HSS ENGINEERS BERHAD

(1128564-U)
(Incorporated in Malaysia)

STATUTORY REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

azman, wong, salleh & co.
(AF: 0012)
chartered accountants

HSS Engineers Berhad (1128564-U)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Contents

HSS Engineers Berhad (1128564-U)
(Incorporated in Malaysia)

CORPORATE INFORMATION

Board of Directors

Dato' Mohd Zakhir Siddiqy Bin Sidek

Dato' Sri Ir. Kunasingam A/L V. Sittampalam

Dato' Ir. Nitchiananthan A/L Balasubramaniam

Dato' Ir. Khairudin Bin Sidek

Mohan A/L Ramalingam

Foo Lee Khean

Ir. Sharifah Azlina Bt Raja Kamal Pasmah
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)

Registered Office

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Administrative and Correspondence Address

Wisma HSS Integrated
B1 (1-4) Block B, Plaza Dwitasik
No. 21, Jalan 5/106
Bandar Sri Permaisuri
56000 Kuala Lumpur

Company Secretaries

Tai Yit Chan
Tan Ai Ning
Ng Kuan Yee

Auditors

Azman, Wong, Salleh & Co.
(AF: 0012)
Chartered Accountants

Presentation Currency

Ringgit Malaysia (RM)

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2016.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and other details of the subsidiaries are as disclosed in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the year.

2. FINANCIAL RESULTS

The financial results of operations during the year are as follows :-

	Group RM	Company RM
Profit/(Loss) before taxation	19,890,514	(1,419,697)
Taxation	(5,872,869)	(6,000)
Profit/(Loss) for the year	14,017,645	(1,425,697)

3. DIVIDEND

The directors recommend a single tier final dividend in respect of the current financial year ended 31 December 2016 of 0.63 sen per ordinary share amounting to RM2,010,210. The financial statements for the current financial year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

4. SHARE CAPITAL

During the current financial year, the Company increased its issued and paid-up share capital from RM10 to RM31,908,101 comprising 319,081,010 ordinary shares of RM0.10 each by way of the issuance of additional 319,080,910 new ordinary shares of RM0.10 each as follows: -

(a) 250,332,404 new ordinary shares of RM0.10 each at par as settlement for the purchase consideration in respect of the acquisitions of the entire equity interest in HSS Engineering Sdn Bhd, HSS BIM Solutions Private Limited and BIM Global Ventures Sdn Bhd;

(b) 4,932,306 new ordinary shares of RM0.10 each subscribed by two vendors of HSS BIM Solutions Private Limited at par and for cash from their portion of the purchase consideration which was settled in cash; and

(c) 63,816,200 new ordinary shares of RM0.10 each at the issue price of RM0.50 each and for cash to the Malaysian public, and eligible directors, employees and business associates of the Group, and selected investors pursuant to the Public Issue portion of the Company's Initial Public Offering ("IPO") of shares in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad.

4. SHARE CAPITAL (CONTINUED)

All the new ordinary shares issued rank pari passu in all respects with the existing issued ordinary shares of the Company.

Further details on the issuance of new ordinary shares pursuant to the abovementioned acquisitions of subsidiaries and IPO in conjunction with listing of the Company are disclosed in Notes 36(a) and 36(c) to the financial statements.

5. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 December 2016.

6. DIRECTORS OF THE COMPANY

The directors in office during the financial year and as at the date of this report are:-

Dato' Mohd Zakhir Siddiqy Bin Sidek
Dato' Sri Ir. Kunasingam A/L V. Sittampalam
Dato' Ir. Nitchiananthan A/L Balasubramaniam
Dato' Ir. Khairudin Bin Sidek
Mohan A/L Ramalingam
Foo Lee Khean
Ir. Sharifah Azlina Bt Raja Kamal Pasmah
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)

The following represents the interests of the directors in office at the end of the financial year in the shares of the Company:-

	No. of Ordinary Shares of RM0.10 Each			
Director	Balance as at 1.1.2016	Acquired**	Disposed	Balance as at 31.12.2016
Dato' Mohd Zakhir Siddiqy Bin Sidek	-	500,000	-	500,000
Dato' Sri Ir. Kunasingam A/L V. Sittampalam				
- Indirect interest *	50	121,362,292	(21,362,342)	100,000,000
Dato' Ir. Nitchiananthan A/L Balasubramaniam	-	8,500,000	-	8,500,000
Dato' Ir. Khairudin Bin Sidek	-	500,000	-	500,000
Mohan A/L Ramalingam	-	1,000,000	-	1,000,000
Foo Lee Khean	-	200,000	(200,000)	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	-	4,000,000	-	4,000,000
(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam)				

* Indirect interest by virtue of his shareholdings in Victech Solutions Sdn Bhd.

** Included shares acquired pursuant to the acquisition of subsidiaries [Note 36(a)] and IPO [Note 36(c)] by the Company.

6. DIRECTORS OF THE COMPANY (CONTINUED)

By virtue of his substantial shareholdings in the Company, Dato' Sri Ir. Kunasingam A/L V. Sittampalam is deemed to have interests in the shares in all the wholly owned subsidiaries of the Company.

Since the end of the previous financial period, no director has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the director or his nominees or with a firm of which he is a member or with a company in which he has a substantial financial interest other than (i) benefits included in the aggregate amount of fees and remuneration received or due and receivable by the directors as disclosed in Note 24(a) to the financial statements; (ii) pursuant to the scheme for the IPO of shares in conjunction with the listing of the Company and the acquisition of an associate as disclosed in Note 36 to the financial statements; and (iii) by virtue of transactions entered into in the ordinary course of business.

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the scheme for the IPO of shares in conjunction with the listing of the Company as disclosed in Notes 36(a) and 36(c) to the financial statements. Shares in the Company acquired by the respective directors are included in the movements of directors' interests in the shares of the Company tabulated above.

7. OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps: -

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records have been written down to an amount which they might be expected so to realise.

(b) As at the date of this report: -

(i) the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(ii) the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

(iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate;

(iv) the directors are not aware of any circumstances that would render any amount stated in the financial statements of the Group and of the Company misleading;

(v) there does not exist any charge on the assets of the Group and of the Company that has arisen since 31 December 2016 which secures the liabilities of any other person; and

7. OTHER STATUTORY INFORMATION (CONTINUED)

(b) As at the date of this report: - (continued)

(vi) there does not exist any contingent liability in respect of the Group and of the Company that has arisen since 31 December 2016.

(c) No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months from 31 December 2016 which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(d) In the opinion of the directors :-

(i) the results of the operations of the Group and of the Company for the year ended 31 December 2016 were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between 31 December 2016 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

8. AUDITORS

(a) Details of auditors' remuneration for the Company and for the Group are disclosed in Note 24(a) to the financial statements.

(b) The auditors, Messrs. Azman, Wong, Salleh & Co. have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Board of Directors,

DATO' SRI IR. KUNASINGAM A/L V. SITTAMPALAM
Director

DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM
Director

Kuala Lumpur,
27 March 2017

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	5,684,470	5,491,952	-	-
Intangible assets	5	812,571	1,121,697	-	-
Investment in subsidiaries	6	-	-	25,526,471	-
Investment in associates	7	1,113,403	-	-	-
Deferred tax assets	8	36,984	48,228	-	-
		7,647,428	6,661,877	25,526,471	-
CURRENT ASSETS					
Trade receivables	9	72,739,962	53,296,274	-	-
Other receivables, deposits and prepayments	10	2,942,200	5,882,915	88,814	1,429,684
Amount due from a subsidiary	11	-	-	3,524,220	-
Tax recoverable		215,310	565,889	1,500	-
Short term deposits with licensed banks	12	41,108,237	10,284,129	24,000,000	-
Cash and bank balances		539,407	610,944	132,535	10
		117,545,116	70,640,151	27,747,069	1,429,694
TOTAL ASSETS		125,192,544	77,302,028	53,273,540	1,429,694
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	13	31,908,101	10	31,908,101	10
Share premium	14	22,326,480	-	22,326,480	-
Invested equity	15	-	6,302,164	-	-
Foreign currency translation reserve	16	300,732	264,854	-	-
Retained profits/(Accumulated losses)		24,173,065	29,373,026	(1,432,676)	(6,979)
		78,708,378	35,940,054	52,801,905	(6,969)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
NON-CURRENT LIABILITIES					
Retirement benefit obligations	17	63,465	59,463	-	-
Deferred tax liabilities	8	151,000	177,500	-	-
Hire purchase payables	18	644,359	917,054	-	-
		858,824	1,154,017	-	-
CURRENT LIABILITIES					
Trade payables	19	18,188,457	19,212,862	-	-
Other payables, accruals and provisions	20	8,835,323	4,033,637	471,635	3,500
Amount due to related parties	21	-	2,367,547	-	1,433,163
Hire purchase payables	18	705,651	749,177	-	-
Taxation		1,524,486	76,745	-	-
Bank overdrafts (secured)	22	16,371,425	13,767,989	-	-
		45,625,342	40,207,957	471,635	1,436,663
TOTAL LIABILITIES		46,484,166	41,361,974	471,635	1,436,663
TOTAL EQUITY AND LIABILITIES		125,192,544	77,302,028	53,273,540	1,429,694

