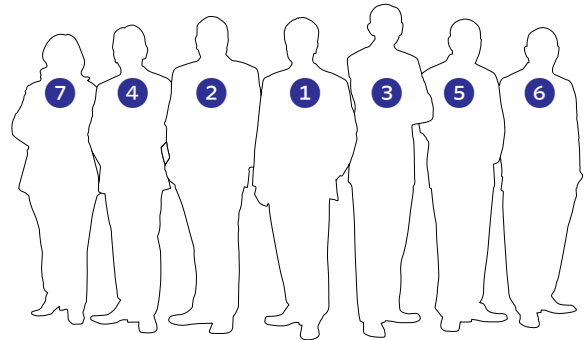
設大熱



# BOARD OF DIRECTORS



1. Dato' Mohd Zakhir Siddiqy Bin Sidek
2. Dato' Sri Ir. Kuna Sittampalam
3. Dato' Ir. Nitchiananthan A/L Balasubramaniam
4. Dato' Ir. Khairudin Bin Sidek
5. Mohan A/L Ramalingam
6. Foo Lee Khean
7. Ir. Sharifah Azlina Bt Raja Kamal Pasmah



# DIRECTORS' PROFILE

**Dato' Mohd Zakhir Siddiqy Bin Sidek**, a Malaysian male, aged 49, is the Independent Non-Executive Chairman of the Company. He was appointed to the Board of Directors of the Company on 17 April 2015. He is a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He graduated from Kings College, University of London, UK with a Bachelor of Law in 1989. He was admitted as an associate to The Institute of Chartered Accountants in England and Wales in 1993 and is a member of the Malaysian Institute of Accountants.

Dato' Mohd Zakhir has accumulated over twenty seven (27) years of working experience and has been involved in various industries. He started his career in 1989 with KPMG Peat Marwick in London working in audit, tax and corporate advisory, and was attached to the firm until 1993. He had served as the Vice President for Turnaround Managers Inc (M) Sdn Bhd, Kuala Lumpur from 1994 to 1995 where he was responsible for corporate advisory and restructuring.

Between 1995 and 1999, he has held senior positions in various public and private companies. Among the public companies, he acted as Managing Director in Renong Berhad, Non-Executive Director in United Engineers (M) Berhad, Director in Crest Petroleum Berhad, Director in Southern Steel Berhad, Executive Vice Chairman in Park May Berhad and Director in KLOFFE Berhad. During that time, he also held directorship in various private limited companies including Cyberview Sdn Bhd, Prolink Sdn Bhd, PUTRA Sdn Bhd, Marak Unggul Sdn Bhd, Renong Solutions Sdn Bhd and Teras Teknologi Sdn Bhd.

In the year 2000, he ventured out to start United Flagship Sdn Bhd where he is a director and shareholder to the present day. United Flagship Sdn Bhd is an investment company with subsidiaries in property development, construction, and information technology.

Other than the Company, he is not a Director of any other public company.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.



## DIRECTORS' PROFILE



**Dato' Sri Ir. Kuna Sittampalam**, a Malaysian male, aged 63, is the Co-founder and Executive Director of the Company. He was appointed on 17 April 2015.

He graduated from the University of Sheffield, UK in 1977 with a Bachelor of Engineering and obtained his Masters in Engineering at the same university in 1979. He is a Fellow of the Institution of Engineers, Malaysia; a Professional Engineer with the Board of Engineers, Malaysia; a member of the Association of Consulting Engineers, Malaysia; Chartered Institution of Highways and Transportation UK, and Institution of Engineers, Australia.

Dato' Sri Ir. Kuna has accumulated over thirty seven (37) years of experience within the engineering and project management services market. He started his career in 1980 as a Civil Engineer in C. H. Teoh & Partnership and was attached to the company up to 1981. He co-founded HSS Consult Partnership in 1984 which thereafter incorporated into HSS Consult Sdn Bhd in 1985. HSS Consult Sdn Bhd was principally involved in the provision of engineering design and project management services, but has since been struck off. During his tenure in HSS Consult Sdn Bhd, he was mainly involved in the design and project implementation of various infrastructure and construction projects. In 1988, he co-founded HSS Integrated Sdn Bhd, an engineering consultancy company registered under the Registration of Engineers Act 1967, and in 2001, he co-founded HSS Engineering Sdn Bhd.

Other than the Company, he is not a Director of any other public company.

Dato' Sri Ir. Kuna is a major shareholder of the Company. He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.



**Dato' Ir. Nitchiananthan A/L Balasubramaniam**, a Malaysian male, aged 54, is currently the Executive Director/Chief Executive Officer of the Group. He was appointed to the Board of Directors of the Company on 17 April 2015. He was a member of the Remuneration Committee but resigned on 1 August 2016.

He graduated with a Bachelor of Engineering in Civil Engineering from the Indian Institute of Technology of Roorkee, India in 1987. He obtained his Masters in Engineering majoring in Highway/Transportation from the University of New South Wales, Australia in 1989.

He is a Fellow of the Institution of Engineers, Malaysia ("IEM"); a Principal Interviewer for Corporate Membership applicants to IEM; a Professional Engineer with the Board of Engineers, Malaysia ("BEM") and has been on BEM's Scale of Fees Committee from 2013 till 2016.

Dato' Ir. Nitchiananthan is also a Fellow of the Chartered Institution of Highway and Transportation UK, and a Council Member of the Road Engineering Association of Malaysia.

Dato' Ir. Nitchiananthan has accumulated over thirty (30) years' experience in the engineering and project management consultancy industry. He started his career with Minconsult Sdn Bhd ("Minconsult") as an Assistant Engineer in 1987 for the Sabah Rural Trunk Road project. He left Minconsult in 1988 to pursue a Master's degree and re-joined Minconsult as a Highway Engineer in 1989.

He joined HSS Integrated Sdn Bhd in October 1989 as a Highway Engineer and became an Associate in 1994 and also the Head of Highways. In 1996, he was promoted to Associate Director in HSS Integrated Sdn Bhd in charge of all highway and railway/transit projects. In 2001, he was transferred from HSS Integrated Sdn Bhd to HSS Engineering Sdn Bhd as Chief Operating Officer and was promoted to Chief Executive Officer in 2011. On 22 September 2015, he was appointed to the Board of HSS Engineering Sdn Bhd. On 18 January 2017, he was appointed as Director of HSS BIM Solutions Pvt. Ltd.

Other than the Company, he is not a Director of any other public company.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.



## DIRECTORS' PROFILE



**Dato' Ir. Khairudin Bin Sidek**, a Malaysian male, aged 66, is our Executive Director. He was appointed to the Board of Directors of the Company on 17 April 2015.

He graduated from the Brighton Polytechnic, UK with a degree in mechanical engineering in 1974.

He is a member of the Institution of Engineers, Malaysia and a Professional Engineer with the Board of Engineers, Malaysia, and a Steam Engineer Grade II. He is also a member of the Association of Consulting Engineers, Malaysia.

Dato' Ir. Khairudin has accumulated over forty three (43) years' experience in the field of mechanical and electrical engineering. He started his career in 1974 as a Pupil Engineer in Tenaga Nasional Berhad (formerly known as Lembaga Letrik Negara), Port Dickson and was subsequently promoted to Shift Engineer in 1978. He left Tenaga Nasional Berhad in 1980. From 1980 to 1987, he was attached to Jurutera Konsultant (SEA) Sdn Bhd as a shareholder and director with the title of Mechanical Engineering Partner where he was the registered consultant for mechanical and electrical and civil and structural engineering projects. Between 1988 and 1990, he was attached with Hyco Worldwide (M) Sdn Bhd, which is principally involved in the oil-water emulsion technology for application in combustion of fuel used in power generation as its Managing Director. In 1991, he became the Regional Manager in South East Asia for Wahlco Environment Systems Incorporated and was attached to the company up to 1993. In 1991, he also became the principal partner for Perunding IMS, which provides mechanical and electrical consultancy services. He left Perunding IMS to join HSS Mekanikal & Elektrikal Sdn Bhd in 2011.

Other than the Company, he is not a Director of any other public company.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.

**Mohan A/L Ramalingam**, a Malaysian male, aged 68, is our Senior Independent Non-Executive Director. He was appointed to the Board of Directors of the Company on 17 April 2015. He is the chairman of the Remuneration Committee and Nomination Committee, and a member of the Audit and Risk Management Committee.

He graduated from Leicester Polytechnic, UK with a degree in mechanical engineering in 1972 and obtained his Master of Business Administration from Harvard University, USA in 1983.

