All defined terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus, unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

All enquiries concerning the Rights with Bonus Issue and Warrants should be addressed to Tricor Investor & Issuing House Services Sdn. Bhd. ("**Tricor**"), our Registrar for the Rights with Bonus Issue and Warrants, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. If you have sold or transferred all your HEB Shares , you should at once hand this Abridged Prospectus together with the NPA and the RSF (collectively, the "**Documents**") to the agent or broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. The Documents are only despatched to shareholders of our Company who have a registered address in Malaysia and whose names appear in the Record of Depositors as at 5.00 p.m. on 21 February 2018. Entitled Shareholders who do not have a registered address in Malaysia and wish to provide their Malaysian address, should inform their respective stockbrokers or Tricor to effect the change of address by 21 February 2018.

The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights with Bonus Issue and Warrants or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights with Bonus Issue and Warrants, application for the Excess Rights with Bonus Issue and Warrants or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights with Bonus Issue and Warrants would result in the contravention of any laws of such countries or jurisdictions. Our Company and the Principal Adviser shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the Provisional Rights with Bonus Issue and Warrants, application for the Excess Rights with Bonus Issue and Warrants, or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights with Bonus Issue and Warrants made by any Entitled Shareholder and/or their renouncee(s) and/or transferee(s), if applicable, is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholder and/or their renouncee(s) and/or transferee(s), if applicable, are residents.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights with Bonus Issue and Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Documents.

Approval for this Rights with Bonus Issue and Warrants has been obtained from the shareholders of our Company at the EGM held on 30 January 2018. Approval has also been obtained from Bursa Securities vide its letter dated 11 January 2018 for the admission of the Warrants to the Official List as well as for the initial listing and quotation of the Warrants, as well as the listing of the Rights Shares, Bonus Shares, Warrants and Exercised Shares on the Main Market of Bursa Securities, which will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, have been duly credited and the notices of allotment have been despatched to them. However, such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights with Bonus Issue and Warrants and are in no way reflective of the merits of the Rights with Bonus Issue and Warrants.

Our Board has seen and approved the Documents. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights with Bonus Issue and Warrants acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights with Bonus Issue and Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS' AS SET OUT IN SECTION 5 OF THIS ABRIDGED PROSPECTUS.

HSS ENGINEERS BERHAD

(Company No. 1128564-U)

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 31,908,101 NEW ORDINARY SHARES IN HSS ENGINEERS BERHAD ("HEB") ("HEB SHARES") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TEN (10) HEB SHARES HELD AS AT 5.00 P.M. ON 21 FEBRUARY 2018 AT AN ISSUE PRICE OF RM1.30 PER RIGHTS SHARE TOGETHER WITH A BONUS ISSUE OF UP TO 15,954,050 NEW HEB SHARES ("BONUS SHARES") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED AND UP TO 47,862,151 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF THREE (3) WARRANTS FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED

Principal Adviser

Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Financial Adviser

Newfields Advisors Sdn Bhd (296051-V)
(A Corporate Finance Adviser licensed by Securities Commission Malaysia)

IMPORTANT RELEVANT DATES AND TIME		
Entitlement Date for the Rights with Bonus Issue and Warrants	:	Wednesday, 21 February 2018 at 5.00 p.m.
Last date and time for:		
Sale of the Provisional Rights with Bonus Issue and Warrants	:	Wednesday, 28 February 2018 at 5.00 p.m.
Transfer of the Provisional Rights with Bonus Issue and Warrants	:	Monday, 5 March 2018 at 4.00 p.m.
Acceptance and payment for the Provisional Rights with Bonus Issue and Warrants	:	Thursday, 8 March 2018 at 5.00 p.m.
Excess application and payment for the Excess Rights with Bonus Issue and Warrants	:	Thursday, 8 March 2018 at 5.00 p.m.

This Abridged Prospectus is dated 21 February 2018

ALL DEFINED TERMS AND ABBREVIATIONS CONTAINED IN THIS ABRIDGED PROSPECTUS ARE DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS, UNLESS STATED OTHERWISE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS WITH BONUS ISSUE AND WARRANTS AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS WITH BONUS ISSUE AND WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA (SUCH AS OUR DIRECTORS AND ADVISERS) ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF THE RIGHTS WITH BONUS ISSUE AND WARRANTS BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE RIGHTS WITH BONUS ISSUE AND WARRANTS IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS WITH BONUS ISSUE AND WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

The following definitions shall apply throughout this Abridged Prospectus unless the context requires otherwise:

1Q	:	First quarter
2Q	:	Second quarter
3Q	:	Third quarter
Abridged Prospectus	:	This abridged prospectus dated 21 February 2018 issued by HEB for the Rights with Bonus Issue and Warrants
Act	:	Companies Act, 2016
BGV	:	BIM Global Ventures Sdn Bhd, a wholly-owned subsidiary of our Company
BIM	:	Building Information Modelling
Bloomberg	:	Bloomberg Finance L.P. and its affiliates
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bonus Shares	:	New HEB Shares to be issued as bonus shares pursuant to the Rights with Bonus Issue and Warrants
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
Business Day	:	A day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Kuala Lumpur
Business Transfer Agreement	:	Definitive agreement dated 21 November 2017 between SMHB and SMHB Engineering for the transfer of the assets and all employees of SMHB and SMHB Environmental (including 100% equity interest in SMHB Environmental) and the assets of SMHB Services to SMHB Engineering (excluding the Excluded Assets)
Cash Consideration	:	RM162 million payable to the Vendors pursuant to the SMHB Acquisition
CDS	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account	:	A securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
Closing Date	:	8 March 2018 at 5.00 p.m., being the last date and time for the acceptance, application and payment for the Provisional Rights with Bonus Issue and Warrants and the Excess Rights with Bonus Issue and Warrants with Bonus Issue and Warrants
CMSA	:	Capital Markets and Services Act, 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2016

Completion Date	:	(a) The Business Day falling six (6) months after the Unconditional Date; or (b) the Business Day falling fourteen (14) Business Days from the disbursement of the financing from HEB's financier for the purchase of the Sale Shares and upon the listing of the Rights Shares pursuant to the Rights with Bonus Issue and Warrants to be undertaken by HEB, whichever is later, or such other date as may be agreed upon between the Vendors and our Company upon which the completion of the SMHB Acquisition is to take place
Consideration Shares	:	94,736,842 new HEB Shares to be allotted and issued to the Vendors at the Issue Price pursuant to the SMHB Acquisition
Corporate Exercises	:	Collectively, SMHB Acquisition, Placement and Rights with Bonus Issue and Warrants
Datuk Ir. Teo	:	Datuk Ir. Teo Chok Boo
Deed Poll	:	Deed Poll constituting the Warrants dated 5 February 2018
Director	:	Members of our Board and the term "director" shall have the same meaning assigned to it in Section 2(1) of the CMSA
Documents	:	Collectively, this Abridged Prospectus and the accompanying NPA and RSF
EBITDA	:	Earnings before interest, taxes, depreciation and amortisation
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Our shareholders whose names appear in our Record of Depositors on the Entitlement Date
Entitlement Date	:	21 February 2018 at 5.00p.m., being the date and time on which the names of our shareholders must appear in our Record of Depositors in order to be entitled to participate in the Rights with Bonus Issue and Warrants
EPS	:	Earnings per share
EV	:	Enterprise value
Excess Rights with Bonus Issue and Warrants	:	Rights Share(s) which are not taken up or not validly taken up by the Entitled Shareholder(s) and/or their renouncee(s) and/or transferee(s) prior to the Closing Date

Excluded Assets : Assets of the SMHB Group that will be excluded from the SMHB Acquisition comprising the following:

(a) the entire equity interest in SMH Properties and SMHB Services;

(b) all receivables attributable to the SMHB Group prior to the Completion Date, after deducting all costs and expenses;

(c) motor vehicles of the directors of SMHB and SMHB Services;

(d) cash and marketable investments held by SMHB;

(e) staff provident fund;

(f) tax refunds for the period prior to the Completion Date; and

(g) provision for gratuity, bonus and professional indemnity up to the Completion Date

Excluded Liabilities : Liabilities of the SMHB Group that will be excluded from the SMHB Acquisition comprising the following:

(a) all costs and expenses incidental to the transaction anticipated by the Business Transfer Agreement, including payment of consideration for the transfer and all stamp duty and other tax payable for the transfer;

(b) all costs and expenses incidental to SMHB Engineering's acquisition of 30% equity interest in SMHB, including payment of consideration for the acquisition and all stamp duty and other tax payable for the acquisition;

(c) any salaries, statutory contributions and other bonuses and remunerations due to the employees of SMHB attributable to the period prior to the Completion Date;

(d) any termination or lay-off benefits payable to any employees of the SMHB Group that will be transferred to SMHB Engineering pursuant to the Business Transfer Agreement, including any payment for accumulated leave;

(e) tax liabilities which are entity specific and any amount due to subsidiaries, associates or related party, including directors, and provisions made or claims against the SMHB Group; and

(f) tax liabilities arising from chargeable income earned by the SMHB Group prior to the Completion Date

Exercise Price : The exercise price of RM1.70 per Warrant

Exercised Shares : New HEB Shares to be issued upon exercise of the Warrants

FBM KLCI : FTSE Bursa Malaysia Kuala Lumpur Composite Index, comprising of the largest 30 companies on the Main Market of Bursa Securities

Foreign Addressed Shareholders : Foreign shareholders of our Company on the Entitlement Date who have not provided an address in Malaysia for the service of Documents to be issued for purposes of the Rights with Bonus Issue and Warrants

FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending, as the case may be
Government	:	Government of Malaysia
HEB or Company	:	HSS Engineers Berhad
HEB Group or Group	:	Collectively, our Company and our subsidiaries
HEB Shares	:	Ordinary shares in our Company
HOA	:	Heads of agreement dated 29 September 2017 between our Company, Datuk Ir. Teo, Ir. Prem Kumar a/l M. Vasudevan and Ir. Syed Mohamed Adnan bin Mansor Alhabshi in relation to the SMHB Acquisition
HSSE	:	HSS Engineering Sdn Bhd, a wholly-owned subsidiary of our Company
HSSI	:	HSS Integrated Sdn Bhd, a 30% associated company of HSSE
HSSME	:	HSS Mekanikal & Elektrikal Sdn Bhd, a 30% associated company of HSSE
Intended Gross Proceeds	:	Gross proceeds of up to RM41,480,531 to be raised pursuant to the Rights with Bonus Issue and Warrants
Internal Reorganisation	:	A restructuring exercise involving the SMHB Engineering Group to facilitate the SMHB Acquisition
IPO	:	Initial Public Offering
Issue Price	:	RM1.14 per Consideration Share
KVMRT	:	Klang Valley Mass Rapid Transit
KVMRT 1: SBK Line	:	Klang Valley Mass Rapid Transit 1: Sungai Buloh – Kajang Line
KVMRT 2: SSP Line	:	Klang Valley Mass Rapid Transit 2: Sungai Buloh – Serdang – Putrajaya Line
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 January 2018, being the latest practicable date prior to the date of this Abridged Prospectus
LRT	:	Light Rail Transit
Market Day	:	A day on which Bursa Securities is open for trading in securities
Maximum Scenario	:	Assuming that all Entitled Shareholders fully subscribe their respective entitlements under the Rights with Bonus Issue and Warrants
Maybank IB or Principal Adviser	:	Maybank Investment Bank Berhad
Minimum Scenario	:	Assuming that the Rights with Bonus Issue and Warrants is undertaken on a minimum subscription level basis based on the Undertaking

DEFINITIONS *(Cont'd)*

NA	:	Net assets
NPA	:	Notice of provisional allotment pursuant to the Rights with Bonus Issue and Warrants
Newfields or Financial Adviser	:	Newfields Advisors Sdn Bhd
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities
PAT	:	Profit after tax
PATAMI	:	Profit after tax and minority interest
PBT	:	Profit before tax
PE Multiple	:	Price-to-earnings multiple
Placement	:	Placement of the Placement Shares to raise gross proceeds of up to RM52,300,000 at an issue price to be determined later
Placement Shares	:	New HEB Shares to be issued pursuant to the Placement
Price-Fixing Date	:	5 February 2018, being the date on which our Board has determined the Rights Issue Price and Exercise Price
Provisional Rights with Bonus Issue and Warrants	:	Rights Shares provisionally allotted to the Entitled Shareholders together with the Bonus Shares and Warrants attached
Purchase Consideration	:	Being RM270 million
RAPID	:	Refinery and Petrochemicals Integrated Development
REA	:	Registration of Engineers Act 1967
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository under the Rules of Bursa Depository
Reporting Accountants	:	Azman, Wong, Salleh & Co
Restructuring Agreements	:	Collectively, the Business Transfer Agreement, Teaming Agreement, Shareholding Agreement and Service Contracts, entered into pursuant to the Internal Reorganisation
Rights Issue Price	:	The issue price of RM1.30 per Rights Share
Rights with Bonus Issue and Warrants	:	Renounceable rights issue of up to 31,908,101 Rights Shares on the basis of one (1) Rights Share for every ten (10) HEB Shares held on the Entitlement Date at the Rights Issue Price together with a bonus issue of up to 15,954,050 Bonus Shares on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and up to 47,862,151 Warrants on the basis of three (3) Warrants for every two (2) Rights Shares subscribed

DEFINITIONS *(Cont'd)*

Rights Shares	:	New HEB Shares to be issued pursuant to the Rights with Bonus Issue and Warrants
RM and sen	:	Ringgit Malaysia and sen, respectively
RSF	:	Rights subscription form for the Rights with Bonus Issue and Warrants
Rules of Bursa Depository	:	The Rules of the Bursa Depository as issued pursuant to the SICDA
Sale Shares	:	100,000 ordinary shares in SMHB Engineering, representing 100% equity interest in SMHB Engineering
SC	:	Securities Commission Malaysia
Service Contracts	:	The service contracts for the employment by SMHB Engineering of the key personnel currently employed by SMHB, namely, Datuk Ir. Teo, Ir. Syed Mohamed Adnan bin Mansor Alhabshi, Ir. Prem Kumar a/l M. Vasudevan, Ir. Mohd. Rousdin bin Hassan and Ir. Zulkiflee bin Ab Hamid
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd
Shareholding Agreement	:	Shareholding agreement dated 21 November 2017 between SMHB Engineering, SMHB and SMHB's shareholders
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SMH Properties	:	SMH Properties Sdn Bhd, a wholly-owned subsidiary of SMHB
SMHB	:	SMHB Sdn Bhd
SMHB Acquisition		Acquisition of the Sale Shares from the Vendors for the Purchase Consideration to be satisfied via the Consideration Shares and Cash Consideration from proceeds of RM162,000,000 partly from the Rights with Bonus Issue and Warrants, in accordance to the terms of the SSA. This acquisition was approved by our shareholders at the EGM held on 30 January 2018
SMHB Contracts	:	All current contracts of SMHB or SMHB Environmental (as the case may be) and all future contracts secured by SMHB or SMHB Environmental (as the case may be)
SMHB Engineering	:	SMHB Engineering Sdn Bhd
SMHB Engineering Group	:	Collectively, SMHB Engineering, SMHB and SMHB Environmental after the Internal Reorganisation
SMHB Engineering Shares	:	Ordinary shares in SMHB Engineering
SMHB Environmental	:	SMHB Environmental Sdn Bhd, a wholly-owned subsidiary of SMHB
SMHB Group	:	Collectively, SMHB and its current subsidiaries, namely SMHB Environmental, SMH Properties and SMHB Services
SMHB Services	:	SMHB Services Sdn Bhd, a wholly-owned subsidiary of SMHB
SMHB Shares	:	Ordinary shares in SMHB

DEFINITIONS *(Cont'd)*

SSA	:	Conditional share sale agreement dated 27 October 2017 between our Company and the Vendors for the SMHB Acquisition
Support Services	:	The support services provided by SMHB Engineering to SMHB or SMHB Environmental (as the case may be) under the Teaming Agreement including but not limited to administration, human resource, finance, accounting, management support, marketing and sales, technical support and related manpower in the preparation of all tender bids or procurement documents, project management, construction supervision services, legal support and BIM services
Teaming Agreement	:	Two (2) Teaming Agreements, both dated 21 November 2017, one between SMHB and SMHB Engineering and another between SMHB Environmental and SMHB Engineering in relation to the exchange of, among others, the Support Services provided by SMHB Engineering for professional engineering services provided by SMHB and SMHB Environmental, as the case may be
TEAP	:	Theoretical ex-all price
TS Ir. Kuna	:	Tan Sri Ir. Kunasingam A/L V. Sittampalam
TSD Ir. Syed Muhammad	:	Tan Sri Dato' Ir. Syed Muhammad Shahabudin bin Syed Hassan Shahabudin
Unconditional Date	:	The date upon which the SSA becomes unconditional or is deemed to have become unconditional, when all the conditions precedent required have been obtained/fulfilled or waived by the Vendors and our Company in accordance with the terms of the SSA
Undertaking	:	Irrevocable letter of undertaking from the Undertaking Shareholder dated 12 January 2018 to subscribe for RM22,016,589 of its entitlement Rights Shares in full and additional excess Rights Shares
Undertaking Shareholder or Victech	:	Victech Solutions Sdn Bhd, a company controlled by our Company's Executive Vice Chairman, TS Ir. Kuna
Vendors	:	Collectively, Datuk Ir. Teo, Ir. Mohd Rousdin bin Hassan, Ir. Syed Mohamed Adnan bin Mansor Alhabshi, Ir. Teo Koon Hau, Ir. Prem Kumar a/l M. Vasudevan, TSD Ir. Syed Muhammad, Ir Loo Ai Choo, Ir. Zulkiflee bin Ab Hamid, Ir. Pritam Singh a/l Mahinder Singh, Ir. Ang Eng Kiat, Ir. Philip Gunn Kean Su, Ir. Ganeshalingam a/l Rasiah and Ir. Saiful Hazmi bin Abu Hasan
VWAP	:	Volume-weighted average market price
Warrants	:	Free detachable warrants to be issued pursuant to the Rights with Bonus Issue and Warrants
WCE	:	West Coast Expressway

All references to "**our Company**" or "**HEB**" in this Abridged Prospectus are to HEB, and references to "**our Group**" are to our Company and our subsidiaries, collectively. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, where the context requires otherwise, shall include our Company and our subsidiaries.

All references to "**you**" or "**your**" in this Abridged Prospectus are to the Entitled Shareholders and/or, where the context requires otherwise, the renouncee(s) and/or transferee(s).

Words denoting the singular shall, where applicable, include the plural and *vice versa*, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation, statute, guidelines, rules or regulations is a reference to that legislation, statute, guidelines, rules or regulations as for the time being amended or re-enacted.

Any reference to time of day or date in this Abridged Prospectus is a reference to Malaysian time and date respectively, unless otherwise specified.

Any discrepancies in the figures included in this Abridged Prospectus between the amounts stated, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name/Designation	Address	Nationality	Age	Profession
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Chairman*	No. 143, Jalan Sepuluh Taman Ampang Utama Jalan Ampang 68000 Ampang Selangor Darul Ehsan	Malaysian	50	Company Director
Tan Sri Ir. Kunasingam A/L V. Sittampalam *Executive Vice Chairman*	Unit 22-2, Block A Menara Bangsar Jalan Maarof Bangsar 59000 Kuala Lumpur Wilayah Persekutuan	Malaysian	64	Company Director / Engineer
Dato' Ir. Nitchiananthan A/L Balasubramaniam *Executive Director / Group Chief Executive Officer*	No. 49, Jalan 5/58A Gasing Indah Section 5 46000 Petaling Jaya Selangor Darul Ehsan	Malaysian	54	Company Director / Engineer / Group Chief Executive Officer
Ir. Sharifah Azlina Bt Raja Kamal Pasmah *Executive Director/ Chief Operating Officer*	Lot 4103 Jalan Haji Hussin Batu 7, Jalan Kebun Seksyen 30 40460 Shah Alam Selangor Darul Ehsan	Malaysian	50	Company Director / Engineer / Chief Operating Officer
Mohan A/L Ramalingam *Senior Independent Non-Executive Director*	No. 94, Jalan SS 22/32 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	69	Company Director
Foo Lee Khean *Independent Non-Executive Director*	7-1-12A, Kiara Green Townhouse Taman Tun Dr Ismail 60000 Kuala Lumpur Wilayah Persekutuan	Malaysian	54	Company Director / Accountant
Ng Kuan Yee *Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam/ Group Chief Financial Officer*	No. 17 Jalan Birai U8/69 Bukit Jelutong Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	Malaysian	46	Company Director / Company Secretary / Group Chief Financial Officer

CORPORATE DIRECTORY *(Cont'd)*

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Foo Lee Khean	Chairman	Independent Non-Executive Director
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member	Independent Non-Executive Chairman
Mohan A/L Ramalingam	Member	Senior Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Mohan A/L Ramalingam	Chairman	Senior Independent Non-Executive Director
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member	Independent Non-Executive Chairman
Foo Lee Khean	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Mohan A/L Ramalingam	Chairman	Senior Independent Non-Executive Director
Dato' Mohd Zakhir Siddiqy Bin Sidek	Member	Independent Non-Executive Chairman
Foo Lee Khean	Member	Independent Non-Executive Director

COMPANY SECRETARIES :

Tai Yit Chan (MAICSA 7009143)
No. 56, Jalan SS 22/29
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan

Tan Ai Ning (MAICSA 7015852)
7-8-1 Menara Hartamas
Jalan Sri Hartamas 3
50480 Kuala Lumpur

Ng Kuan Yee (MIA 17693)
No. 17 Jalan Birai U8/69
Bukit Jelutong
Seksyen U8
40150 Shah Alam
Selangor Darul Ehsan

CORPORATE DIRECTORY *(Cont'd)*

REGISTERED OFFICE	:	Lot 6.05, Level 6, KPMG Tower 8 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7720 1188
HEAD OFFICE	:	Wisma HSS Integrated B1 (1-4) Block B, Plaza Dwitasik No. 21, Jalan 5/106 Bandar Sri Permaisuri 56000 Kuala Lumpur Tel. No.: +603 9173 0355 E-mail: heb@hss.com.my Website: www.hssgroup.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	Azman, Wong, Salleh & Co 12th Floor, Wisma Tun Sambanthan No. 2, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel. No.: +603 2273 2688
SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Tel. No.: +603 2783 9299
PRINCIPAL BANKER	:	Maybank Islamic Berhad 30th Floor, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel. No.: +603 2070 8833
PRINCIPAL ADVISER	:	Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel. No.: +603 2059 1888

CORPORATE DIRECTORY *(Cont'd)*

FINANCIAL ADVISER	:	Newfields Advisors Sdn Bhd Suite 16.1, Level 16, Menara Weld No. 76, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: +603 2031 2888
SOLICITORS FOR THE RIGHTS WITH BONUS ISSUE AND WARRANTS	:	Lee Hishammuddin Allen & Gledhill Level 6, Menara 1 Dutamas Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Tel. No.: +603 6208 5888
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	Main Market of Bursa Securities

HSS ENGINEERS BERHAD
(Company No. 1128564-U)
(Incorporated in Malaysia)

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

21 February 2018

Board of Directors
Dato' Mohd Zakhir Siddiqy Bin Sidek (Independent Non-Executive Chairman)
Tan Sri Ir. Kunasingam A/L V. Sittampalam (Executive Vice Chairman)
Dato' Ir. Nitchiananthan A/L Balasubramaniam (Executive Director/ Group Chief Executive Officer)
Ir. Sharifah Azlina Bt Raja Kamal Pasmah (Executive Director/ Chief Operating Officer)
Mohan A/L Ramalingam (Senior Independent Non-Executive Director)
Foo Lee Khean (Independent Non-Executive Director)
Ng Kuan Yee (Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam/ Group Chief Financial Officer)

To: Our Shareholders

Dear Sir/Madam,

RIGHTS WITH BONUS ISSUE AND WARRANTS

1. INTRODUCTION

On 29 September 2017, Maybank IB, on behalf of our Board, announced that our Company had on even date entered into the HOA.

On 27 October 2017, Maybank IB, on behalf of our Board, announced that our Company had on even date entered into the SSA and that our Company further intends to undertake the following:

(a) Placement; and

(b) Rights with Bonus Issue and Warrants.

On 11 January 2018, Maybank IB, on behalf of our Board, announced that Bursa Securities had vide its letter dated 11 January 2018 approved the following:

(a) admission to the Official List and the initial listing and quotation of up to 47,862,151 Warrants to be issued pursuant to the Rights with Bonus Issue and Warrants; and

(b) listing of:

(i) the Consideration Shares to be issued pursuant to the SMHB Acquisition;

(ii) up to 31,908,101 Rights Shares to be issued pursuant to the Rights with Bonus Issue and Warrants;

(iii) up to 15,954,050 Bonus Shares to be issued pursuant to the Rights with Bonus Issue and Warrants

(iv) up to 52,300,000 Placement Shares to be issued pursuant to the Rights with Bonus Issue and Warrants; and

(v) up to 47,862,151 Exercised Shares pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities subject to the conditions set out below:

No.	Conditions	Status of compliance
(i)	Our Company and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises;	Noted
(ii)	our Company and Maybank IB to inform Bursa Securities upon the completion of the Corporate Exercises;	To be complied
(iii)	our Company to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed; and	To be complied
(iv)	our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of HEB Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 30 January 2018, Maybank IB, on behalf of our Board, announced that the shareholders of our Company had approved the Corporate Exercises at the EGM held on even date. A certified true extract of the ordinary resolutions pertaining to the Corporate Exercises passed at the said EGM is set out in **Appendix I** of this Abridged Prospectus.

On 5 February 2018, Maybank IB, on behalf of our Board, announced:

(a) the Entitlement Date for the Rights with Bonus Issue and Warrants has been fixed on 21 February 2018;

(b) the Rights Issue Price has been fixed at RM1.30 for each Rights Share; and

(c) the Exercise Price has been fixed at RM1.70 for each Warrant.