The notes on pages 13 to 62 form part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Operating revenue	23	139,004,536	121,503,155	-	-
Direct costs		(88,403,345)	(80,774,966)	-	-
Gross profit		50,601,191	40,728,189	-	-
Other operating income		854,070	1,156,053	444,717	-
Administrative expenses		(26,560,259)	(23,721,046)	(1,241,485)	(6,979)
Other operating expenses		(3,774,657)	(3,146,590)	(622,929)	-
Profit/(Loss) for the year from operations	24	21,120,345	15,016,606	(1,419,697)	(6,979)
Finance costs	25	(1,436,740)	(1,295,653)	-	-
Share of result of associates		206,909	-	-	-
Profit/(Loss) before taxation		19,890,514	13,720,953	(1,419,697)	(6,979)
Taxation	26	(5,872,869)	(3,586,362)	(6,000)	-
Profit/(Loss) for the year		14,017,645	10,134,591	(1,425,697)	(6,979)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation gain		35,878	285,064	-	-
Item that will not be reclassified subsequently to profit or loss					
Actuarial gain/(loss) on defined benefit obligations		9,697	(8,086)	-	-
Deferred tax effect on actuarial gain/(loss) on defined benefit obligations		(2,996)	2,004	-	-
Total other comprehensive income for the year, net of tax		42,579	278,982	-	-
Total comprehensive income/(loss) for the year		14,060,224	10,413,573	(1,425,697)	(6,979)
Earning per share (sen)					
Basic	27	4.97	3.97		

The notes on pages 13 to 62 form part of these financial statements.

HSS Engineers Berhad (1128564-U)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

		Non-Distributable		Distributable	
	Share Capital (Note 13)	Invested Equity (Note 15)	Foreign Currency Translation Reserve (Note 16)	Retained Profits	Total
Group	RM	RM	RM	RM	RM
As at 1 January 2015	-	6,302,164	(20,210)	19,244,517	25,526,471
Other comprehensive income:					
- Actuarial loss on defined benefit obligations, net of tax	-	-	-	(6,082)	(6,082)
- Foreign currency translation gain	-	-	285,064	-	285,064
Total other comprehensive income	-	-	285,064	(6,082)	278,982
Profit for the year	-	-	-	10,134,591	10,134,591
Total comprehensive income for the year	-	-	285,064	10,128,509	10,413,573
Issuance of new shares	10	-	-	-	10
As at 31 December 2015	10	6,302,164	264,854	29,373,026	35,940,054

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Non-Distributable				Distributable	
Group	Share Capital (Note 13) RM	Share Premium (Note 14) RM	Invested Equity (Note 15) RM	Foreign Currency Translation Reserve (Note 16) RM	Retained Profits RM	Total RM
As at 1 January 2016	10	-	6,302,164	264,854	29,373,026	35,940,054
Other comprehensive income:						
- Actuarial gain on defined benefit obligations, net of tax	-	-	-	-	6,701	6,701
- Foreign currency translation gain	-	-	-	35,878	-	35,878
Total other comprehensive income	-	-	-	35,878	6,701	42,579
Profit for the year	-	-	-	-	14,017,645	14,017,645
Total comprehensive income for the year	-	-	-	35,878	14,024,346	14,060,224
Issuance of new shares	31,908,091	25,526,480	-	-	-	57,434,571
Share issue expenses	-	(3,200,000)	-	-	-	(3,200,000)
Effects of merger	-	-	(6,302,164)	-	(19,224,307)	(25,526,471)
Total transactions with owners for the year	31,908,091	22,326,480	(6,302,164)	-	(19,224,307)	28,708,100
As at 31 December 2016	31,908,101	22,326,480	-	300,732	24,173,065	78,708,378

The notes on pages 13 to 62 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Non-Distributable		
Company	Share Capital (Note 13) RM	Share Premium (Note 14) RM	Accumulated Losses RM	Total RM
As at date of incorporation on 23 January 2015	2	-	-	2
Issuance of new shares	8	-	-	8
Loss for the period representing total comprehensive loss for the period	-	-	(6,979)	(6,979)
As at 31 December 2015	10	-	(6,979)	(6,969)
Issuance of new shares	31,908,091	25,526,480	-	57,434,571
Share issue expenses	-	(3,200,000)	-	(3,200,000)
Loss for the year representing total comprehensive loss for the year	-	-	(1,425,697)	(1,425,697)
As at 31 December 2016	31,908,101	22,326,480	(1,432,676)	52,801,905

The notes on pages 13 to 62 form part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	19,890,514	13,720,953	(1,419,697)	(6,979)
Adjustments for:				
Allowance for impairment losses on trade receivables, net of reversal	216,459	461,459	-	-
Depreciation of property, plant and equipment	1,049,465	969,367	-	-
Amortisation of intangible assets	386,957	461,471	-	-
Interest on hire purchase	119,020	83,298	-	-
Interest on bank overdrafts	1,317,720	1,212,355	-	-
Interest income from short term deposits	(541,804)	(261,760)	(217,774)	-
Other interest income	(16,943)	-	(16,943)	-
(Gain)/Loss on disposal of property, plant and equipment	(55,146)	40	-	-
Trade receivables written-off	-	81,685	-	-
Defined benefit cost	12,475	11,942	-	-
Provision for compensated absences	311,696	499,260	-	-
Reversal of provision for compensated absences	(196,100)	(198,326)	-	-
Accruals written back	-	(194,399)	-	-
Share of results of associates	(206,909)	-	-	-
Operating profit/(loss) before working capital changes	22,287,404	16,847,345	(1,654,414)	(6,979)
Changes in working capital:				
Increase in trade receivables	(19,632,984)	(7,099,692)	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	3,018,283	(3,274,115)	1,340,870	(1,429,684)
(Decrease)/Increase in amount due to related parties	(2,367,547)	(4,206,602)	(1,433,163)	1,433,163
Increase in amount due from a subsidiary	-	-	(3,524,220)	-
Decrease in amount due to directors	-	(1,697)	-	-
(Decrease)/Increase in trade payables	(1,028,344)	9,233,503	-	-
Increase/(Decrease) in other payables, accruals and provisions	4,683,220	(434,006)	468,135	3,500
Cash generated from/(used in) operations	6,960,032	11,064,736	(4,802,792)	-
Taxation paid	(4,092,921)	(6,226,920)	(7,500)	-
Net cash generated from/(used in) operating activities	2,867,111	4,837,816	(4,810,292)	-

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment [Note 32(a)]	(858,881)	(1,366,098)	-	-
Purchase of intangible assets [Note 32(b)]	(33,484)	(216,979)	-	-
Proceeds from disposal of property, plant and equipment	55,146	1,486	-	-
Purchase of investment in associates	(906,494)	-	-	-
Interest received on short term deposits	541,804	261,760	217,774	-
Other interest income received	16,943	-	16,943	-
Net cash (used in)/generated from investing activities	(1,184,966)	(1,319,831)	234,717	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	31,908,100	10	31,908,100	10
Payment of share issue expenses	(3,200,000)	-	(3,200,000)	-
Payment of finance lease financing	-	(8,933)	-	-
Payment of hire purchase financing	(819,134)	(243,919)	-	-
Placement of fixed deposits pledged	(4,790,733)	(356,981)	-	-
Interest paid on hire purchase	(119,020)	(83,298)	-	-
Interest paid on bank overdrafts	(1,317,720)	(1,212,355)	-	-
Net cash generated from/(used in) financing activities	21,661,493	(1,905,476)	28,708,100	10
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	23,343,638	1,612,509	24,132,525	10
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	14,764	218,532	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(10,457,045)	(12,288,086)	10	-
CASH AND CASH EQUIVALENTS AT END OF YEAR [NOTE 32(c)]	12,901,357	(10,457,045)	24,132,535	10

The notes on pages 13 to 62 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. GENERAL INFORMATION

HSS Engineers Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan and its principal place of business is located at Wisma HSS Integrated, B1 (1-4), Plaza Dwitasik, No. 21, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associates are set out in Notes 6 and 7 to the financial statements respectively.

These financial statements comprise the consolidated financial statements and the financial statements of the Company and they are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors on 27 March 2017.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

The Group came into existence on 14 June 2016 following the completion of the acquisitions of the entire equity interests in the subsidiaries by the Company which were substantially satisfied by the issuance of new ordinary shares in the Company to the respective vendors as disclosed in Note 36(a). The ultimate controlling shareholders of these subsidiaries remain the same both before and after the abovementioned business combination; hence, the business combination falls outside the scope of MFRS 3, Business Combinations and is accounted for in the consolidated financial statements using the merger method of accounting.