Mr. Mohan started his career as an Engineer in Monsanto Electronics Sdn Bhd in 1973 where he rose to become Manufacturing Manager and was responsible for four (4) production departments. In 1978, he joined P A Consulting Services Sdn Bhd, an international management consulting firm and was responsible for the operation and supervision of a range of consultancy assignments. From 1984 to 1988, he acted as Managing Director for Mewah Holdings Sdn Bhd, an investment holding company and was responsible for troubleshooting poor performing divisions while evaluating new investment opportunities.

In 1989, he joined MRY Associates Sdn Bhd ("MRY"), an investment holding company, as a Managing Director and has held that position ever since. He is responsible for the research and development activities as well as identifying market trends and niches to be developed. MRY's investee companies include JobStreet.com Bhd, BFM Radio and Agrinos A.S. He acted as an Independent Director in Oriental Capital Assurance from 2010 to 2012.

Other than the Company, he is not a Director of any other public company.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.





## DIRECTORS' PROFILE



**Foo Lee Khean**, a Malaysian male, aged 53, is our Independent Non-Executive Director. He was appointed to the Board of Directors of the Company on 17 April 2015. He is the chairman of the Audit and Risk Management Committee and member of the Remuneration Committee and Nomination Committee.

He completed his professional examinations from the Chartered Institute of Management Accountants, UK in 1987. He is a Fellow Member of the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants, UK.

He commenced his career with Coopers & Lybrand Malaysia in 1987 in the Restructuring and Recovery Department before leaving as a Senior Associate in 1989 to join Price Waterhouse, Singapore, in a similar department. He left Price Waterhouse in 1990 to join Arthur Andersen, Singapore in the Corporate Recovery Services Department before assuming his career in Arthur Andersen, Malaysia in 1992 in the Corporate Recovery and Corporate Finance Division. He was the Director – Corporate Finance of Ernst & Young in 2002 following the merger of Arthur Andersen with Ernst & Young in the same year before leaving in 2005 and has since been a Capital Markets Services Representative License holder and a director of Strategic Capital Advisory Sdn Bhd, which is licensed by the Securities Commission Malaysia under the Capital Markets and Services Act 2007 to undertake investment advisory and corporate finance.

Presently he is also an Independent Non-Executive Director of Systech Berhad, Kumpulan Jetson Berhad, SMIS Corporation Berhad and KIP REIT Management Sdn Bhd, the Manager of KIP Real Estate Investment Trust.

He has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

He attended all four (4) Board meetings of the Company held during the financial year 2016.

**Ir. Sharifah Azlina Bt Raja Kamal Pasmah**, a Malaysian female, aged 50. She was appointed as the alternate director to Dato' Ir. Nitchiananthan A/L Balasubramaniam on 17 April 2015. She is also our Chief Operating Officer.

She graduated with a Bachelor of Science in Civil Engineering from the Christian Brothers University, Memphis, USA in 1990 and subsequently, completed her Master of Business Administration at Cardiff Metropolitan University, UK in 2012. She is a Fellow of the Institution of Engineers Malaysia ("IEM"); Principal Interviewer for IEM's professional applicants; a Professional Engineer with the Board of Engineers, Malaysia; an Associate Member of the Association of Consulting Engineers Malaysia; a member of the Intelligent Transport System of Malaysia and a member of Project Management Institute (Malaysia Chapter).

Puan Ir. Sharifah Azlina has over twenty seven (27) years of experience within the engineering and project management services market, particularly in road and highway designs. She started her career in 1990 with the Memphis City Council in USA as an undergraduate trainee where she was involved in the redesign of an existing road intersection in the city of Memphis. Upon her return to Malaysia in the same year, she joined Dolomite Properties Sdn Bhd for a short stint before joining Minconsult Sdn Bhd as a Graduate Engineer. She left Minconsult Sdn Bhd in 1991 to join HSS Integrated Sdn Bhd as an Engineer and rose through the ranks to become Chief Engineer (Highway). She was transferred from HSS Integrated Sdn Bhd to HSS Engineering Sdn Bhd in 2002 as Chief Engineer (Highway), and again rose through the ranks to become our Chief Operating Officer in 2011. On 1 January 2017, she was appointed as Director of HSS Engineering Sdn Bhd and BIM Global Ventures Sdn Bhd.

Other than the Company, she is not a Director of any other public company.

She has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



# SENIOR MANAGERMENTS' PROFILE



**Ir. Mathew Philip A/L V.C Philip**, a Malaysian male, aged 58, is currently our Group General Manager. He was appointed on 29 March 2014 and is responsible for leading and managing projects undertaken by our Group.

He graduated from the Universiti Malaya in 1983 with a Bachelor in Engineering and successfully completed his Master in Science in Highways and Transportation Engineering at Universiti Putra Malaysia in 2001. He is a member of various professional societies including the Institution of Engineers, Malaysia, Board of Engineers, Malaysia, and Chartered Institution of Highway and Transportation.

Ir. Mathew Philip has over thirty five (35) years of experience in design, design management and project management in mass rail transit, light rail transit, monorail, heavy rails, expressways and highways. He began his career in 1983 with Minconsult Sdn Bhd as Highway Engineer where he was involved in various infrastructure design projects as a graduate engineer. He left Minconsult Sdn Bhd in 1991 and joined HSS Integrated Sdn Bhd in the same year as Principal Design Engineer. In 2003, he was transferred from HSS Integrated Sdn Bhd to HSS Engineering Sdn Bhd as General Manager, and was subsequently promoted to become the Group General Manager.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



**Ir. Ten Fui Chan @ Kenneth**, a Malaysian male, aged 52, is currently the Senior General Manager (Transportation) for our Group. He was appointed on 1 June 2010 and is responsible in managing and coordinating the design team as well as providing technical supervision, guidance and reviewing design works. In addition, he also manages client and liaison with the relevant authorities and sub-consultants.

He graduated with a Bachelor of Arts in 1988 and a Bachelor in Civil Engineering (1st Class Honours) in 1989 from the Trinity College, University of Dublin, Ireland. He is a Fellow with the Institution of Engineers, Malaysia ("IEM"), a Professional Engineer with the Board of Engineers, a Corporate Member and Professional Engineer with the Institution of Engineers, Australia and a member of various professional societies including the Permanent Way Institution (Malaysian Section), Chartered Institution of Highway and Transportation, Associate Member of the Association of Consulting Engineers Malaysia and an International Professional Engineer. He also serves as Principal Interviewer for the Professional Interview Board with the IEM.

Ir. Ten Fui Chan @ Kenneth has accumulated over twenty nine (29) years of experience within the engineering and project management services market, particularly in design, design management and project management. He started his career in Minconsult Sdn Bhd as a graduate engineer in 1989, and subsequently joined HSS Integrated Sdn Bhd in 1989 as a Highway Engineer. He was transferred to HSS Engineering Sdn Bhd in 2001, and promoted to General Manager (Transportation) in 2010. On 1 January 2017, he was appointed as Director of HSS Engineering Sdn Bhd.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.





**Ir. Vimalanathan A/L Perumal**, a Malaysian male aged 61, is currently our Group's General Manager (Special Projects). He was appointed as the General Manager (Special Projects) on 1 July 2002 and has the responsibility of managing all technical, financial and contractual aspects of civil infrastructure projects.

He graduated with a Bachelor of Engineering in Civil Engineering from the University of Madras, India in 1981 and proceeded to complete his Master of Engineering in Civil and Structural Engineering at the University of Canterbury, New Zealand in 1986. He is a Fellow and Principal Interviewer for Corporate Membership applicants with the Institution of Engineers Malaysia, a Professional Engineer with the Board of Engineers Malaysia, and a member of various professional societies including the Institution of Engineers, Australia, Chartered Institution of Highway and Transportation, UK, Project Management Institute, Member of Society of Construction Law (Kuala Lumpur & Selangor) and Associate Member of the Association of Consulting Engineers Malaysia.

Ir. Vimalanathan has accumulated over thirty six (36) years of experience within the engineering and project management services market. He started his career with Malaysia International Consultant Sdn Bhd in 1981 as a design and supervising engineer up to 1987. In 1987, he joined Usaha Syarikat Daron Sdn Bhd in Brunei as a project engineer. He left in 1989 and joined Mardec Engineering Sdn Bhd as a resident engineer before joining HSS Integrated Sdn Bhd in 1989 as a Consultant Engineer. He was transferred to HSS Engineering Sdn Bhd in 2002 as Project Management Consultant and rose through the ranks to become the General Manager (Special Projects & Corporate Services).

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



**Ng Kuan Yee**, a Malaysian female, aged 46, is currently our Group's General Manager (Finance). She was appointed on 1 August 2012 and is responsible for our Group's overall finance functions including the monitoring of business performance and results, profitability and cash flow, executions of financial reporting, treasury management and tax compliance to ensure that our Group meets its business objectives in terms of returns, profitability, and cash flow.