For information purposes, our Board has appointed Newfields as our Company's Financial Adviser for the Corporate Exercises. In its capacity as Financial Adviser, Newfields have assisted us in finalising the key terms and parameters for the SMHB Acquisition as well as coordinating the work streams with the Principal Adviser and other professional advisers to ensure the timely implementation of the Corporate Exercises. As Financial Adviser, Newfields' role also includes the formulation of funding strategies, identification of potential banks which could provide funding for the SMHB Acquisition and negotiating with the bankers on our behalf.

No person is authorised to give any information or make any representation not contained in the Documents and if given or made, such information or representation must not be relied upon as having been authorised by us or our advisers in connection with the Rights with Bonus Issue and Warrants.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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2. DETAILS OF THE RIGHTS WITH BONUS ISSUE AND WARRANTS

2.1 Introduction

The Rights with Bonus Issue and Warrants entails the issuance by our Company of up to 31,908,101 Rights Shares at the Rights Issue Price together with up to 15,954,050 Bonus Shares and up to 47,862,151 Warrants to the Entitled Shareholders.

The entitlement basis for the Rights with Bonus Issue and Warrants is as follows:

(a) one (1) Rights Share for every ten (10) HEB Shares held on the Entitlement Date;

(b) one (1) Bonus Share for every two (2) Rights Shares subscribed; and

(c) three (3) Warrants for every two (2) Rights Shares subscribed.

The maximum number of 31,908,101 Rights Shares together with up to 15,954,050 Bonus Shares and up to 47,862,151 Warrants is based on the share capital of our Company as at the LPD of RM31,908,101 comprising 319,081,010 HEB Shares.

The Rights Shares will be provisionally allotted and issued to the Entitled Shareholders on the Entitlement Date.

The Entitled Shareholders may subscribe for their respective entitlements of the Rights Shares in full or in part as the Rights with Bonus Issue and Warrants is undertaken on a renounceable basis. Accordingly, Entitled Shareholders can subscribe for, renounce or transfer their entitlements to the Provisional Rights with Bonus Issue and Warrants.

Entitled Shareholders who renounce all or part of their entitlements to the Rights Shares will accordingly renounce their accompanying entitlements to the Bonus Shares and Warrants to be issued with the Rights Shares. If an Entitled Shareholder decides to only accept part of his entitlement to the Rights Shares, the Entitled Shareholder shall only be entitled to the number of Bonus Shares and Warrants in proportion to his acceptance of his Rights Shares.

For the avoidance of doubt, the Bonus Shares and Warrants are attached to the Rights Shares without any costs to the Entitled Shareholders and/or renouncee(s) and will only be issued to Entitled Shareholders and/or renouncee(s) who subscribe for the Rights Shares. The Rights Shares, Bonus Shares and the Warrants are not separately renounceable.

Any fractional entitlements under the Rights with Bonus Issue and Warrants will be disregarded and shall be dealt with in such manner as our Board in its absolute discretion deems fit and expedient and to minimise the incidence of odd lots, and in the best interest of our Company.

The actual number of Bonus Shares and Warrants to be issued pursuant to the Rights with Bonus Issue and Warrants will be determined based on our Company's total number of Rights Shares subscribed by the Entitled Shareholders.

2.2 Salient terms of the Warrants

Issue size	:	Up to 47,862,151 Warrants.
Form and denomination	:	The Warrants, which are issued with the Rights Shares, are immediately detached upon issuance and will be separately traded on Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.
Exercise Rights	:	Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new HEB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise Period	:	The Warrants may be exercised at any time within a period of five (5) years commencing from and including the date of issuance of the Warrants and ending at 5.00 p.m. on the Expiry Date. Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Exercise Price	:	RM1.70, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry Date	:	The day falling immediately before the fifth (5th) anniversary of the date of issuance of the Warrants and if such date is not a market day, then on the preceding market day.
Mode of exercise	:	The registered holder of a Warrant is required to lodge an exercise form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the provisions of the Deed Poll.
Mode of transfer	:	The Warrants are transferrable in the manner and according to the provisions of the Deed Poll, SICDA and the Rules of Bursa Depository.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise of 100 Warrants or such other multiple thereof as determined by Bursa Securities carrying the right to subscribe for 100 Exercised Shares at any time during the Exercise Period.
Listing status	:	Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities as well as for the initial listing and quotation of the Warrants and the listing of Exercised Shares on the Main Market of Bursa Securities.
Adjustments in the exercise price and/or number of the Warrants	:	The Exercise Price and/or number of unexercised Warrants may be adjusted by our Board, in consultation with our professional advisers, in the event of alteration to the share capital of our Company, capital distribution or issue of shares or any other events in accordance with the provisions of the Deed Poll.

Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a member's voluntary winding-up of our Company, or where there is a compromise or arrangement whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one (1) or more companies, then every holder of the Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a member's voluntary winding-up of our Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/her Warrants to our Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Warrants to the extent specified in the relevant exercise forms and be entitled to receive out of the assets of our Company which would be available in liquidation as if he/she had on such date been the holder of the Exercised Shares to which he/she would have been entitled to pursuant to such exercise.
Rights of the Warrants	:	Holder of the Warrants shall not be entitled to vote in any general meeting of our Company or to participate in any distribution and/or offer of further securities that may be declared, made or paid by our Company where the entitlement date precedes the date of allotment of the Exercised Shares.
Modification of the terms of the Warrants	:	Any modification or amendment to the provisions contained in the Deed Poll proposed or agreed to by our Company must be sanctioned by special resolution of the holders of the Warrants, effected by deed, executed by our Company and expressed to be supplemental and comply with the requirements of the Deed Poll. Our Company, may from time to time, without the sanction of the holders of the Warrants, modify or amend the Deed Poll if such modification or amendment is made to correct manifest or typographical errors or to comply with prevailing laws or regulations of Malaysia or are relating purely to administrative matters. A memorandum of each such supplemental deed must be endorsed on the Deed Poll.
Governing law	:	Laws and regulations of Malaysia.

2.3 Basis of determining the Rights Issue Price and Exercise Price

(a) Rights Issue Price

The Rights Issue Price of RM1.30 per Rights Share represents a discount of approximately RM0.24 or 15.6% to the TEAP of HEB Shares as set out in item (iv) below. The Rights Issue Price was determined by our Board on the Price-Fixing Date after taking into consideration, among others, the following:

(i) the Intended Gross Proceeds which is based on the Rights Issue Price of RM1.30 per Rights Share;

(ii) the then prevailing market price of HEB Shares;

(iii) the then prevailing market conditions which include, among others, market sentiment and the performance of the Malaysian stock market which has been on a positive trend taking into consideration that the FBM KLCI was at 1,853.07 on the Price-Fixing Date as compared to 1,746.13 on 27 October 2017, being the date of the announcement of the Rights with Bonus Issue and Warrants; and

(iv) the TEAP of HEB Shares of approximately RM1.54, based on the five (5)-day VWAP of HEB Shares of approximately RM1.64 up to and including 2 February 2018, being the last trading day immediately preceding the Price-Fixing Date.

For the avoidance of doubt, shareholders of our Company who subscribe to the Rights Shares at the Rights Issue Price will be entitled for the Bonus Shares and Warrants.

(b) Exercise Price

The Exercise Price of RM1.70 represents a premium of approximately RM0.16 or 10.4% to the TEAP of HEB Shares of approximately RM1.54 as set out in item 2.3(a)(iv) above. The Exercises Price was determined by our Board on the Price-Fixing Date after taking into account, among others:

(i) the funding requirements of our enlarged Group; and

(ii) the expected timing of such requirements over the next five (5) years.

2.4 Ranking of the Rights Shares, Bonus Shares and Exercised Shares

All the Rights Shares, Bonus Shares and the Exercised Shares will, upon allotment and issue, rank equally in all respects with each other and the then existing HEB Shares, except that the Rights Shares, Bonus Shares and the Exercised Shares will not be entitled to any dividends, rights (including voting rights), allotments and/or distributions that may be declared, made or paid to the shareholders of our Company, the entitlement of which is prior to the date of allotment of these shares.

2.5 Allocation of Excess Rights with Bonus Issue and Warrants

The Excess Rights with Bonus Issue and Warrants shall be made available for excess applications by the Entitled Shareholder and/or their renouncee(s)/transferee(s) (if applicable). It is the intention of our Board to allocate such Excess Rights with Bonus Issue and Warrants, if any, in a fair and equitable manner in the order of priority as set out in Section 9.4 of this Abridged Prospectus.

2.6 Listing and quotation of the Rights Shares, Bonus Shares, Warrants and Exercised Shares

Approval has been obtained from Bursa Securities vide its letter dated 11 January 2018 for the admission of the Warrants to the Official List of Bursa Securities as well as for the initial listing and quotation of the Warrants, and the listing of up to 31,908,101 Rights Shares, up to 15,954,050 Bonus Shares and up to 47,862,151 Exercised Shares on the Main Market of Bursa Securities, subject to the conditions set out in Section 1 of this Abridged Prospectus.

The Rights Shares, Bonus Shares, and Warrants will be issued and listed simultaneously.

2.7 Minimum subscription level and Undertaking

The Rights with Bonus Issue and Warrants is undertaken on a minimum subscription level basis to raise minimum gross proceeds of RM22,016,589. The minimum subscription level was determined by our Board after taking into consideration the Cash Consideration and estimated expenses relating to the Corporate Exercises as set out in Section 2.8 of this Abridged Prospectus.

The Undertaking Shareholder has provided an undertaking for the minimum subscription of RM22,016,589 where the Undertaking Shareholder will subscribe to their entitlement to the Rights Shares in full and additional excess Rights Shares.

Based on the shareholding of the Undertaking Shareholder as at the LPD and the issuance of up to 31,908,101 Rights Shares at the Rights Issue Price, 16,935,838 Rights Shares, 8,467,919 Bonus Shares and 25,403,757 Warrants are to be issued pursuant to the Undertaking under the Minimum Scenario. The shareholding of the Undertaking Shareholder under the Minimum Scenario is as follows:

			Pro forma I		**Pro forma II**	
	As at the LPD		**After the Placement**		**After pro forma I and the issuance of the Rights Shares**	
	No. of HEB Shares	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**
	'000		**'000**		**'000**	
Undertaking Shareholder	100,000	31.34	100,000	(1) 28.06	(2) 116,936	31.32

	Pro forma III		**Pro forma IV**		**Pro forma V**	
	After pro forma II and the issuance of the Bonus Shares		**After pro forma III and the SMHB Acquisition**		**After pro forma IV and the exercise of the Warrants**	
	No. of HEB Shares	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**
	'000		**'000**		**'000**	
Undertaking Shareholder	(3) 125,404	32.84	125,404	(4) 26.31	(5) 150,808	30.04

Note:

(1) Assuming 37,357,143 Placement Shares are issued to raise gross proceeds of RM52,300,000, the Undertaking Shareholder's shareholding in our Company will be diluted accordingly.

(2) Assuming 16,935,838 Rights Shares are subscribed by the Undertaking Shareholder pursuant to the Undertaking.

(3) Assuming 8,467,919 Bonus Shares are issued on the basis of 1 Bonus Share for every 2 Rights Shares subscribed.

(4) Following the issuance of the Consideration Shares as part consideration for the SMHB Acquisition, the Undertaking Shareholder's shareholding in our Company will be diluted accordingly.

(5) Assuming the exercise of 25,403,757 Warrants into 25,403,757 Exercised Shares.

The Undertaking Shareholder has confirmed via the Undertaking that it has sufficient financial resources to fulfil the Undertaking, which has been verified by Maybank IB.

The Undertaking is not expected give rise to any consequences relating to a mandatory take-over offer obligation under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC.

As the Rights with Bonus Issue and Warrants will be undertaken on a minimum subscription level basis, there is no underwriting arrangement for the remainder of the Rights Shares for which no undertaking has been obtained.

2.8 Capitalisation of reserves

The Bonus Shares shall be wholly capitalised from the share premium of our Company.

Our Board confirms that the issuance of the Bonus Shares (vide the capitalisation of the share premium balance of our Company) will be in full compliance with the Act and Practice Note 1/2017 issued by the Companies Commission of Malaysia on 8 February 2017 for the purposes of subsection 618(3) of the Act. Our Board also confirms that the reserves available for the capitalisation for the Bonus Shares are adequate to cover the entire capitalisation for the Bonus Shares.

Based on our Company's latest audited financial statements for the FYE 31 December 2016 and latest unaudited financial statements for the FPE 30 September 2017, the reserves available for capitalisation for the Bonus Shares are as follows:

	Share premium	
	Minimum Scenario	**Maximum Scenario**
	RM'000	**RM'000**
Audited as at 31 December 2016	22,326	22,326
Less:		
Capitalisation for issuance of the Bonus Shares	(847)	(1,595)
Total	**21,479**	**20,731**
Unaudited as at 30 September 2017	[(1)] 22,326	[(1)] 22,326
Less:		
Capitalisation for issuance of the Bonus Shares	(847)	(1,595)
Total	**21,479**	**20,731**

Note:

(1) Under the no par value regime of the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of our Company's share premium account shall be consolidated as part of our share capital, as reflected in our Company's unaudited quarterly report for nine (9)-month FPE 30 September 2017. However, subsection 618(3) of the Act provides that our Company may use our share premium account to fully pay up the Bonus Shares within a 24-month period from 31 January 2017.

2.9 Use of proceeds

Based on the Minimum and Maximum Scenario and the Rights Issue Price, the Rights with Bonus Issue and Warrants is expected to raise gross proceeds of RM22,016,589 and RM41,480,531 respectively.

The Intended Gross Proceeds will be used in the following manner:

Description of use of proceeds	Minimum Scenario		Maximum Scenario		Expected timeframe
	RM'000	%	RM'000	%	
Forming part of the Cash Consideration (to be paid upfront) as outlined in Section 4.1 of this Abridged Prospectus	15,700	71.3	15,700	37.9	Within one (1) month from the date of listing of the Rights Shares
Forming part of the Cash Consideration (to be paid later as deferred payment) as outlined in Section 4.1 of this Abridged Prospectus	(1) -	-	9,000	21.7	On the third anniversary of the Completion Date
Repayment of the financing facility for the SMHB Acquisition (3)	-	-	9,281	22.4	Within six (6) months from the date of listing of the Rights Shares
Defray estimated expenses relating to the Corporate Exercises (2)	(3)6,317	28.7	7,500	18.1	Within one (1) month from the date of listing of the Rights Shares
Total	**22,017**	**100.0**	**41,481**	**100.0**	

Notes:

(1) *In the event of the Minimum Scenario, the RM9.0 million forming part of the Cash Consideration for deferred payment will be obtained from internally generated funds and/or further bank borrowings, as outlined in Section 4.1 of this Abridged Prospectus. Details of the SMHB Acquisition are set out in Section 4 of this Abridged Prospectus.*

(2) *The breakdown of the estimated expenses relating to the Corporate Exercises are as follows:*

Description	***Minimum Scenario***	***Maximum Scenario***
	RM'000	***RM'000***
Professional fees (a)	*4,667*	*5,850*
Regulatory fees (b)	*250*	*250*
Other expenses (c)	*200*	*200*
Stamp duties for SSA and loan documents	*1,200*	*1,200*
Total	***(3) 6,317***	***7,500***

Notes:

(a) Comprises estimated professional fees payable to the professional advisers in relation to the Corporate Exercises.

(b) Comprises estimated fees payable to the relevant authorities.

(c) Comprises estimated printing costs, despatch costs, costs of hosting the EGM, and other incidental expenses relating to the Corporate Exercises.

(3) As only of RM6.317 million is being allocated towards payment of the estimated expenses under Minimum Scenario, the balance estimated expenses of RM1.183 million out of the total estimated expenses of RM7.5 million will be funded by bank overdraft and internally generated funds.

(4) Our Company has accepted an offer from Maybank Islamic Berhad for a financing facility to partly fund the SMHB Acquisition, details of the which are as follows:

Facility	**Purpose of facility**	**Profit sharing rate**	**RM' million**
Commodity Murabahah Term Financing-I	To partly fund the SMHB Acquisition	6% per annum	85.0

The proceeds to be raised by our Company from the exercise of the Warrants are dependent on the total number of the Warrants exercised during the tenure of the Warrants. Proceeds arising from the exercise of the Warrants will be used to repay the bank borrowings for the SMHB Acquisition and for working capital.

Pending the use of the proceeds for the purposes as set out above, the proceeds will be placed in interest-bearing deposits with financial institutions and/or short-term money market instruments as our Board deems fit. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used to further repay the financing facility obtained for the SMHB Acquisition within six (6) months from the date of the listing of the Rights Shares.

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3. RATIONALE FOR THE RIGHTS WITH BONUS ISSUE AND WARRANTS

The Rights with Bonus Issue and Warrants is undertaken to raise funds for the purposes of the SMHB Acquisition. After due consideration of various methods of fund raising, our Board is of the view that the Rights with Bonus Issue and Warrants is currently the most appropriate avenue of raising the remaining funds required (in addition to the funds being raised from the Placement and financing facility) after taking into consideration among others, the following:

(a) it enables our Company to raise proceeds which will be used in the manner set out in Section 2.9 of this Abridged Prospectus;

(b) the Rights Shares will further strengthen our Company's capital base and hence improve our Company's gearing level;

(c) it provides the Entitled Shareholders with an opportunity to further increase their equity participation in our Company via subscription of the Rights Shares at a discount to the prevailing market price of HEB Shares without diluting their respective equity interest, provided that such Entitled Shareholders fully subscribe their respective entitlements for the Rights Shares;

(d) the Bonus Shares will provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares and at the same time, enhance our Company's capital base as the Bonus Shares will increase the number of HEB Shares held by the Entitled Shareholders; and

(e) the Warrants attached to the Rights Shares are meant to reward and provide the Entitled Shareholders with an opportunity to further increase their equity participation in our Company. Upon exercise of the Warrants, it will also strengthen the capital base of our Company and potentially provide additional funds to our Group. In addition, the Warrants will be traded separately from the HEB Shares on Bursa Securities and will provide an avenue for the Entitled Shareholders to monetise the Warrants should they choose to do so.

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4. DETAILS OF THE SMHB ACQUISITION

4.1 Background information on the SMHB Acquisition

The SMHB Acquisition entails the acquisition by our Company of the Sale Shares for the Purchase Consideration to be satisfied via the allotment and issuance of the Consideration Shares at the Issue Price and the payment of the Cash Consideration to the Vendors. The SMHB Acquisition is expected to complete by 1Q of 2018.

The allocation of the Consideration Shares and Cash Consideration to the Vendors is as follows:

Vendors	No. of Sale Shares to be acquired	%	Cash Consideration	(1)Value of the Consideration Shares	No. of Consideration Shares
			RM'000	RM'000	
Datuk Ir. Teo	35,000	35.0	56,700	37,800	33,157,895
Ir. Mohd. Rousdin bin Hassan	11,000	11.0	17,820	11,880	10,421,053
Ir. Syed Mohamed Adnan bin Mansor Alhabshi	10,000	10.0	16,200	10,800	9,473,684
Ir. Teo Koon Hau	10,000	10.0	16,200	10,800	9,473,684
Ir. Prem Kumar a/l M. Vasudevan	8,000	8.0	12,960	8,640	7,578,947
TSD Ir. Syed Muhammad	7,000	7.0	11,340	7,560	6,631,579
Ir. Loo Ai Choo	7,000	7.0	11,340	7,560	6,631,579
Ir. Zulkiflee bin Ab Hamid	5,000	5.0	8,100	5,400	4,736,842
Ir. Pritam Singh a/l Mahinder Singh	2,000	2.0	3,240	2,160	1,894,737
Ir. Ang Eng Kiat	2,000	2.0	3,240	2,160	1,894,737
Ir. Philip Gunn Kean Su	1,500	1.5	2,430	1,620	1,421,053
Ir. Ganeshalingam a/l Rasiah	1,000	1.0	1,620	1,080	947,368
Ir. Saiful Hazmi bin Abu Hasan	500	0.5	810	540	473,684
Total	**100,000**	**100.0**	(2) **162,000**	**108,000**	**94,736,842**

Notes:

(1) *Based on the Issue Price.*

(2) *The breakdown of the source of funding for the Cash Consideration based on the Minimum Scenario and Maximum Scenario is as follows:*

	Minimum Scenario	Maximum Scenario
	RM'000	**RM'000**
Placement	52,300	52,300
Rights with Bonus Issue and Warrants	15,700	24,700
New financing facility	85,000	85,000
Internally generated funds and/or further bank borrowings	9,000	-
Total	**162,000**	**162,000**

The Consideration Shares will be allotted to the Vendors on the Completion Date while the Cash Consideration will be satisfied in the following manner:

(a) RM153 million on the Completion Date; and

(b) RM9 million on the third anniversary of the Completion Date.

SMHB is an engineering consultancy practice registered under the REA. Section 7A of the REA requires at least 70% of the equity interest of a body corporate registered as an engineering consultancy practice to be held by professional engineers with practicing certificates. The remaining 30% equity interest may be held by non-professional engineers.

As part of the Internal Reorganisation, SMHB Engineering will acquire 30% equity interest in SMHB which is also meant to facilitate the acquisition by our Company of 30% indirect equity interest in SMHB via SMHB Engineering pursuant to the SMHB Acquisition. The following agreements have been entered into and will be completed prior to the completion of the SMHB Acquisition for purposes of the Internal Reorganisation:

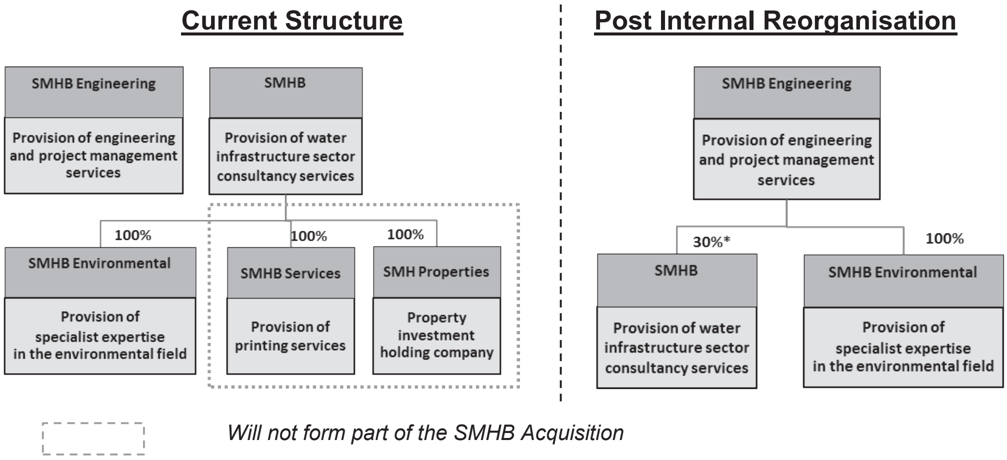
(a) Business Transfer Agreement;

(b) Teaming Agreement; and

(c) Shareholding Agreement.

The Service Contracts will only be entered into upon completion of the Business Transfer Agreement which is expected to be completed by 29 March 2018.

Following the Internal Reorganisation, the group structure of SMHB Engineering will be as follows:



Note:

* *The remaining 70% equity interest will be held by TSD Ir. Syed Muhammad, Datuk Ir. Teo, Ir. Mohd Rousdin bin Hassan, Ir. Syed Mohamed Adnan bin Mansor Alhabshi, Ir. Prem Kumar a/l M. Vasudevan, Ir. Loo Ai Choo and Ir. Zulkiflee bin Ab Hamid.*

Our Company and the Vendors have agreed that the Excluded Assets, which includes the entire equity interest in SMH Properties and SMHB Services, will not form part of the SMHB Acquisition. The Excluded Assets include assets that are not required by the SMHB Engineering Group for the purposes of conducting its business and consists mainly of marketable investments held by SMHB and all receivables attributable to the SMHB Group prior to the Completion Date.

Pursuant to the Business Transfer Agreement, the following assets of SMHB and SMHB Services shall be acquired by SMHB Engineering:

Assets	**[1]Consideration**
	RM
SMHB	
Seven (7) motor vehicles (other than motor vehicles of the directors of SMHB), namely, two (2) Honda Accord, two (2) Proton Persona and three (3) Honda motorcycles	123,500
Furniture and fittings (such as tables and chairs)	211,200
Office renovation	357,200
Computer hardware and software	575,000
Office equipment (such as photocopy machines)	39,100
SMHB Services	
Four (4) motor vehicles (other than motor vehicles of the directors of SMHB Services), namely, one (1) Toyota Fortuner and three (3) Honda motorcycles	60,000
Office equipment (such as photocopy machines) and stationery inventory	40,000
Total	**1,406,000**

Note:

(1) *The consideration sum is derived from the unaudited net book value or market value based on an internal desktop valuation of the assets as at 31 October 2017, as the case may be.*

Under the terms of the SSA, the Vendors have agreed to ensure that the SMHB Engineering Group shall have sufficient working capital to continue with its operations as a going concern for an immediate period of three (3) months from the Completion Date failing which our Company shall be entitled to recourse under the terms of the SSA which include taking such necessary steps to ensure specific performance of the same by the Vendors.

Pursuant to the Teaming Agreement between SMHB and SMHB Engineering, SMHB and SMHB Engineering will collaborate exclusively to execute and complete the SMHB Contracts. SMHB Engineering shall identify, source and select potential projects and provide the Support Services to SMHB whereas SMHB (as an engineering consultancy practice registered under the REA) has directors who are professional engineers registered under the REA who shall provide professional engineering services which include the review, approval, sign-off, and submission of drawings, scheme, proposals, reports, designs or studies to any relevant authority in Malaysia subject to the REA and all other applicable laws.