Under the merger method of accounting, the financial statements of the subsidiaries are included in the consolidated financial statements as if the business combination had occurred from the earliest date presented and that the Group has operated as a single economic entity throughout the financial years presented in the consolidated financial statements.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistent with those applied in the previous financial year other than the application of amendments to MFRSs adopted as disclosed in Note 2.2 below, where applicable.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of Amendments to MFRSs

During the financial year, the Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 January 2016 :-

Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 - Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 - Agriculture : Bearer Plants
Amendments to MFRS 127 - Equity Method in Separate Financial Statements
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

The adoption of the above amendments to MFRSs did not result in any significant changes to the Group's accounting policies and their initial application where applicable have no significant financial impact on the amounts reported in the financial statements of the Group and of the Company.

2.3 New MFRSs and Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group has not early adopted the following new MFRSs and Interpretation and amendments to MFRSs that have been issued by the MASB but are not yet effective: -

Effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 107 - Disclosure Initiative
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12 - Disclosure of Interests in Other Entities classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"

Effective for annual periods beginning on or after 1 January 2018
MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers
Clarifications to MFRS 15, Revenue from Contracts with Customers
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140 - Transfers of Investment Property
Amendments to MFRS 128 - Investments in Associates and Joint Ventures classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019
MFRS 16, Leases

Effective for annual periods beginning on or after a date to be determined by the MASB
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New MFRSs and Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

The Group will apply the above new MFRSs and Interpretation and amendments to MFRSs that are applicable once they become effective. The main features of the significant new standards and amendments are summarised below:-

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

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139, i.e., fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New MFRSs and Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

(b) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps :-

Step 1 Identify the contract(s) with a customer
Step 2 Identify the performance obligations in the contract
Step 3 Determine the transaction price
Step 4 Allocate the transaction price to the performance obligations in the contract
Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

(c) Clarifications to MFRS 15, Revenue from Contracts with Customers

The Amendments clarify how certain principles should be applied in :

(i) identifying whether performance obligations are distinct;
(ii) determining whether an entity is a principal or an agent; and
(iii) assessing whether revenue from a licence of intellectual property is recognised over time or at a point in time.

(d) MFRS 16, Leases

MFRS 16 will replace the existing standard on Leases, MFRS 117 when it becomes effective. Currently under MFRS 117, a lease is classified either as a finance lease or an operating lease based on the extent to which risks and rewards incidental to ownership of the leased asset lie with the lessor or the lessee. A lessee recognises the asset and liability arising from a finance lease but not an operating lease. MFRS 16 eliminates the distinction between finance leases and operating leases for lessees. Under the new standard, a lessee is required to recognise the assets and liabilities in respect of all leases, except for short-term leases of 12 months or less and leases of low value assets. At the commencement of a lease, a lessee recognises a right-of-use asset and a corresponding lease liability. The lessee will be required to separately recognise the depreciation on the right-of-use asset and interest expense on the lease liability. Lessor accounting remained substantially unchanged from the current accounting under MFRS 117.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New MFRSs and Interpretation and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

The initial application of MFRS 9 may have an impact on the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. The initial application of the other new MFRSs, interpretation and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group and of the Company.

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method except for combinations of entities or businesses under common control. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Subsidiaries arising from common control combinations are consolidated using the principles of merger accounting. The common control combinations are business combinations in which all the combining entities have common ultimate controlling parties prior to and immediately after such combinations. Under the principles of merger accounting, the assets and liabilities of the combining entities are consolidated using the existing book values from the controlling parties' perspective and the results of each of the combining entity are presented as if the combination had been effected throughout the current and previous comparative periods presented. On consolidation, the cost of investment is matched against the nominal value of ordinary shares acquired and any resulting credit difference (merger reserve) is classified under equity as a non distributable reserve and any resulting debit difference (merger deficit) is adjusted against suitable consolidated reserves.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.7 Foreign Currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign Currencies (Continued)

Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Associates

An associate is an entity, including an unincorporated entity, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investments in associates are initially recognised at cost and adjusted thereafter for the Group's share of the profit or loss and changes in the associates' other comprehensive income after the date of acquisition. Equity accounting is discontinued when the Group's share of losses of an associate equals or exceeds its interest in the associate. Once the Group's interest in such associate is reduced to zero, additional losses are provided for and a liability recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associates (Continued)

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment.

On acquisition of an investment in an associate, any excess between the cost of the investment and the Group's share of net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at the end of each reporting date whether there is any objective evidence that the investments in associates are impaired. If such evidence exists, the Group determines the amount of impairment by comparing the investment's recoverable amount with its carrying amount (including goodwill) and the impairment loss is recognised to profit or loss as part of the Group's share of results of associates.

In applying the equity method of accounting, the latest audited financial statements of the associate are used. Where the reporting dates of the Group and the associate are not coterminous, equity accounting is applied on the management accounts made to the financial year end of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group reduces its equity interest in an associate but continues to apply the equity method, the Group reclassifies to profit or loss the proportion of gain or loss that had previously been recognised in other comprehensive income.

The Group discontinues the use of equity method from the date when its investment ceases to be an associate. If the Group retains interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date. The Group recognises in profit or loss the difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued.

2.9 Investments in Subsidiaries and Associates

In the Company's separate financial statements, investments in subsidiaries and associates are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.12. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives.

The annual depreciation rates used are as follows :-

Furniture and fittings	10%
Motor vehicles	20%
Office equipment	15% to 20%
Renovation	10%
Computer	15% to 33.3%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.12.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.11 Intangible Assets - Computer Software

The costs of computer software licences that are acquired separately are capitalised as an intangible asset and are carried at costs less accumulated amortisation and any accumulated impairment losses. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight-line basis over the period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from the use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible Assets - Computer Software (Continued)

The annual amortisation rate used are as follows :-

Computer software	15% to 33.3%

The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis.

2.12 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified. For intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill arising from a business combination allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned.

Trade date accounting refers to :

- the recognition of an asset to be received and the liability to pay for it on the trade date, i.e., the date the Company commits itself to purchase or sell an asset; and

- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Classification and measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if :-

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial Assets (Continued)

Classification and measurement (continued)

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans, other receivables and cash and bank balances are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held for trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial Assets (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, i.e., the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial Assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statement of cash flows is prepared using the indirect method.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2.13(c).

2.15 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared at or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.16 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Financial Liabilities (Continued)

Classification and measurement (Continued)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if :-

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

Derecognition of a financial liability

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

Assets acquired under hire purchase and finance lease arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are recognised in profit or loss over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment and intangible assets acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 2.10 and Note 2.11 above.

Operating lease

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the period of the relevant leases.

2.19 Employee Benefits

Short-term employee benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee Benefits (Continued)

Defined contribution plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined on an annual basis by independent qualified actuaries using the Projected Unit Credit Method.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable profit for the year and is calculated using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.21 Provisions

Provisions for liabilities are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of qualifying assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.23 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group.

The following specific recognition criteria must also be met before revenue is recognised :-

(a) Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the services at the end of the reporting period. The stage of completion is determined based on the proportion of cumulative staff time costs utilised over the allocated budgeted costs for the services to be rendered.

(b) Interest

Interest income is recognised on an accrual basis using the effective interest method.

2.24 Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

2.25 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Chief Executive Officer who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the MFRSs and IFRSs requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements made in the process of applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management is of the opinion that any instances of application of judgement are not expected to have significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with in Note 3.2 below.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Impairment of trade receivables</u>

The Group assesses at each reporting date, on an individual basis, whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables and the allowance for impairment losses are disclosed in Note 9.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Retirement benefit obligations

The Group's retirement benefit obligations for eligible employees were measured by an actuarial valuation using the Projected Unit Credit Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligations. All these assumptions are disclosed in Note 17.

The amount of the Group's retirement benefit obligations as at 31 December 2016 is RM63,465 (2015: RM59,463). A sensitivity analysis showing the effects of changes in the estimates used on the amount of the obligations at the end of the reporting period is disclosed in Note 17.