She is a Fellow member of the Association of Chartered Certified Accountants since March 2005 after graduated in 1995, she also became a member of the Malaysian Institute of Accountants in 2001 and a member of the Malaysian Institute of Certified Public Accountants in 2007.

Ng Kuan Yee has over twenty four (24) years of experience in accounting and finance functions. She has extensive experience in mergers & acquisitions, integration of regional based finance shared services function, corporate restructuring, corporate due diligence, software implementation and risk management. She began her career with Bell & Order Berhad in 1994 and left in 1996 to join Gula Perak Berhad for a short stint. Thereafter, in 1996, she joined Sunway Marketing Sdn Bhd as an assistant accountant and was attached to the company up to 1998. Between 1998 and 2003, she was attached to Baan Malaysia Sdn Bhd, a multinational software house as Finance Manager of the ASEAN region. Prior to joining HSSE in 2011, she worked in Tricor Services (Malaysia) Sdn Bhd as Chief Financial Officer from 2003 to 2011 where she was responsible for the overall finance functions of the company. On 1 January 2017, she was appointed as Director of HSS Engineering Sdn Bhd.

She does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.

## SENIOR MANAGERMENTS' PROFILE



**Thavaseelan A/L Nadarajah**, a Malaysian male, aged 55, is currently our General Manager, Human Resource and Administration. He was appointed on 1 March 2011 and responsible for overseeing the overall human resource and administration functions of our Group which include amongst others overseeing resource planning, recruitment process and selection, salary administration and benefits and compensation management.

He has over thirty two (32) years of experience in human resource, finance and administration related functions. He began his career in 1984 as an Accounts Supervisor with Mahesh Bumi Sdn Bhd and was attached to the company up to 1986. Between 1986 and 1987, he was an Accountant with the Educational Welfare Research Foundation. He joined HSS Consult Sdn Bhd in 1987 as an Accountant and was transferred to HSS Integrated Sdn Bhd as Finance Manager in 1989, and subsequently re-designated as Administration Manager in 1993. In 2005, he was transferred to HSS Engineering Sdn Bhd as our Group's Human Resource & Administration Manager.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



**Suliana Binti Rosli**, a Malaysian female, aged 43, is currently our Legal Manager. She was appointed on 1 October 2014 and responsible for providing legal support and services to our Group and all its associated companies in Malaysia and India. She graduated with Bachelor of Laws from University of Hull, UK in 1997.

She has over seventeen (17) years of experience in legal, commercial, governance and regulatory functions. She began her career in 1997 as Business Development Executive in The Network Connections Sdn Bhd. She left the company in 1999 to join Golden Arches Restaurants Sdn Bhd as a Legal Manager where she provided legal support to the company and its charitable arm, and was with the company up to 2007. In 2007, she joined HSBC Data Processing (M) Sdn Bhd ("HSBC") as Senior Legal Counsel where she headed the offshore legal team for HSBC's operations in UK covering the segments of retail, commercial and corporate banking. She left HSBC in 2012 to join Ambank (M) Bhd as Senior Legal Counsel where she headed the legal department which provides legal support and services to the bank's business banking for a year and thereafter led the legal department supporting the bank's retail banking segment. She left the bank in 2014 to join HSS Engineering Sdn Bhd.

She does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. She maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



**Ganesh Balasubramanian**, an Indian male aged 48, is currently the Director of HSS BIM Solutions Pvt Ltd in Chennai. He was appointed on 13 July 2012 and is mainly responsible for the formulation and implementation of strategy of the organisation and overseeing its overall operations. He graduated with a Diploma in Civil Engineering from the C.N. Polytechnic, Chennai in 1989. He also holds a Higher Diploma in Interior Design from Convoys Technical Training Institute for Interior Design, from Dubai. He is an Authorised Consultant for Autodesk since 2005.

Ganesh Balasubramanian has accumulated over twenty eight (28) years of experience within the engineering and project management services market. He started his career in 1990 as a Project Engineer at Chitale & Sons which specialises in architecture and was attached to the company until 1994. In 1994, he joined Oryx Engineering Consultants, a company located in UAE as a Senior Project Engineer until 2005. Between 2005 and 2009, he was attached to AIICAD Services Pvt Ltd in Chennai as a Chief Technology Officer. In 2010, he joined DG BIM Consulting Pvt Ltd in Chennai as Director where he was responsible for the overall management of the strategic business unit. He left in 2012 to join HSS BIM Solutions Pvt Ltd.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



**Jagannathan Ragunathan**, an Indian male aged 48, is currently the Director of HSS BIM Solutions Pvt Ltd in Chennai. He was appointed on 13 July 2012 and oversees the company's business development. He holds a Bachelor of Science (Physics) and a Master of Science (Bio-Physics), both from the University of Madras, India and a Master in Business Administration from Annamalai University, India.

He has over twenty six (26) years of experience in business development, marketing, branding, client/partner/agent management, corporate communication, government relations and finance within various industries such as, manufacturing, water and waste treatment, construction, hospitality, business process outsourcing, trading, pharmaceutical and bio-technology. He started his career with AT Enterprises Pvt Ltd in 1992 and up to 1996, where he was in charge of merchandising. In 1996, he joined Colonac International Pvt Ltd, an international trading company. His role was managing the relationship with the international firms represented by the company in India and identifying technology partners for brewery, security products, textiles and chemicals. He left the company in 2001 and ventured into the business of outsourcing when he joined Acris Informatics Pvt Ltd in 2002. His responsibilities include operations, client coordination/management and business development. Thereafter, he joined Statco Magnitude Pvt Ltd, a manufacturer and marketer of water and waste management products, and an authorised representative of 3M products for India in 2006 as Director of Business Development. Before joining HSS BIM Solutions Pvt Ltd in 2012, he worked with Apex Bio-Naturals Pvt Ltd, a manufacturer and marketer of patented Ayurvedic and Siddha products from 2010 to 2012 where he managed the business development, administration and finance of the firm.

He does not hold any directorship in public companies or listed issuers and has no conflict of interest with the Group and has no family relationship with any Director and/or major shareholder of the Group. He maintains a clean record with regard to convictions for offences (other than traffic offences, if any) within the past 5 years.



# PROJECT MANAGEMENT

## MASTERS OF PROJECT MANAGEMENT

Having established a reputation for impeccable project management, we are the preferred choice for planning and design management, procurement management, contract administration, construction management, interface management and risk management.



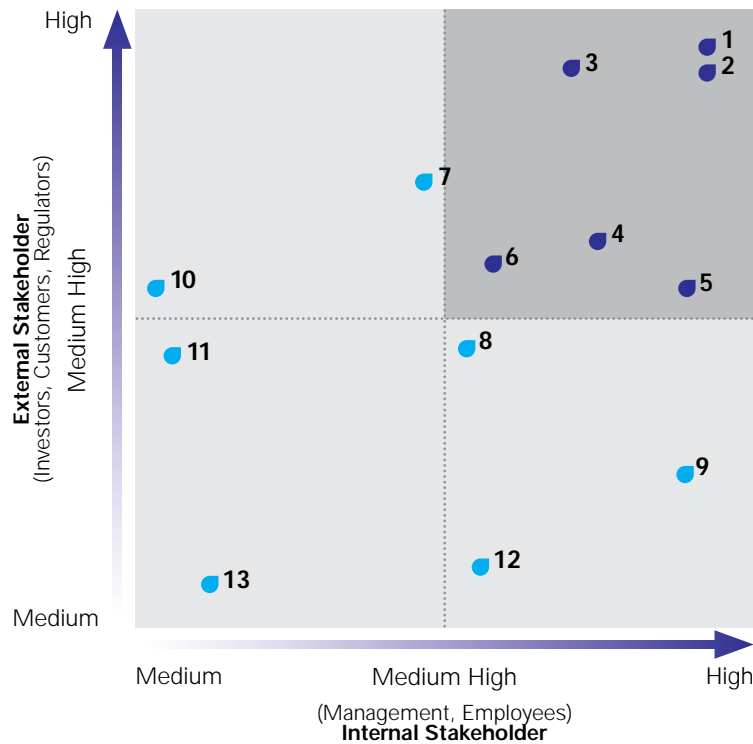


# SUSTAINABILITY STATEMENT

For HEB Group to become a leading engineering consultancy firm, the Board firmly believes it must undertake economic, social and environmental aspects into considerations when developing, planning, and executing the entire business. We are reflecting our sustainability interest through this inaugural chapter by focusing on the most important material issues highlighted by our diverse stakeholders such as investors, customers, regulators, management and employees. To address these material issues, the management approaches and initiatives that have been put in place to improve results are also discussed in this chapter. In line with our commitment, we are formalising a committee to spearhead our sustainability agenda. Moving forward, we aim to embed sustainability even deeper into our business objectives making the necessary improvements in our processes and ensuring that sustainability continues to be a major part of our business growth.