SMHB Engineering is entitled to share at least 98.75% of the project income derived from the SMHB Contracts based on the contract value with the remaining 1.25% of the project income (up to a maximum of RM1.25 million per annum) to be used to fund the overheads and operating expenses of SMHB. With the Teaming Agreement in place, our Company will be able to reap at least 98.75% of the benefits of the SMHB Contracts despite having only an indirect equity interest of 30% in SMHB via SMHB Engineering.

An identical arrangement is in place for SMHB Environmental and SMHB Engineering to collaborate exclusively to execute and complete the SMHB Contracts and for parties to share the project income. Under the Teaming Agreement between SMHB Environmental and SMHB Engineering, SMHB Engineering shall identify, source and select potential projects and provide the Support Services to SMHB Environmental and SMHB Environmental shall provide environmental related professional engineering services which includes reviewing, approving and sign-off all submissions to relevant authorities.

4.2 Background information on SMHB Engineering

SMHB Engineering was incorporated in Malaysia under the Companies Act, 1965 (and is deemed registered under the Act) as a private limited company on 13 January 1988.

As at the LPD, the share capital and total number of issued shares of SMHB Engineering is RM100,000 comprising 100,000 SMHB Engineering Shares.

SMHB Engineering is presently dormant. Upon completion of the SMHB Acquisition, it will be principally engaged in the business of engineering and project management services pursuant to the Teaming Agreement.

As at the LPD, the directors of SMHB Engineering are Datuk Ir. Teo, Ir. Prem Kumar a/l M. Vasudevan and Ir. Syed Mohamed Adnan bin Mansor Alhabshi and their respective shareholding in SMHB Engineering are set out in Section 3 of **Appendix III** of this Abridged Prospectus.

As at the LPD, SMHB Engineering does not have any subsidiary or associated companies.

Further information on SMHB Engineering is set out in **Appendix III** of this Abridged Prospectus.

4.3 Background information on SMHB

SMHB was incorporated in Malaysia under the Companies Act, 1965 (and is deemed registered under the Act) as a private limited company on 10 October 1980 and commenced operations on even date.

As at the LPD, the share capital and total number of issued shares of SMHB is RM2,000,000 comprising 2,000,000 SMHB Shares.

SMHB is principally an engineering consultancy practice registered under the REA to provide civil, structural, mechanical and electrical consultancy services. SMHB offers a comprehensive range of engineering consultation services in water resource and water supply development, waste management, drainage, flood mitigation and irrigation, road, rail and bridges, infrastructure for land development, mechanical and electrical and environmental services and project management consultancy.

With more than thirty-five (35) years of expertise in the water sector, SMHB has taken the lead role in various pivotal water sector projects locally, including the development of Sungai Selangor Phases 1, 2 and 3, the Pahang – Selangor raw water transfer project, the strategic planning for water distribution within Selangor and Kuala Lumpur, the design of water treatment works for Sungai Selangor Supply Scheme Phase 3, the Melaka River Rehabilitation and Beautification Project and the design of numerous dams in Malaysia. SMHB is also a key player in the transport sector for projects such as the KVMRT. It principally operates in the Malaysian market.

The directors of SMHB, all of whom are Malaysians, and their respective shareholding in SMHB as at the LPD are as follows:

	Direct		**Indirect**	
	No. of SMHB Shares	**%**	**No. of SMHB Shares**	**%**
Datuk Ir. Teo	600,000	30.0	-	-
TSD Ir. Syed Muhammad	500,000	25.0	-	-
Ir. Syed Mohamed Adnan bin Mansor Alhabshi	380,000	19.0	-	-
Ir. Mohd. Rousdin bin Hassan	220,000	11.0	-	-
Ir. Prem Kumar a/l M. Vasudevan	140,000	7.0	-	-
Ir. Zulkiflee bin Ab Hamid	100,000	5.0	-	-
Ir. Saiful Hazmi bin Abu Hasan	-	-	-	-

The directors of SMHB are also the substantial shareholders of SMHB save for Ir. Saiful Hazmi bin Abu Hasan.

As at the LPD, the subsidiaries of SMHB are as follows:

Name	**Date and place of incorporation**	**Principal activities**	**Issued share capital (RM)**	**Effective equity interest (%)**
SMHB Services	5 February 1985 Malaysia	Provision of printing services	50,000	100
SMHB Environmental	2 March 1993 Malaysia	Provision of environmental consultancy services	100,000	100
SMH Properties	26 August 1993 Malaysia	Property investment holding	408,000	100

As at the LPD, SMHB does not have any associated companies.

4.4 Background information on SMHB Environmental

SMHB Environmental was incorporated in Malaysia under the Companies Act, 1965 (and is deemed registered under the Act) as a private limited company on 2 March 1993 and commenced operations on even date.

As at the LPD, the share capital and total number of issued shares of SMHB Environmental is RM100,000 comprising 100,000 ordinary shares.

SMHB Environmental is principally involved in the provision of environmental consultancy services.

As at the LPD, the sole shareholder of SMHB Environmental is SMHB. As at the LPD, the directors of SMHB Environmental are Datuk Ir. Teo, Ir. Zulkiflee bin Ab Hamid and Ir. Loo Ai Choo.

As at the LPD, SMHB Environmental does not have any subsidiary or associated companies.

Upon completion of the Business Transfer Agreement, SMHB Environmental will continue as a going concern to secure environmental consultancy services contracts in accordance with the terms of the Teaming Agreement with SMHB Engineering.

4.5 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a 'willing buyer, willing seller' basis, after taking into consideration the following:

(a) the Purchase Consideration represents a PE Multiple of 10.0 times based on the adjusted PAT of the SMHB Engineering Group of approximately RM27.1 million after adjusting for the contribution from the Excluded Assets, namely income from marketable investments held by SMHB of RM4.9 million from the PAT of the SMHB Engineering Group of approximately RM32.0 million for the FYE 30 April 2017; and

(b) the Purchase Consideration represents a EV/EBITDA multiple of 7.4 times based on the EBITDA of the SMHB Engineering Group of approximately RM36.6 million for the FYE 30 April 2017.

Our Company did not undertake a comprehensive discounted cash flow valuation analysis given SMHB's track record of annual earnings which is fairly stable. Further, our Board is of the view that PE Multiple and EV/EBITDA multiple are appropriate to be applied since the SMHB Engineering Group is asset light and is mainly a service provider.

Our Board is of the view that that the Purchase Consideration is justified given the following:

(a) future plans our Company has for the SMHB Engineering Group as set out in Section 6.3 of this Abridged Prospectus;

(b) the PE Multiple represented by the Purchase Consideration of 10.0 times is below the range of trading PE Multiples of selected comparable companies of between 10.9 times to 36.7 times and the average PE Multiple of selected comparable companies of 20.3 times;

(c) the EV/EBITDA multiple represented by the Purchase Consideration of 7.4 times is within the range of the EV/EBITDA multiples of selected comparable companies of 7.4 times to 21.5 times and below the average EV/EBITDA multiple of selected comparable companies of 12.3 times; and

(d) unbilled order book of SMHB of approximately RM308 million as at the LPD.

The comparable companies comprise our Company and listed companies involved in the construction and related sectors with market capitalisation of around RM200 million to RM450 million. The trading PE Multiples and EV/EBITDA multiples of selected comparable companies of SMHB Engineering are as follows:

Comparable companies	**Principal activities**	[(1)] **Market capitalisation**	[(2)] **EV**	[(3)]**EBITDA**	[(4)]**EV / EBITDA Multiple**	[(3)]**PAT**	[(5)]**PE Multiple**
		RM' million	**RM' million**	**RM' million**	**Times**	**RM' million**	**Times**
Protasco Berhad	Investment holding, road construction, road rehabilitation, road maintenance and engineering services	462.4	823.2	101.6	8.1	42.4	10.9
TRC Synergy Berhad	Investment holding, construction, manufacturing of construction materials and property development	372.4	315.1	42.6	7.4	27.8	13.4
Naim Holdings Berhad[(6)] **("NAIM")**	Investment holding, property development, civil construction and manufacturing and sale of construction materials	244.1	677.5	13.6	[(6)]49.8	0.7	[(6)] 348.6
KKB Engineering Berhad[(7)] **("KKB")**	Steel fabrication, civil construction, hot dip galvanising and the manufacture of liquefied petroleum gas cylinders	251.4	138.8	3.6	[(7)]38.5	(5.7)	[(7)] Not applicable
HEB	Provision of engineering and project management services including engineering design, construction supervision, project management and BIM services.	513.7	489.8	22.8	21.5	14.0	36.7
High					21.5		36.7
Low					7.4		10.9
Average					12.3		20.3
SMHB Engineering[(8)]					**7.4**		**10.0**

(Source: Bloomberg and the audited financial statements of the respective companies)

Notes:

(1) Calculated based on total number of shares outstanding based on the audited financial statements of the respective companies and closing market price as at the LPD sourced from Bloomberg.

(2) Calculated based on the market capitalisation as at the LPD and the debts, non-controlling interest and cash as stated in the latest audited financial statements of the respective companies.

(3) Based on the latest audited financial statements of the respective companies.

(4) Calculated based on the EV divided by the EBITDA of the respective companies.

(5) Calculated based on the market capitalisation divided by the PAT based on the relevant audited financial statements of the respective companies.

(6) NAIM has not been taken into account as it is an outlier.

(7) KKB has not been taken into account as it was loss-making in FYE 2017.

(8) Based on the EBITDA and adjusted PAT of the SMHB Engineering Group.

4.6 Rationale and benefits of the SMHB Acquisition

The acquisition of SMHB Engineering by our Company will combine two engineering consultancies in Malaysia. The combined size, talent base and experience will expand the scope of services presently offered by our Company and enhance the value proposition to clients.

Our Company specialises in highways and railway infrastructures while SMHB specialises in the water sector. The SMHB Acquisition will enable our Company and SMHB to explore the potential of harnessing each other's expertise and client base and the combined experience will in turn increase our Company's competitiveness and improve our Company's position as a contender for larger engineering projects in Malaysia and international markets.

4.7 Details of other corporate exercise of our Company

Save for the SMHB Acquisition and Placement, our Board confirms that as at the LPD, our Company does not have any other intended corporate proposals which have been approved by regulatory authorities which is pending implementation.

The Placement entails the issuance of the Placement Shares to investors to be identified to raise gross proceeds of up to RM52,300,000. The Placement will not be implemented in tranches and the Placement Shares will be issued prior to the issuance of the Rights Shares. The actual number of Placement Shares to be issued would depend on the final issue price of the Placement Shares.

Assuming an illustrative price of RM1.40 per Placement Share and based on the gross proceeds to be raised of RM52,300,000, the number of Placement Shares to be issued would be 37,357,143, representing approximately 11.7% of the issued shares of our Company as at the LPD.

The issue price of the Placement Shares will be fixed at a later date which shall be after the Entitlement Date (where the market price of HEB Shares would have been adjusted for the Rights with Bonus Issue and Warrants), after considering the prevailing market conditions and the 5-day VWAP of HEB Shares up to and including the price fixing date of the Placement, with a discount of not more than 10% to the said VWAP.

Based on the illustrative price of RM1.40 per Placement Share, the issue price of RM1.40 per Placement Share represents a discount of 9.1% to the TEAP of HEB Shares of RM1.54 based on the 5-day VWAP of HEB Shares up to and including 2 February 2018, being the last trading day immediately preceding the Price-Fixing Date of RM1.64.

The Placement Shares will, upon allotment and issuance, rank equally in all respect with the then existing HEB Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights (including voting rights), allotments and/or any other distributions which may be declared, made or paid to shareholders of HEB, the entitlement date of which is prior to the date of allotment of the Placement Shares.

Proceeds of the Placement will be used to partly satisfy the Cash Consideration.

5. RISK FACTORS

In addition to the other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for the Rights with Bonus Issue and Warrants.

5.1 Risks relating to our Group

5.1.1 Dependence on the teaming and support services arrangement with HSSI and HSSME on Malaysian based projects

Our Company's key subsidiary, HSSE, has been co-operating and working in a strategic business collaboration with HSSI and subsequently with HSSME under a teaming and support services arrangement.

Pursuant to the teaming and support services arrangement, both HSSI and HSSME are bound under an exclusive arrangement to collaborate, co-operate and work together with HSSE to bid for, procure, obtain, or otherwise provide engineering and project management services. HSSE currently derives all of its revenues from HSSI and HSSME via the arrangement. Under the arrangement, HSSE shall identify, source and select potential projects and provide support services to HSSI and HSSME; whereas HSSI and HSSME, each an engineering consultancy practice registered under the REA, shall provide professional engineering services for the projects.

Given our reliance on HSSI and HSSME under the teaming and support services arrangement, we will be subject to risks affecting the operations of HSSI and HSSME, as follows:

(a) REA Registration

Under the REA, a body corporate providing professional engineering services may only practise as an engineering consultancy practice if it is registered with the Board of Engineers Malaysia and has been issued with a certificate of registration. HSSI is registered under the REA to provide civil engineering consultancy services while HSSME is registered under the REA to provide mechanical and electrical consultancy services.

If the Board of Engineers Malaysia finds that:

(i) the engineering consultancy practice or any of its director or shareholder has breached, or failed to comply with or carry out, any of the terms, conditions or restrictions imposed by the Board of Engineers Malaysia upon registration of that engineering consultancy practice;

(ii) the composition of the board of directors or shareholders of the engineering consultancy practice does not comply with provisions of the REA;

(iii) the engineering consultancy practice has failed to furnish information relating to any change in the composition of its board of directors or shareholders to the Board of Engineers Malaysia within thirty (30) days of such change; or

(iv) the director, shareholder or employee of an engineering consultancy practice, being a person registered under the REA, has committed, or is guilty of, or has contributed to, any of the acts or things set out in the REA, which includes (among others):

(a) if the person registered under the REA is convicted of any offence involving fraud or dishonesty or moral turpitude in Malaysia or elsewhere; or

(b) if the person registered under the REA offers or accepts any commission which in the opinion of the disciplinary committee of the Board of Engineers Malaysia is an illicit commission; or

(c) if the person registered under the REA obtained registration by fraud or misrepresentation; or

(d) if the person registered under the REA is found to be incapable or no longer able to perform his professional duties effectively; or

(e) if the person registered under the REA becomes a bankrupt; or

(f) if the person registered under the REA fails to discharge his professional duties with due skill, care and diligence,

the Board of Engineers Malaysia may by written notice to the engineering consultancy practice, order:

(i) the issuance of a written warning or reprimand to;

(ii) the imposition of a fine not exceeding RM50,000 on;

(iii) the suspension of the registration for a period not exceeding two (2) years of;

(iv) the cancellation of the registration of; or

(v) any combination of the above sanctions on,

the engineering consultancy practice.

HSSI and HSSME must comply with the restrictions and conditions imposed by the Board of Engineers Malaysia under the REA in order to keep its certificate of registration. If HSSI and HSSME fail to comply with the applicable conditions and restrictions imposed by the Board of Engineers Malaysia, then its certificate of registration may be suspended or cancelled. Separately, HSSI and HSSME may also encounter delays in the annual renewal of their respective certificate of registration.

Any failure by HSSI and HSSME to keep or renew their certificate of registration under the REA could result in the suspension of our business operations, restriction or prohibition of certain business activities, or commencement of new business, thereby materially and adversely affecting our business, financial position, results of operations and prospects.

Notwithstanding the above, HSSI and HSSME have not experienced any instances of failure in renewing their certificate of registration under the REA from the date they were first registered with the Board of Engineers Malaysia.

(b) Continuity of HSSI and HSSME

The continuity of our associated companies who are body corporate registered as an engineering consultancy practice under the REA, HSSI and HSSME, is dependent on its succession planning to ensure that their shareholding and directorship complies with the following requirements under the REA at all times:

(i) at least seventy percent (70%) of their shares are held by Professional Engineers (as defined by the REA) with Practising Certificate (as defined by the REA); and

(ii) at least two third (2/3) of the board of directors are Professional Engineers (as defined by the REA) with Practising Certificate (as defined by the REA).

Failure by HSSI and HSSME to comply with these requirements may result in its certificate of registration being suspended or cancelled, which could then result in suspension of our business operations, restriction or prohibition of certain business activities, or commencement of new business, thereby materially and adversely affecting our business, financial position, results of operations and prospects.

To ensure continuity of the collaboration with HSSI and HSSME:

(i) HSSI and HSSME will continuously groom and develop younger members of the management team of HSSE (as nominated by HSSE) to gradually assume greater responsibilities as part of their succession planning. In this regard, HSSE has identified the first and second line of successors for HSSI and HSSME. HSSI and HSSME have tailored a structured plan for the continuous grooming of their identified successors which includes enhancing their relevant management and technical skills through proper training and development programmes. As an integral part of their succession planning programme, HSSI and HSSME also undertake regular monitoring of the progress of their identified successors; and

(ii) HSSE has entered into shareholding agreements with HSSI, HSSME, and all the shareholders of HSSI and HSSME. The shareholding agreements seek to deal with three (3) circumstances:

(a) Upon the death of incapacity of any shareholder of HSSI and HSSME or where any shareholder of HSSI and HSSME shall be deregistered as a registered professional engineer under the REA or any applicable law, HSSE shall have the option to purchase all of the shares in HSSI or HSSME held by that shareholder or to nominate a registered engineer of its choice to purchase the shares in HSSI or HSSME (subject always to compliance with the requirements of the REA or any other applicable laws).

(b) In the event the REA / Board of Engineers Malaysia allow equity holding by a non-registered entity, HSSE has the option to purchase shares in HSSI / HSSME. The option may be exercised by HSSE at any time or from time to time and there is no limit in time for HSSE to exercise this option. The existing shareholders of HSSI / HSSME shall sell their shares in equal proportions to HSSE pursuant to the exercise of the option.

(c) No new allotment or issuance of shares in HSSI or HSSME shall be carried out without the written consent of HSSE. No shares held by the shareholders in HSSI and HSSME may be sold, transferred, assigned, disposed, or dealt with without the written consent of HSSE. In addition, the shareholders of HSSI and HSSME have also undertaken not to pledge, charge, or howsoever encumber their shares in HSSI and HSSME.

Upon completion of the SMHB Acquisition, our Company, vide SMHB Engineering, will have an identical arrangement with SMHB and SMHB Environmental.

5.1.2 Reliance on infrastructure projects awarded by governmental bodies

We are principally involved in the provision of engineering and project management services to governmental bodies and private sectors particularly. For the FYEs 31 December 2015 and 2016 and the 9-month FPE 30 September 2017, as much as 71%, 71% and 62% of our revenue, respectively, was contributed by Government in line with our major revenue contribution from infrastructure projects. As such, failure to continue securing projects awarded from governmental bodies could adversely affect our financial performance. Factors that could affect our prospects of securing future contracts from governmental bodies include but are not limited to changes in government framework and curtailments in government expenditures towards the construction industry, as well as competition from new and existing market players.

Notwithstanding the above, we have established cordial relationships with the clients in the governmental bodies, agencies and government-linked companies. We are confident that we are able to compete with new and existing market players in securing new projects from governmental bodies by leveraging on our proven track record, experience and our competitive advantages in the engineering and project management services industry. Nevertheless, there can be no assurance that we will continue securing projects from governmental bodies moving forward.

5.1.3 Continuity of our order book

The services provided by our Company’s key subsidiary, HSSE, are on project basis, ranging between twenty four (24) to sixty (60) months depending on the nature, size and complexity of each project. Given the nature of such appointment, it is necessary for us to secure new projects through the collaboration with HSSI and HSSME on a continuous basis, failing which, our financial performance may be adversely affected.

Notwithstanding the above risks, we have not experienced any such failure that has an adverse effect on our operating activities, results of operations and financial condition in the past due to good continuous relationship with the clients, our experience and specialisation. Such relationship, experience and specialisation have encouraged recurring business with the clients and also business with new clients through recommendations and referrals from existing clients via the collaboration with HSSI and HSSME.

5.1.4 Potential liability claims

HSSE may be subject to potential liability claims indirectly pursuant to the teaming and support services arrangement with HSSI and HSSME. HSSI and HSSME, the contracting parties with the clients and sub-consultants, will be the first party to face potential claims / litigation, credit risks and other liabilities.

The risk of potential claims against HSSE is mitigated by an indemnity from HSSI and HSSME and agreement by HSSI and HSSME to hold HSSE harmless against all claims in the course of providing services in accordance with the instructions and directions of HSSI and HSSME.

While we will endeavour to limit our liability for each project to the lower of our fees or the limit of our professional indemnity insurance, there can be no assurance that our existing insurance coverage is sufficient to compensate for the claims, and in such circumstances, could have a material adverse effect on our results of operations or financial condition.

Notwithstanding the above, we have not experienced any claim for damages arising from our Group's operations which are not sufficiently covered by insurance nor any claim that has had a material adverse impact on our financial performance in the past.

5.1.5 Dependence on key management and technical team

The continued and future success of our Group largely depends on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop new services, support our existing range of services and provide quality services to the clients. The loss of a few key personnel simultaneously or within a short time may create an unfavourable or material impact on our Group's operations, if there is lack of succession planning or timely replacement or an inability to attract and retain personnel.

We believe that with continuous development of corporate culture, remuneration, promotion, succession planning and benefits policies, we will be able to retain, attract and hire more talent to drive the growth of our Group.

Notwithstanding the above, we have not experienced any departure of any key management or technical team member which has had a material effect on our business operations in the past.

5.2 Risks relating to the construction industry

5.2.1 Dependence on the construction industry

Our Group is predominately involved in the provision of engineering and project management services to the construction industry and therefore is exposed to the vagaries of the construction industry caused by certain risks inherent in the said industry such as construction delays and cost over-runs which could in turn, adversely affect the business, operations and financial performance of our Group.

5.2.2 Political, regulatory and economic risk

Similar to other industries, the operations of our Group is subject to the jurisdiction of various governmental agencies and ministries. Any adverse developments in the political, economic and regulatory conditions in Malaysia and the countries in which our Group operate in could unfavourably affect the financial position and business prospects of our Group. These risks include, among others, risks of war, changes in economic conditions and interest rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

While we will continue to exercise prudent financial management and diversification of businesses, there can be no assurance that adverse political, economic and regulatory changes, which are beyond our control, will not materially affect our Group's business.

Further, as we also aim to enhance our business presence internationally to Association of Southeast Asian Nations (ASEAN), India and the Middle East regions, our international expansion will also be subject to the policies of the relevant governments on foreign investment. There can be no assurance that any change in the policies on foreign investment will not have any material effect on our expansion plans.

5.2.3 Competition risk

Our Group faces competition from both local and international players. Some of these competitors may have similar capabilities and compete on key attributes which include resource ability, competency, reliability, range of services provided, experiences as well as a good track record for timely completion of projects.

Although competition exists in the engineering services industry, it is imperfect due to licencing and registration requirements which partly inhibit absolute free competition. In addition, there are numerous barriers to entry in the industry, including requirements of pre qualifications by clients based on technical compliance, capacity, proven track record, registration with various regulatory bodies, safety record and experience in the required areas of expertise.

Notwithstanding the competitive environment of the industry, our Group is confident that our competitive advantages, reputable track record and strength give our Group the edge needed to maintain or secure more contracts and market share within the scope of engineering and project management services. We are constantly reviewing our service offering and marketing strategies in response to the ever-changing market conditions and the adoption of new information technology to improve and value-add our service offering.

5.3 Risks relating to the Rights with Bonus Issue and Warrants

5.3.1 Capital market risks

The market price of HEB Shares is influenced by, among others, the prevailing market sentiment, the volatility of the stock market, movements in interest rates, the outlook of the construction industry in which our Company operates and our financial performance. In view of this, there can be no assurance that the HEB Shares will trade at or above the TEAP upon or subsequent to the listing of and quotation for the Rights Share on the Main Market of Bursa Securities.

Accordingly, there is no assurance that the market price of the Rights Shares will be at a level that meets the specific investment objectives or targets of any subscriber of the Rights Shares.

The market price of the Warrants, like all listed securities traded on Bursa Securities, being new issue of securities is subject to, among others, price discovery by investors, fluctuation in tandem with the overall outlook of stock market in Malaysia and globally, and will be influenced by, among others, the market price and volatility of HEB shares and the remaining exercise period of the Warrants.

The Warrants are new instruments issued by our Company. Therefore there can be no assurance that an active market for the Warrants will develop upon listing on Bursa Securities, or if developed, will be sustainable or adequately liquid during the tenure of the Warrants. In addition, there is no assurance that the Warrants will be "in-the-money" during the Exercise Period.

There is also no assurance that the market price of the Warrants will be at a level that meets the specific investment objective or targets of any subscriber of the Warrants. The Warrants will be traded on Bursa Securities at prices which are dependent upon market forces and may be beyond the control of our Company.

5.3.2 Failure or delay in the completion of the Rights with Bonus Issue and Warrants

The Rights with Bonus Issue and Warrants is exposed to the risk that it may be delayed or terminated in the event of a material adverse change of events or circumstances (such as *force majeure* events including without limitation, acts of government, acts of God (including without limitation the occurrence of a tsunami, landslide, and/or earthquakes) acts of terrorism, strikes, national disorder, declaration of a state of war, diseases or accidents, any change in law, regulation, policy or ruling), which is beyond the control of our Company, arising prior to the completion of the Rights with Bonus Issue and Warrants.

In the event of failure in the implementation or completion of the Rights with Bonus Issue and Warrants, our Company will undertake the necessary procedures to ensure the refund of monies is made in full without interest, in respect of any application for the subscription of the Rights with Bonus Issue and Warrants including the Excess Rights with Bonus Issue and Warrants within 14 days after the Company becomes liable to do so, in accordance with the provisions of the CMSA. If such monies are not repaid within 14 days after our Company becomes liable to do so, our Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event the Rights Shares, Bonus Shares and Warrants have been allotted to the successful Entitled Shareholders and/or their renouncee(s) and/ or their transferee(s), if applicable, and the Rights with Bonus Issue and Warrants is subsequently cancelled or terminated, a return of monies to the successful applicants can only be achieved by way of cancellation of the warrants and share capital under the Act. Such cancellation requires the approval of the holders of the Warrants and our Company's shareholders by way of a special resolution in a general meeting, consent of our Company's creditors (where applicable) and may require the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time under such circumstances.