Revenue recognition

The Group determines revenue to be recognised based on the stage of completion of the services rendered at the reporting date. Significant judgement based on past experiences of similar type of services is required in this revenue recognition method as it involves estimation of costs allocation to budgets and recoverability of staff time costs incurred as well as variation work recoverable from customers.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture and fittings RM	Motor Vehicles RM	Computer RM	Office Equipment RM	Renovation RM	Total RM
Cost						
At 1 January 2015	383,493	612,031	3,033,589	728,451	3,232,594	7,990,158
Additions	212,770	-	603,806	126,774	1,444,813	2,388,163
Disposal	(1,730)	-	-	-	-	(1,730)
Exchange differences	26,445	-	45,868	11,929	25,079	109,321
At 31 December 2015	620,978	612,031	3,683,263	867,154	4,702,486	10,485,912
Additions	20,632	97,900	557,937	249,465	316,960	1,242,894
Disposal	-	(249,209)	-	-	-	(249,209)
Exchange differences	3,222	-	5,599	1,411	3,124	13,356
At 31 December 2016	644,832	460,722	4,246,799	1,118,030	5,022,570	11,492,953
Accumulated Depreciation						
At 1 January 2015	107,221	491,356	1,977,299	387,442	1,001,917	3,965,235
Charge for the year	50,173	58,247	359,528	89,677	411,742	969,367
Eliminated on disposal	(204)	-	-	-	-	(204)
Exchange differences	5,421	-	28,978	4,462	20,701	59,562
At 31 December 2015	162,611	549,603	2,365,805	481,581	1,434,360	4,993,960
Charge for the year	60,587	40,407	390,834	119,759	437,878	1,049,465
Eliminated on disposal	-	(249,209)	-	-	-	(249,209)
Exchange differences	1,948	-	7,176	1,709	3,434	14,267
At 31 December 2016	225,146	340,801	2,763,815	603,049	1,875,672	5,808,483

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Furniture and fittings RM	Motor Vehicles RM	Computer RM	Office Equipment RM	Renovation RM	Total RM
Net Book Value						
At 31 December 2015	458,367	62,428	1,317,458	385,573	3,268,126	5,491,952
At 31 December 2016	419,686	119,921	1,482,984	514,981	3,146,898	5,684,470
Net book value of assets acquired under hire purchase arrangements						
At 31 December 2015	33,506	60,800	550,224	71,635	937,316	1,653,481
At 31 December 2016	30,016	119,920	655,290	111,959	829,492	1,746,677

The carrying amount of property, plant and equipment which have been charged to a licensed bank as security for banking facilities granted to a subsidiary, as disclosed in Note 22 amounted to RM5,256,507 (2015: RM4,957,400).

5. INTANGIBLE ASSETS

Computer Software	Group 2016 RM	Group 2015 RM
Cost		
At 1 January	3,042,659	2,760,232
Additions	81,424	216,979
Exchange differences	8,956	65,448
At 31 December	3,133,039	3,042,659
Accumulated Amortisation		
At 1 January	1,920,962	1,414,015
Charge for the year	386,957	461,471
Exchange differences	12,549	45,476
At 31 December	2,320,468	1,920,962
Carrying amount	812,571	1,121,697

Computer software with carrying amount of RM418,438 (2015: RM543,045) were acquired under hire purchase arrangements.

6. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares - at cost	25,526,471	-

Details of the subsidiaries which are incorporated and have their principal place of business in Malaysia unless otherwise stated are as follows:-

Name of Subsidiaries	Principal Activities	Percentage of Equity Interest 2016	Percentage of Equity Interest 2015
HSS Engineering Sdn Bhd	Provision of engineering and project management services.	100%	-
BIM Global Ventures Sdn Bhd	Provision of Building Information Modelling ("BIM") services.	100%	-
HSS BIM Solutions Private Limited * (Incorporated in India)	Provision of BIM services.	100%	-

Further details on the acquisitions of the above subsidiaries are disclosed in Note 36(a).

* Not audited by Azman, Wong, Salleh & Co.

7. INVESTMENT IN ASSOCIATES

	Group 2016 RM	Group 2015 RM
Unquoted shares - at cost	906,494	-
Accumulated share of post acquisition reserve	206,909	-
Carrying amount	1,113,403	-

(a) Details of the associates, which are incorporated and have their principal place of business in Malaysia, with financial year ending 31 December are as follows:-

Name of Associates	Principal Activities	Percentage of Equity Interest 2016	Percentage of Equity Interest 2015
HSS Integrated Sdn Bhd	Provision of civil and structural engineering consultancy services	30%	-
HSS Mekanikal & Elektrikal Sdn Bhd	Provision of mechanical and electrical engineering consultancy services	30%	-

Further details on the acquisitions of the above associates are disclosed in Note 36(b).

(b) The summarised financial information of the associates which are accounted for by the Group using the equity method are as follows :

	HSS Integrated Sdn Bhd 2016 RM	HSS Mekanikal & Elektrikal Sdn Bhd 2016 RM
Assets and Liabilities		
Current assets	80,145,915	1,464,262
Current liabilities	(76,499,350)	(1,399,485)
Net assets	3,646,565	64,777
Financial Results		
Revenue	135,532,743	1,285,894
Profit for the year/Total comprehensive income	654,198	35,498
Share of profit for the year	196,260	10,649
Reconciliation of Group's share of net assets to carrying amount as at 31 December		
Group's share of net assets	1,093,970	19,433
Carrying amount	1,093,970	19,433

(c) Contingent liabilities incurred by the Group relating to its interest in associates are disclosed in Note 37.

8. DEFERRED TAXATION

	Group 2016 RM	Group 2015 RM
At 1 January	129,272	198,707
Recognised in profit or loss (Note 26)		
- property, plant and equipment	109,796	25,541
- intangible assets	(78,000)	(22,000)
- unabsorbed tax losses	(16,652)	(4,000)
- unutilised capital allowances	1,622	(4,100)
- retirement benefit obligations	(2,980)	846
- provisions	(31,992)	(61,582)
	(18,206)	(65,295)
Recognised in other comprehensive income		
- retirement benefit obligations	2,996	(2,004)
Exchange differences	(46)	(2,136)
At 31 December	114,016	129,272

The components of deferred tax liabilities are as follows:-

	2016 RM	2015 RM
Taxable temporary differences		
- property, plant and equipment	453,130	359,600
- intangible assets	146,000	224,000
	599,130	583,600
Offsetting	(448,130)	(406,100)
After offsetting	151,000	177,500

The components of deferred tax assets are as follows:-

	2016 RM	2015 RM
Deductible temporary differences		
- property, plant and equipment	37,903	54,169
- unutilised capital allowances	2,478	4,100
- retirement benefit obligations	(919)	(903)
- provisions	425,000	392,962
	464,462	450,328
Unabsorbed tax losses	20,652	4,000
	485,114	454,328
Offsetting	(448,130)	(406,100)
After offsetting	36,984	48,228

Presented after appropriate offsetting as follows:-

	2016 RM	2015 RM
Deferred tax liabilities	151,000	177,500
Deferred tax assets	36,984	48,228

The unabsorbed tax losses of a subsidiary for which deferred tax assets have not been recognised in the financial statements are amounting to RM429,942 (2015: Nil).

9. TRADE RECEIVABLES

	Group 2016 RM	Group 2015 RM
Trade receivables	73,417,880	53,757,733
Allowance for impairment losses	(677,918)	(461,459)
	72,739,962	53,296,274

The normal credit terms of trade receivables range from 30 to 90 days (2015: 30 to 90 days).

The ageing analysis of the Group's trade receivables is as follows :-

	Group 2016 RM	Group 2015 RM
Neither past due nor impaired	60,196,973	46,743,992
1 to 90 days past due not impaired	5,732,888	2,366,634
91 to 365 days past due not impaired	4,517,995	1,774,540
More than 365 days past due not impaired	2,292,106	2,411,108
	12,542,989	6,552,282
Impaired	677,918	461,459
	73,417,880	53,757,733

Trade receivables that are individually determined to be impaired comprised those customers who have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

Trade receivables not impaired including those that are past due are considered to be creditworthy and are able to settle their debts.

The Group does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group did not renegotiate the terms of any trade receivable.

Movements in allowance for impairment losses on trade receivables during the year :-

	Group 2016 RM	Group 2015 RM
As at 1 January	461,459	-
Allowance for impairment losses	230,938	461,459
Reversal of allowance for impairment losses	(14,479)	-
As at 31 December	677,918	461,459

9. TRADE RECEIVABLES (CONTINUED)

	Group 2016 RM	Group 2015 RM
The currency exposure profile of the carrying amount of trade receivables is as follows :-		
Ringgit Malaysia	70,009,510	50,054,030
United Arab Emirates Dirham	1,774,667	2,304,747
Saudi Arabia Riyal	46,420	-
Brunei Dollar	-	109,623
Indian Rupee	909,365	827,874
	72,739,962	53,296,274

Included in the carrying amount of trade receivables are amount due from related parties amounting to RM70,507,419 (2015: RM50,657,466) as disclosed in Note 31.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	577,575	729,184	-	-
Deposits	790,934	1,364,266	2,000	-
Prepayments	1,573,691	3,789,465	86,814	1,429,684
	2,942,200	5,882,915	88,814	1,429,684

Included in the prepayments of the Group and of the Company as at 31 December 2015 was an amount of RM1,429,684 which represented costs incurred for the services of professionals in connection with the initial public offering exercise of the Company. The amount represented costs which were directly attributable to equity transactions and had been accounted in equity as a reduction against the share premium account upon the completion of the aforesaid initial public offering exercise in the current financial year.

The currency exposure profile of other receivables, prepayments and deposits is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	2,615,966	5,501,128	88,814	1,429,684
Brunei Dollar	310	304	-	-
Indian Rupee	325,924	381,483	-	-
	2,942,200	5,882,915	88,814	1,429,684

11. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

12. SHORT TERM DEPOSITS WITH LICENSED BANKS

The short term deposits have a maturity period of 12 months and the effective interest rate for short term deposits during the year is 3.60% (2015: 3.60%) per annum.

Short term deposits amounting to RM12,374,862 (2015: RM7,584,129) have been pledged under lien to secure banking facilities as disclosed in Note 22.

All short term deposits with licensed banks are denominated in Ringgit Malaysia.