## MATERIALITY

For financial year ended December 2016, we have focused on six (6) material issues. The materiality matrix was derived from our stakeholder engagement exercise. HEB Group has ranked the material issues based on importance to both internal and external stakeholders.



### LEGEND:

M 1	Direct economic value	8	Total number of incidents of non-compliance
M 2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	9	Energy consumption within the organisation
M 3	Results of surveys measuring customer satisfaction	10	Monetary value of significant fines for non-compliance with environmental laws and regulations
M 4	Total number and rates of new employee hires and employee turnover by age group, gender, and region	11	Monetary value of significant fines for non-compliance concerning the provision and use of products and services
M 5	Average hours of training per year per employee by gender, and by employee category	12	Total water discharge by quality and destination
M 6	Percentage of operations with implemented local community engagement	13	Percentage of materials used that are recycled input materials
7	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		

**M** Material indicators; suggested indicators to be disclosed in Sustainability Section



**FINANCIAL HIGHLIGHTS <sup>M1</sup>**

The key financial indicators below highlight the economic value of HEB Group. For more information regarding financial performances of the Group, please refer to page 19 and page 80 of the annual report.



**OCCUPATIONAL HEALTH & SAFETY <sup>M2</sup>**

Based on our nature of business, we see our employees' well-being as utmost important. Attention to health and safety is not just about being socially responsible. It also makes good business sense and we regard it as just as important as the achievement of any other key business objective. We are committed in ensuring that our employees understand and practice the Quality, Environmental, Safety and Health ("QESH") Policy that is in place. Our services are provided in a manner that demonstrates excellent services through effective and efficient QESH Management System. As an initiative to reduce Lost Time Injury (LTI), we send out memos to our employees periodically to emphasise the importance of workplace health and safety. Moving forward, we will continue to ensure that our work place is safe with all safety precautions and measures taken into consideration.

Gender	Lost Time Injury (average lost working days/employee)	Types
Male	1.01	1. Knee Injury due to fall 2. Motorcycle accident - fractures
Female	0.13	Motorcycle accident - fractures

Gender	Absentee Rate (average lost working days/employee)
Male	7.97
Female	10.64



**DIY - DID YOU KNOW?**

We believe employees are the catalyst for our business growth. Placing their high value to the company, we worked hard in establishing best-in-practice working environment. Our dedication on this matter is well portrayed when we were certified MS ISO 9001 in year 1995.

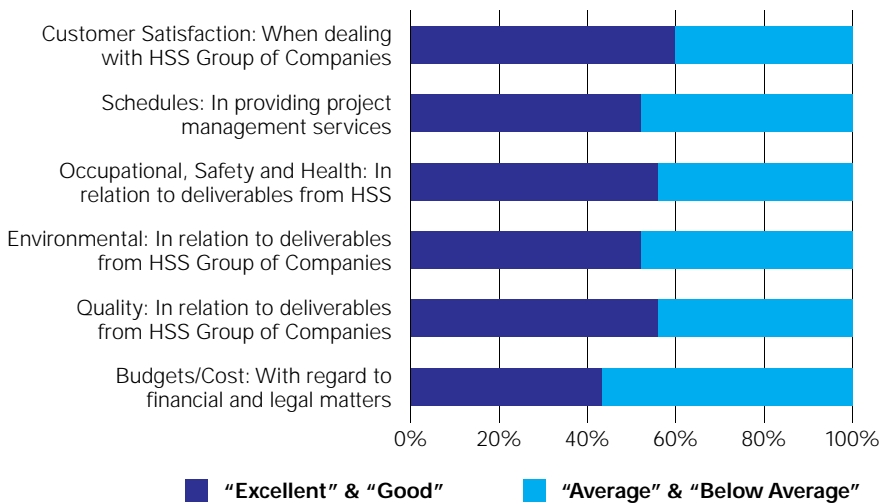


# SUSTAINABILITY STATEMENT

## OUR CUSTOMERS <sup>M3</sup>

We strongly believe that one of the significant factors of becoming a successful and sustainable business is to create a solid and loyal customer base. Customer management is important for us as a solid customer base will springboard for fostering new customers. We also believe current customers are essentially the “voice” of our services. Understanding this, we have in place customer feedback system, where a survey form is completed and submitted by the customers on an annual basis. Our QESH Department will compile the Customer Satisfaction Survey Report. This report will be tabled during Management Review meeting to gather input and feedback as Customer Satisfaction Survey is an important company performance indicator. In addition, we are revising the survey form where and when necessary in order to continuously improve our services. Besides the survey form, we take a serious view on complaints from our customers throughout our engagements and will take a proactive stance to address any issues.

### Customer Satisfaction



### Our Quality, Environmental, Safety & Health commitment:

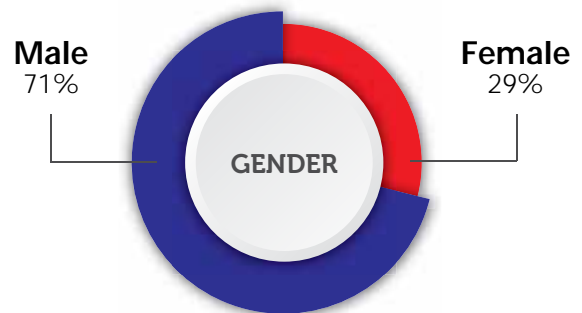
- Execute consultancy services in a manner which demonstrates integrity, competency and reliability
- Provide excellent services through effective QESH Management System and continual improvement in ensuring our services meet customers’ satisfaction
- Provide a reasonable and practical step to prevent and eliminate the risks of ill health, injuries and damage to the environment in all its operations
- Comply with applicable legal requirements and other requirements
- Implement, control and maintain an efficient QESH Management

Note: HSS Group of companies refer to HSS Engineering Sdn Bhd, HSS Integrated Sdn Bhd and HSS Mekanikal & Elektrikal Sdn Bhd.

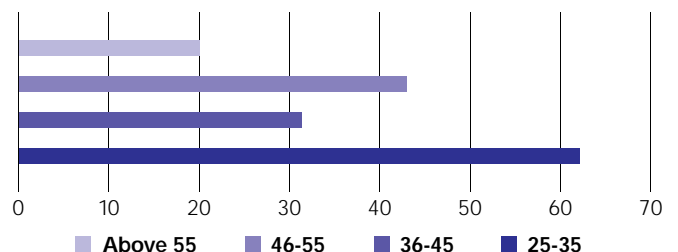
## WORKPLACE <sup>M4</sup>

The continuous exponential growth of the Group needs talented employees to support our common focus to be the best among the rest. We foresee our new hires to be highly engaged and committed employees who understand and are directly linked to our aspiration and goals. We have come a long way in our human capital strategic transformation progression and our investments in nurturing, supporting, and connecting our diverse workforce are starting to show. We are also focusing on resources and talent building across borders, wherever our services are required, as we build the workforce of the future. The new hiring numbers also shows that we ensure continuous focus on realising internal talents’ potential to take up pivotal responsibilities within the Group. We always believe that fresh talents are needed to not only progress within new challenges but a corporate responsibility to nurture these young minds to become better leaders of the future. This is well portrayed, as almost 40% of our new hiring are of those in the group between ages 25 to 35. Our hiring process provides Equal Employment Opportunity and non-gender biased. The hiring is greatly dependent on the candidates’ suitability and experience. We also support internship programmes, targeting about 10 to 20 students every year from various fields.