Notwithstanding the above, our Company will exercise our best endeavour to ensure the successful implementation of the Rights with Bonus Issue and Warrants. However, there can be no assurance that the abovementioned events will not cause a delay in or failure of the Rights with Bonus Issue and Warrants.

5.3.3 Potential dilution

Entitled Shareholder who do not or are unable to accept their Provisional Rights with Bonus Issue and Warrants will have their proportionate ownership and voting interests in our Company reduced, and the percentage of the enlarged issued and paid-up share capital represented by their shareholdings in our Company will also be reduced accordingly.

5.4 Risks relating to the SMHB Acquisition

5.4.1 Dependence on the Teaming Agreement

Similar to the strategic business collaboration between HSSE with HSSI and HSSME respectively under a teaming and support services arrangement, SMHB Engineering will upon completion of the SMHB Acquisition, have an identical arrangement with SMHB and SMHB Environmental.

Pursuant to the Teaming Agreement and Shareholding Agreement, both SMHB and SMHB Environmental are bound under an exclusive arrangement to collaborate, co-operate and work together with SMHB Engineering to bid for, procure, obtain, or otherwise provide engineering and project management services.

This arrangement between SMHB Engineering with SMHB and SMHB Environmental respectively is therefore subject to similar risks as those affecting the operations of HSSI and HSSME as detailed in Section 5.1.1 above.

5.4.2 Reliance on the existing key management team of SMHB

The continued success of the SMHB Engineering Group depends on the ability and continued efforts of the senior management team and key staff of the SMHB Engineering Group. The loss of any key members of the aforementioned team and staff could materially affect the continued ability of the SMHB Engineering Group to compete successfully in the engineering industry.

Although the service contracts and issuance of the Consideration Shares are meant to retain and align the interests of the existing senior management team and key staff of the SMHB Engineering Group, there can be no assurance that such measures will achieve its objectives. If we are unable to retain the existing key management personnel of the SMHB Engineering Group, the business operations of the SMHB Engineering Group may be adversely affected.

5.4.3 Investment risk

The SMHB Acquisition is being undertaken with a view of expanding our Group's growth particularly in the water sector and is expected to contribute positively to the growth of our Company. Having exercised due care in considering the potential risks and benefits associated with the SMHB Acquisition, our Board believes that the SMHB Acquisition is synergetic to our Group.

However, there can be no assurance that the anticipated benefits of the SMHB Acquisition will be realised, or that our Group will be able to generate sufficient growth from the projects undertaken by SMHB to offset the associated costs of the investments.

5.4.4 Continuity of SMHB's order book

As the SMHB Engineering Group is predominantly a project based company, the SMHB Engineering Group has to continuously compete with its competitors to secure future projects. Failure by SMHB to secure a sufficient number of projects in the future would result in a decrease in earnings of the SMHB Engineering Group which could materially affect our enlarged Group's financial position and financial results.

The SMHB Engineering Group seeks to limit this risk by ensuring quality of deliverables and human capital in order to maintain competitiveness, actively participating in competitive bidding, maintaining and creating a healthy network of business alliances, and strategic negotiation to secure new contracts.

Over the course of 35 years, the SMHB Engineering Group has established close working relationships with its major clients and most of its major clients have repeatedly engaged the SMHB Engineering Group for periods over five (5) years. The risk mitigation measures will encourage recurring business with existing clients and also business with new clients through recommendations and market reputation in the water sector industry which has been contributing positively to the growth of the SMHB Engineering Group.

5.4.5 Non-completion risk

Completion of the SMHB Acquisition is subject to the conditions and the terms of the SSA. In the unlikely event of a default by the Vendors of their pre-completion deliverables or breach of any other terms of the SSA which will materially affect the SMHB Acquisition, the SMHB Acquisition may not be completed. Notwithstanding this, our Company will exercise our best endeavour to ensure the completion of the SMHB Acquisition.

In the unlikely event of non-completion of the SMHB Acquisition after the completion of the Rights with Bonus Issue and Warrants, our Company may consider applying the proceeds from the Rights with Bonus Issue and Warrants towards the financing of other potential acquisitions and/or investments in complementary businesses when the opportunity arises for future business expansion of our Group. Such change in the use of proceeds will require the approval of the shareholders of our Company and other relevant authorities (where applicable).

During such intervening period between the termination of the SMHB Acquisition and a proposed change in the use of proceeds, our Company will continue to place the proceeds in interest-bearing deposits with financial institutions and/or money market instruments as our Board deems fit.

5.5 Other risk

5.5.1 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by our Group, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our Group and the industry, changes in interest rates and foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company or its advisers that the plans and objectives of our Group will be achieved.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.1 Overview of the Malaysian economy

The Malaysian economy recorded a stronger growth of 6.2% in the 3Q of 2017 (2Q 2017: 5.8%). Private sector spending continued to be the main driver of growth. The external sector also contributed positively to growth, as real exports expanded at a faster pace (11.8%; 2Q 2017: 9.6%), supported by stronger demand from major trading partners. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (2Q 2017: 1.3%).

Domestic demand grew by 6.6% in the 3Q of the year (2Q 2017: 5.7%), supported by continued expansion in both private sector expenditure (7.3%; 2Q 2017: 7.2%) and public sector spending (4.1%; 2Q 2017: 0.2%).

Private consumption expanded by 7.2% (2Q 2017: 7.1%), underpinned by better labour market conditions. In particular, private sector wages were sustained amid stronger employment growth.

Private investment registered a stronger growth of 7.9% (2Q 2017: 7.4%), mainly in the services and manufacturing sectors. Within the manufacturing sector, both export- and domestic-oriented subsectors undertook higher capital spending during the quarter. Business sentiments also remained above the optimism threshold, in line with favourable external and domestic demand conditions.

Public consumption expanded by 4.2% (2Q 2017: 3.3%) following faster growth in emoluments amid continued prudence in spending on supplies and services.

Public investment turned around to register positive growth of 4.1% during the quarter (2Q 2017: -5.0%). This was due to higher fixed assets spending by both the Federal Government and public corporations.

Gross fixed capital formation growth was higher at 6.7% (2Q 2017: 4.1%) driven by higher growth in private investment and the positive turnaround in public investment. By type of assets, capital spending on machinery and equipment improved to 11.5% (2Q 2017: 4.4%) while investment in structures moderated to 3.6% (2Q 2017: 5.1%). Investment in other types of assets was higher at 7.2% (2Q 2017: -3.7%).

On the supply side, growth was supported by continued expansion across all sectors.

The services sector registered a higher growth in the 3Q of 2017. Growth of the wholesale & retail trade sub-sector was supported by continued growth in household spending. The information and communication sub-sector remained strong, driven by higher demand for data communication services, while the transportation and storage sub-sector benefited from the robust trade activities.

The manufacturing sector grew at a faster pace during the quarter, supported by broad-based improvements in both export- and domestic-oriented industries. Export-oriented industries benefitted from robust global demand for semiconductors and higher petroleum-related refinery activity. Domestic-oriented industries were supported by continued demand for food-related products and construction-related materials, in addition to stronger growth in transport equipment driven by auto parts and ship building activities.

Growth in the mining sector recorded stronger growth during the quarter, supported by higher natural gas production, particularly in Sabah and Sarawak. However, growth in the agriculture sector moderated, reflecting mainly lower rubber and crude palm oil production due to adverse weather conditions.

Headline inflation moderated to 3.8% in the 3Q of 2017 (2Q 2017: 4.0%) due mainly to lower transport inflation at 11.7% (2Q 2017: 13.4%). Although domestic fuel prices trended upward during the quarter due to rising global oil prices, domestic fuel prices averaged slightly lower compared to the previous quarter (RON95 petrol in 3Q 2017: RM2.09 per litre; 2Q 2017: RM2.10 per litre). The lapse in the impact from the upward adjustment of satellite TV charges also contributed to the lower inflation during the quarter.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2017, BNM)

The Malaysian economy is projected to continue its strong growth momentum with real gross domestic product expanding between 5.0% to 5.5% in 2018 (2017 estimate: 5.2% to 5.7%). Growth will be mainly driven by resilient domestic demand amid favourable external sector. Given the robust economic development, gross national income per capita is estimated to increase 5.1% to RM42,777 (Estimated 2017: RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

On the demand side, household spending will remain as the key source of growth, benefiting from higher income following stable employment conditions and firmer commodity prices. Private investment is forecast to remain resilient primarily attributed to capital outlays in the services and manufacturing sectors. Private sector continues to spearhead growth, while public sector remains committed towards its fiscal consolidation path. The external sector is expected to remain resilient supported by sustained demand from major trading partners. Inflation will remain benign between 2.5% to 3.5% while the economy continues to operate under full employment.

On the supply side, growth is expected to be broad-based with positive contribution from all sectors in the economy. Growth in services sector is expected to be strong, largely led by the final services group in line with the trends in private consumption. Likewise, the manufacturing sector is anticipated to expand in line with sustained external demand and consumption activities. The agriculture sector is forecast to increase supported by higher output and firmer commodity prices. Growth in the construction sector will be driven by major civil engineering projects while the mining sector is projected to continue expanding at a moderate pace supported by natural gas production.

(Source: 2018 Economic Report, Ministry of Finance Malaysia)

6.2 Overview of the construction industry in Malaysia

The value of construction work done in the 3Q, 2017 recorded a growth of 8.1 per cent year-on-year to record RM34.5 billion (Q2 2017: RM33.8 billion). The expansion in value of construction work done was driven by positive growth in all subsectors: civil engineering (18.0%), special trade activities (10.5%), non-residential buildings (2.8%) and residential buildings (1.6%) sub-sector.

In terms of contributions, the civil engineering sub-sector continued to dominate the performance of value of construction work done with 38.1% share, followed by non-residential buildings (29.2%), residential buildings (28.2%) and special trade activities (4.5%).

The private sector continued to propel the construction activity with 62.6% share (RM21.6 billion) as compared to the public sector with 37.4% share (RM12.9 billion).

(Source: Quarterly Construction Statistics, 3Q 2017, Department of Statistics Malaysia)

The construction sector is projected to grow 7.5% (2017 estimate: 7.6%), primarily supported by the ongoing civil engineering infrastructure projects such as the East Coast Rail Link, KVMRT 2: SSP Line, Electrified Double Track Gemas – Johor Bahru, Setiawangsa – Pantai Expressway, Pan Borneo Highway and Bokor Central Processing Platform. Meanwhile, the residential subsector is expected to expand further with several new planned townships by private developers. In addition, the subsector will also benefit from various affordable housing programmes by the Government such as Perumahan Penjawat Awam 1Malaysia, My Beautiful New Home and 1Malaysia People-Friendly Houses. On the contrary, the non-residential sector is forecast to grow moderately following property overhang, particularly in the shops segment.

(Source: 2018 Economic Report, Ministry of Finance Malaysia)

6.3 Prospects of our Group

For the 9-month FPE 30 September 2017, our Group recorded revenue and PAT of RM104.5 million and RM8.9 million respectively mainly attributable to revenue from engineering services and project management services. Our Group has also successfully secured contracts amounting to approximately RM174.2 million in total contract value for year 2017, increasing our Group's order book amount to RM434.3 million as at 31 December 2017.

With the shift in government spending towards public-private partnership projects, we expect ample opportunities to expand our current revenue base by leveraging on our Group's extensive experience and track record from previous participation in government funded projects.

As our Group has adopted the BIM system since 2012, this early adoption will provide our Group with a competitive edge in the event mandatory use of BIM system in Malaysia by year 2019 materialise.

In addition to continuous enhancement on our Group's three (3) existing core services (i.e. engineering services, project management and BIM services), our Group plans to venture into a fourth (4^{th}) core service i.e. facility management to enable us to develop a steady recurring income business model.

Further, our Group's business plans focused on our aim to enhance our business presence internationally to ASEAN, India and the Middle East regions will help sustain the business of our Group and provide growth opportunities for our Group.

Upon the completion of the SMHB Acquisition, SMHB Engineering will become a wholly owned subsidiary of our Company and we are of the view that through the SMHB Engineering Group, the enlarged Group will be able leverage on SMHB's expertise and track record in the water sector to win tenders for any of the water-related contracts that will be announced according ^{to} the 11th Malaysia Plan.

According ^{to} the 11th Malaysia Plan, it is the Government's aim to have 99% of the population served by clean and treated water by 2020. Alternative water supply systems such as rain water harvesting, tube wells and gravity feed systems will be expanded in rural areas - particularly in Kelantan, Pahang, Sabah and Sarawak. Efforts to expand connected water supply coverage in these states will continue, supplemented by these alternative systems. These systems will be tailored to local requirements, geographical considerations and cost effectiveness considerations. Rain water harvesting systems will be adopted in remote areas with high rainfall while gravity feed systems will be adopted in highland areas with limited access.

The Prime Minister of Malaysia, during his speech in conjunction with the launch of the 11th Malaysia Plan, has announced that more than RM10 billion will be approved to provide clean and treated water through the Rural Water Supply Programme. The Government will ensure water supply sustainability, especially in stressed areas, by constructing new treatment plants or upgrading existing ones. Focus will be given to states which have water supply reserve margins of less than 10% such as Kedah (0%), Selangor (4.5%) and Negeri Sembilan (7.5%). With the completion of the Langat 2 Water Treatment Plant (WTP), the water supply reserve margin for Selangor will reach 14%. Similarly, the upgrading of Kulim High Tech WTP and Batu Kitang WTP will increase reserve margins for the Kulim High Tech Industrial Park in Kedah to 10% and for Kuching in Sarawak to 13% respectively.

In order to increase the efficiency and productivity of water and sewerage services, 3,000 small and inefficient sewage treatment plants will be rationalised through the construction of regional and centralised plants with larger capacities and efficient technologies. These plants will be considered for areas that have sufficient demand. In areas where such plants are not feasible, existing treatment plants will be upgraded with new mechanical and electrical components to ensure effluent levels are compliant with standards. This rationalisation is expected to reduce the cost of electricity bills and manpower by 50%. Alternative financing methods based on privatisation concepts will be further promoted as a new source of capital.

(Source: 11th Malaysia Plan, Economic Planning Unit)

In Malaysia’s 2018 Budget, the Prime Minister also announced an allocation of RM420 million to provide clean water supply which will benefit 3,000 homes, RM1.4 billion to implement the Non-Revenue Water Programme to reduce average loss of water, RM1.3 billion for the construction of the Off-River Storage as an alternative water source and RM517 million for flood mitigation programmes.

(Source: Annual Budget 2018, Ministry of Finance Malaysia)

With SMHB's recent success in securing awards for mass rail transit and highway projects, the SMHB Acquisition will combine the strengths of two leading Malaysian engineering consultancy firms, creating an enlarged engineering consultancy group for the local and regional market. In addition to up-scaling core competencies to evolving industry development, the SMHB Acquisition will enhance our Group's leadership position in targeted high growth areas, namely water, transportation, infrastructure and environmental.

After completion of the Corporate Exercises, our future plan is to integrate our Group with the SMHB Engineering Group and upscale both our core competencies. The integration process will include among others, assimilating the staff force of SMHB Engineering Group with our Company’s organisational and working structure and retaining the key management personnel of the SMHB Engineering Group, as their experience and know-how will enable our enlarged Group to play a larger role in the water sector, which is one of our targeted high growth areas, apart from transportation, infrastructure and environmental. We expect the integration to be completed within three (3) years after completion of the Corporate Exercises and we do not foresee any material financial resources to be incurred arising from such integration.

In addition, we further believe that strategies can be developed to enable our enlarged Group to provide wider scope of services to clients, which will enhance profitability and strengthen the capital base. This will enhance the competitiveness of our Group and SMHB Engineering Group in the respective core areas and regions. In view of the above, the prospects of our Group and SMHB Engineering Group appear to be promising.

7. FINANCIAL EFFECTS OF THE CORPORATE EXERCISES

7.1 Share capital

The pro forma effects of the Corporate Exercises on the share capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of HEB Shares	**Amount**	**No. of HEB Shares**	**Amount**
	'000	**RM'000**	**'000**	**RM'000**
As at the LPD	319,081	(1) 31,908	319,081	(1) 31,908
To be issued pursuant to the Placement assuming 37,357,143 Placement Shares are issued at RM1.40 per Placement Share prior to the issuance of the Rights with Bonus Issue and Warrants	37,357	52,300	37,357	52,300
Rights Shares to be issued pursuant to the Rights with Bonus Issue and Warrants	16,936	4,742	31,908	8,935
Bonus Shares to be issued pursuant to the Rights with Bonus Issue and Warrants	8,468	847	15,954	1,595
To be issued pursuant to the SMHB Acquisition	94,737	108,000	94,737	108,000
To be issued assuming full exercise of the Warrants	25,404	60,461	47,862	113,912
Enlarged share capital	**501,983**	**258,258**	**546,899**	**316,650**

Note:

(1) Under the no par value regime of the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of our Company's share premium account shall be consolidated as part of our share capital, as reflected in our Company's unaudited quarterly report for nine (9)-month FPE 30 September 2017. However, subsection 618(3) of the Act provides that our Company may use our share premium account to fully pay up the Bonus Shares within a 24-month period from 31 January 2017.

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7.2 NA per HEB Share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of HEB as at 31 December 2016 and on the assumption that the Corporate Exercises had been effected on that date, the pro forma effects of the Corporate Exercises on the NA, NA per HEB Share and gearing of our Group are as follows:

Minimum Scenario

		Pro forma I	**Pro forma II**	**Pro forma III**	**Pro forma IV**	**Pro forma V**
	Audited as at 31 December 2016	**(1)After the Placement**	**After Pro forma I and issuance of the Rights Shares**	**After Pro forma II and issuance of the Bonus Shares**	**After Pro forma III and the SMHB Acquisition**	**After Pro forma IV and assuming full exercise of the Warrants**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	31,908	84,208	88,950	89,797	197,797	258,258
Share premium	22,326	22,326	22,326	21,479	21,479	21,479
Foreign currency translation reserves	301	301	301	301	301	301
Warrants reserves	-	-	(2)17,275	17,275	17,275	-
Retained profits	24,173	24,173	24,173	24,173	(3)16,673	16,673
Shareholders' funds/NA	**78,708**	**131,008**	**153,025**	**153,025**	**253,525**	**296,711**
No. of HEB Shares in issue ('000)	319,081	356,438	373,374	381,842	476,579	501,983
NA per HEB Share (RM) (4)	0.25	0.37	0.41	0.40	0.53	0.59
Deposits, cash and bank balances (5)	41,648	93,948	115,965	115,965	41,465	41,465
Total borrowings (6)	17,721	17,721	17,721	17,721	(7)103,721	(8)60,535
Gearing (times) (9)	0.23	0.14	0.12	0.12	0.41	0.20
Net gearing (times) (10)	-	-	-	-	0.25	0.06

***Notes**:*

(1) *Assuming the issuance of 37,357,143 Placement Shares at RM1.40 per Placement Share prior to the issuance of the Rights Shares.*

(2) *Calculated based on the theoretical fair value of RM0.68 per Warrant, which was derived from the trinomial option pricing model as extracted from Bloomberg.*

(3) *After deducting the estimated expenses relating to the Corporate Exercises of approximately RM7.5 million.*

(4) *Calculated based on shareholders' funds/NA divided by the no. of HEB Shares in issue.*

(5) *Comprises short term deposits with licensed banks and the cash and bank balances of our Group.*

(6) *Including bank overdraft.*

(7) *After drawdown of the financing facility of RM85.0 million for the SMHB Acquisition and overdraft of RM1.0 million to settle part of the estimated expenses arising from the Corporate Exercises.*

(8) Assuming repayment of the financing facility for the SMHB Acquisition of approximately RM43.2 million using the proceeds from the exercise of the Warrants.

(9) Computed based on total borrowings divided by shareholders' funds/NA.

(10) Computed based on total borrowings less deposits, cash and bank balances divided by shareholders' funds/NA.

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Maximum Scenario

		Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V
	Audited as at 31 December 2016	(1)After the Placement	After Pro forma I and issuance of the Rights Shares	After Pro forma II and issuance of the Bonus Shares	After Pro forma III and the SMHB Acquisition	After Pro forma IV and assuming full exercise of the Warrants
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	31,908	84,208	93,143	94,738	202,738	316,650
Share premium	22,326	22,326	22,326	20,731	20,731	20,731
Foreign currency translation reserves	301	301	301	301	301	301
Warrants reserves	-	-	(2)32,546	32,546	32,546	-
Retained profits	24,173	24,173	24,173	24,173	(3)16,673	16,673
Shareholders' funds/NA	**78,708**	**131,008**	**172,489**	**172,489**	**272,989**	**354,355**
No. of HEB Shares in issue ('000)	319,081	356,438	388,346	404,300	499,037	546,899
NA per HEB Share (RM) (4)	0.25	0.37	0.44	0.43	0.55	0.65
Deposit, cash and bank balances (5)	41,648	93,948	135,429	135,429	59,929	59,929
Total borrowings (6)	17,721	17,721	17,721	17,721	(7)102,721	(8)21,355
Gearing (times) (9)	0.23	0.14	0.10	0.10	0.38	0.06
Net gearing (times) (10)	-	-	-	-	0.16	-

***Notes**:*

(1) Assuming the issuance of 37,357,143 Placement Shares at RM1.40 per Placement Share prior to the issuance of the Rights Shares.

(2) Calculated based on the theoretical fair value of RM0.68 per Warrant, which was derived from the trinomial option pricing model as extracted from Bloomberg.

(3) After deducting the estimated expenses relating to the Corporate Exercises of approximately RM7.5 million.

(4) Calculated based on shareholders' funds/NA divided by the no. of HEB Shares in issue.

(5) Comprises short term deposits with licensed banks and the cash and bank balances of our Group.

(6) Including bank overdraft.

(7) After drawdown of the financing facility of RM85.0 million for the SMHB Acquisition.

(8) Assuming repayment of the financing facility for the SMHB Acquisition of approximately RM81.3 million using the proceeds from the exercise of the Warrants.

(9) Computed based on total borrowings divided by shareholders' funds/NA.

(10) Computed based on total borrowings less deposits, cash and bank balances divided by shareholders' funds/NA.

7.3 Earnings and EPS

The Corporate Exercises will not have any material effect on the earnings of our Group for the FYE 31 December 2017 as the Corporate Exercises are only expected to be completed by 1Q of 2018.

On standalone basis, upon completion of the Rights with Bonus Issue and Warrants, our EPS will be immediately diluted proportionately as a result of the increase in the weighted average number of HEB Shares in issue assuming that our earnings remain unchanged. In addition, the Placement will further immediately dilute the EPS of our Company for the reason mentioned above. Nevertheless, the SMHB Acquisition is expected to contribute positively to the earnings of our Group.

For illustrative purposes only, based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2016 and Accountants' Report of SMHB Engineering, and on the assumption that the Corporate Exercises had been effected on 1 January 2016, being the beginning of the FYE 31 December 2016, the pro forma effects of the Corporate Exercises on the earnings and EPS of our Group are as follows:

Minimum Scenario

		Pro forma I	**Pro forma II**
	FYE 31 December 2016	**After issuance of the Placement Shares, Rights Shares and Bonus Shares, and the SMHB Acquisition**	**After Pro forma I and assuming full exercise of the Warrants**
PAT attributable to HEB shareholders (RM'000)	14,018	(1)(2)36,004	36,004
No. of HEB Shares in issue ('000)	319,081	(3)476,579	(3)501,983
Basic EPS (sen)	4.39	7.55	7.17
Diluted EPS (sen)	4.39	7.17	7.17

Maximum Scenario

		Pro forma I	**Pro forma II**
	FYE 31 December 2016	**After issuance of the Placement Shares, Rights Shares and Bonus Shares, and the SMHB Acquisition**	**After Pro forma I and assuming full exercise of the Warrants**
PAT attributable to HEB shareholders (RM'000)	14,018	(1)(2)36,004	36,004
No. of HEB Shares in' issue ('000)	319,081	(3)499,037	(3)546,899
Basic EPS (sen)	4.39	7.21	6.58
Diluted EPS (sen)	4.39	6.58	6.58

Notes:

(1) After taking into account the adjusted PAT of the SMHB Engineering Group for the FYE 30 April 2017 of approximately RM27.1 million after adjusting for the contribution from the Excluded Assets, namely income from marketable investments held by SMHB of RM4.9 million from the PAT of the SMHB Engineering Group of approximately RM32.0 million for the FYE 30 April 2017.

(2) Including financing costs of RM5.1 million based on an indicative profit sharing rate of 6.0% per annum on the financing facility of RM85.0 million obtained to partially fund the SMHB Acquisition.

(3) Assuming 37,357,143 Placement Shares are issued at RM1.40 per Placement Share prior to the issuance of the Rights Shares.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital

Our Board confirms that after taking into consideration the proceeds from the Placement and the Rights with Bonus Issue and Warrants, banking facilities available to our Group and the funds generated from its operations, our Group will have sufficient working capital available for a period of twelve (12) months from the date of this Abridged Prospectus.

8.2 Borrowings

As at the LPD, the total outstanding borrowings of our Group, all of which are interest-bearing, are as follows:

	RM'000
Short-term borrowings (payable within 12 months)	
Bank overdraft	19,290
Hire purchase	934
Term loan	33
	20,257
Long-term borrowings (payable within 12 months)	
Hire purchase	765
Term loan	75
	840
Total borrowings	21,097

As at the LPD, the Group has the following foreign currency borrowing:

	Amount in foreign currency	(1)Amount in RM
	INR'000	RM'000
Indian Rupee ("**INR**")	1,773	108
Total	1,773	108

Note:

(1) Based on the middle rate of BNM's exchange rate of RM100: INR6.1162 as at 12.00 p.m. on the LPD.