13. SHARE CAPITAL

	Group and Company	
	2016	2016
Authorised:	No. of Shares	RM
Ordinary shares of RM0.10 each		
At beginning and end of year	1,000,000,000	100,000,000

	Company	
	2015	2015
	No. of Shares	RM
As at the date of incorporation - Ordinary shares of RM1.00 each	400,000	400,000
Additional shares arising from subdivision of 400,000 ordinary shares of RM1.00 each into 4,000,000 ordinary shares of RM0.10 each during the period	3,600,000	-
	4,000,000	400,000
Increase during the period - Ordinary shares of RM0.10 each	996,000,000	99,600,000
As at end of the period - Ordinary shares of RM0.10 each	1,000,000,000	100,000,000

	Group and Company	
	2016	2016
Issued and fully paid:	No. of Shares	RM
Ordinary shares of RM0.10 each		
At beginning of year	100	10
Issuance of new shares during the year	319,080,910	31,908,091
At end of year	319,081,010	31,908,101

	Company	
	2015	2015
	No. of Shares	RM
As at the date of incorporation - Ordinary shares of RM1.00 each	2	2
Additional shares arising from subdivision of 2 ordinary shares of RM1.00 each into 20 ordinary shares of RM0.10 each during the period	18	-
	20	2
Issued during the period - Ordinary shares of RM0.10 each	80	8
As at end of the period - Ordinary shares of RM0.10 each	100	10

13. SHARE CAPITAL (CONTINUED)

Further details on the increase in the share capital of the Company during the current financial year are disclosed in Notes 36(a) and 36(c).

14. SHARE PREMIUM

	Group and Company	
	2016	2015
	RM	RM
Arising from public issue of shares during the year	25,526,480	-
Share issue expenses charged	(3,200,000)	-
At 31 December	22,326,480	-

The share premium arose from the public issue of 63,816,200 new ordinary shares of RM0.10 each at the issue price of RM0.50 per share pursuant to the Company's Initial Public Offering ("IPO") of shares in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad as disclosed in Note 36(c).

Share issue expenses include fees to auditors amounting to RM415,000 for services rendered in connection with the aforesaid exercise, of which an amount of RM315,000 was paid in 2015 and included in prepayments as disclosed in Note 10.

15. INVESTED EQUITY

Invested equity of the Group as at 1 January 2015 and 31 December 2015 represented the aggregate of the share capital and share premium of the Company's subsidiaries constituting the Group as of those dates. Upon the application of merger method of accounting when the Group was legally constituted as disclosed in Note 2.1 on the basis of the preparation of the consolidated financial statements, the amount was set-off against the total purchase consideration of RM25,526,471 for the acquisitions of the subsidiaries [Note 36(a)] and the resulting difference of RM19,224,307 being a merger deficit was charged directly to equity of the Group against retained profits.

16. FOREIGN CURRENCY TRANSLATION RESERVE

This represents foreign currency exchange differences arising from the translation of the financial statements of foreign operation where the functional currency is different from that of the Group's presentation currency in the preparation of these consolidated financial statements.

17. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2016	2015
	RM	RM
Present value of unfunded defined benefit obligations	63,465	59,463

17. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The Group's provision for employees' retirement benefit obligations is attributable to a foreign subsidiary namely HSS BIM Solutions Private Limited (Incorporated in India) which operates an unfunded retirement gratuity plan for its eligible employees. The amount of provision is determined by an independent actuarial valuation performed annually.

The movements in the present value of unfunded defined benefit obligations are as follows:-

	Group	
	2016	2015
	RM	RM
Balance as at 1 January	59,463	34,302
Defined benefit cost recognised in profit or loss [Note 24(b)]		
- Current service cost	9,010	8,925
- Interest cost	3,465	3,017
	12,475	11,942
Defined benefit cost recognised in other comprehensive income		
- Actuarial (gain)/loss	(9,697)	8,086
Exchange differences	1,224	5,133
Balance as at 31 December	63,465	59,463

The significant actuarial assumptions used to determine the present value of the unfunded defined benefit obligations are as follows :-

	2016	2015
Discount rate	8.00%	8.00%
Rate of increase in salary	4.00%	4.00%
Expected average remaining working lives of employees	28.7 years	29.7 years

Sensitivity analysis

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligations Increase/ (Decrease)	
	2016	2015
	RM	RM
Discount rate (1% increase)	(10,816)	(10,566)
Future average salary increase rate (1% increase)	6,254	6,762

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

18. HIRE PURCHASE PAYABLES

	Group	
	2016	2015
	RM	RM
Instalments payable:		
- not later than one year	783,531	851,170
- later than one year but not later than two years	542,838	607,359
- later than two years but not later than five years	137,926	369,421
	1,464,295	1,827,950
Finance charges allocated to future periods	(114,285)	(161,719)
Present value of hire purchase payables	1,350,010	1,666,231
Disclosed under:		
- Current liabilities	705,651	749,177
- Non-current liabilities	644,359	917,054
	1,350,010	1,666,231

19. TRADE PAYABLES

Credit terms of trade payables range from 30 to 90 days (2015: 30 to 90 days).

The currency exposure profile of trade payables is as follows:-

	Group	
	2016	2015
	RM	RM
Ringgit Malaysia	18,150,747	18,858,137
Brunei Dollar	37,710	127,318
Indian Rupee	-	227,407
	18,188,457	19,212,862

Included in trade payables are amount due to related parties amounting to RM18,188,457 (2015: RM18,985,455) as disclosed in Note 31.

20. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Other payables	3,984,646	1,467,833	119,679	-
Accruals	3,079,273	909,996	351,956	3,500
Provision for compensated absences	1,771,404	1,655,808	-	-
	8,835,323	4,033,637	471,635	3,500

Included in accruals of the Group and of the Company are directors' fees amounting to RM264,000 (2015: Nil).

20. OTHER PAYABLES, ACCRUALS AND PROVISIONS (CONTINUED)

Movements in provision for compensated absences during the year :-

	Group	
	2016	2015
	RM	RM
As at 1 January	1,655,808	1,354,672
Provision during the year [Note 24(b)]	311,696	499,260
Reversal of provision during the year [Note 24(b)]	(196,100)	(198,326)
Exchange differences	-	202
As at 31 December	1,771,404	1,655,808

The currency exposure profile of other payables, accruals and provisions is as follows:-

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Ringgit Malaysia	8,368,375	3,849,599	471,635	3,500
Brunei Dollar	12,835	18,365	-	-
Indian Rupee	454,113	165,673	-	-
	8,835,323	4,033,637	471,635	3,500

21. AMOUNT DUE TO RELATED PARTIES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade advances	-	727,953	-	-
Trade	-	1,613,748	-	-
Non-trade	-	25,846	-	1,433,163
	-	2,367,547	-	1,433,163

Trade advances arose from contract services performed through a joint venture arrangement entered by a related party.

The trade advances were unsecured and interest free.

The other trade and non-trade amount due to related parties were unsecured, interest free and repayable on demand.

22. BANK OVERDRAFTS (SECURED)

The bank overdrafts with total limit of RM43,750,000 (2015: RM43,750,000) are secured against short term deposits as disclosed in Note 12 and debentures covering fixed and floating charges over present and future assets of the subsidiary, HSS Engineering Sdn Bhd. The facilities are also secured by corporate guarantees issued by related parties, Dominant Sphere Sdn Bhd and HSS Integrated Sdn Bhd together with personal guarantees by certain directors of the Company.

The bank overdrafts bear interest at rates ranging from 0.75% to 1.25% (2015: 0.75% to 1.25%) above the Base Lending Rate of the lending banks. The effective interest rates ranged from 7.60% to 8.10% (2015: 7.60% to 8.10%) per annum.

23. OPERATING REVENUE

Operating revenue represents the fee earned in respect of engineering and project management services and BIM services rendered and the reimbursable of the Group during the year.