### TOTAL NUMBER OF EMPLOYEES RECRUITED (Gender)

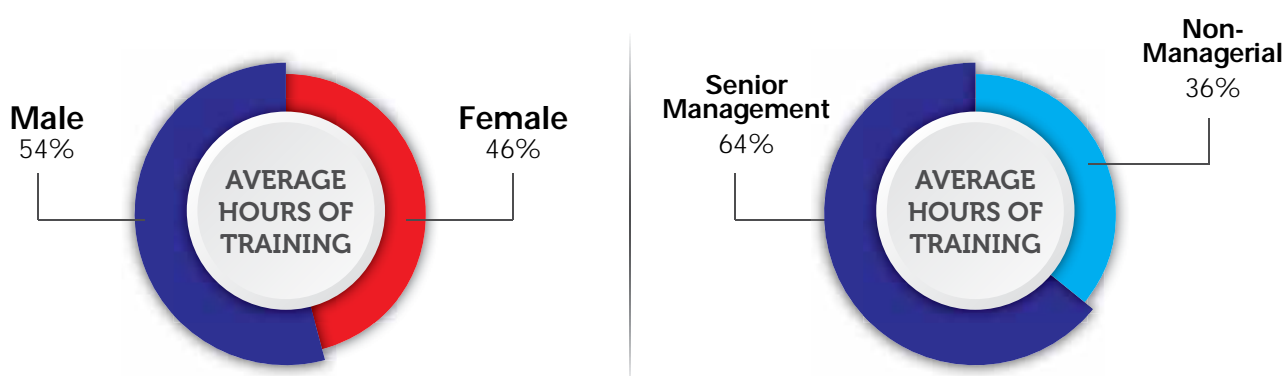


### TOTAL NUMBER OF EMPLOYEES RECRUITED (Age Group)

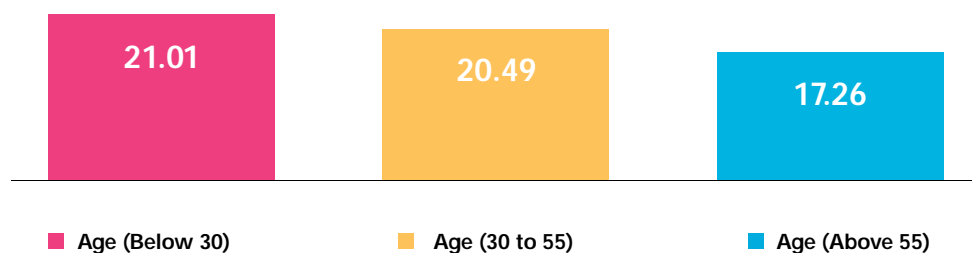


**EMPLOYEE DEVELOPMENT <sup>M5</sup>**

We have been continuously increasing our people transformation efforts. We believe it is essential in ensuring sustainable organisational capability building. This has led us to continue delivering record profits in past years. Our holistic approach includes not just performance management for delivery of results, but also appropriate job moves within our organisation, on-the-job preparation and mentoring as well as training. Trainings are provided to our employees based on individual needs and capacity building without the influence of gender or any other type of employee category. We see importance in continuous learning process, thus all age groups are strongly encouraged to be engaged with various training and development programmes.



**AVERAGE HOURS OF TRAINING**



**LOCAL COMMITMENT <sup>M6</sup>**

We at HEB Group sincerely believe it's our corporate responsibility to assist the development of underprivileged communities. Therefore, we have undertaken voluntary engineering consultancy projects to assist these communities build essential facilities. These projects commenced by stages beginning year 2012, serving communities mostly in Kuala Lumpur. We provide consultancy services on various project scopes such as civil & structural, mechanical & electrical engineering and quantity surveying. We also work closely with other architectural firms in supporting these community projects. In year 2016, we have provided a total of 21.5 man-hours of consultancy services for four (4) temple projects.

*Note: Superscript M – Material areas. Numbering is based on the materiality matrix table.*







# BUILDING INFORMATION MODELING

## PIONEERING 3D TECHNOLOGY

As an industry leader, we embrace technological advancement by providing building information modeling. Our intelligent 3D modeling system is utilised for design, analysis, construction, operation and maintenance, and renovation functions.



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# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of HSS Engineers Berhad (“the Company”) is committed to exercise good corporate governance by supporting and applying the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 (“MCCG 2012” or “the Code”). The Board recognises that maintaining good governance ethics is critical to business integrity and performance, and key to delivering shareholders’ value. In addition, the Board evaluates and where appropriate, implements relevant proposals to ensure that the Company and its subsidiaries (“the Group”) continue to adhere to good corporate governance with the aim of ensuring Board’s effectiveness in enhancing shareholders’ value.

The Board is pleased to share the manner in which the Principles and Recommendations of the Code have been complied within the Group throughout the financial year ended 31 December 2016 and up to the date of this Annual Report.

## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1. Clear functions of the Board and Management

The Board plays a key role in establishing the corporate vision and mission of the Group, establishing its objectives and developing the strategies that direct the ongoing activities of the Group to achieve these objectives and monitoring the performance of Key Management.

The day-to-day management of the Group’s business is delegated to the Chief Executive Officer (“CEO”), wherein the CEO is responsible for making and implementing operational and corporate decisions and primarily accountable to the Board for the authority that is delegated to him as well as the performance of the Group and achievement of corporate objectives.

The Independent Non-Executive Directors are actively involved in the various Board Committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view, independent assessment and opinions on management proposals.

### 2. Board’s responsibilities and duties

The Board assumes the following specific duties and responsibilities:

- (a) Establishing, reviewing, adopting and monitoring the strategic plan of the Group;
- (b) Overseeing the conduct of the Group businesses;
- (c) Identifying principal risks and ensure the implementation of appropriate controls and systems to manage these risks;
- (d) Succession planning for the Group;
- (e) Develop and implement an investors’ relations programme to ensure effective communication with its shareholders and stakeholders;
- (f) Reviewing the adequacy and the integrity of the internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines; and
- (g) Overseeing the Company’s business operations and financial performance.

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

- (a) Conflict of interest issues relating to substantial shareholders or Directors including approving related party transactions;
- (b) Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures;
- (c) Strategic investments, mergers and acquisitions and corporate exercises;
- (d) Limits of authority; and
- (e) Risk management policies.



The Board has delegated specific responsibilities to three (3) Board Committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. The 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](http://www.hssgroup.com.my).

### 3. Access to Information and Advice

The Board members have access to the advice and support of the Company Secretary and all information pertaining to the Group's business and affairs. If necessary, the Board is entitled to obtain independent professional advice, at the Company's cost, relating to the affairs of the Group or their responsibilities as Directors.

There is a procedure in place for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days 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.

### 4. Board Charter and Ethical Standards through Code of Conduct

The Board has formalised a Board Charter to clearly delineate the roles of the Board, the Board Committees and Management. The Board Charter provides structure guidance for Directors and Management in discharging their duties towards the Company as well as the Board's operating practices. In discharging its responsibilities, the Board is also guided by its Code of Ethics.

The Group has also in place a Code of Conduct for Directors, Management and employees which encompass all aspects of its day to day business operations. Directors and employees of the Group are expected to conform and observe an appropriate decorum and behaviour that promote honesty and integrity when engage with both employees and stakeholders.

There is also in place a Whistle-Blower Policy which serves as a guide to the employees on how to raise genuine concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way. Mr Foo Lee Khean, the Chairman of the Audit and Risk Management Committee has been appointed by the Board and he will act as a designated contact to whom employees' concerns and queries may be raised whilst employment related concerns can be reported to Dato' Ir. Nitchiananthan A/L Balasubramaniam, the CEO.

The Board Charter, Code of Ethics, Code of Conduct and Whistle-Blower Policy are periodically reviewed and updated, and are made available for reference on the Group's website at [www.hssgroup.com.my](http://www.hssgroup.com.my).

### 5. Strategies promoting Sustainability

The Board is mindful of the importance of business sustainability and the impact of the Group's business on the environment, economics and society. The Group is committed to incorporate sustainability and corporate social responsibility into its strategy and daily operation. The Group's initiatives on sustainability for the financial year ended 31 December 2016 are disclosed in page 54 to 57.

### 6. Qualified and Competent Company Secretaries

The Board is assisted by qualified and competent Company Secretaries who play a vital role in advising the Board in relation to the Company's constitution, Board policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. 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.

The Companies 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 appointment or removal of the Company Secretaries shall be the prerogative of the entire Board.

# CORPORATE GOVERNANCE STATEMENT

## STRENGTHEN COMPOSITION

### 1. Nomination Committee

The Nomination Committee oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

The Nomination Committee comprises entirely Independent Non-Executive Directors. As at the date of this Statement, the members of the Nomination Committee are:

Director	Designation
Mr Mohan A/L Ramalingam	Chairman
Dato' Mohd Zakhir Siddiqy bin Sidek	Member
Mr Foo Lee Khean	Member

The Chairman of the Nomination Committee is the Senior Independent Non-Executive Director which is in compliance with the Code.

During the financial year ended 31 December 2016, the Nomination Committee held two (2) meetings and all members registered full attendance to undertake the following activities:

- Reviewed the terms of reference of the Nomination Committee;
- Recommended Mr Mohan A/L Ramalingam as the Senior Independent Non-Executive Director;
- Recommended the reconstitution of the directors within the Group; and
- Reviewed and recommended the Directors' Assessment Form.

### 2. Develop, maintain and review criteria for recruitment process and annual assessment of Directors

#### Appointment and Re-election of Directors

The Board strives to achieve a balance of skills, experience, diversity and perspective amongst its Directors. In making a recommendation to the Board for the appointment of new Director and re-election of retiring Director, the Nomination Committee will consider the following:

- the composition requirements for the Board and its committees;
- the candidate's age, education background, experience, skills, knowledge, expertise, integrity, any potential conflict of interest and other qualities which are relevant for the Board to discharge its responsibilities in an effective and competent manner;
- the candidate's independence (for the appointment/re-election of Independent and Non-Executive Director);
- the candidate's ability to allocate time and commitment to attend to the Group's affairs; and
- the annual assessment of the candidate (for the re-election of retiring Director).