Our Group has not defaulted on payments on either interest or principal sum on any borrowings for the FYE 31 December 2016 and the subsequent financial period up to the LPD.

8.3 Material commitments and contingent liabilities

8.3.1 Material commitments

Our Board confirms that as at the LPD and save for the Cash Consideration, there are no material commitments incurred or known to be incurred by our Group which may have a material impact on the profits and/or NA of our Group.

8.3.2 Contingent liabilities

Our Board confirms that as at the LPD, there are no contingent liabilities which may have a material impact on the profits and/or NA of our Group.

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATIONS

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS WITH BONUS ISSUE AND WARRANTS, EXCESS APPLICATION AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

9.1 General

The Provisional Rights with Bonus Issue and Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights with Bonus Issue and Warrants will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s) and/or transferee(s), if applicable, are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights with Bonus Issue and Warrants.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights with Bonus Issue and Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights with Bonus Issue and Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights with Bonus Issue and Warrants into your CDS Account and the RSF to enable you to subscribe for such Rights with Bonus Issue and Warrants provisionally allotted to you, as well as to apply for the Excess Rights with Bonus Issue and Warrants if you choose to do so.

9.2 Procedures for acceptance and payment

ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS WITH BONUS ISSUE AND WARRANTS MUST BE MADE IN ACCORDANCE WITH THE RSF ENCLOSED WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. ACCEPTANCES AND/OR PAYMENTS WHICH DO NOT CONFORM TO THE TERMS OF THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

THE SHARE REGISTRAR WILL NOT CONTACT YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, FOR ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS OF THIS ABRIDGED PROSPECTUS OR THE RSF OR THE NOTES AND INSTRUCTIONS CONTAINED THEREIN, OR WHICH ARE ILLEGIBLE

If you wish to accept the Provisional Rights with Bonus Issue and Warrants, either in full or in part, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions provided therein, and despatch by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND** (at your own risk) each completed RSF together with the relevant payment using the envelope provided to the Share Registrar at the following address and arrived **by the Closing Date**:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite,
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel. No.: +603 2783 9299
Fax No.: +603 2783 9222

OR

Tricor Customer Service Centre
Unit G-3 Ground Floor
Vertical Podium
Avenue 3 Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

One (1) RSF can only be used for acceptance of the Provisional Rights with Bonus Issue and Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of the Provisional Rights with Bonus Issue and Warrants allotted into separate CDS Accounts. The Rights Shares accepted by you in accordance with the notes and instructions contained in the RSF will be credited into the respective CDS Accounts where the Provisional Rights with Bonus Issue and Warrants are standing to the credit, in accordance with the procedures as set out in the RSF.

Successful applicants to the Rights Shares will be given the Bonus Shares on the basis of one (1) Bonus Share for every two (2) Rights Shares successfully subscribed for and the Warrants on the basis of three (3) Warrants for every two (2) Rights Shares successfully subscribed for. The minimum number of securities that can be accepted is one (1) Rights Share. The Bonus Shares will be issued in the proportion of one (1) Bonus Share for every two (2) Rights Shares and the Warrants will be issued in the proportion of three (3) Warrants for every two (2) Rights Shares. However, you should take note that a trading board lot will comprise of 100 Rights Shares. Fractions of a Rights Share and/or Bonus Share and/or Warrant arising from the Rights with Bonus Issue and Warrants will be dealt with as our Board may at its absolute discretion deem fit and expedient in the best interest of our Company.

A reply envelope is enclosed in this Abridged Prospectus. In order to facilitate the processing of the RSF by the Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by remittance in RM for the **FULL** and **EXACT** amount payable for the Provisional Rights with Bonus Issue and Warrants accepted in the form of Banker's Draft/Cashier's Order/Money Order or Postal Order drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**HEB RIGHTS ACCOUNT**" and endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters to be received by the Share Registrar together with the RSF **by 5.00 p.m. on the Closing Date**.

The payment must be made for the **FULL** and **EXACT** amount payable for the Provisional Rights with Bonus Issue and Warrants accepted. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques, cash or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

If you lose, misplace or for any other reasons require another copy of this Abridged Prospectus and/or the RSF, you may obtain additional copies from the Share Registrar or Bursa Securities' website at www.bursamalaysia.com.

If acceptance and payment for the Provisional Rights with Bonus Issue and Warrants allotted to you (whether in full or in part) are not received by the Registrar for the Rights with Bonus Issue and Warrants by 5.00 p.m. on the Closing Date, such Provisional Rights with Bonus Issue and Warrants will be deemed to have been declined and will be cancelled. The Board will then have the right to allot such Rights with Bonus Issue and Warrants not taken up to applicants applying for Excess Rights with Bonus Issue and Warrants in the manner as stated Section 9.4 of this Abridged Prospectus.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH THE SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR. NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE PROVISIONAL RIGHTS WITH BONUS ISSUE AND WARRANTS.

APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASON THEREOF.

Notification on the outcome of your application will be despatched to you by ordinary post to the address shown in Bursa Depository’s record at your own risk within the timelines as follows:

(i) Successful application – a notice of allotment will be despatched within eight (8) Market Days from the Closing Date and the Rights with Bonus Issue and Warrants will be allotted within eight (8) Market Days from the Closing Date.

(ii) Unsuccessful/ partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the Closing Date.

9.3 Procedures for sale/transfer of Provisional Rights with Bonus Issue and Warrants

As the Provisional Rights with Bonus Issue and Warrants are prescribed securities which will be traded on Bursa Securities from 22 February 2018 to 5.00 p.m. on 28 February 2018, you may sell/ all or part of your entitlements to the Provisional Rights with Bonus Issue and Warrants during such period. You may transfer all or part of your entitlement to the Provisional Rights with Bonus Issue and Warrants from 22 February 2018 to 4 p.m. on 5 March 2018.

As an Entitled Shareholder, should you wish to sell or transfer all or part of your entitlement to one (1) or more persons, you may do so through your stockbrokers without first having to request for a split of the Provisional Rights with Bonus Issue and Warrants standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository, both for the period up to the last date and time for the sale and transfer of the Provisional Rights with Bonus Issue and Warrants.

YOU ARE ADVISED TO READ AND ADHERE STRICTLY TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS WITH BONUS ISSUE AND WARRANTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT, INCLUDING THE RSF, TO ANY STOCKBROKER. HOWEVER, YOU ARE ADVISED TO ENSURE THAT THERE ARE SUFFICIENT PROVISIONAL RIGHTS WITH BONUS ISSUE AND WARRANTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.

If you have sold or transferred only part of your Provisional Rights with Bonus Issue and Warrants, you may still accept the balance of your Provisional Rights with Bonus Issue and Warrants by completing Parts I(A) and II of the RSF. Please refer to Section 9.2 of this Abridged Prospectus for the procedures for acceptance and payment.

9.4 Procedures for application for Excess Rights with Bonus Issue and Warrants

If you are an Entitled Shareholder and/or a renouncee/ transferee, you may apply for the Excess Rights with Bonus Issue and Warrants in addition to your Provisional Rights with Bonus Issue and Warrants. If you wish to do so, please complete Part I(B) (in addition to Parts I(A) and II) of the RSF and forward it (together with a **separate remittance** in RM for the **FULL** and **EXACT** amount payable in respect of the Excess Rights with Bonus Issue and Warrants applied for) using the envelope provided. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND** (at your own risk) to the Share Registrar at the address set out in Section 9.2 above, so as to arrive **by the Closing Date.**

Payment for the Excess with Bonus Issue and Warrants applied for should be made in the same manner described in Section 9.2 above, except that the Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office in Malaysia should be made payable to "**HEB EXCESS ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with the name, address, contact number and CDS Account number of the applicant in block letters to be received by the Share Registrar together with the RSF **by the Closing Date**.

The payment must be made for the **FULL** and **EXACT** amount payable for the Excess Rights with Bonus Issue and Warrants applied for. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques, cash or any other modes of payment not prescribed herein are not acceptable. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

It is the intention of our Board to allot the Excess Rights with Bonus Issue and Warrants, if any, in a fair and equitable manner in the following order of priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, to the Entitled Shareholders who have applied for the Excess Rights with Bonus Issue and Warrants on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;

(iii) thirdly, to the Entitled Shareholders who have applied for the Excess Rights with Bonus Issue and Warrants on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights with Bonus Issue and Warrants applied for; and

(iv) lastly, to the renouncees/transferees who have applied for the Excess Rights with Bonus Issue and Warrants on a pro-rata basis and in board lots, calculated based on the quantum of Excess with Bonus Issue and Warrants applied for.

In the event of any balance of excess Rights Shares after steps (i), (ii), (iii) and (iv) are completed, steps (ii), (iii) and (iv) will be repeated to allocate the balance excess Rights Shares until such balance is exhausted.

Nevertheless, our Board reserves the right to allot the excess Rights Shares applied for in such manner as our Board deems fit and expedient, and in the best interest of our Company, subject always to such allocation being made in a fair and equitable manner, and that the intention of our Board as set out in **Section 9.4 (i)** to **(iv)** above is achieved.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR. NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS WITH BONUS ISSUE AND WARRANTS.

APPLICATIONS FOR THE EXCESS RIGHTS WITH BONUS ISSUE AND WARRANTS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASON THEREOF.

Notification on the outcome of your application for the Excess Rights with Bonus Issue and Warrants will be despatched to you by ordinary post to the address shown in Bursa Depository's record at you own risk within the timelines as follows:

(i) Successful application – a notice of allotment will be despatched within eight (8) Market Days from the Closing Date and the Rights with Bonus Issue and Warrants will be allotted within eight (8) Market Days from the Closing Date.

(ii) Unsuccessful/ partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the Closing Date.

9.5 Procedures to be followed by renouncee(s) and/or transferee(s)

The procedures applicable to renouncee(s) and/or transferee(s) for the acceptance of and payment for or selling/transferring of the Provisional Rights with Bonus Issue and Warrants and the application and payment for the Excess Rights with Bonus Issue and Warrants are the same as those which are applicable to the Entitled Shareholders as described in Sections 9.2, 9.3 and 9.4 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

You may obtain additional copies of this Abridged Prospectus and/or the RSF from the Share Registrar or Bursa Securities' website at www.bursamalaysia.com.

9.6 Form of issuance

Bursa Securities has already prescribed the securities listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares, Bonus Shares and Warrants are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the said securities.

You must have a valid and subsisting CDS Account in order to subscribe for the Rights with Bonus Issue and Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificate shall be issued to you under the Rights with Bonus Issue and Warrants. Instead, the Rights Shares. Bonus Shares and Warrants will be credited directly into your CDS Accounts.

Any person who intends to subscribe for the Rights with Bonus Issue and Warrants as a renouncee and/or transferee by purchasing the Provisional Rights with Bonus Issue and Warrants from an Entitled Shareholder will have his Rights Shares, Bonus Shares and Warrants credited directly as prescribed securities into his CDS Account.

The Excess Rights with Bonus Issue and Warrants, if allotted to the successful applicant who applies for Excess Rights with Bonus Issue and Warrants, will be credited directly as prescribed securities into his CDS Account.

If you have multiple CDS Accounts into which the Provisional Rights with Bonus Issue and Warrants have been credited, you cannot use a single RSF to apply for all these Provisional Rights with Bonus Issue and Warrants. Separate RSFs must be used for each CDS accounts If successful, the Rights Shares, Bonus Shares and Warrants that you applied for will be credited into the respective CDS Accounts into which the Provisional Rights with Bonus Issue and Warrants have been credited.

9.7 Procedures for acceptance and application by the Foreign Addressed Shareholders and Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, who are subject to the laws of foreign countries or jurisdictions

The Documents have not been, and will not be made to comply with the laws of any country or jurisdictions other than Malaysia, and have not been, and will not be, lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any country or jurisdictions other than Malaysia. The Rights with Bonus Issue and Warrants will not be offered for purchase or subscription in any country or jurisdiction other than Malaysia.

The Documents are not intended to be, and will not be issued, circulated or distributed and the Rights with Bonus Issue and Warrants will not be made or offered or deemed to be made or offered in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights with Bonus Issue and Warrants to which this Abridged Prospectus relates is only available to the Entitled Shareholders receiving the Documents within Malaysia.

Accordingly, the Documents will only be sent to Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in our Company's Record of Depositors as at the Entitlement Date. The Documents have not been and will not be sent to the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable. However, the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, may collect the Documents from the Share Registrar, in which event the Share Registrar shall be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Our Company will not make or be bound to make any enquiry as to whether you have a registered address or address for service in Malaysia other than as stated in the Record of Depositors of our Company on the Entitlement Date or other than as stated in the RSF, and will not accept or be deemed to accept any liability whether or not an enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, may accept or renounce, as the case may be, all or any part of their entitlements and exercise any other rights in respect of the Rights with Bonus Issue and Warrants only to the extent that it would be lawful to do so.

To the extent the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, accept their Provisional Rights with Bonus Issue and Warrants and/or apply for the Excess Rights with Bonus Issue and Warrants, the acceptance of the terms thereof will be deemed to be in compliance with the Rights with Bonus Issue and Warrants and not in breach of the laws of any countries or jurisdictions. To the extent the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, accept their Provisional Rights with Bonus Issue and Warrants and/or apply for the Excess Rights with Bonus Issue and Warrants, the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, will be deemed to have accepted the Rights with Bonus Issue and Warrants in Malaysia and be subject to the laws of Malaysia with respect thereto.

The Principal Adviser, the Share Registrar, our Company and the Directors and officers of our Company (collectively, the "**Parties**") would not, in connection with the Rights with Bonus Issue and Warrants, be in breach of the laws of any country or jurisdiction to which the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, are or may be subject to. All Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, shall be solely responsible to seek advice from their legal and/or professional advisers as to the laws of the countries or jurisdictions to which they are or might be subject to. The Parties shall not accept any responsibility or liability whatsoever in the event any acceptance or renunciation made by any Foreign Addressed Shareholder and/or his renouncee(s) and/or transferee(s), if applicable, is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. Such Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, or person acting for the account or benefit of any such person will also have no claims whatsoever against the Parties in respect of their entitlements or to any proceeds thereof.

The Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and the Parties shall be entitled to be fully indemnified and held harmless by such Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights and entitlements under the Rights with Bonus Issue and Warrants. Such Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, should consult their professional advisers as to whether they require any governmental, exchange control or other consents/approvals or need to comply with any other applicable legal requirements to enable them to accept the Rights with Bonus Issue and Warrants.

The Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, in accepting any Provisional Rights with Bonus Issue and Warrants by signing any of the forms accompanying this Abridged Prospectus, or subscribing or acquiring the Rights with Bonus Issue and Warrants, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:

(i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights with Bonus Issue and Warrants, be in breach of the laws of any countries or jurisdictions to which the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, are or may be subject to;

(ii) that the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, have complied with the laws to which the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, are or may be subject to in connection with the acceptance or renunciation;

(iii) that the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, are not nominees or agents of a person in respect of whom the Parties would, by acting on the acceptance or renunciation, be in breach of the laws of any countries or jurisdictions to which that person is or may be subject to;

(iv) that the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, are aware that their Provisional Rights with Bonus Issue and Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) that the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, have obtained a copy of this Abridged Prospectus and understands the contents of this Abridged Prospectus, and had relied on their own evaluation to assess the merits and risks of subscribing for or purchasing the Rights with Bonus Issue and Warrants; and

(vi) that the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights with Bonus Issue and Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights with Bonus Issue and Warrants.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights with Bonus Issue and Warrants, distribute or send it into any country or jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations.

No person in any territory outside of Malaysia receiving this Abridged Prospectus and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for or acquire any Rights with Bonus Issue and Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

Our Company reserves the right to treat any acceptances and/or applications as invalid, if our Company believes or has reason to believe that such acceptances and/or applications may violate any applicable legal or regulatory requirements in any countries or jurisdictions outside Malaysia. The Provisional Rights with Bonus Issue and Warrants relating to any acceptance which is treated as invalid will be included in the pool of the Excess with Bonus Issue and Warrants available for excess application by other Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares, Bonus Shares and Warrants pursuant to the Rights with Bonus Issue and Warrants is governed by the terms and conditions as set out in the Documents.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
HSS ENGINEERS BERHAD

Tan Sri Ir. Kunasingam A/L V. Sittampalam
Executive Vice Chairman

Company No. 1128564-U

APPENDIX I

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT THE EGM HELD ON 30 JANUARY 2018

Certified True Copy

Ng Kuan Yee
Company Secretary (MIA 17693)

HSS ENGINEERS BERHAD
(Company No. 1128564-U)

CERTIFIED EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON TUESDAY, 30 JANUARY 2018 AT 10.00 A.M.

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SMHB ENGINEERING SDN BHD ("SMHB ENGINEERING") FOR A PURCHASE CONSIDERATION OF RM270,000,000 ("PURCHASE CONSIDERATION") TO BE SATISFIED VIA THE ISSUANCE OF 94,736,842 NEW ORDINARY SHARES IN THE COMPANY ("HEB SHARES") AT AN ISSUE PRICE OF RM1.14 PER HEB SHARE AND RM162,000,000 IN CASH ("PROPOSED ACQUISITION")

The Chairman announced the results of the poll as follows:-

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Proposed Acquisition	257,820,072	100%	-	-

RESOLVED:-

That, subject to the passing of Ordinary Resolution 2 and Ordinary Resolution 3 and approvals of all relevant authorities and/or parties (if required) being obtained and the conditions precedent as set out in the conditional share sale agreement dated 27 October 2017 ("SSA") entered into between the Company and Datuk Ir. Teo Chok Boo, Ir. Mohd Rousdin bin Hassan, Ir. Syed Mohamed Adnan bin Mansor Alhabshi, Ir. Teo Koon Hau, Ir. Prem Kumar a/l M. Vasudevan, Tan Sri Dato' Ir. Syed Muhammad Shahabudin Bin Syed Hassan Shahabudin, Ir Loo Ai Choo, Ir. Zulkiflee bin Ab Hamid, Ir. Pritam Singh a/l Mahinder Singh, Ir. Ang Eng Kiat, Ir. Philip Gunn Kean Su, Ir. Ganeshalingam a/l Rasiah and Ir. Saiful Hazmi bin Abu Hasan (collectively, "**Vendors**") being obtained/fulfilled or waived, approval and authority be and is hereby given to the Board of Directors of the Company ("**Board**") to acquire 100,000 ordinary shares in SMHB Engineering, representing 100% of the equity interest in SMHB Engineering, for a purchase consideration of RM270,000,000 to be satisfied via:-

(i) allotment and issuance of 94,736,842 HEB Shares at the issue price of RM1.14 per HEB Share ("**Consideration Shares**"); and

(ii) payment of RM162,000,000 in cash.

That the Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing HEB Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights (including voting rights), allotments and/or any other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Consideration Shares.

And that the Board be and is hereby authorised and empowered to give full effect to the Proposed Acquisition with full power to deal with all matters incidental, ancillary to and/or relating thereto and take all such steps and to execute and deliver and/or caused to be executed and delivered all the necessary documents, including the SSA and all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, declarations and/or guarantees to or with any party or parties, and to do all acts, deeds and things as they may consider necessary or expedient or in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition.

ORDINARY RESOLUTION 2

PROPOSED PLACEMENT OF NEW HEB SHARES ("PLACEMENT SHARES") TO INVESTORS TO BE IDENTIFIED TO RAISE GROSS PROCEEDS OF UP TO RM52,300,000 ("PROPOSED PLACEMENT")

The Chairman announced the results of the poll as follows:-

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Proposed Placement	257,195,072	99.758%	625,000	0.242%

RESOLVED:-

That, subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 3 and approvals of all relevant authorities and/or parties (if required) being obtained, the Board be and is hereby authorised to allot and issue the Placement Shares to investors to be identified later for up to RM52,300,000 in accordance with the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

That the Board be and is hereby authorised to determine and vary, if deem fit, necessary or expedient, the issue price for the Placement Shares provided that the issue price is at a discount of not more than 10% to the theoretical ex-all price of HEB Shares based on the 5-day volume-weighted average market price.

That the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing HEB Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights (including voting rights), allotments and/or any other distributions which may be declared, made or paid to shareholders of the Company, the entitlement date of which is before the date of allotment of the Placement Shares.

And that the Board be and is hereby authorised and empowered to give full effect to the Proposed Placement with full power to deal with all matters incidental, ancillary to and/or relating thereto and take all such steps and to execute and deliver and/or caused to be executed and delivered all the necessary documents, and to do all acts, deeds and things as they may consider necessary or expedient or in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Placement.

ORDINARY RESOLUTION 3

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 31,908,101 NEW HEB SHARES ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TEN (10) EXISTING HEB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") TOGETHER WITH A BONUS ISSUE OF UP TO 15,954,050 NEW HEB SHARES ("BONUS SHARES") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED AND UP TO 47,862,151 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF THREE (3) WARRANTS FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED ("PROPOSED RIGHTS WITH BONUS ISSUE AND WARRANTS")

The Chairman announced the results of the poll as follows:-

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Proposed Rights with Bonus Issue and Warrants	257,820,072	100%	-	-

RESOLVED:-

That, subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 2 and approvals of all relevant authorities being obtained, the Board be and is hereby authorised to –

(a) provisionally allot and issue, by way of a renounceable rights issue to the shareholders of the Company whose names appear in the Record of Depositors as at 5.00 p.m. on the Entitlement Date (**"Entitled Shareholders"**) or their renouncee(s), up to 31,908,101 Rights Shares on the basis of 1 Rights Share for every 10 HEB Shares held on the Entitlement Date together with a bonus issue on the basis of 1 Bonus Share for every 2 Rights Shares subscribed to be capitalised from up to RM1,595,000 for the purposes of issuing up to 15,954,050 Bonus Shares;

(b) allot and issue up to 47,862,151, Warrants on the basis of 3 Warrants for every 2 Rights Shares subscribed by the Entitled Shareholder and/ or their renounce(s) who subscribed for the Rights Shares at an exercise price and entitlement basis to be determined by the Board at a later date;

(c) enter into the Deed Poll with full powers to assent to any condition, modification or variation as the Board may deem fit and/or necessary of as may be imposed by the relevant authorities and to take all such steps as it may consider necessary in order to give full effect to the Deed Poll subject to all provisions and adjustments contained therein;

(d) allot and issue new HEB Shares to the holders of the Warrants, credited as fully paid-up, arising from the exercise of the Warrants and such new HEB Shares shall upon allotment and issue, rank equally in all respects with each other and the then existing HEB Shares, save and except that they are not entitled to any dividends, rights (including voting rights), allotment and/or distributions which may be declared, made or paid to the shareholders of the Company, prior to the allotment and issue of new HEB Shares arising from the exercise of the Warrants; and

(e) determine and vary if deem fit, necessary or expedient, the issue price for the Rights Share and the exercise price of the Warrants to be issued in connection with the Proposed Rights with Bonus Issue and Warrants.

That the Rights Shares shall, upon allotment and issue, rank equally in all respects with each other and the then existing HEB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights (including voting rights), allotments and/or distributions that may be declared, made or paid to the shareholders of the Company, the entitlement date of which is before the date of allotment of the Rights Shares.

That any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever shall first be made available for excess shares applications by the Entitled Shareholders and/ or their renounce(s) and the Board be and is hereby authorised to allocate the excess Rights Shares in a fair and equitable manner as the Board in its absolute discretion deems fit and in the best interest of the Company.

That the Warrants shall be allotted and issued in the registered form on the basis that, subject to any adjustments to the subscription rights attached to the Warrants under the provisions of the deed poll to be executed by the Company constituting the Warrants ("Deed Poll"), each Warrant entitles its holder to subscribe for 1 new HEB Share at an exercise price to be determined, during its prescribed exercise period.

That the Board is hereby empowered and authorised to deal with any additional fractional entitlements that may arise from the Proposed Rights with Bonus Issue and Warrants in such manner and on such terms and conditions are the Board in its discretion as it deems fit or expedient and in the best interest of the Company.

That no offer document or abridged prospectus pertaining to the Proposed Rights with Bonus Issue and Warrants shall be issued or sent to shareholders of the Company having registered addresses outside Malaysia or who have not provided an address in Malaysia at which such documents may be delivered to prior to the Entitlement Date.

***HSS Engineers Berhad** (Company No. 1128564-U)*
Certified Extract of the Minutes of the Extraordinary General Meeting held on 30 January 2018

And that the Board be and is hereby authorised and empowered to give full effect to the Proposed Rights with Bonus Issue and Warrants with full power to deal with all matters incidental, ancillary to and/or relating thereto and take all such steps and to execute and deliver and/or caused to be executed and delivered all the necessary documents, and to do all acts, deeds and things as they may consider necessary or expedient or in the best interest of the Company with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights with Bonus Issue and Warrants.

CERTIFIED TRUE COPY:

DIRECTOR TAN SRI IR. KUNASINGAM A/L V. SITTAMPALAM	DIRECTOR DATO' IR. NITCHIANANTHAN A/L BALASUBRAMANIAM

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia on 23 January 2015 under the Companies Act, 1965 as a private limited company under the name of HSS Engineers Sdn Bhd. Our Company subsequently converted into a public limited company on 31 March 2015 and assumed our present name. Our Company is deemed registered under the Act.

Our Company is an investment holding company. Through our Company's subsidiaries ("Group"), our Group is principally involved in the provision of engineering and project management services including engineering design, project management, construction supervision and BIM services.