24. PROFIT/(LOSS) FOR THE YEAR FROM OPERATIONS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
(a) This is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	1,049,465	969,367	-	-
Amortisation of intangible assets	386,957	461,471	-	-
Auditors' remuneration				
- statutory audit	156,008	108,983	25,000	2,000
- other services				
Current year	34,600	22,000	20,000	1,500
Overprovision in prior year	(5,000)	-	-	
Directors' remuneration				
- Directors of the Company				
Salaries	2,133,786	1,550,000	-	-
Fees	264,000	-	264,000	-
Other emoluments	810,160	1,335,628	40,000	-
- Directors of subsidiaries				
Salaries	265,280	182,482	-	-
Rental of equipment	256,513	234,821	-	-
Rental of premises	2,829,166	2,645,657	-	-
Allowance for impairment losses			-	-
on trade receivables	230,938	461,459	-	-
Trade receivables written-off	-	81,685	-	-
Reversal of allowance for impairment losses on trade receivables	(14,479)	-	-	-

24. PROFIT/(LOSS) FOR THE YEAR FROM OPERATIONS (CONTINUED)

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
(a) This is stated after charging/(crediting):- (continued)				
Interest income on short term deposits	(541,804)	(261,760)	(217,774)	-
Other interest income	(16,943)	-	(16,943)	-
Accruals written-back	-	(194,399)	-	-
Loss/(Gain) on foreign exchange	153,349	(638,812)	11,930	-
(Gain)/Loss on disposal of property, plant and equipment	(55,146)	40	-	-

	Group	
	2016	2015
	RM	RM
(b) Employee benefits expense (including directors' remuneration):-		
Salaries, wages, bonuses and allowances	60,070,944	55,904,900
Amount contributed under defined contribution plan		
- Employees Provident Fund	5,122,227	4,830,078
Defined benefit cost (Note 17)	12,475	11,942
Provision for compensated absences (Note 20)	311,696	499,260
Reversal of provision for compensated absences (Note 20)	(196,100)	(198,326)
Social security contribution	410,684	265,381
Other benefits	3,729,123	2,459,162
	69,461,049	63,772,397
Employee benefits expense are included in the following:-		
- Direct costs	54,616,954	50,197,783
- Administrative expenses	14,844,095	13,574,614
	69,461,049	63,772,397

25. FINANCE COSTS

	Group	
	2016	2015
	RM	RM
Hire purchase interest	119,020	83,298
Interest on bank overdrafts	1,317,720	1,212,355
	1,436,740	1,295,653

26. TAXATION

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current year tax	5,921,714	3,603,535	6,000	-
(Over)/under provision in prior year	(30,639)	48,122	-	-
Deferred tax (Note 8)	(18,206)	(65,295)	-	-
	5,872,869	3,586,362	6,000	-

The general statutory income tax rate in Malaysia for the year under review is 24% (2015: 25%) of taxable income. Taxation for foreign jurisdiction is calculated at rate prevailing in the foreign jurisdiction.

Reconciliations between tax expense/(income) applicable to the profit/(loss) before taxation at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit/(Loss) before taxation	19,890,514	13,720,953	(1,419,697)	(6,979)
Tax calculated at statutory tax rate of 24% (2015: 25%)	4,773,723	3,430,238	(340,727)	(1,745)
Tax effects of:				
- expenses not deductible for tax purposes	1,039,599	522,244	350,793	1,745
- income not taxable	(4,066)	-	(4,066)	-
- deferred tax assets not recognised	103,186	-	-	-
- profit from foreign operation not taxable	(8,934)	(414,242)	-	-
(Over)/under provision of tax in respect of prior year	(30,639)	48,122	-	-
Tax expense	5,872,869	3,586,362	6,000	-

27. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
Profit for the financial year attributable to owners of the Company (RM)	14,017,645	10,134,591
Weighted average number of ordinary shares in issue during the financial year	281,942,074	255,264,810
Basic earnings per share (sen)	4.97	3.97

No diluted earnings per share is computed as the Company does not have dilutive potential ordinary shares as at the end of financial year.

28. DIVIDEND

The directors recommend a single tier final dividend in respect of the current financial year ended 31 December 2016 of 0.63 sen per ordinary share amounting to RM2,010,210. The financial statements for the current financial year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

29. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM	RM
Authorised but not contracted for :-		
In respect of purchase of :		
- property, plant and equipment	1,760,000	1,891,200
- intangible assets - computer software	681,000	1,123,000
	2,441,000	3,014,200

30. SEGMENT INFORMATION

The Group's activities are conducted within a single industry segment comprising provision of engineering and project management services and provision of Building Information Modelling ("BIM") services involving the generation and management of digital representations of physical and functional characteristics of places which can be exchanged or networked to support decision making. BIM services extend beyond planning and design phase of a project, extending throughout the building life cycle, supporting processes, including cost management, construction management, project management and facility operation. As such, the operating revenue and results of this segment is reflected in the statement of profit or loss and other comprehensive income of the Group. The segment assets and liabilities are as presented in the statement of financial position of the Group.

31. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party or when both parties are under the common control of another party.

Other than those already disclosed elsewhere in these financial statements, significant transactions carried out with related parties during the financial year and balances at end of financial year and their relationships with the Group are stated below.

Related parties	Relationships
HSS Integrated Sdn Bhd ("HSSI")	Associate which has common shareholders with the Company
HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME")	Associate which has common shareholders with the Company
Matmer Corporation Sdn Bhd ("Matmer")	Common major shareholders with the Company
HSSI-SNC Lavalin Joint Venture ("HSSI-SNCL")	An unincorporated joint venture of HSSI
SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL")	Joint venturer in HSSI-SNCL

The Group through its subsidiary, HSS Engineering Sdn Bhd ("HSSE") has an exclusive arrangement with HSSI and HSSME to collaborate, co-operate and work together to bid for, procure, obtain, or otherwise provide services for potential engineering and construction works and projects and to undertake all professional engineering services related to the projects as registered professional engineers under the Registration of Engineers Act 1967 with each party contributing to the collaboration, their relevant area of competency and expertise.

During the current financial year, HSSI and HSSME became associates of the Group following the acquisitions by HSSE of a 30% equity interest in HSSI and HSSME respectively as further detailed in Note 36(b).

(a) Significant transactions with related parties

	Group	
	2016	2015
	RM	RM
(i) Provision of engineering and project management services to:		
- HSSI	134,298,758	116,482,794
- HSSME	1,269,880	1,060,535
(ii) Provision of BIM services to:		
- HSSI	-	287,764
(iii) Rental of premises and reimbursables charged by:		
- Matmer	2,741,546	2,075,376

(b) Significant balances with related parties

	2016	2015
(i) Amount included in trade receivables; including accrued billings (Note 9)		
- HSSI	69,149,716	49,883,845
- HSSME	1,357,703	773,621

31. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant balances with related parties (continued)

	Group	
	2016	2015
	RM	RM
(ii) Amount included in trade payables; including accrued costs (Note 19)		
- HSSI	17,863,003	18,446,345
- HSSME	325,454	539,110
(iii) Amount included in amount due to related parties (Note 21)		
- HSSI	-	2,367,547

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group comprised the directors and senior management of the Group and of the Company, and their remuneration for the financial year are as disclosed below:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Short term employee benefits	6,794,760	7,759,580	304,000	-
Post-employment benefits				
- Defined contribution plan	595,790	720,816	-	-
	7,390,550	8,480,396	304,000	-

(d) Provision of guarantee to a related party

	Group	
	2016	2015
	RM	RM
Guarantee provided to SNCL in respect of payment obligations of HSSI to SNCL in connection with services to be provided by HSSI-SNCL:		
- amount of guarantee at inception	64,793,762	64,793,762
- amount of guarantee at year end	10,134,406	25,363,025

The abovementioned guarantee pursuant to a Guarantee Agreement dated 12 February 2014 arose from additional scope of services ("Variation Order") awarded to HSSI-SNCL but which is to be executed solely by HSSI. The Group shall be liable for the outstanding payment obligations of HSSI to SNCL under the guarantee in the event the payments are withheld by the employer due to default on the part of HSSI in the execution of the Variation Order only. SNCL can only demand payments for its portion of the billings rendered by HSSI-SNCL which are yet to be paid by the employer at any time due to the default. The Group's exposure to the outstanding payment obligations of HSSI to SNCL at the end of the year is RM1,470,120 (2015 : RM1,733,679).

32. NOTES TO STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment acquired during the year were by the following means:-

	Group	
	2016	2015
	RM	RM
Cash payments	858,881	1,366,098
Hire purchase financing	384,013	1,022,065
Aggregate at cost	1,242,894	2,388,163

Property, plant and equipment acquired by hire purchase financing are reflected as cash flows from financing activities based on the principal amount of instalments made.

(b) Purchase of intangible assets

Intangible assets acquired during the year were by the following means:-

	Group	
	2016	2015
	RM	RM
Cash payments	33,484	216,979
Hire purchase financing	47,940	-
Aggregate at cost	81,424	216,979

Intangible assets acquired by hire purchase financing are reflected as cash flows from financing activities based on the principal amount of instalments made.

(c) Cash and cash equivalents at end of year

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances	539,407	610,944	132,535	10
Short term deposits	41,108,237	10,284,129	24,000,000	-
Bank overdrafts (secured)	(16,371,425)	(13,767,989)	-	-
	25,276,219	(2,872,916)	24,132,535	10
Less: Short term deposits (pledged)	(12,374,862)	(7,584,129)	-	-
	12,901,357	(10,457,045)	24,132,535	10

33. FAIR VALUE AND CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of all financial assets and liabilities of the Group at the end of the reporting period approximate their fair values.

All financial assets of the Group are classified as loans and receivables and all financial liabilities of the Group are classified as other financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, liquidity and cash flow risk and credit risk. The Group has formulated a financial risk management framework with the principal objectives of minimising the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are established and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with the deployment of financial instruments by the Group.

(a) Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of the contract which the Group has entered into.

The management has its credit policy in place to ensure that transactions are conducted only with creditworthy counterparties.

Exposure to credit risk arising from sales is managed through the applications of credit approvals, credit limits and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collateral or other security from counterparties as a mean of mitigating losses in the event of default. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position at the reporting date.