The challenges in achieving the right balance of diversity are duly acknowledged by the Board and this will be done over time, taking into account the Board's current size, the knowledge and experience of the present Board members and the evolving challenges faced by the Group. Although the Board recognises the need to promote gender diversity within its composition and endeavour to increase female participation in the Board in the near future, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills at the Board. Nevertheless, the Company has appointed Puan Ir. Sharifah Azlina Bt Raja Kamal Pasmah as alternate director to Dato' Ir. Nitchiananthan A/L Balasubramaniam.

Article 88 of the Company's Articles of Association provides that at the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Board are subject to retirement by rotation at each annual general meeting provided always that each Director shall retire at least once in every three years and the retiring Director shall be eligible for re-election at every annual general meeting of the Company. Further, a retiring Director shall retain office until the close of the annual general meeting at which he retires.

The Directors standing for re-election at the second Annual General Meeting of the Company are:

<b>Director</b>	<b>Designation</b>
Dato' Ir. Khairudin bin Sidek	Executive Director
Mr Foo Lee Khean	Independent Non-Executive Director

Information on each of the Director standing for re-election is set out in page 44 and 46 of this Annual Report.

### **Annual Assessment**

The Nomination Committee is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on yearly basis. The evaluation process is led by the Nomination Committee and supported by the Company Secretary via questionnaires. The Nomination Committee reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the Annual General Meeting.

For the financial year ended 31 December 2016, the Nomination Committee assessed the effectiveness of the Board, its Committees and the contribution of each Director by identifying the strengths and weaknesses of the Board.

The assessment criteria used in the assessment of Board and individual Director include mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contribution of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency and length of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their function.

## **3. Directors' Remuneration Policies**

### **Remuneration Committee**

The Board acknowledges that fair remuneration is critical to attract and retain the Directors of the Company and Key Management, taking into consideration all relevant factors including the function, workload and responsibilities involved. The Remuneration Committee is responsible for recommending to the Board the remuneration principles and the framework for members of the Board and Key Management.

The Remuneration Committee comprises of three (3) members who are Independent Non-Executive Directors. As at the date of this Statement, the members of the Remuneration Committee are:

<b>Director</b>	<b>Designation</b>
Mr Mohan A/L Ramalingam	Chairman
Dato' Mohd Zakhir Siddiqy bin Sidek	Member
Mr Foo Lee Khean	Member

During the financial year ended 31 December 2016, the Nomination Committee held two (2) meetings and all members registered full attendance.

The remuneration for the Independent Non-Executive Directors is a matter to be decided by the Board as a whole, with the Director concerned abstaining from deliberations and voting on the decision of his/her individual remuneration package. The Board recommends the Directors' fees payable to Independent Non-Executive Directors on a yearly basis to the shareholders for approval at the Annual General Meeting.



# CORPORATE GOVERNANCE STATEMENT

Directors' remuneration for the financial year ended 31 December 2016 in aggregate, with categorisation into appropriate components distinguishing between Executive and Non-Executive Directors is as follows:

Remuneration	The Group		The Company	
	Executive Directors (RM)	Non-Executive Directors (RM)	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries	2,133,786	–	–	–
Fees	–	264,000	–	264,000
Other emoluments	780,160	30,000	10,000	30,000

Breakdown of Directors' remuneration for the financial year ended 31 December 2016, by category and in each successive band of RM50,000 is as follows:

Range of Remuneration	The Group		The Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	–	–	3	–
RM50,001 – RM100,000	1	2	–	2
RM100,001 – RM150,000	–	1	–	1
RM150,001 – RM200,000	1	–	–	–
RM200,001 – RM250,000	1	–	–	–
RM250,001 – RM300,000	1	–	–	–

## REINFORCE INDEPENDENCE

### 1. Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in the decision making process. On annual basis, all the Independent Non-Executive Directors will declare their independence to the Board using a checklist. In addition, each Director is also individually responsible to declare any conflict of interest in relation to any proposal being considered and to abstain from deliberations and decision of the Board on the subject proposal.

The Independent Directors namely, Dato' Mohd Zakhir Siddiqy bin Sidek, Mr Mohan A/L Ramalingam and Mr Foo Lee Khean fulfilled the criteria of "Independence" as prescribed under the ACE Market Listing Requirements ("AMLR"). The Board composition also complies with the AMLR which requires that at least (2) directors or one-third (1/3) of the Board of the Company, whichever is the higher, to be independent directors.

### 2. Tenure for Independent Directors

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 Directors are those who have the ability to exercise their duties and express their views unfettered by familiarity or business or other relationships.

In line with the Code and the Board Charter, the tenure of an Independent 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 may in exceptional cases and subject to the assessment of the Nomination Committee on annual basis recommend and subject to obtaining the approval of the Company's shareholders, retain Independent Director who has served a cumulative term of nine (9) years as an Independent Director of the Company.

As at the date of this Statement, none of the Independent Non-Executive Directors has reached nine (9) years of service since their appointment.

### 3. Separation of Responsibility of Chairman and CEO

The Chairman of the Board is an Independent Non-Executive Director who leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matter being deliberated and that no Board member dominates the discussion. He further seeks to secure the provision of accurate, timely and clear information to the Board.

The CEO is an Executive Director who has the executive responsibility on the business and the day-to-day management of the Company. He acts as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The CEO implements the policies, strategies and decisions adopted by the Board, and monitors the operating and financial results against plans and budgets.

The distinct and separate roles of the Chairman and CEO undertaken by two 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.

### 4. Board Composition and Balance

As at the date of this Statement, the Board consists one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Alternate Director. The Directors bring to the Board a wide range of business, financial and technical experience for the effective management of the Group's business. A brief profile of each Director is presented in page 41 to 47 of this Annual Report.

The Board has appropriate mix of skills, knowledge and experience to govern the Company and the Board is satisfied that the current composition complies with the AMLR and fairly reflects the interests of minority shareholders in the Company.

### 5. Conflict of Interest

Each Director has a continuing responsibility to determine whether he/she has a potential or actual conflict of interest in relation to any contract or proposed contract or arrangement with the Group and shall immediately declare his/her interest to the Board and shall not participate in deliberations and shall abstain himself/herself from casting his/her votes in any matter arising therefrom.

## FOSTER COMMITMENT

### 1. Time Commitment and Protocols for Accepting New Directorship

The Board is mindful of the importance of devoting sufficient time to carry out their responsibilities. Each Director is expected to commit sufficient time and required to notify the Board prior to accepting any new directorships and indicate time to be spent.

The Board ordinarily schedules to meet quarterly with additional meetings to be convened when urgent and important decisions need to be made between the scheduled meetings. To facilitate the Directors' time planning, an annual meeting calendar will be prepared and circulated to them before the beginning of each year; and notices of meetings are also circulated to the Board at least seven (7) days prior to the meetings.

The Board had held four (4) Board Meetings during the financial year and the attendance record is as follows:

Director	Total number of meetings attended
Dato' Mohd Zakhir Siddiqy bin Sidek ( <i>Independent Non-Executive Chairman</i> )	4/4
Dato' Ir. Nitchiananthan A/L Balasubramaniam ( <i>Executive Director / CEO</i> )	4/4
Dato' Sri Ir. Kunasingam A/L V. Sittampalam ( <i>Executive Director</i> )	4/4
Dato' Ir. Khairudin bin Sidek ( <i>Executive Director</i> )	4/4
Mr Mohan A/L Ramalingam ( <i>Senior Independent Non-Executive Director</i> )	4/4
Mr Foo Lee Khean ( <i>Independent Non-Executive Director</i> )	4/4

# CORPORATE GOVERNANCE STATEMENT

## 2. Directors' Training

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

The Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Group's operations and business. The Nomination Committee is responsible to assess the training needs of the Directors.