Our Company was listed on the ACE Market of Bursa Securities on 10 August 2016. On 8 September 2017, the listing and quotation for the entire share capital of our Company was transferred from the ACE Market to the Main Market of Bursa Securities.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of our Company are as follows:

	No. of shares	Amount
		RM
HEB Shares	319,081,010	(1) 54,234,581

Note:

(1) Pursuant to the commencement of the Act, all amounts standing to the credit of our Company's share premium account has become part of our Company's share capital.

2.2 Changes in issued share capital

The changes in the issued share capital of our Company for the past three (3) years up to the LPD are as follows:

Date allotted	Description	No. of HEB Shares allotted	Consideration per HEB Share	(1) Cumulative issued capital
			RM	RM
23 January 2015	Incorporation	2	1.00	2
20 March 2015	Subdivision of shares	18	-	2
1 April 2015	Cash subscription	80	0.10	10
7 June 2016	Issuance of shares for the acquisition of HSSE	227,397,760	0.10	22,739,786
8 June 2016	Issuance of shares for the acquisition of HSS BIM Solutions Sdn Bhd	11,508,714	0.10	23,890,657
13 June 2016	Cash subscription	4,932,306	0.10	24,383,888

INFORMATION ON OUR COMPANY (*Cont'd*)

Date allotted	Description	No. of HEB Shares allotted	Consideration per HEB Share	[1] Cumulative issued capital
			RM	RM
14 June 2016	Issuance of shares for the acquisition of BGV	11,425,930	0.10	25,526,481
8 August 2016	IPO	63,816,200	0.10	31,908,101
31 January 2017	Amalgamation of share premium to share capital pursuant to the migration to no par value regime	-	-	54,234,581

Note:

(1) The cumulative share capital value for the period between 23 January 2015 and 30 January 2017 represents the cumulative share capital value of our Company, based on the par value of RM0.10 per HEB Share and excludes any premium on such shares.

In view of the Act which came into force on 31 January 2017 and the abolishment of the par value regime under the Act, the cumulative share capital value for the period after 31 January 2017 therefore represents the cumulative share capital value of our Company, which includes any premium on such shares.

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3. SUBSTANTIAL SHAREHOLDERS

The pro forma effects of the Corporate Exercises on the shareholdings of the substantial shareholders of our Company are as follows:

Minimum Scenario

					Pro forma I				**Pro forma II**			
	As at the LPD				**After the Placement**				**After Pro forma I and issuance of the Rights Shares**			
	Direct		**Indirect**		**Direct**		**Indirect**		**Direct**		**Indirect**	
Name	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**[3]%**	**No. of HEB Shares**	**[3]%**	**No. of HEB Shares**	**[4]%**	**No. of HEB Shares**	**[4]%**
	'000		**'000**		**'000**		**'000**		**'000**		**'000**	
Victech	100,000	31.34	-	-	100,000	28.06	-	-	116,936	31.32	-	-
Flamingo Works Sdn Bhd	100,000	31.34	-	-	100,000	28.06	-	-	100,000	26.78	-	-
TS Ir. Kuna	-	-	[1] 100,000	31.34	-	-	[1] 100,000	28.06	-	-	[1] 116,936	31.32
Vanessa A/P Santhakumar	-	-	[2] 100,000	31.34	-	-	[2] 100,000	28.06	-	-	[2] 100,000	26.78
Datuk Ir. Teo	-	-	-	-	-	-	-	-	-	-	-	-
Ir. Teo Koon Hau	-	-	-	-	-	-	-	-	-	-	-	-

Name	Pro forma III				Pro forma IV				Pro forma V			
	After Pro forma II and issuance of the Bonus Shares				After Pro forma III and the SMHB Acquisition				After Pro forma IV and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of HEB Shares	(7)%	No. of HEB Shares	(7)%	No. of HEB Shares	(8)%	No. of HEB Shares	(8)%	No. of HEB Shares	(9)%	No. of HEB Shares	(9)%
	'000		'000		'000		'000		'000		'000	
Victech	125,404	32.84	-	-	125,404	26.31	-	-	150,808	30.04	-	-
Flamingo Works Sdn Bhd	100,000	26.19	-	-	100,000	20.98	-	-	100,000	19.92	-	-
TS Ir. Kuna	-	-	(1) 125,404	32.84	-	-	(1) 125,404	26.31	-	-	(1) 150,808	30.04
Vanessa A/P Santhakumar	-	-	(2) 100,000	26.19	-	-	(2) 100,000	20.98	-	-	(2) 100,000	19.92
Datuk Ir. Teo	-	-	-	-	33,158	6.96	(5)9,474	1.99	33,158	6.61	(59,474	1.89
Ir. Teo Koon Hau	-	-	-	-	9,474	1.99	(6)33,158	6.96	9,474	1.89	(6)33,158	6.61

Notes:

(1) Deemed interested by virtue of his shareholding in Victech pursuant to Section 8(4) of the Act.

(2) Deemed interested by virtue of her shareholding in Flamingo Works Sdn Bhd pursuant to Section 8(4) of the Act.

(3) Calculated based on 356,438,153 HEB Shares after the Placement assuming the issuance of 37,357,143 Placement Shares prior to the issue of the Rights Shares.

(4) Calculated based on 373,373,991 HEB Shares after the issuance of 16,935,838 Rights Shares.

(5) Deemed interested by virtue of the shareholding of his son, Ir. Teo Koon Hau, pursuant to Section 8(5) of the Act.

(6) Deemed interested by virtue of the shareholding of his father, Datuk Ir. Teo, pursuant to Section 8(5) of the Act.

(7) Calculated based on 381,841,910 HEB Shares after the issuance of 8,467,919 Bonus Shares.

(8) Calculated based on 476,578,752 HEB Shares after the issuance of the Consideration Shares.

(9) Calculated based on 501,982,509 HEB Shares assuming full exercise of the Warrants.

Maximum Scenario

					Pro forma I				Pro forma II			
	As at the LPD				After the Placement				After Pro forma I and issuance of the Rights Shares			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of HEB Shares	%	No. of HEB Shares	%	No. of HEB Shares	(3)%	No. of HEB Shares	(3)%	No. of HEB Shares	(4)%	No. of HEB Shares	(4)%
	'000		'000		'000		'000		'000		'000	
Victech	100,000	31.34	-	-	100,000	28.06	-	-	110,000	28.33	-	-
Flamingo Works Sdn Bhd	100,000	31.34	-	-	100,000	28.06	-	-	110,000	28.33	-	-
TS Ir. Kuna	-	-	(1) 100,000	31.34	-	-	(1) 100,000	28.06	-	-	(1) 110,000	28.33
Vanessa A/P Santhakumar	-	-	(2) 100,000	31.34	-	-	(2) 100,000	28.06	-	-	(2) 110,000	28.33
Datuk Ir. Teo	-	-	-	-	-	-	-	-	-	-	-	-
Ir. Teo Koon Hau	-	-	-	-	-	-	-	-	-	-	-	-

INFORMATION ON OUR COMPANY *(Cont'd)*

	Pro forma III				Pro forma IV				Pro forma V			
	After Pro forma II and issuance of the Bonus Shares				After Pro forma III and the SMHB Acquisition				After Pro forma IV and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	**No. of HEB Shares**	[(7)]**%**	**No. of HEB Shares**	[(7)]**%**	**No. of HEB Shares**	[(8)]**%**	**No. of HEB Shares**	[(8)]**%**	**No. of HEB Shares**	[(9)]**%**	**No. of HEB Shares**	[(9)]**%**
	'000		**'000**		**'000**		**'000**		**'000**		**'000**	
Victech	115,000	28.44	-	-	115,000	23.04	-	-	130,000	23.77	-	-
Flamingo Works Sdn Bhd	115,000	28.44	-	-	115,000	23.04	-	-	130,000	23.77	-	-
TS Ir. Kuna	-	-	(1) 115,000	28.44	-	-	(1) 115,000	23.04	-	-	(1) 130,000	23.77
Vanessa A/P Santhakumar	-	-	(2) 115,000	28.44	-	-	(2) 115,000	23.04	-	-	(2) 130,000	23.77
Datuk Ir. Teo	-	-	-	-	33,158	6.64	(5) 9,474	1.90	33,158	6.06	(5) 9,474	1.73
Ir. Teo Koon Hau	-	-	-	-	9,474	1.90	(6) 33,158	6.64	9,474	1.73	(6) 33,158	6.06

***Notes**:*

(1) Deemed interested by virtue of his shareholding in Victech pursuant to Section 8(4) of the Act.

(2) Deemed interested by virtue of her shareholding in Flamingo Works Sdn Bhd pursuant to Section 8(4) of the Act.

(3) Calculated based on 356,438,153 HEB Shares after the Placement assuming the issuance of 37,357,143 Placement Shares prior to the issue of the Rights Shares.

(4) Calculated based on 388,346,254 HEB Shares after the issuance of 31,908,101 Rights Shares.

(5) Deemed interested by virtue of the shareholding of his son, Ir. Teo Koon Hau, pursuant to Section 8(5) of the Act.

(6) Deemed interested by virtue of the shareholding of his father, Datuk Ir. Teo, pursuant to Section 8(5) of the Act.

(7) Calculated based on 404,300,304 HEB Shares after the issuance of 15,954,050 Bonus Shares.

(8) Calculated based on 499,037,146 HEB Shares after the issuance of the Consideration Share.

(9) Calculated based on 546,899,297 HEB Shares assuming full exercise of the Warrants.

4. DIRECTORS

4.1 Particulars of Directors

The details of the members of our Board as at the LPD are as follows:

Name/Designation	Address	Age	Nationality	Profession
Dato' Mohd Zakhir Siddiqy Bin Sidek *Independent Non-Executive Chairman*	No. 143, Jalan Sepuluh Taman Ampang Utama Jalan Ampang 68000 Ampang Selangor Darul Ehsan	50	Malaysian	Company Director
Tan Sri Ir. Kunasingam A/L V. Sittampalam *Executive Vice Chairman*	Unit 22-2, Block A, Menara Bangsar Jalan Maarof Bangsar 59000 Kuala Lumpur Wilayah Persekutuan	64	Malaysian	Company Director / Engineer
Dato' Ir. Nitchiananthan A/L Balasubramaniam *Executive Director / Group Chief Executive Officer*	No. 49, Jalan 5/58A Gasing Indah Section 5 46000 Petaling Jaya Selangor Darul Ehsan	54	Malaysian	Company Director / Engineer / Group Chief Executive Officer
Ir. Sharifah Azlina Bt Raja Kamal Pasmah *Executive Director/ Chief Operating Officer*	Lot 4103 Jalan Haji Hussin Batu 7, Jalan Kebun Seksyen 30 40460 Shah Alam Selangor Darul Ehsan	50	Malaysian	Company Director / Engineer / Chief Operating Officer
Mohan A/L Ramalingam *Senior Independent Non-Executive Director*	No. 94, Jalan SS 22/32 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	69	Malaysian	Company Director
Foo Lee Khean *Independent Non-Executive Director*	7-1-12A, Kiara Green Townhouse Taman Tun Dr Ismail 60000 Kuala Lumpur Wilayah Persekutuan	54	Malaysian	Company Director / Accountant
Ng Kuan Yee *Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam / Group Chief Financial Officer*	No. 17 Jalan Birai U8/69 Bukit Jelutong Seksyen U8 40150 Shah Alam Selangor Darul Ehsan	46	Malaysian	Company Director / Company Secretary / Group Chief Financial Officer

4.2 Directors' shareholdings

The pro forma effects of the Rights with Bonus Issue and Warrants on the shareholdings of the Directors of our Company as at the LPD are as follows:

Minimum Scenario

					Pro forma I				Pro forma II			
	As at the LPD				After the Placement				After Pro forma I and issuance of the Rights Shares			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of HEB Shares	%	No. of HEB Shares	%	No. of HEB Shares	(2)%	No. of HEB Shares	(2)%	No. of HEB Shares	(3)%	No. of HEB Shares	(3)%
	'000		'000		'000		'000		'000		'000	
Dato' Mohd Zakhir Siddiqy Bin Sidek	500	0.16	-	-	500	0.14	-	-	500	0.13	-	-
TS Ir. Kuna	-	-	(1) 100,000	31.34	-	-	(1) 100,000	28.06	-	-	(1) 116,936	31.'2
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500	2.66	-	-	8,500	2.38	-	-	8,500	2.28	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000	1.25	-	-	4,000	1.12	-	-	4,000	1.07	-	-
Mohan A/L Ramalingam	1,000	0.31	-	-	1,000	0.28	-	-	1,000	0.27	-	-
Foo Lee Khean	-	-	-	-	-	-	-	-	-	-	-	-
Ng Kuan Yee	461	0.14	-	-	461	0.13	-	-	461	0.12	-	-

INFORMATION ON OUR COMPANY *(Cont'd)*

	Pro forma III				Pro forma IV				Pro forma V			
	After Pro forma II and issuance of the Bonus Shares				After Pro forma III and SMHB Acquisition				After Pro forma IV and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	**No. of HEB Shares**	**(4)%**	**No. of HEB Shares**	**(4)%**	**No. of HEB Shares**	**(5)%**	**No. of HEB Shares**	**(5)%**	**No. of HEB Shares**	**(6)%**	**No. of HEB Shares**	**(6)%**
	'000		**'000**		**'000**		**'000**		**'000**		**'000**	
Dato' Mohd Zakhir Siddiqy Bin Sidek	500	0.13	-	-	500	0.10	-	-	500	0.10	-	-
TS Ir. Kuna	-	-	(1)125,404	32.84	-	-	(1)125,404	26.31	-	-	(1)150,808	30.'4
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500	2.23	-	-	8,500	1.78	-	-	8,500	1.69	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000	1.05	-	-	4,000	0.84	-	-	4,000	0.80	-	-
Mohan A/L Ramalingam	1,000	0.26	-	-	1,000	0.21	-	-	1,000	0.20	-	-
Foo Lee Khean	-	-	-	-	-	-	-	-	-	-	-	-
Ng Kuan Yee	461	0.12	-	-	461	0.10	-	-	461	0.09	-	-

***Notes**:*

(1) Deemed interested by virtue of his shareholding in Victech pursuant to Section 8(4) of the Act.

(2) Calculated based on 356,438,153 HEB Shares after the Placement assuming the issuance of 37,357,143 Placement.

(3) Calculated based on 373,373,991 HEB Shares after the issuance of 16,935,838 Rights Shares.

(4) Calculated based on 381,841,910 HEB Shares after the issuance of 8,467,919 Bonus Shares.

(5) Calculated based on 476,578,752 HEB Shares after the issuance of the Consideration Shares.

(6) Calculated based on 501,982,509 HEB Shares assuming full exercise of the Warrants.

Maximum Scenario

					Pro forma I				Pro forma II			
	As at the LPD				After the Placement				After Pro forma I and issuance of the Rights Shares			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**	**No. of HEB Shares**	**%**
	'000		**'000**		**'000**		**'000**		**'000**		**'000**	
Dato' Mohd Zakhir Siddiqy Bin Sidek	500	0.16	-	-	500	0.14	-	-	550	0.14	-	-
TS Ir. Kuna	-	-	(1) 100,000	31.34	-	-	(1) 100,000	28.06	-	-	(1) 110,000	28.'3
Dato' Ir. Nitchiananthan A/L Balasubramaniam	8,500	2.66	-	-	8,500	2.38	-	-	9,350	2.41	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,000	1.25	-	-	4,000	1.12	-	-	4,400	1.13	-	-
Mohan A/L Ramalingam	1,000	0.31	-	-	1,000	0.28	-	-	1,100	0.28	-	-
Foo Lee Khean	-	-	-	-	-	-	-	-	-	-	-	-
Ng Kuan Yee	461	0.14	-	-	461	0.13	-	-	507	0.13	-	-

INFORMATION ON OUR COMPANY *(Cont'd)*

	Pro forma III				Pro forma IV				Pro forma V			
	After Pro forma II and issuance of the Bonus Shares				After Pro forma III and the SMHB Acquisition				After Pro forma IV and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	**No. of HEB Shares**	**[(4)]%**	**No. of HEB Shares**	**[(4)]%**	**No. of HEB Shares**	**[(5)]%**	**No. of HEB Shares**	**[(5)]%**	**No. of HEB Shares**	**[(6)]%**	**No. of HEB Shares**	**[(6)]%**
	'000		**'000**		**'000**		**'000**		**'000**		**'000**	
Dato' Mohd Zakhir Siddiqy Bin Sidek	575	0.14	-	-	575	0.12	-	-	650	0.12	-	-
TS Ir. Kuna	-	-	[1)] 115,000	28.44	-	-	[(1)] 115,000	23.04	-	-	[(1)] 130,000	23.77
Dato' Ir. Nitchiananthan A/L Balasubramaniam	9,775	2.42	-	-	9,775	1.96	-	-	11,050	2.02	-	-
Ir. Sharifah Azlina Bt Raja Kamal Pasmah	4,600	1.14	-	-	4,600	0.92	-	-	5,200	0.95	-	-
Mohan A/L Ramalingam	1,150	0.28	-	-	1,150	0.23	-	-	1,300	0.24	-	-
Foo Lee Khean	-	-	-	-	-	-	-	-	-	-	-	-
Ng Kuan Yee	530	0.13	-	-	530	0.11	-	-	600	0.11	-	-

***Notes**:*

(1) Deemed interested by virtue of his shareholding in Victech pursuant to Section 8(4) of the Act.

(2) Calculated based on 356,438,153 HEB Shares after the Placement assuming the issuance of 37,357,143 Placement Shares prior to the issue of the Rights Shares.

(3) Calculated based on 388,346,254 HEB Shares after the issuance of 31,908,101 Rights Shares.

(4) Calculated based on 404,300,304 HEB Shares after the issuance of 15,954,050 Bonus Shares.

(5) Calculated based on 499,037,146 HEB Shares after the issuance of the Consideration Shares.

(6) Calculated based on 546,899,297 HEB Shares assuming full exercise of the Warrants.

INFORMATION ON OUR COMPANY *(Cont'd)*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries and associated companies of our Company as at the LPD are as follows:

Name of company	Date and place of incorporation	Issued share capital	Effective equity interest	Principal activities
		RM (unless denominated otherwise)	%	
Subsidiaries				
HSSE	21 October 1997 Malaysia	5,000,000	100.0	Provision of engineering and project management services
HSS BIM Solutions Private Limited	13 July 2012 India	INR 333,330	100.0	Provision of BIM services
BGV	3 July 2012 Malaysia	10,000	100.0	Provision of BIM services
Associated company of HSSE				
HSSI	23 August 1988 Malaysia	2,000,000	30.0	Engineering consultancy company registered under the REA to provide civil and structural consultancy services
HSSME	11 November 1991 Malaysia	50,000	30.0	Engineering consultancy company registered under the REA to provide mechanical and electrical consultancy services

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record based of our audited financial statements for the FYE 31 December 2014 and 2015 and consolidated financial statements for FYE 31 December 2016 and our unaudited consolidated financial statements for the 9-month FPE 30 September 2016 and 30 September 2017 are as follows:

	Audited FYE 31 December			Unaudited 9-month FPE 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	104,575	121,503	139,004	102,298	104,505
Cost of sales	(67,373)	(80,775)	(88,403)	(71,454)	(71,267)
Gross profit	37,202	40,728	50,601	30,844	33,238
Other income	1,248	1,156	854	612	945
Administrative expenses	(19,615)	(23,721)	(26,560)	(17,434)	(17,227)
Operating expenses	(4,320)	(3,147)	(3,775)	(2,875)	(3,222)
Profit from operations	14,515	15,016	21,120	11,147	13,734
Finance costs	(1,095)	(1,295)	(1,436)	(1,155)	(1,025)
Share of profit/(loss) in an associate, net of tax	-	-	207	100	155
PBT	13,420	13,721	19,891	10,092	12,864
Income tax expense	(4,271)	(3,586)	(5,873)	(3,356)	(3,888)
PAT	**9,149**	**10,135**	**14,018**	**6,736**	**8,976**
Profit attributable to:					
Equity holders of our Company	9,149	10,135	14,018	6,736	8,976
Non-controlling interests	-	-	-	-	-
	9,149	**10,135**	**14,018**	**6,736**	**8,976**
EBITDA	15,767	16,446	22,763	12,320	14,951
Weighted average number of shares in issue ('000)	255,265	255,265	281,942	269,446	319,081
Basic/diluted EPS (sen)	3.58	3.97	4.97	2.50	2.81
Net dividend per HEB Share (sen)	-	-	0.63	-	-
Profit margin:					
Gross profit margin	35.6%	33.5%	36.4%	30.2%	31.8%
PBT margin	12.8%	11.3%	14.3%	9.9%	12.3%
PAT margin	8.7%	8.3%	10.1%	6.6%	8.6%

Commentaries on financial performance

FYE 31 December 2014

The revenue in FYE December 2014 of RM104.6 million is mainly attributable to construction supervision jobs for the LRT Ampang Line extension (RM29.5 million) and North-South Expressway Fourth Lane Widening between Nilai and Seremban (RM3.9 million); project management jobs such as the IKEA Store (RM1.9 million), Kwasa Damansara Township (RM2.3 million) and KVMRT 1: SBK Line (RM18.5 million); and engineering design projects such as the WCE (RM6.4 million), West Port Wharf (RM3.8 million), North-South Expressway Fourth Lane Widening between Nilai and Seremban (RM1.8 million) and Bukit Rajah Development (RM1.3 million). Contribution to revenue in FYE December 2014 was lower from design jobs, including site preparation works for RAPID in Pengerang, Container Yard 4 to 7 at Westports and Manjung Power Plant project.

The gross profit margin of 35.6% for the FYE 31 December 2014 is mainly attributable to:

i) the change in the fee structure for the teaming and support services agreement between HSSE with HSSI and HSSME from 97.5% to 98.75%, resulting in an additional 1.25% margin to HSSE; and

ii) lesser works required from sub-consultants for engineering design.

The PBT of RM13.4 million for the FYE 31 December 2014 is mainly attributable to the fee structure change and lesser works from sub-consultants as mentioned above, and was also negatively affected by the recognition of leave pay expenses arising from the adoption of Malaysian Financial Reporting Standards ("**MFRS**") and write off of amounts due from related parties as a precursor to our listing to clean up our balance sheet.

FYE 31 December 2015

Revenue increased by RM16.9 million or 16.2% for the FYE 31 December 2015 to RM121.5 million (FYE December 2014: RM104.6 million). The increase in revenue is mainly attributable to the increase in revenue from engineering design work for RAPID in Pengerang, LRT Ampang Line extension Alternate Design Review and project management for KVMRT 2: SSP Line in line with the progress of these projects which was offset by the reduced revenue from the completion of engineering design for WCE and BIM services for KVMRT 1: SBK Line during the year.

Gross profit margin decreased by 2.1% for the FYE 31 December 2015 to 33.5% (FYE December 2014: 35.6%). The decrease in gross profit margin is mainly attributable to:

i) an increase in sub-consultancy costs by RM4.8 million from RM23.8 million in the FYE 31 December 2014, in line with the increase in engineering design revenue, which requires more sub-consultants; and

ii) higher staff costs arising from bonus payouts, group health insurance, salary increments, training and mobilisation of staff for new projects obtained during the year such as the KVMRT 2: SSP Line.

PBT increased by RM301,000 or 2.2% for the FYE 31 December 2015 to RM13.7 million (FYE December 2014: RM13.4 million). The increase in PBT is mainly attributable to higher revenue from the abovementioned projects, partially offset by higher staff costs and other operating expenses such as professional fees for IPO preparation, impairment of trade receivables, upgrade of accounting software for goods and service tax requirements and rental of premises.

FYE 31 December 2016

Revenue increased by RM17.5 million or 14.4% for the FYE 31 December 2016 to RM139.0 million (FYE December 2015: RM121.5 million). The increase in revenue is mainly attributable to higher revenue from engineering design and project management jobs, offset by lower supervision jobs where billings are lower. Existing and new projects contributing to design and project management revenue are KVMRT 2: SSP Line, Wharf and Yard designs at Westports and WCE, offset by supervision projects nearing completion such as LRT Ampang Line extension and North-South Expressway Fourth Lane Widening between Nilai and Seremban.

Gross profit margin increased by 2.9% for the FYE 31 December 2016 to 36.4% (FYE December 2015: 33.5%). The increase in gross profit margin is mainly attributable to:

i) lower sub-consultants costs due to lower requirements to have sub-consultants involved in project management services due to the nature of project management which requires less reliance on sub-consultants as compared to engineering design, and there were more project management projects compared to engineering design projects for the year; and

ii) the increase in engineering design revenue being proportionately higher than the corresponding increase in staff costs under the engineering design division due to efficiency measures introduced by our Company.

PBT increased by RM6.2 million or 45% for the FYE 31 December 2016 to RM19.9 million (FYE 31 December 2015: RM13.7 million). The increase in PBT is mainly attributable to an increase in gross profit of RM9.9 million due to the factors mentioned above, which is partially offset by higher operating expenses such as one-off death gratuity of RM1.4 million paid to our late co-founder in recognition of his invaluable contribution to our Group and increase in indirect staff costs attributable to the increase in staff mobilisation. Staff mobilisation activities typically align with the progress of each project and for the year, projects such as KVMRT 2: SSP Line require higher skilled mobilisation as it in line with its progress.

9-month FPE 30 September 2017

Revenue increased by RM2.2 million or 2.2% for the 9-month FPE 30 September 2017 to RM104.5 million (9-month FPE 30 September 2016: RM102.3 million). The increase in revenue is mainly attributable to higher project management revenue, offset by a decline in design and supervision revenue. The decline in design revenue was attributable to completion of the LRT Ampang Line extension and Wharf and Yard designs at Westports projects, while completion of the supervision for the LRT Ampang Line extension also contributed to the decline in supervision revenue. However, project management grew substantially from RM27.9 million to RM41.1 million due to higher contribution from KVMRT 2: SSP Line which is progressing as per schedule.