(b) Interest Rate Risk

The Group has interest rate risk in respect of its deposits with licensed banks, hire purchase financing, and bank overdrafts.

The Group's bank overdrafts are subject to interest based on floating rates while its deposits with licensed banks and hire purchase financing are subject to interest based on fixed rates.

Market interest rates movements are monitored with a view to ensure that the most competitive rates are secured and where appropriate interest bearing instruments and borrowings arrangements are restructured or reduced.

Sensitivity analysis for interest rate risk

As the Group's deposits with licensed banks and hire purchase financing as at the end of the reporting period are based on fixed rates, a change in interest rates at the end of the reporting period would not affect profit or loss or equity.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk (Continued)

Sensitivity analysis for interest rate risk (continued)

The Group's profit or loss and equity will be affected by a change in market interest rate as at the end of the reporting period due to its floating rate bank overdrafts. An increase of 50 basis points in the market interest rate at the end of the reporting period would have decreased the profit or loss and equity by RM76,900 (2015: RM79,400). A decrease of the same basis points would have the equal but opposite effect on the profit or loss and equity. This sensitivity analysis assumes that all other risk variables as at the end of the reporting period remain constant.

(c) Liquidity and Cash Flow Risks

The Group practises prudent liquidity risk management by maintaining sufficient cash balances and availability of funding through certain committed credit facilities.

Maturity analysis

The maturity profile of the financial liabilities of the Group and of the Company as at the end of the reporting period based on undiscounted contractual payments are as follows :-

	Maturity profile			
Group	Within 1 year RM	Later than 1 year but not later than 2 years RM	Later than 2 years but not later than 5 years RM	Total RM
2016				
Trade payables	18,188,457	-	-	18,188,457
Other payables and accruals	7,063,919	-	-	7,063,919
Hire purchase payables	783,531	542,838	137,926	1,464,295
Bank overdrafts	16,371,425	-	-	16,371,425
2015				
Trade payables	19,212,862	-	-	19,212,862
Other payables and accruals	2,377,829	-	-	2,377,829
Amount due to related party	2,367,547	-	-	2,367,547
Hire purchase payables	851,170	607,359	369,421	1,827,950
Bank overdrafts	13,767,989	-	-	13,767,989
Company				
2016				
Other payables and accruals	471,635	-	-	471,635
2015				
Amount due to related party	1,433,163	-	-	1,433,163
Other payables and accruals	3,500	-	-	3,500

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign Currency Exchange Risk

The Group is exposed to currency risk on its sales and cost of sales that are denominated in a currency other than its functional currency. The currencies giving rise to this risk are primarily the Brunei Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal and Indian Rupee. The Group monitors the risk arising from foreign currency exposure regularly and formulates the appropriate strategies to mitigate the risk as and when necessary.

Foreign currency risk sensitivity analysis

A 10 percent strengthening or weakening of the Brunei Dollar, United Arab Emirates Dirham, Saudi Arabia Riyal and Indian Rupee against the Ringgit Malaysia currency at the end of the reporting period would have increased or decreased profit or loss and equity by the amount shown below. This analysis assumes all other variables remain constant.

	Group	
	2016	2015
	RM	RM
Brunei Dollar	5,024	3,576
United Arab Emirates Dirham	177,467	230,475
Saudi Arabia Riyal	4,642	-
Indian Rupee	78,118	81,628

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while seeking to maximise benefits to shareholders and other stakeholders. Capital is equity attributable to owners of the Company as shown in the statement of financial position of the Group.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. The Group monitors the return on capital of the Group as follows: -

	Group	
	2016	2015
	RM	RM
Profit for the year attributable to owners of the Company	14,017,645	10,134,591
Total shareholders' equity	78,708,378	35,940,054
Return on Capital	18%	28%

35. CAPITAL MANAGEMENT (CONTINUED)

The Board regularly reviews the Group's capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments.

No significant changes were made in the objectives, policies or processes relating to the management of the Group's capital structure during the year.

The Group is not subject to any externally imposed capital requirements.

36. SIGNIFICANT EVENTS DURING THE YEAR

(a) Acquisitions of Subsidiaries

During the year, the Company completed the following acquisitions of subsidiaries which formed an integral part of its scheme for the Initial Public Offering ("IPO") of shares and listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad: -

(i) Acquisition of HSS Engineering Sdn Bhd ("HSSE")

The acquisition of HSSE involved the acquisition of 100% equity interest in HSSE comprising 5,000,000 ordinary shares of RM1.00 each from Dominant Sphere Sdn Bhd ("Dominant Sphere") and ADI Capital Sdn Bhd ("ADI Capital") for a total purchase consideration of RM22,739,776 as detailed below: -

Vendor	No. of shares acquired	% of share capital	Purchase consideration RM
Dominant Sphere	4,000,000	80.0	18,191,821
ADI Capital	1,000,000	20.0	4,547,955
	5,000,000	100.0	22,739,776

Dato' Sri Ir. Kunasingam A/L V. Sittampalam, a director of the Company had a 50% effective equity interest in HSSE by virtue of his combined direct shareholdings in Dominant Sphere and ADI Capital. Pursuant to the agreement with the vendors, the total purchase consideration was satisfied by the issuance of 227,397,760 new ordinary shares of RM0.10 each of the Company ("HEB Shares") at an issue price of RM0.10 per HEB Share to Victech Solutions Sdn Bhd ("Victech") and Flamingo Works Sdn Bhd ("Flamingo") in the following manner: -

	Allocation of HEB Shares	
	No. of HEB Shares issued	% of allocation
Victech	113,698,880	50.0
Flamingo	113,698,880	50.0
	227,397,760	100.0

Dato' Sri Ir. Kunasingam A/L V. Sittampalam is a director and substantial shareholder of Victech.

36. SIGNIFICANT EVENTS DURING THE YEAR

(a) Acquisitions of Subsidiaries (Continued)

(ii) Acquisition of HSS BIM Solutions Private Limited ("HBS")

The acquisition of HBS involved the acquisition of 100% equity interest in HBS comprising 33,333 ordinary shares of INR10.00 each from the shareholders (vendors) for a total purchase consideration of RM1,644,102 equivalent to INR29,725,684 which was partly satisfied by the issuance of 11,508,714 new HEB Shares at an issue price of RM0.10 per HEB Share and partly by cash consideration of INR equivalent to RM493,231 as detailed below: -

Vendor	No. of shares acquired	% of share capital	Purchase consideration RM	No. of HEB Shares issued
Dato' Sri Ir. Kunasingam A/L V. Sittampalam	9,166	27.5	452,128	4,521,281
Vanessa A/P Santhakumar	9,167	27.5	452,128	4,521,281
Dato' Ir. Nitchiananthan A/L Balasubramaniam	3,333	10.0	164,410	1,644,102
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	1,667	5.0	82,205	822,050
Ganesh Balasubramanian	6,667	20.0	328,821 *	-
Jagannathan Ragunathan	3,333	10.0	164,410 *	-
	33,333	100.0	1,644,102	11,508,714

INR - Indian Rupee

* *Purchase consideration totaling RM493,231 settled by cash of INR equivalent*

Pursuant to the agreement with vendors, the new HEB Shares allotted to Dato' Sri Ir. Kunasingam A/L V. Sittampalam were issued to Victech.

In conjunction with the acquisition of HBS, the above two vendors who were settled in cash had subsequently subscribed for 4,932,306 new HEB Shares at the issue price of RM0.10 per HEB Share on 13 June 2016 pursuant to a share subscription agreement entered with the Company on 11 April 2016.

36. SIGNIFICANT EVENTS DURING THE YEAR

(a) Acquisitions of Subsidiaries (Continued)

(iii) Acquisition of BIM Global Ventures Sdn Bhd ("BGV")

The acquisition of BGV involved the acquisition of 100% equity interest in BGV comprising 10,000 ordinary shares of RM1.00 each from the shareholders (vendors) for a total purchase consideration of RM1,142,593 which was satisfied by the issuance of 11,425,930 new HEB Shares at an issue price of RM0.10 per HEB Share as detailed below: -

Vendor	No. of shares acquired	% of share capital	Purchase consideration RM	No. of HEB Shares issued
Dato' Sri Ir. Kunasingam A/L V. Sittampalam	2,750	27.5	314,213	3,142,131
Vanessa A/P Santhakumar	2,750	27.5	314,213	3,142,131
Dato' Ir. Nitchiananthan A/L Balasubramaniam	1,000	10.0	114,259	1,142,593
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	500	5.0	57,130	571,296
Ganesh Balasubramanian	2,000	20.0	228,519	2,285,186
Jagannathan Ragunathan	1,000	10.0	114,259	1,142,593
	10,000	100.0	1,142,593	11,425,930

Pursuant to the agreement with the vendors, the new HEB Shares allotted to Dato' Sri Ir. Kunasingam A/L V. Sittampalam were issued to Victech.

The acquisitions of HSSE, HBS and BGV had been undertaken via three separate share sale agreements entered into between the Company and the vendors of HSSE, HBS and BGV respectively on 16 April 2015 and which were further supplemented by their respective supplemental agreements entered on 11 April 2016.