Listed below are the training programmes attended by Directors during the financial year:

- 
- Training on Listing Requirements - Mandatory Accreditation Programme
  - Insider Trading : Overview & Case Studies
  - Overview on Transactions & Related Party Transactions, Key Disclosure Obligations of a Listed Company & Dealings in Listed Securities by Directors & Closed Period
  - Corporate Governance Breakfast Series - How to Leverage and AGMs for better Engagement with Shareholders
  - In-House Training for Directors and Management of Kumpulan Jetson Berhad Group - Companies Act 2016
  - Directors Risk Management Programme - "I Am Ready to Manage Risks"
  - Boardroom-Bursa Malaysia's Sharing Session on Initial Public Offering and Equity Crowd Funding
  - Bursa Malaysia CG Breakfast Series with Directors: Future of Auditor Reporting - The Game Changer for Boardroom
  - Boardroom - Christopher & Lee Ong Breakfast Talk : Personal Data Protection Act and Directors' Duties & Responsibilities
  - Corporate Governance Breakfast Series entitled "Improving Board Risk Oversight Effectiveness"
  - Corporate Governance Director's Workshop - The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions
  - Technical Talk on Flood Mitigation Challenges for Roads & Highways
  - 2nd IRF Asia Regional Congress & Exhibition 2016
  - 5th Annual National Procurement & Integrity Forum for Public and Private Sector 2016
  - Talk on Power Generation Technologies and Introduction to the Framework Implementation of IPP Projects
  - Talk on Technical Feasibility Study of Biomass Power Plants in Malaysia
  - Seminar on New Developments and Innovations in Water Supply Systems in Malaysia
  - How to Conduct Professional Engineers (PE) Interviews
  - Technical Seminar on Advance on Geotechnical Practices
  - Seminar on Geotechnical Earthquake Engineering in Malaysia
- 

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 1. Compliance with Applicable Financial Reporting Standards

The Board aims to present a clear and balanced assessment of the Group's financial position and future prospects that extends to the annual and quarterly reports. 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 Board established the Audit and Risk Management Committee to review the quarterly results and the year-end financial statements of the Group, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and how these matters are being addressed;



- (c) the going concern assumption; and
- (d) compliance with accounting standards and other legal requirements.

## 2. Suitability and Independence of External Auditors

The Audit and Risk Management Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors.

In assessing the external auditors' independence, the Audit and Risk Management Committee also seeks the written assurance from the external auditors to confirm that they are and have been independent throughout the conduct of the audit engagement with the Company and in accordance with the terms of reference of all relevant professional and regulatory requirements. The Audit and Risk Management Committee is satisfied with the external auditors' technical competency and audit independence.

For the financial year ended 31 December 2016, the external auditors attended one (1) Audit and Risk Management Committee Meeting which was held on 18 November 2016 to present their audit plan for the annual audit. The Audit and Risk Management Committee also met the external auditors in the absence of Management for greater exchange of views in relation to the financial reporting and auditing process.

## RECOGNISE AND MANAGE RISKS

### 1. Sound Framework to Manage Risk

The Board has overall responsibility of maintaining a system of internal controls, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with internal policies and procedures.

### 2. Internal Audit Function

The Company's internal audit function is outsourced to a reputable external service provider, which critically reviews all aspects of the Group's activities and its internal controls and reports directly to the Audit and Risk Management Committee.

The Statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal control within the Group, forms part of this Annual Report.

## ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 1. Corporate Disclosure Policy and Procedure

The Board acknowledges the need to establish the corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosure relating to the Group to be made to the regulators, shareholders and stakeholders. Accordingly, the Board have formalised a corporate disclosure policy not only to comply with the disclosure requirements as stipulated in the AMLR, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

### 2. Leverage on Information Technology for Effective Dissemination of Information

The Group's corporate website includes an Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Malaysia Securities Berhad ("Bursa Securities"), share price information as well as the corporate and governance structure of the Group.

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# CORPORATE GOVERNANCE STATEMENT

## STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

### 1. Shareholder Participation at General Meetings

The Board is aware that the Annual General Meeting is the primary platform for two-way communication between the shareholders and Management of the Group. The notice of Annual General Meeting together with the annual report are sent out to the shareholders at least twenty-one (21) days before the date of the Annual General Meeting in accordance with the Company's Articles of Association.

During the Annual General Meeting, the Board will present the Group's overview strategy, performance and major developments. Shareholders are encouraged and will be given the opportunity to raise questions and provide suggestions/ comments.

### 2. Encourage Poll Voting

The AMLR require all resolutions in general meetings held on or after 1 July 2016 to be voted by poll. Hence, the Company will implement poll voting as well as to appoint an independent scrutineer to validate the votes cast at the Annual General Meeting.

### 3. Effective Communication and Proactive Engagement with Shareholders

The Board recognises the importance of clear and effective communication to its stakeholders, shareholders and potential investors to encourage a better appreciation of the Group's business and future prospects.

This is achieved through timely announcements and disclosures made to Bursa Securities (including the release of quarterly financial results and annual reports) and utilising the Group's corporate website as an avenue for stakeholders, shareholders and potential investors to access information pertaining to the Group.

## COMPLIANCE STATEMENT

The Board considers that the Group has substantially complied with the Best Practices of the Code throughout the financial year ended 31 December 2016. Where a specific recommendation of the Code has not been observed during the year under review, the non-observance has been explained and the reasons thereof been included in this Statement.

## DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and of the results and cash flow of the Company and the Group for the financial year then ended.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- Adopted and applied the appropriate and relevant accounting policies consistently;
- Made judgments and estimates that are prudent and reasonable;
- Complied with the applicable approved financial reporting standards, i.e. Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), AMLR and the provisions of the Companies Act, 2016; and
- Prepared the financial statements on a going concern basis.

The Board is satisfied that in preparing the financial statements of the Company and the Group as of 31 December 2016, 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 prepared in accordance with all relevant approved financial reporting standards and have been prepared on a going concern basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

Pursuant to Rule 15.26 (b) of the ACE Market Listing Requirements (" Listing Requirements" ) 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 ("ARC") 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

Management implements the Board's policies and procedures on risk management by identifying and addressing the risks faced by Group as part of their day-to-day functions and through review of such risks at regular management meetings chaired by executive directors.

### Enterprise Risk Management ("ERM") Framework

The Group is in the process of formalising its ERM Framework with the assistance of an independent professional firm. The ERM Framework will encapsulate the Group's risk governance structure, policy and procedures to systematically identify, assess, monitor and report on the risks that may affect the Group.

## INTERNAL CONTROL SYSTEM

The following are key areas of governance which defines the values, ethics and conduct of the Group and policies and procedures in place to assist in ensuring that a sound system of internal control is maintained within the Group.

### Organisational Structure

The business of the Group is managed by the Board which provides direction and oversight to the Group and management. The Board is supported by a number of Board Committees namely the ARC, Nomination Committee (" NC" ) and Remuneration Committee (" RC" ). Each committee has formal defined terms of reference and responsibilities and report on activities of each committee is presented to the Board on a regular basis.

There is a clearly defined 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 ARC 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 ARC 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 ARC. Based on the audits performed, significant findings and areas of improvement are reported periodically to the ARC 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 ARC and the IA during the year are set out in the ARC Report.



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# 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 and Whistle-Blower Policy. The Code of Conduct and Whistle-Blower Policy have been clearly disseminated to the employees and also made available on the Group's website.

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

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

## Quality, Environmental, Safety and Health ("QESH") Management Systems

The Group has established the QESH Management Systems which has been certified with ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 standards. Compliance with the processes and procedures set out in the QESH Management Systems 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 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 certifications, scheduled audits are conducted internally as well as by a certification body. Issues arising from these audits (if any) are presented to the management for review and further action, if any.

## Human Capital

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

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

## Credit and Liquidity Risk Management

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

The Group minimises such risks with the following measures:

- Assessing the project profile and contract period before determining the payment schedule and payment terms for each project
- Close monitoring of collections and overdue debts on a regular basis
- Adopts strict credit control policy

## Insurance

The Group has in place adequate insurance coverage to minimise the adverse impact of potential claims on its results of operations or financial condition.

## Legal

The Legal department plays a pivotal role in ensuring the interests of the Group are preserved and safeguarded from a legal perspective in its transactions with third parties. It also plays a key role in advising the Board on legal matters, including on litigation involving the Group.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Company Secretary

The Company Secretary provides the necessary advice and guidance on matters relating to the Company's constitution, Board policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations.

## Annual Budget

Comprehensive budgets are prepared on an annual basis by the operations units and presented to the Board for approvals. The Group's performance is tracked and measured against the approved budget on a quarterly basis. The quarterly results are reviewed by the Board to enable the directors to gauge the Group's overall performance as compared to the approved budgets and past results.

## CONCLUSION

The Board has received assurance from the Chief Executive Officer and General Manager-Finance that the risk management and internal control system adopted by the Group is operating adequately and effectively, in all material aspects, based on their observations in the course of their management of day-to-day operations of the Group.

The Board is pleased to report for the financial year under review and up to the date of this report, that the state of the internal control system and risk management practices are able to meet the objectives of the Group and to facilitate good corporate governance. There was no material control failure or weakness that would have a material adverse impact on the results of the Group for the period under review and up to the date of this report that would require a separate disclosure in the Group's annual report or financial statements.

This statement is made in accordance with a resolution of the Board dated 27 March 2017.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee was renamed to Audit and Risk Management Committee ("ARC") on 5 August 2016 as it also assess the risk and control environment of the Company and its subsidiaries ("the Group").