Gross profit margin increased by 1.6% for the 9-month FPE 30 September 2017 to 31.8% (9-month FPE 30 September 2016: 30.2%). The increase in gross profit margin is mainly attributable to a marginal increase in revenue without a corresponding increase in staff costs and sub-consultants costs due to our Company's efforts to enhance the efficiency of our operations.

PBT increased by RM2.7 million or 27.5% for the 9-month FPE 30 September 2017 to RM12.9 million (9-month FPE 30 September 2016: RM10.1 million). The increase in PBT is mainly attributable to higher gross profit recorded in 9 month FPE 30 September 2017 and no significant increase in other operating expenses.

7. HISTORICAL SHARE PRICES

The monthly high and low market price of HEB Shares as traded on Bursa Securities for the past twelve (12) months are as follows:

	High (RM)	Low (RM)
2017		
February	0.570	0.510
March	0.745	0.545
April	0.990	0.780
May	0.965	0.830
June	0.930	0.790
July	0.925	0.855
August	1.12	0.895
September	1.19	1.05
October	1.18	1.00
November	1.35	1.11
December	1.48	1.27
2018		
January	1.71	1.44

Last transacted market price of HEB Shares on 28 September 2017, being the last Market Day preceding the announcement of the HOA on 29 September 2017	RM1.14
Last transacted market price of HEB Shares on 26 October 2017, being the last Market Day preceding the announcement of the SSA on 27 October 2017	RM1.15
Last transacted market price of HEB Shares as at the LPD	RM1.61
Last transacted market price of HEB Shares on 15 February 2018, being the last trading day prior to the ex-date of the Rights with Bonus Issue and Warrants	RM1.95

(Source: Bloomberg)

INFORMATION ON SMHB ENGINEERING

1. SHARE CAPITAL

1.1 SMHB Engineering

As at the LPD, the share capital and total number of issued shares of SMHB Engineering is RM100,000 comprising 100,000 ordinary shares.

1.2 SMHB

As at the LPD, the share capital and total number of issued shares of SMHB is RM2,000,000 comprising 2,000,000 ordinary shares.

1.3 SMHB Environmental

As at the LPD, the share capital and total number of issued shares of SMHB Environmental is RM100,000 comprising 100,000 ordinary shares.

2. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, SMHB Engineering does not have any subsidiary or associated company.

The proposed subsidiary and associate of SMHB Engineering are as follows:

Name	Date and place of incorporation	Principal activities	Share capital (RM)	Effective equity interest (%)
SMHB	10 October 1980 Malaysia	Provision of engineering consultancy services	2,000,000	30
SMHB Environmental	2 March 1993 Malaysia	Provision of environmental consultancy services	100,000	100

3. DIRECTORS

The directors of SMHB Engineering, all of whom are Malaysians, and their direct and indirect shareholdings as at the LPD are as follows:

			Direct		Indirect	
Name	**Nationality**	**Designation**	**No. of SMHB Engineering Shares**	**%**	**No. of SMHB Engineering Shares**	**%**
Datuk Ir. Teo	Malaysian	Director	35,000	35.0	10,000	(1)10.0
Ir Prem Kumar a/l M. Vasudevan	Malaysian	Director	8,000	8.0	-	-
Ir Syed Mohamed Adnan bin Mansor Alhabshi	Malaysian	Director	10,000	10.0	-	-

Note:

(1) Deemed interested by virtue of the shareholding of his son, Ir. Teo Koon Hau, pursuant to Section 8(5) of the Act.

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of SMHB Engineering, all of whom are Malaysians, and their direct and indirect shareholdings as at the LPD are as follows:

	Direct		Indirect	
Name	**No. of SMHB Engineering Shares**	**%**	**No. of SMHB Engineering Shares**	**%**
Datuk Ir. Teo	35,000	35.0	10,000	(1)10.0
Ir. Mohd Rousdin bin Hassan	11,000	11.0	-	-
Ir. Syed Mohamed Adnan bin Mansor Alhabshi	10,000	10.0	-	-
Ir. Teo Koon Hau	10,000	10.0	35,000	(2)35.0
Ir. Prem Kumar a/l M. Vasudevan	8,000	8.0	-	-
TSD Ir. Syed Muhammad	7,000	7.0	-	-
Ir. Loo Ai Choo	7,000	7.0	-	-
Ir. Zulkiflee bin Ab Hamid	5,000	5.0	-	-

Notes:

(1) Deemed interested by virtue of the shareholding of his son, Ir. Teo Koon Hau, pursuant to Section 8(5) of the Act.

(2) Deemed interested by virtue of the shareholding of his father, Datuk Ir. Teo, pursuant to Section 8(5) of the Act.

5. MATERIAL REAL ESTATE PROPERTIES OWNED

Pursuant to the Internal Reorganisation, the SMHB Engineering Group will not own any material real estate properties.

6. MATERIAL CONTRACTS

As at the LPD, save as disclosed below and the relevant Restructuring Agreements, the SMHB Engineering Group has not entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business of the SMHB Engineering Group) within the past two (2) years immediately preceding the date of this Abridged Prospectus:

(a) Instrument for transfer of 408,000 ordinary shares in SMH Properties, representing 100% equity interest in SMH Properties, by the shareholders of SMH Properties to SMHB for cash consideration of RM11,033,021 was executed on 30 January 2017. As at the LPD, the transfer of the shares has been completed.

7. MATERIAL LITIGATION

As at the LPD, the SMHB Engineering Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of the SMHB Engineering is not aware of any proceedings pending or threatened against the SMHB Engineering Group or any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the SMHB Engineering Group.

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

8.1 Material commitments

As at the LPD, the board of directors of SMHB Engineering confirms that there are no material commitments incurred or known to be incurred by SMHB Engineering Group which may have a material impact on the profits and/or NA of SMHB Engineering Group.

8.2 Contingent liabilities

As at the LPD, the board of directors of SMHB Engineering confirms that there are no contingent liabilities in respect of the SMHB Engineering Group.

9. FINANCIAL INFORMATION

A summary of the financial information of the SMHB Engineering Group based on the Accountants' Report on SMHB Engineering as set out in **Appendix IV** of this Abridged Prospectus for the FYEs 30 April 2015, 30 April 2016 and 30 April 2017 is as follows:

	Audited FYE 30 April		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Revenue	106,239	92,820	102,983
PBT	52,808	32,326	40,768
Taxation	(13,149)	(6,445)	(8,795)
PAT	39,659	25,881	31,973
NA / Shareholders' funds	47,207	42,898	64,871
Share capital	100	100	100
Total borrowings	-	-	-
No. of SMHB Engineering Shares in issue ('000)	100	100	100
NA per SMHB Engineering Share (RM)	472.07	428.98	648.71
Gross earnings per SMHB Engineering Share (RM) [1]	528.08	323.26	407.68
Net earnings per SMHB Engineering Share (RM)[2]	396.59	258.81	319.73
Current ratio (times)	2.07	1.89	2.58
Gearing ratio (times)	-	-	-
Profit margin:			
PBT margin	49.7%	34.8%	39.6%
PAT margin	37.3%	27.9%	31.0%

Notes:

(1) *Computed based on PBT divided by no. of SMHB Engineering Shares in issue.*

(2) *Computed based on PAT divided by no. of SMHB Engineering Shares in issue.*

There were no exceptional and/or extraordinary items for the financial years under review. There are no peculiar accounting policies adopted by SMHB Engineering and no audit qualifications reported in the audited combined financial statements of SMHB Engineering for the financial years under review.

Commentaries on financial performance

FYE 30 April 2016 vs FYE 30 April 2015

The decrease in revenue by RM13.4 million or 12.6% for the FYE 30 April 2016, is mainly attributable to key projects such as Pahang – Selangor raw water transfer and KVMRT 1: SBK Line projects nearing completion. The decline is partially offset by revenue from new projects, including the KVMRT 2: SSP Line - Design and Langat centralized sewage treatment plant projects.

PBT decreased by RM20.4 million or 38.7% whereas PBT margin decreased by 14.9% for the FYE 30 April 2016, due to more transportation projects such as the KVMRT 2: SSP Line - Design project (which have lower margins) compared to water projects, decline in investment income by RM4.1 million attributable to loss recognised as a result of the decrease in the fair value of marketable investments and an increase in staff costs by RM3.2 million. The decline in PBT is due to transport projects having lower margins in general due to higher subcontractor costs. The decline in investment income is mainly due to losses from its equity investments portfolio. Higher staff costs were due to additional hiring of contract site staff in anticipation of KVMRT 2: SSP Line – Construction Supervision project commencement in the following year while higher gratuity expenses were due to the increase in number of contract site staff.

NA decreased by RM4.3 million or 9.1% for the FYE 30 April 2016 as the profits of RM25.9 million was offset by dividend payment of RM30.2 million for the FYE 30 April 2016.

FYE 30 April 2017 vs FYE 30 April 2016

Revenue increased by 11% primarily due to increase in revenue recognised from new projects, including the KVMRT 2: SSP Line - Construction Supervision and increase in revenue for existing key projects, including the Langat 2 Water Supply Scheme project.

PBT increased by RM8.4 million or 26.1% whereas PBT margin increased by 4.8% for the FYE 30 April 2017. The increase in PBT and PBT margin is mainly attributable to:

i) increase in investment income by RM5.6 million due to gains recognised as a result of the increase in the fair value of its marketable investments portfolio; and

ii) employee costs decreasing by RM1.0 million due to the lower provision for gratuity expenses, as:

    a) gratuity expenses for some contract site staff were fully provided for in the previous financial year (as the contracts of the contract site staff were not renewed); and

    b) there was a reduction in the hiring of new contract site staff.

NA increased by RM21.9 million or 51.2% for the FYE 30 April 2017 as the PAT of RM31.9 million was offset by dividend payment of RM10.0 million for the FYE 30 April 2017.

10. MAJOR ON-GOING PROJECTS

As at the LPD, SMHB has an unbilled order book of approximately RM308 million and the details of the major on-going consultancy contracts of SMHB are as follows:

No.	Project details	Type of project	Type of consultancy service	Client	Contract value (RM'000)	Commencement date	Scheduled completion
1.	KVMRT 2: SSP Line - Construction Supervision	Transport	Construction Supervision	MMC Gamuda KVMRT (PDP SSP) Sdn Bhd	136,000	4 February 2015	June 2022
2.	KVMRT 2: SSP Line - Elevated South 1 & South 2	Transport	Engineering Design	MMC Gamuda KVMRT (PDP SSP) Sdn Bhd	54,889	15 December 2014	June 2022
3.	Central Spine Road - Package 3	Transport	Engineering Design and Construction Supervision	Government of Malaysia	49,174	11 August 2009	April 2021
4.	KVMRT 2: SSP Line - Serdang Depot (M&E)	Transport	Engineering Design	Ong & Ong 360 Consultancy Sdn Bhd	7,750	25 August 2015	June 2022
5.	East Klang Valley Expressway (EKVE)	Transport	Engineering Design	EKVE Sdn Bhd	4,089	8 July 2013	December 2019
6.	KVMRT 2: SSP Line - Serdang Depot (M&E)	Transport	Engineering Design and Construction Supervision	PSCE Sdn Bhd	2,500	31 March 2015	June 2022
7.	Langat 2 Water Supply Scheme - Phase 1	Water	Engineering Design and Construction Supervision	Pengurusan Aset Air Bhd	91,308	4 February 2008	2022
8.	Raw Water Supply to RAPID Project	Water	Engineering Design and Construction Supervision	PRPC Water Sdn Bhd	38,843	13 May 2013	February 2018
9.	Upgrade of Pelubang Water Treatment Plant	Water	Engineering Design and Construction Supervision	Syarikat Air Darul Aman Sdn Bhd	17,662	1 December 2016	January 2022
10.	Construction of Langat Centralized Sewage Treatment Plant	Water	Engineering Design and Construction Supervision	MMC-Sumitomo Consortium	14,233	30 March 2015	October 2018

INFORMATION ON SMHB ENGINEERING *(Cont'd)*

No.	Project details	Type of project	Type of consultancy service	Client	Contract value (RM'000)	Commencement date	Scheduled completion
11.	Design of Sewerage Network in Batu, Jinjang and Kepong - Package D43	Water	Engineering Design	JAKS - KACC JV	12,578	2 April 2014	April 2018
12.	Raw Water Treatment Plant for RAPID Project	Water	Engineering Design	Loh & Loh Constructions Sdn Bhd	8,629	30 March 2015	March 2018
13.	Layang 2 Raw Water Transfer Project	Water	Engineering Design and Construction Supervision	Asia Baru Construction Sdn Bhd	4,965	20 March 2017	June 2019
14.	Construction of Jernih Dam, Alor Gajah, Melaka	Water	Engineering Design and Construction Supervision	Ministry of Energy, Green Technology & Water	3,765	6 October 2015	August 2020
15.	Intake and Raw Water Pumping Station for Horas Project, Kuala Selangor	Water	Engineering Design and Construction Supervision	State Government of Selangor	3,148	29 March 2014	February 2019
16.	Sewage Treatment Plant and Systems at Bandar Indera Mahkota, Kuantan	Water	Engineering Design	Ministry of Energy, Green Technology & Water	3,110	30 May 2014	March 2020
17.	Water Resources, Supply, Demand and Distribution Study for Selangor	Water	Engineering Study	State Government of Selangor	2,073	27 August 2015	February 2018
18.	Construction of Sewage Pipes at Si-Rusa Area, Port Dickson, Negeri Sembilan	Water	Engineering Design and Construction Supervision	SPAN	2,071	17 April 2013	September 2018
19.	Construction of Intake Gates and Upgrading of Water Treatment Plants at Sungai Kampar	Water	Engineering Design and Construction Supervision	Lembaga Air Perak	1,840	9 May 2017	December 2019

No.	Project details	Type of project	Type of consultancy service	Client	Contract value (RM'000)	Commencement date	Scheduled completion
20.	Kuching Water Board 3rd Water Supply Master Plan Study	Water	Engineering Study	Konsortium Malaysia	1,343	29 May 2017	May 2018

11. MAJOR COMPLETED PROJECTS

As at the LPD, the details of the major projects completed by SMHB for the past three (3) years are as follows:

No.	Project details	Type of project	Type of consultancy service	Client	Contract value (RM'000)	Commencement date	Completion
1.	Pahang-Selangor Raw Water Transfer Project	Water	Engineering Design and Construction Supervision	Ministry of Energy, Green Technology & Water	55,000	28 March 2007	August 2016
2.	Pantai 2 Sewage Treatment Plant	Wastewater	Engineering Design and Construction Supervision	Ministry of Energy, Green Technology & Water	7,513	28 September 2011	July 2017
3.	Upgrading Works for Labuan Dam	Water	Engineering Design and Construction Supervision	Ministry of Energy, Green Technology & Water	1,849	21 October 2013	October 2017
4.	Keningau Raw Water Supply	Water	Engineering Study and Design	Perunding BSK Sdn Bhd	1,060	5 December 2014	December 2016
5.	Upgrading of Batu Ferringhi Sewage Treatment Plant	Wastewater	Engineering Design and Construction Supervision	Quantum Hydromech Sdn Bhd	2,219	22 April 2014	February 2017
6.	Raw Water Supply System from Sungai Jelai to Gemencheh Dam	Water	Engineering Design and Construction Supervision	Hatimuda Sdn Bhd	1,684	8 March 2015	October 2017

INFORMATION ON SMHB ENGINEERING *(Cont'd)*

No.	Project details	Type of project	Type of consultancy service	Client	Contract value (RM'000)	Commencement date	Completion
7.	Raw Water Pumping to Upper Layang Reservoir	Water	Engineering Design and Construction Supervision	Asia Baru Construction Sdn Bhd	3,650	15 July 2016	July 2017
8.	Distribution Works for Sg Selangor Water Supply Scheme Phase 1	Water	Engineering Design and Construction Supervision	Unit Perancang Ekonomi Negeri Selangor	5,841	14 June 2013	April 2016
9.	Distribution Works for Sg Selangor Water Supply Scheme Phase 3	Water	Engineering Design and Construction Supervision	Unit Perancang Ekonomi Negeri Selangor	9,826	14 June 2013	March 2016
10.	Johor Barrage	Water	Engineering Design and Construction Supervision	Ministry of Energy, Green Technology & Water	5,370	31 December 2012	March 2017
11.	Kuala Jelai Water Supply Scheme	Water	Engineering Design and Construction Supervision	Pengurusan Aset Air Bhd	5,616	23 November 2010	March 2015
12.	Triang Water Supply Scheme	Water	Engineering Design and Construction Supervision	Syarikat Air Negeri Sembilan	31,285	29 August 2007	April 2016
13.	KVMRT 1: SBK Line - Supervision for Package V5 to V8	Transport	Construction Supervision	MMC Gamuda KVMRT (PDP) Sdn Bhd	177,000	8 February 2012	December 2017
14.	KVMRT 1: SBK Line - Elevated Section 6 to 8	Transport	Engineering Design	MMC Gamuda KVMRT (T) Sdn Bhd	37,922	16 March 2011	December 2017
15.	Water Resource Development Plan for Langkawi	Water	Engineering Study	Syarikat Air Darul Aman Sdn Bhd	1,495	2 July 2016	December 2017

None of the project owners listed above are the directors and/or substantial shareholders of SMHB and/or persons connected to them.

azman, wong, salleh & co (No. AF 0012)
akauntan bertauliah
chartered accountants

An Independent Member Firm of DFK INTERNATIONAL

Date : 07 FEB 2018

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

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SMHB ENGINEERING SDN BHD

Opinion

We have audited the combined financial statements of SMHB Engineering Sdn Bhd ("SMHB Engineering Group" or "Group") which comprises the combined statements of financial position as at 30 April 2015, 30 April 2016 and 30 April 2017, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out in pages 4 to 43.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 30 April 2015, 30 April 2016 and 30 April 2017 and of its financial performance and its cash flows for each of the years ended 30 April 2015, 30 April 2016 and 30 April 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined 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 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.

Responsibilities of the Directors for the Combined Financial Statements

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

12th Floor, Wisma Tun Sambanthan, No. 2, Jalan Sultan Sulaiman, P.O. Box 12019, 50764 Kuala Lumpur, Malaysia.
Tel: 603-2273 2688 Fax: 603-2274 2688 e-mail: audit@folksdfk.com / general@folksdfk.com

Responsibilities of the Directors for the Combined Financial Statements (Continued)

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 the users taken on the basis of these combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the combined 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.

DFK INTERNATIONAL

Other Matters

This report has been prepared solely to comply with the Prospectus Guidelines – Abridged Prospectus of Securities Commission Malaysia for inclusion in the Abridged Prospectus of HSS Engineers Berhad in connection with the rights issue for the purpose of financing partly the acquisition of the entire equity interest in SMHB Engineering Sdn Bhd by HSS Engineers Berhad, and should not be relied upon for any other purposes. 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
03051/05/2019 J
Chartered Accountant

Kuala Lumpur

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017

	Note	2015 RM	2016 RM	2017 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	1,268,979	1,890,982	1,666,220
Investment	5	-	-	11,033,021
Deferred tax assets	6	1,610,066	3,333,912	2,029,386
		2,879,045	5,224,894	14,728,627
CURRENT ASSETS				
Inventories, at cost		1,191	1,298	710
Amount due from contract customers	7	9,666,344	7,614,474	11,017,178
Trade receivables	8	24,612,330	20,871,803	16,933,818
Other receivables, deposits and prepayments	9	264,520	374,487	440,458
Marketable investments	10	39,454,958	47,095,381	51,516,033
Amount due from directors	11	317,082	357,082	367,082
Tax recoverable		33,266	283	19,458
Short term deposits with licensed banks	12	8,250,000	286,000	100,000
Cash and bank balances		5,616,347	6,820,068	2,233,083
		88,216,038	83,420,876	82,627,820
TOTAL ASSETS		91,095,083	88,645,770	97,356,447
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Invested equity	13	3,249,998	3,249,998	3,249,998
Retained profits		43,957,352	39,648,418	61,621,390
		47,207,350	42,898,416	64,871,388

The notes on pages 10 to 43 form part of these financial statements.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017 (CONTINUED)

	Note	2015 RM	2016 RM	2017 RM
NON-CURRENT LIABILITIES				
Provisions	14	1,423,142	1,585,295	559,308
Deferred tax liabilities	6	3,066	3,200	1,747
		1,426,208	1,588,495	561,055
CURRENT LIABILITIES				
Amount due to contract customers	7	16,084,624	19,440,885	18,248,551
Trade payables	15	7,959,828	8,921,745	7,997,677
Other payables and accruals	16	4,867,068	3,708,945	4,132,898
Provisions	14	376,858	914,705	1,440,692
Dividends payable		10,000,000	10,190,000	-
Taxation		3,173,147	982,579	104,186
		42,461,525	44,158,859	31,924,004
TOTAL LIABILITIES		43,887,733	45,747,354	32,485,059
TOTAL EQUITY AND LIABILITIES		91,095,083	88,645,770	97,356,447

The notes on pages 10 to 43 form part of these financial statements.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017

	Note	2015 RM	2016 RM	2017 RM
Operating revenue	17	106,239,074	92,820,174	102,982,980
Other operating income	18	11,138,833	4,131,366	9,251,164
Changes in inventories of printing materials		72	107	(588)
Depreciation of property, plant and equipment	4	(485,672)	(749,679)	(752,002)
Employee benefits expense	19	(36,149,522)	(39,383,016)	(38,393,884)
Other operating expenses	20	(27,934,860)	(24,493,021)	(32,319,093)
Profit before taxation		52,807,925	32,325,931	40,768,577
Taxation	21	(13,149,050)	(6,444,865)	(8,795,605)
Profit for the year representing total comprehensive income for the year		39,658,875	25,881,066	31,972,972

The notes on pages 10 to 43 form part of these financial statements.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017

	Note	Invested Equity RM	Retained Profits RM	Total RM
As at 1 May 2014		3,249,998	14,298,477	17,548,475
Profit for the year representing total comprehensive income for the year		-	39,658,875	39,658,875
Dividends	22	-	(10,000,000)	(10,000,000)
As at 30 April 2015		3,249,998	43,957,352	47,207,350
Profit for the year representing total comprehensive income for the year		-	25,881,066	25,881,066
Dividends	22	-	(30,190,000)	(30,190,000)
As at 30 April 2016		3,249,998	39,648,418	42,898,416
Profit for the year representing total comprehensive income for the year		-	31,972,972	31,972,972
Dividends	22	-	(10,000,000)	(10,000,000)
As at 30 April 2017		3,249,998	61,621,390	64,871,388

The notes on pages 10 to 43 form part of these financial statements.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017

	2015 RM	2016 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	52,807,925	32,325,931	40,768,577
Adjustments for:			
Allowance for impairment losses on trade receivables	55,045	-	-
Reversal of allowance for impairment losses on trade receivables	(1,201,998)	(111,597)	(66,673)
Depreciation of property, plant and equipment	485,672	749,679	752,002
Interest income on short term deposits	(647,372)	(405,338)	(224,214)
(Gain)/loss on changes in fair value of marketable investments	(2,823,016)	1,363,522	(3,545,050)
Income on unit trusts	(251,750)	(384,895)	(1,118,367)
Gain on disposal of property, plant and equipment	(470)	(150,150)	(6,746)
Property, plant and equipment written-off	194	-	250
Other receivables written-off	-	4,257	-
Provision for foreseeable losses on amount due from customers	685,613	718,192	1,001,966
Provision for foreseeable losses on amount due from customers written back	(817,254)	(163,862)	(789,946)
Provision for termination gratuity	848,915	1,515,152	950,593
Operating profit before working capital changes	49,141,504	35,460,891	37,722,392
Changes in working capital:			
(Increase)/decrease in inventories	(72)	(107)	588
Decrease in trade receivables	5,114,163	3,852,124	4,004,658
Decrease/(increase) in other receivables, deposits and prepayments	36,425	(114,224)	(65,971)
Increase in amount due from directors	-	(40,000)	(10,000)
(Increase)/decrease in amount due from customers	(6,734,343)	1,497,540	(3,614,724)
(Decrease)/increase in amount due to customers	(4,520,471)	3,356,261	(1,192,334)
Increase/(decrease) in trade payables	512,102	961,917	(924,068)
(Decrease)/increase in other payables and accruals	(1,488,768)	(1,158,123)	423,953
Cash generated from operations	42,060,540	43,816,279	36,344,494
Termination gratuity paid	(848,915)	(815,152)	(1,450,593)
Tax paid	(11,308,590)	(10,326,162)	(8,390,100)
Net cash from operating activities	29,903,035	32,674,965	26,503,801

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017 (CONTINUED)

	2015 RM	2016 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(265,016)	(1,372,792)	(527,496)
Proceeds from disposal of property, plant and equipment	478	151,260	6,752
Purchase of marketable investments	(19,000,000)	(9,000,000)	(875,602)
Purchase of investment in unquoted shares	-	-	(11,033,021)
Interest received on short term deposits	647,372	405,338	224,214
Income received on unit trusts	248,400	380,950	1,118,367
Net cash used in investing activities	(18,368,766)	(9,435,244)	(11,086,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(27,000,000)	(30,000,000)	(20,190,000)
Net cash used in financing activities	(27,000,000)	(30,000,000)	(20,190,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(15,465,731)	(6,760,279)	(4,772,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,332,078	13,866,347	7,106,068
CASH AND CASH EQUIVALENTS AT END OF YEAR	13,866,347	7,106,068	2,333,083

CASH AND CASH EQUIVALENTS COMPRISE OF:

	2015 RM	2016 RM	2017 RM
Short term deposits with licensed banks	8,250,000	286,000	100,000
Cash and bank balances	5,616,347	6,820,068	2,233,083
	13,866,347	7,106,068	2,333,083

The notes on pages 10 to 43 form part of these financial statements.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS - 30 APRIL 2015, 30 APRIL 2016 AND 30 APRIL 2017

1. GENERAL INFORMATION

SMHB Engineering Sdn Bhd ("SMHB Engineering" or "Company") was incorporated in Malaysia under the Companies Act, 1965 on 13 January 1988 as a private limited company and is deemed registered under the new Companies Act, 2016.