The acquisitions of HSSE, HBS and BGV were completed on 7 June 2016, 8 June 2016 and 14 June 2016 respectively upon the issuance of the new HEB Shares and settlement of cash portion of purchase consideration to the respective vendors. HSSE, HBS and BGV became wholly owned subsidiaries of the Company as of those respective dates.

Dato' Ir. Nitchiananthan A/L Balasubramaniam and Ir. Sharifah Azlina Bt Raja Kamal Pasmah, who were vendors of HBS and BGV, are the directors of the Company.

36. SIGNIFICANT EVENTS DURING THE YEAR

(b) Acquisitions of Associates

(i) Acquisition of HSS Integrated Sdn Bhd ("HSSI")

Pursuant to a share sale agreement entered on 30 May 2016 between HSSE and two directors of the Company namely Dato' Sri Ir. Kunasingam A/L V. Sittampalam and Dato' Nitchiananthan A/L Balasubramaniam ("collectively vendors"), HSSE acquired a total of 600,000 ordinary shares of RM1.00 each representing 30% equity interest in HSSI from the vendors for a total cash purchase consideration of RM897,710.

(ii) Acquisition of HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME")

Pursuant to a share sale agreement entered on 30 May 2016 between HSSE and Azman Bin Ab Rahman ("vendor"), HSSE acquired 15,000 ordinary shares of RM1.00 each representing 30% equity interest in HSSME from the vendor for a cash purchase consideration of RM8,784.

Upon completion of the acquisition of HSSE on 7 June 2016 as described in Note 36(a) above, HSSI and HSSME became associates of the Group.

(c) IPO and Listing of the Company

During the year, the Company carried out an IPO of shares comprising a Public Issue by the Company and an Offer for Sale by the Company's promoters in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad via a prospectus dated 29 June 2016.

Pursuant to the Public Issue portion of the IPO, the Company had on 8 August 2016 issued 63,816,200 new HEB Shares at the issue price of RM0.50 per HEB Share and for cash in the following manner: -

(i) 15,954,000 new HEB Shares to the Malaysian public through balloting;

(ii) 7,977,000 new HEB Shares to the Group's eligible directors, employees and business associates/persons who have contributed to the success of the Group through allocation; and

(iii) 39,885,200 new HEB Shares to selected investors through private placement.

Upon completion of the IPO, the Company was listed on 10 August 2016 with its entire enlarged issued and paid-up share capital of RM31,908,101 comprising 319,081,010 HEB Shares quoted on the ACE Market of Bursa Malaysia Securities Berhad.

37. CONTINGENT LIABILITIES

The Group has the following contingent liabilities arising from its interest in the associate, HSSI :-

(i) **MRCB Engineering Sdn Bhd ("MESB") vs Somnath Mukherjee and HSSI (Kuala Lumpur High Court Suit No. WA-23NCVC-26-06/2016)**

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

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

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

At the date of this report, the matter is fixed for further case management on 8 May 2017. The Court has also scheduled the matter for trial from 22 May 2017 to 24 May 2017.

(ii) **Notice of Arbitration dated 22 December 2016 pertaining to Memorandum of Agreement dated 13 April 2010 ("MOA") between Malaysia Airports Holdings Berhad ("MAHB") and HSSI for the Proposed Development of New LCC Terminal and Associated Works at KL International Airport, Sepang, Selangor Work Package EW02: Site Preparation, Earthworks and Main Drainage (Airside)**

HSSI has received a Notice of Arbitration dated 22 December 2016 ("Notice Arbitration") from MAHB for an alleged breach of the MOA between MAHB and HSSI. The sum claimed by MAHB amounting to RM64,617,267 as at May 2016 includes but not limited to losses and damages suffered by MAHB. MAHB further claimed interest, costs and any other/ further relief that the arbitrator may deem fit and just.

HSSI has taken steps to seek the basis for the alleged claim and supporting documents from MAHB in relation to the same. To-date, MAHB has only provided part of the supporting documents sought by HSSI and based on HSSI's review of the same, HSSI is of the view that the alleged claim is unsubstantiated and without merit and has denied and refuted the same.

HSSI was required to hold a professional indemnity insurance policy to the satisfaction of MAHB pursuant to the MOA. The professional indemnity insurance policy submitted to MAHB was for a cover of RM3 million. HSSI has sought legal opinion on the terms of the MOA as to the extent of HSSI's liability. Based on the legal opinion, the Company's Board is of the view that HSSI's liability is limited to the amount covered by the professional indemnity insurance policy which was submitted to MAHB.

37. CONTINGENT LIABILITIES (CONTINUED)

(ii) **Notice of Arbitration dated 22 December 2016 pertaining to Memorandum of Agreement dated 13 April 2010 ("MOA") between Malaysia Airports Holdings Berhad ("MAHB") and HSSI for the Proposed Development of New LCC Terminal and Associated Works at KL International Airport, Sepang, Selangor Work Package EW02: Site Preparation, Earthworks and Main Drainage (Airside) (Continued)**

Further, the Company and HSSI are of the view that the Notice of Arbitration is premature given MAHB and HSSI are in an ongoing mediation as required pursuant to the MOA. As at the date of this report, the mediation has yet to be completed.

Based on the above, the Board is of the view that the matter will not result in any significant financial impact on the Group upon resolution of the dispute.

38. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS/(ACCUMULATED LOSSSES) INTO REALISED AND UNREALISED PROFITS/(LOSSES)

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the reporting date into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits/(accumulated losses) as at the reporting date are analysed as follows:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Retained profits/ (accumulated losses):				
- realised	43,527,036	29,059,381	(1,432,676)	(6,979)
- unrealised	(336,573)	313,645	-	-
	43,190,463	29,373,026	(1,432,676)	(6,979)
Share of retained profits from associates				
- realised	206,909	-	-	-
Add: Consolidation adjustments	(19,224,307)	-	-	-
Total retained profits/ (accumulated losses) as at year end	24,173,065	29,373,026	(1,432,676)	(6,979)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **Dato' Sri Ir. Kunasingam A/L V. Sittampalam** and **Dato' Ir. Nitchiananthan A/L Balasubramaniam**, being two of the directors of **HSS Engineers Berhad**, state that in the opinion of the directors, the financial statements set out on pages 5 to 62 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year ended on that date.

The information set out in Note 38 to the financial statements on page 63 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed in accordance with a resolution of the Board of Directors,

DATO' SRI IR. KUNASINGAM A/L V. SITTAMPALAM
Director

DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM
Director

Kuala Lumpur,
27 March 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, **Ng Kuan Yee**, being the officer primarily responsible for the financial management of **HSS Engineers Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 5 to 62 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **Ng Kuan Yee** at Kuala)
Lumpur in the Federal Territory on 27)
March 2017

NG KUAN YEE

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HSS Engineers Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 62.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter

Revenue recognition

The Group recognises revenue from rendering of services by reference to their stage of completion at the end of the reporting period, which is determined based on the proportion of cumulative staff time costs utilised as at that date over the budgeted time costs allocated for the services being rendered. In applying this accounting policy, the Group has recognised accrued billings for the portion of services rendered but yet to be billed as revenue for the year and correspondingly as trade receivables as at the end of the reporting period.

As disclosed in Note 3.2 on critical accounting judgements and estimation uncertainty, significant judgement by management based on past experiences of similar type of services is required in the revenue recognition as it involves estimation of costs allocation to budgets and recoverability of staff time costs incurred as well as variation work recoverable from customers.

The aforesaid exercise of judgement and estimation by management have significant effects on the amount of revenue and trade receivables recognised, and hence the financial results of the Group for the year.

Our audit approach to address the key audit matter

Our audit approach included the following: -

- we performed tests of relevant internal controls over the Group's budgetary process for projects as part of our risk assessment to determine the reliability of project budgets adopted by management.
- we verified contract sums and cost elements recorded in the budgets against underlying documentations including contracts, key assumptions and detailed workings of cost summaries computed based on estimated cumulative time involvement in projects.
- we checked the stage of completion for individual contracts in progress to the project utilisation report (a compilation of actual time costs against approved time based budgets to arrive at the utilisation rate) prepared by management. Specific attention has been given to ensure that the approved budgets have been updated or revised where appropriate, when actual cumulative time costs have exceeded the amounts budgeted.
- we checked cumulative progress billings of contracts in progress to contract payment schedules and to supporting invoices, and performed recomputation of accrued billings of significant projects based on the stage of completion determined for the relevant projects.
- we checked significant accrued billings at the end of the reporting period to subsequent invoicing to determine the recoverability of trade receivables at the end of the reporting period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Continued)

Auditors’ Responsibilities for the Audit of the Financial Statements (Continued)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors’ report of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company’s financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSS ENGINEERS BERHAD

(Company No: 1128564-U)
(Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 63 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

AZMAN, WONG, SALLEH & CO.
AF: 0012
Chartered Accountants

NG YONG CHIN
3051/05/17(J)
Chartered Accountant

Kuala Lumpur,
27 March 2017