## COMPOSITION

The ARC comprises three (3) members, all of whom are Independent Non-Executive Directors. The ARC members are:

Director	Designation
Mr Foo Lee Khean	Chairman
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member
Mr Mohan A/L Ramalingam	Member

Mr Foo Lee Khean, the Chairman of the ARC is a Fellow Member of the Malaysian Institute of Accountants ("MIA") and the Chartered Institute of Management Accountants, UK ("CIMA"), which is in compliance with Rule 15.09(1) of the ACE Market Listing Requirements ("AMLR").

## TERMS OF REFERENCE

In fulfilling its duties and objectives, the ARC is guided by its Terms of Reference which is made available on the Group's website at [www.hssgroup.com.my](http://www.hssgroup.com.my).

## ATTENDANCE OF MEETING

There were three (3) meetings held during the financial year ended 31 December 2016 and the details of attendance are as follows:

Director	Attendance
Mr Foo Lee Khean	3/3
Dato' Mohd Zakhir Siddiqy Bin Sidek	3/3
Mr Mohan A/L Ramalingam	3/3

## SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2016, the ARC carried out its duties as set out in its Terms of Reference which included the following:

1. The ARC had ensured that the quarterly financial results of the Group complied with the Malaysian Financial Reporting Standards ("MRFS") and Appendix 9B of the AMLR. The quarterly financial results for the first quarter ended 31 March 2016, second quarter ended 30 June 2016 and third quarter ended 30 September 2016 were reviewed by the ARC at their meetings held on 1 August 2016, 5 August 2016 and 18 November 2016 respectively;
2. At their meeting held on 1 August 2016, the ARC reviewed and discussed the following:
  - a) Revised the Terms of Reference of ARC.
  - b) Appointment of Internal Auditor, Messrs Crowe Horwath Governance Sdn Bhd.
3. The report of Recurrent Related Party Transactions ("RRPTs") of the Group was tabled and reviewed by the ARC during the meeting held on 1 August 2016 and 18 November 2016;
4. At their meeting held on 5 August 2016, the ARC reviewed and discussed the following:
  - a) Professional Services and Fees for the Internal Auditor.
  - b) Renamed the Audit Committee from Audit Committee to Audit and Risk Management Committee.



5. The ARC reviewed and approved the Internal Audit Plan presented by the Internal Auditor via ARC Circular Resolution;
6. At their meeting held on 18 November 2016, the ARC reviewed and discussed the following:
  - a) Internal Audit Report which was circulated at the meeting.
  - b) Audit Plan of the Group for the financial year ended 31 December 2016.
7. The ARC received and discussed the Internal Audit Report containing the audit findings and recommendations made by the Internal Auditors on weaknesses in the systems of internal control and Management responses on those issues. The ARC monitored the progress on the corrective actions taken by Management on a quarterly basis until it is satisfied that the weaknesses identified had been adequately addressed;
8. At their meeting held on 18 November 2016, the ARC met with the External Auditors in the absence of the Executive Board Members and Management to discuss on any significant issues in connection with their plan for the audit of the Group;
9. At their meeting held on 18 November 2016, the ARC met with the Internal Auditors in the absence of the Executive Board Members and Management to discuss on any significant issues which may have arisen in the course of their audit of the Group;

The ARC is of the opinion that it has discharged its duties in accordance with the Terms of Reference.

#### **INTERNAL AUDIT FUNCTION**

The Group has appointed Messrs Crowe Horwath Governance Sdn Bhd ("Internal Auditor") to provide outsourced internal audit function for the Group. The Internal Auditor reports directly to the ARC and the internal audit function is independent of the activities or operations of other operating units. The main role of the Internal Audit function is to provide the ARC the reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group.

The internal audit activities were carried out based on a risk-based internal audit plan presented by the Internal Auditor to the ARC. The establishment of the internal audit plan took into consideration the Group's risk profile and input from Key Management and the ARC members.

The following are the activities undertaken by the Internal Auditor during the financial year under review:

- (a) Tabled the internal audit plan for the ARC's review and approval;
- (b) Conducted internal audit and reviewed on the operating unit in accordance with the approved internal audit plan; and
- (c) Presented one (1) internal audit report on Engineering Services, Construction Supervision and Project Management Cycle for the Highway Division of the Group to the ARC during the financial year.

The cost of internal audit services rendered by the Internal Auditor in respect of the financial year ended 31 December 2016 amounted to RM20,556.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The Company was listed on the ACE Market of Bursa Securities ("Listing") on 10 August 2016. In conjunction with the Listing, 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. The status of the utilisation of the gross proceeds for the financial year ended 31 December 2016 was as follows:

Details of Utilisation	Timeframe For Utilisation <sup>(1)</sup>	Amount RM'000	Utilised Amount RM'000	Unutilised Amount RM'000
Expansion/venture into same or allied services:				
(a) Expansion into India	Within 18 months	15,000	–	15,000
(b) Venture into the provision of support services to the water sector in Malaysia	Within 18 months	6,000	–	6,000
(c) Venture into the provision of support services to the power sector in Malaysia	Within 18 months	3,000	–	3,000
Repayment of bank borrowings	Within 3 months	4,000	4,000	–
General working capital	Within 12 months	708	708	–
Estimated listing expenses	Within 1 month	3,200	3,200	–
<b>Total</b>		<b>31,908</b>	<b>7,908</b>	

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

### Notes:

<sup>(1)</sup> From the date of listing of the Company on the ACE Market of Bursa Securities on 10 August 2016.

## 2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2016, the amount of audit and non-audit fees paid or payable by the Company and the Group to the external auditors are as follows:

	Company (RM)	Group (RM)
Audit services rendered	25,000	156,008
Non-audit services rendered	120,000	134,600
<b>Total</b>	<b>145,000</b>	<b>290,608</b>

The non-audit fees was mainly for the services rendered by the external auditors related to the Company's Initial Public Offering.

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

- The Shareholding Agreement entered into between HSS Engineering Sdn Bhd ("HSSE") with HSS Integrated Sdn Bhd ("HSSI") and all the current shareholders of HSSI on 6 April 2016, namely Dato' Sri Ir. Kunasingam A/L V. Sittampalam, Dato' Ir. Nitchianathan A/L Balasubramaniam and Dato' Ir. Khairudin Bin Sidek to safeguard the interest of HSSE pursuant to the Teaming and Support Services Agreement dated 2 January 2015 (as supplemented by the Supplemental Agreement dated 19 June 2015).
- The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Dominant Sphere Sdn Bhd and ADI Capital Sdn Bhd for the acquisition by the Company of the entire equity interest of HSSE for a total consideration of RM22,739,776.

### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS (CONTINUED)

- (c) The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Dato' Sri Ir. Kunasingam A/L V. Sittampalam, Vanessa A/P Santhakumar, Dato' Ir. Nitchianathan A/L Balasubramaniam, Ir. Sharifah Azlina Bt Raja Kamal Pasmah, Ganesh Balasubramanian and Jagannathan Ragunathan for the acquisition by the Company of the entire equity interest of HSS BIM Solutions Private Limited for a total consideration of RM1,644,102.
- (d) The supplemental Share Sale Agreement dated 11 April 2016 entered into between the Company and Dato' Sri Ir. Kunasingam A/L V. Sittampalam, Vanessa A/P Santhakumar, Dato' Ir. Nitchianathan A/L Balasubramaniam, Ir. Sharifah Azlina Bt Raja Kamal Pasmah, Ganesh Balasubramanian and Jagannathan Ragunathan for the acquisition by the Company of the entire equity interest of BIM Global Ventures Sdn Bhd for a total consideration of RM1,142,593.
- (e) The Share Subscription Agreement dated 11 April 2016 between the Company and Ganesh Balasubramanian and Jagannathan Ragunathan for the subscription of a total of 4,932,306 the Company's shares at the issue price of RM0.10 per share.
- (f) The Share Sale Agreement dated 30 May 2016 entered into between HSSE, Dato' Sri Ir. Kunasingam A/L V. Sittampalam and Dato' Ir. Nitchianathan A/L Balasubramaniam for the acquisition by HSSE of 30% of equity interest in HSSI for a total consideration of RM897,710.
- (g) The Share Sale Agreement dated 30 May 2016 entered into between HSSE and Ir. Azman Bin Ab. Rahman for the acquisition by HSSE of 30% of equity interest in HSS Mekanikal & Elektrikal Sdn Bhd for a total consideration of RM8,784.

### 4. RECURRENT RELATED PARTY TRANSACTIONS

The RRPTs of the Group have been entered into in the normal course of business. Further details of the RRPTs of a revenue or trading nature conducted during the financial year are disclosed in page 117 of the financial statements of the Annual Report.

Please refer to Section 2.4 of the Circular to Shareholders dated 5 April 2017 on the name of the related parties and the Company's relationship with the related parties.