The registered office of the Company is located at No. 13A Jalan SS21/56B, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan and its principal place of business is located at No. 38 Jalan 1/76D, Desa Pandan, 55100 Kuala Lumpur.

The Company is presently dormant. Pursuant to an internal reorganisation prior to its acquisition by HSS Engineers Berhad, the Company will assume the businesses of SMHB Sdn Bhd ("SMHB"), SMHB Environmental Sdn Bhd ("SMHB Environmental") and SMHB Services Sdn Bhd ("SMHB Services"). The principal activities of SMHB, SMHB Environmental and SMHB Services are as follows : -

SMHB	- Provision of engineering consultancy in water infrastructure sector
SMHB Environmental	- Provision of environmental consultancy services
SMHB Services	- Provision of printing services

SMHB Environmental and SMHB Services are presently wholly owned subsidiaries of SMHB. Under the internal reorganisation, the Company will acquire directly 30% equity interest in SMHB and 100% equity interest in SMHB Environmental to form the SMHB Engineering Group. The assets and employees of SMHB and SMHB Environmental and the assets of SMHB Services will be transferred to the Company under business transfer agreements. In addition, the Company will enter into a teaming agreement with SMHB whereby both parties will collaborate on all existing and new projects of SMHB. Under this teaming agreement, the Company will be entitled to 98.75% of the projects' income in return for its engineering support services while SMHB will be entitled to 1.25% of the projects' income (subject to a maximum of RM1,250,000 per annum) for its engineering consultancy services. An identical arrangement will be in place between the Company and SMHB Environmental to collaborate exclusively on environmental related engineering services. Hence, post the internal reorganisation, the Company is to engage in the provision of engineering and project management services.

These combined financial statements of SMHB Engineering for the financial years ended 30 April 2015, 30 April 2016 and 30 April 2017 comprised SMHB Engineering, SMHB, SMHB Environmental and SMHB Services. SMHB Environmental and SMHB Services are both wholly owned subsidiaries of SMHB throughout the aforesaid financial years, and SMHB is assumed wholly owned by SMHB Engineering for that period. Collectively, these entities are referred to as SMHB Engineering Group in these combined financial statements.

The combined financial statements are presented in Ringgit Malaysia ("RM").

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The combined financial statements of SMHB Engineering Group ("Group') have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"). The combined financial statements have been prepared on the assumption that the Group has operated as a single economic entity throughout the financial years ended 30 April 2015, 30 April 2016 and 30 April 2017.

The combined financial statements 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 consistently applied for all the financial years presented in these combined financial statements.

2.2 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group has not early adopted the following new MFRSs and IC Interpretations and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("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
IC Interpretation 23, Uncertainty over Income Tax Treatments
Amendments to MFRS 128 - Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9 - Prepayment Features with Negative Compensation
Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123 classified as "Annual Improvements to MFRSs 2015 - 2017 Cycle"

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)

2.2 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

The Group will apply the above new MFRSs and IC Interpretations 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.

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

2.2 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

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

The key enhancements of MFRS 9 are : (continued)

- 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.

(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.

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

2.2 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Continued)

(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.

The initial application of MFRS 9 and MFRS 15 may have an impact on the financial statements of the Group. 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, IC interpretations and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group.

2.3 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.

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

2.3 Basis of Consolidation (Continued)

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.

2.4 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.

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

2.4 Business Combinations (Continued)

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.

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

2.6 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. Non-monetary 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.

2.7 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.

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

2.7 Property, Plant and Equipment (Continued)

The annual depreciation rates used are as follows :-

Motor vehicles	25%
Furniture and fittings	5% to 15%
Office equipment	10% to 40%
Technical and printing equipment	10% to 25%
Electrical equipment	15%

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 2.8.

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.

2.8 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.

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

2.8 Impairment of Non-Financial Assets (Continued)

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.

2.9 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 Group 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 Group 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.

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

2.9 Financial Assets (Continued)

Classification and measurement (continued)

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

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.

(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.

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

2.9 Financial Assets (Continued)

__Classification and measurement (continued)__

(d) Available-for-sale financial assets (continued)

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 Group's right to receive payment is established.

__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.

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

2.9 Financial Assets (Continued)

Impairment of financial assets (continued)

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.

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.

2.10 Contracts

Revenue and expense recognition

When the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with customers.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as a provision for foreseeable loss.

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

2.10 Contracts (Continued)

Gross amount due from/(to) customers for contract work

Amount due from customer represents the excess of cost incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount due to customer represents excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

2.11 Inventories

Inventories consisting of plan printing paper and film, are measured at the lower of cost (determined on first-in, first-out basis) and net realisable value.

Cost includes the original cost of purchase plus the cost of bringing inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs.

2.12 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 2.9(c).

2.13 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.

2.14 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)

2.14 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)

2.15 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.

2.16 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leases assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leases assets are consumed.

2.17 Employee Benefits

(a) 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.

(b) Post-employment benefits

Defined contribution plans

The Group makes a monthly contribution to Employees' Provident Fund ("EPF"), a statutory defined contribution plan, and to Staff Provident Fund ("SPF"), a voluntary defined contribution plan for all its eligible staff at certain prescribed rates on the employees' salaries. Once the contributions have been paid, the Group has no further payment obligations.

Provision for termination gratuity

The Group has an unfunded non-contributory defined benefit termination scheme covering eligible contract employees. Provision for termination gratuity is made based on one month's average basic salary for every year of employment under a continuous contract of service and it is payable to the contract employees in accordance with the terms of the contracts.

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

2.18 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 substantively 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.

2.19 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)

2.20 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) Revenue from contracts

Revenue from contracts is recognised based on the policy as disclosed in Note 2.10.

(b) Interest

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

2.21 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.22 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.

3. SIGNIFICANT 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.

Impairment of trade receivables

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 8.

Revenue from contracts

The Group recognises revenue from contracts based on percentage of completion method. The stage of completion is measured by reference to the proportion of costs incurred to date bear to the estimated total costs. Judgement is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue (other than fixed price contracts) and costs, as well as the recoverability of the amount due from contract customers. In making the judgement, the Group relies on past experience and work of specialists where appropriate.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

4. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles RM	Furniture and fittings RM	Office Equipment RM	Technical and Printing Equipment RM	Electrical Equipment RM	Total RM
Cost						
At 1 May 2014	2,469,484	2,040,132	4,196,108	103,382	693,331	9,502,437
Additions	-	990	264,026	-	-	265,016
Disposal	-	-	(181,178)	-	-	(181,178)
Written-off	-	-	(1,549,085)	-	-	(1,549,085)
At 30 April 2015	2,469,484	2,041,122	2,729,871	103,382	693,331	8,037,190
Additions	1,039,188	13,361	320,243	-	-	1,372,792
Disposal	(1,032,005)	-	(155,590)	-	-	(1,187,595)
At 30 April 2016	2,476,667	2,054,483	2,894,524	103,382	693,331	8,222,387
Additions	192,628	3,560	327,629	-	3,679	527,496
Disposal	(154,428)	-	(18,609)	-	-	(173,037)
Written-off	-	(1,880)	(4,730)	-	-	(6,610)
At 30 April 2017	2,514,867	2,056,163	3,198,814	103,382	697,010	8,570,236
Accumulated Depreciation						
At 1 May 2014	2,169,707	1,170,445	3,878,924	101,735	691,789	8,012,600
Charge for the year	142,833	101,422	240,660	494	263	485,672
Eliminated on disposal	-	-	(181,170)	-	-	(181,170)
Eliminated on write off	-	-	(1,548,891)	-	-	(1,548,891)
At 30 April 2015	2,312,540	1,271,867	2,389,523	102,229	692,052	6,768,211
Charge for the year	360,281	102,085	286,768	282	263	749,679
Eliminated on disposal	(1,032,000)	-	(154,485)	-	-	(1,186,485)
At 30 April 2016	1,640,821	1,373,952	2,521,806	102,511	692,315	6,331,405
Charge for the year	364,397	76,534	309,975	282	814	752,002
Eliminated on disposal	(154,427)	-	(18,604)	-	-	(173,031)
Eliminated on write off	-	(1,632)	(4,728)	-	-	(6,360)
At 30 April 2017	1,850,791	1,448,854	2,808,449	102,793	693,129	6,904,016

SMHB Engineering Sdn. Bhd. (167729-A)
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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor Vehicles RM	Furniture and fittings RM	Office Equipment RM	Technical and Printing Equipment RM	Electrical Equipment RM	Total RM
Net Book Value						
At 30 April 2015	156,944	769,255	340,348	1,153	1,279	1,268,979
At 30 April 2016	835,846	680,531	372,718	871	1,016	1,890,982
At 30 April 2017	664,076	607,309	390,365	589	3,881	1,666,220

5. INVESTMENT

	2015 RM	2016 RM	2017 RM
Available-for-sale financial assets:-			
Investment in unquoted shares, at cost	-	-	11,033,021

The investment as at 30 April 2017 refers to investment in SMH Properties Sdn Bhd, a company incorporated in Malaysia and wholly owned by SMHB as at that date. Pursuant to the internal reorganisation as described in Note 1, SMH Properties Sdn Bhd shall be excluded from the Group.

6. DEFERRED TAXATION

	2015 RM	2016 RM	2017 RM
At 1 May	4,946,430	1,607,000	3,330,712
Recognised in profit or loss (Note 21)			
- property, plant and equipment	14,391	39,553	(80,264)
- amount due to contract customers (net)	(2,553,321)	1,233,659	(1,102,809)
- trade receivables	(300,500)	300,500	-
- other payables and accruals	(500,000)	-	-
- provisions	-	150,000	(120,000)
	(3,339,430)	1,723,712	(1,303,073)
At 30 April	1,607,000	3,330,712	2,027,639

The components of deferred tax assets are as follows:-

	2015	2016	2017
Deductible temporary differences			
- amount due to contract customers (net)	1,604,679	2,838,338	1,735,529
- provisions	450,000	600,000	480,000
	2,054,679	3,438,338	2,215,529
Offsetting	(444,613)	(104,426)	(186,143)
After offsetting	1,610,066	3,333,912	2,029,386

The components of deferred tax liabilities are as follows:-

	2015	2016	2017
Taxable temporary differences			
- property, plant and equipment	147,179	107,626	187,890
- trade receivables	300,500	-	-
	447,679	107,626	187,890
Offsetting	(444,613)	(104,426)	(186,143)
After offsetting	3,066	3,200	1,747

Presented after appropriate offsetting as follows:-

	2015	2016	2017
Deferred tax assets	1,610,066	3,333,912	2,029,386
Deferred tax liabilities	3,066	3,200	1,747

7. AMOUNT DUE FROM/(TO) CUSTOMERS

	2015 RM	2016 RM	2017 RM
Contract cost incurred plus recognised profits	172,357,861	78,452,974	266,229,017
Progress billings received/receivable	(161,805,829)	(69,398,482)	(253,559,801)
	10,552,032	9,054,492	12,669,216
Less : Provision for foreseeable losses			
At beginning of year	1,017,329	885,688	1,440,018
Provision no longer required	(817,254)	(163,862)	(789,946)
Additions during the year	685,613	718,192	1,001,966
At end of year	885,688	1,440,018	1,652,038
	9,666,344	7,614,474	11,017,178
Contract cost incurred plus recognised profits	138,666,092	353,249,822	197,068,622
Progress billings received/receivable	(154,750,716)	(372,690,707)	(215,317,173)
	(16,084,624)	(19,440,885)	(18,248,551)

8. TRADE RECEIVABLES

	2015 RM	2016 RM	2017 RM
Trade receivables	29,310,731	21,864,912	17,271,593
Allowance for impairment losses	(4,698,401)	(993,109)	(337,775)
	24,612,330	20,871,803	16,933,818

The normal credit terms of trade receivables range from 30 to 60 days (2015 and 2016: 30 to 60 days).

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

	2015 RM	2016 RM	2017 RM
Neither past due nor impaired	17,393,127	14,297,425	12,912,832
1 to 30 days past due not impaired	4,572,868	1,178,238	1,017,086
31 to 120 days past due not impaired	1,784,192	1,825,828	1,065,658
More than 121 days past due not impaired	862,143	3,570,312	1,938,242
	7,219,203	6,574,378	4,020,986
Impaired	4,698,401	993,109	337,775
	29,310,731	21,864,912	17,271,593

Trade receivables that are individually determined to be impaired comprise 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.

8. TRADE RECEIVABLES (CONTINUED)

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 :-

	2015 RM	2016 RM	2017 RM
At 1 May	5,845,354	4,698,401	993,109
Allowance for impairment losses	55,045	-	-
Bad debts written off	-	(3,593,695)	(588,661)
Reversal of allowance for impairment losses	(1,201,998)	(111,597)	(66,673)
At 30 April	4,698,401	993,109	337,775

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 RM	2016 RM	2017 RM
Other receivables	38,611	43,077	75,558
Amount due from related parties	68,969	68,969	82,610
Deposits and prepayments	153,267	255,413	282,290
Goods and services input tax	3,673	7,028	-
	264,520	374,487	440,458

The amount due from related parties is non-trade in nature, unsecured, interest free and repayable on demand.

10. MARKETABLE INVESTMENTS

	2015 RM	2016 RM	2017 RM
Financial assets at fair value through profit or loss:-			
Investments in unit trust funds	39,454,958	47,095,381	51,516,033

11. AMOUNT DUE FROM DIRECTORS

The amount due from directors are unsecured, interest free and repayable on demand.

12. SHORT TERM DEPOSITS WITH LICENSED BANKS

The short term deposits have maturity period of 90 days (2015: 30 to 180 days; 2016: 30 to 90 days) and the effective interest rate for short term deposits for the year range from 2.90% to 3.40% (2015: 3.00% to 3.70%; 2016: 3.00% to 3.25%) per annum.

13. INVESTED EQUITY

For the purpose of these combined financial statements, the invested equity in the Group at the end of the financial year is the aggregate of the share capital and other capital reserves of the entities constituting the Group.

14. PROVISIONS

	Provision for termination gratuity RM	Provision for directors' gratuity RM	Total RM
As at 1 May 2014	1,550,000	250,000	1,800,000
Additions during the year	848,915	-	848,915
Payments during the year	(848,915)	-	(848,915)
Reclassifications	250,000	(250,000)	-
As at 30 April 2015	1,800,000	-	1,800,000
Additions during the year	1,515,152	-	1,515,152
Payments during the year	(815,152)	-	(815,152)
As at 30 April 2016	2,500,000	-	2,500,000
Additions during the year	950,593	-	950,593
Payments during the year	(1,450,593)	-	(1,450,593)
As at 30 April 2017	2,000,000	-	2,000,000

	2015 RM	2016 RM	2017 RM
Disclosed under:			
- Current liabilities	376,858	914,705	1,440,692
- Non-current liabilities	1,423,142	1,585,295	559,308
	1,800,000	2,500,000	2,000,000

15. TRADE PAYABLES

Credit terms of trade payables range from 30 to 60 days (2015 and 2016: 30 to 60 days).

16. OTHER PAYABLES AND ACCRUALS

	2015 RM	2016 RM	2017 RM
Other payables	2,649,619	176,916	1,602,019
Amount due to a related party	38,250	38,250	-
Accruals	2,057,324	2,919,379	2,066,761
Goods and services output tax	121,875	574,400	464,118
	4,867,068	3,708,945	4,132,898

The amount due to a related party is non-trade in nature, unsecured, interest free and repayable on demand.

17. OPERATING REVENUE

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

18. OTHER OPERATING INCOME

	2015 RM	2016 RM	2017 RM
Included in other operating income are:-			
Interest income on short term deposits	647,372	405,338	224,214
Gain/(loss) on changes in fair value of marketable investments	2,823,016	(1,363,522)	3,545,050
Income on unit trusts	251,750	384,895	1,118,367
Site allowance and overtime charged to customers	5,390,644	4,274,035	3,469,784
Reversal of allowance for impairment losses on trade receivables	1,201,998	111,597	66,673
Provision for foreseeable losses on amount due from customers written back	817,254	163,862	789,946
Gain on disposal of property, plant and equipment	470	150,150	6,746

19. EMPLOYEE BENEFITS EXPENSE

	2015 RM	2016 RM	2017 RM
Salaries, wages, bonuses and allowances	30,512,555	32,830,538	32,177,832
Amount contributed under defined contribution plans			
- Employees Provident Fund ("EPF")	3,761,087	4,072,003	4,028,599
- Staff Provident Fund ("SPF")	267,842	247,138	252,307
Social security contribution	207,780	220,772	271,427
Provision for termination gratuity (Note 14)	848,915	1,515,152	950,593
Other benefits	551,343	497,413	713,126
	36,149,522	39,383,016	38,393,884

	2015 RM	2016 RM	2017 RM
Included in the above are remuneration to directors of the Group as follows:			
Short term employee benefits			
- Salaries	1,531,800	1,563,000	1,644,600
- Fees	25,000	175,000	105,000
	1,556,800	1,738,000	1,749,600
Post-employment benefits			
- Contributions to EPF and SPF	258,559	246,015	254,535
	1,815,359	1,984,015	2,004,135

Other than the directors' remuneration as disclosed above, the directors of the Group also received benefits-in-kind with an estimated cash value of RM88,851 (2015: RM77,133; 2016: RM81,834).

20. OTHER OPERATING EXPENSES

	2015 RM	2016 RM	2017 RM
Included in other operating expenses are:-			
Auditors' remuneration	53,000	53,000	61,000
Rental of office premises	498,000	495,000	552,750
Allowance for impairment losses on trade receivables	55,045	-	-
Provision for foreseeable losses on amount due from customers	685,613	718,192	1,001,966
Property, plant and equipment written-off	194	-	250
Other receivables written-off	-	4,257	-

21. TAXATION

	2015 RM	2016 RM	2017 RM
Current year tax	10,016,100	8,912,684	7,464,135
(Over)/under provision in prior year	(206,480)	(744,107)	28,397
Deferred tax expense/(income) arising from origination and reversal of temporary differences (Note 6)	3,339,430	(1,723,712)	1,303,073
	13,149,050	6,444,865	8,795,605

The general income tax rate in Malaysia is 24% (2016: 24%; 2015: 25%) of taxable income. In respect of companies with issued share capital of not exceeding RM2,500,000, the income tax rate for the first RM500,000 of taxable income is at 18% (2016: 19%; 2015: 20%) and the rate for taxable income in excess of RM500,000 is at 24% (2016: 24%; 2015: 25%). In respect of years of assessment 2017 and 2018, the tax rate of 24% for taxable income in excess of RM500,000 which represents incremental chargeable income shall be reduced by 1% to 4% should there be an increase in chargeable income by 5% to 20% as compared to the immediate preceding year of assessment.

A reconciliation between tax expense applicable to the profit before taxation at the statutory tax rate to tax expense at the effective tax rate of the Group is as follows:-

	2015 RM	2016 RM	2017 RM
Profit before taxation	52,807,925	32,325,931	40,768,577
Tax calculated at statutory tax rate of 24% (2016: 24%; 2015: 25%)	13,201,981	7,758,223	9,784,458
Tax savings of 6% (2016 and 2015: 5%) on the first RM500,000	(25,000)	(25,000)	(30,000)
Tax effects of:			
- expenses not deductible for tax purposes	584,631	327,245	122,418
- income not taxable	(406,082)	(871,496)	(1,109,668)
(Over)/under provision of tax in respect of prior year	(206,480)	(744,107)	28,397
Tax expense	13,149,050	6,444,865	8,795,605

22. DIVIDENDS

	2015 RM	2016 RM	2017 RM
In respect of year ended 30 April 2015:			
Tax exempt single tier first interim dividend of RM5.00 per ordinary share paid	10,000,000	-	-
In respect of year ended 30 April 2016:			
Tax exempt single tier first interim dividend of RM5.00 per ordinary share paid	-	10,000,000	-
Tax exempt single tier second interim dividend of RM5.00 per ordinary share paid	-	10,000,000	-
Tax exempt single tier third interim dividend of RM5.00 per ordinary share paid	-	10,000,000	-
Tax exempt single tier first interim dividend of RM1.90 per ordinary share paid	-	190,000	-
In respect of year ended 30 April 2017:			
Tax exempt single tier first interim dividend of RM5.00 per ordinary share paid	-	-	10,000,000
	10,000,000	30,190,000	10,000,000

23. 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 the financial year and their relationships with the Group are stated below.

Related parties	Relationships
SMH Properties Sdn Bhd	Common shareholders with the Group
SMHB Management Sdn Bhd (formerly known as SMHB Water Management Services Sdn Bhd)	Common shareholders with the Group
SMHB Oil & Gas Sdn Bhd (formerly known as SMHB Oil & Gas Services Sdn Bhd)	Common shareholders with the Group

(a) Significant transactions with related parties

	2015 RM	2016 RM	2017 RM
(i) Rental of premises charged by:			
- SMH Properties Sdn Bhd	459,000	459,000	519,750
(ii) Provision of accounting services to:			
- SMH Properties Sdn Bhd	5,000	5,000	4,167

23. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant balances with related parties

	2015 RM	2016 RM	2017 RM
(i) Amount included under other receivables, deposits and prepayments (Note 9)			
- SMHB Management Sdn Bhd	40,629	40,629	46,626
- SMHB Oil & Gas Sdn Bhd	28,340	28,340	35,984
(ii) Amount included under other payables and accruals (Note 16)			
- SMH Properties Sdn Bhd	38,250	38,250	-

(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 of the Group and their remuneration for the financial year are disclosed in Note 19.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including 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. As at the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount in the combined statement of financial position at the reporting date.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk

The Group has interest rate risk in respect of its deposits with licensed banks.

The Group's deposits with licensed banks are subject to interest based on fixed rates.

Sensitivity analysis for interest rate risk

As the Group's deposits with licensed banks 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.

(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 Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows :-

	Maturity profile			
	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
2015				
Trade payables	7,959,828	-	-	7,959,828
Other payables and accruals	4,867,068	-	-	4,867,068
Dividends payable	10,000,000	-	-	10,000,000
2016				
Trade payables	8,921,745	-	-	8,921,745
Other payables and accruals	3,708,945	-	-	3,708,945
Dividends payable	10,190,000	-	-	10,190,000
2017				
Trade payables	7,997,677	-	-	7,997,677
Other payables and accruals	4,132,898	-	-	4,132,898

25. 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 combined statement of financial position.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

	2015 RM	2016 RM	2017 RM
Profit attributable to owners of the Company	39,658,875	25,881,066	31,972,972
Total shareholders' equity	47,207,350	42,898,416	64,871,388
Return on Capital	84%	60%	49%

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.

26. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include deposits with licensed banks, cash and bank balances, trade and other receivables, amount due from directors, amount due from related parties, marketable investments and other investments.

Financial liabilities of the Group include trade and other payables and dividends payable.

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26. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

The Group's financial instruments are categorised as follows:-

Financial assets

	Carrying Amount RM	Loans and receivables RM	Fair value through profit or loss RM	Available -for-sale RM
2015				
Trade receivables	24,612,330	24,612,330	-	-
Other receivables and deposits	264,520	264,520	-	-
Amount due from directors	317,082	317,082	-	-
Marketable investments	39,454,958	-	39,454,958	-
Short term deposits with licensed banks	8,250,000	8,250,000	-	-
Cash and bank balances	5,616,347	5,616,347	-	-
	78,515,237	39,060,279	39,454,958	-
2016				
Trade receivables	20,871,803	20,871,803	-	-
Other receivables and deposits	256,987	256,987	-	-
Amount due from directors	357,082	357,082	-	-
Marketable investments	47,095,381	-	47,095,381	-
Short term deposits with licensed banks	286,000	286,000	-	-
Cash and bank balances	6,820,068	6,820,068	-	-
	75,687,321	28,591,940	47,095,381	-
2017				
Investment	11,033,021	-	-	11,033,021
Trade receivables	16,933,818	16,933,818	-	-
Other receivables and deposits	362,518	362,518	-	-
Amount due from directors	367,082	367,082	-	-
Marketable investments	51,516,033	-	51,516,033	-
Short term deposits with licensed banks	100,000	100,000	-	-
Cash and bank balances	2,233,083	2,233,083	-	-
	82,545,555	19,996,501	51,516,033	11,033,021

26. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

The Group's financial instruments are categorised as follows:- (continued)

Financial liabilities

	Carrying Amount RM	Other financial liabilities RM
2015		
Trade payables	7,959,828	7,959,828
Other payables and accruals	4,867,068	4,867,068
Dividends payable	10,000,000	10,000,000
	22,826,896	22,826,896
2016		
Trade payables	8,921,745	8,921,745
Other payables and accruals	3,708,945	3,708,945
Dividends payable	10,190,000	10,190,000
	22,820,690	22,820,690
2017		
Trade payables	7,997,677	7,997,677
Other payables and accruals	4,132,898	4,132,898
	12,130,575	12,130,575

Fair value of financial instruments

(i) The fair value of investments in unit trust funds are based on their unit price determined by the fund managers by reference to the net asset value of the funds as at the valuation date at the end of the reporting period. The valuation technique used in determining the fair value is based on inputs under Level 2 of the fair value hierarchy.

(ii) The carrying amounts of deposits with licensed banks, cash and bank balances, receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

(iii) It is not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market price.

27. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE LATEST REPORTING PERIOD

Pursuant to the internal reorganisation prior to its acquisition by HSS Engineers Berhad as detailed in Note 1, the Company has executed the following agreements which shall be effective upon completion of the acquisition: -

(a) Teaming Agreements dated 21 November 2017 with SMHB and SMHB Environmental for the exclusive collaboration between the parties to bid for, procure, obtain or otherwise provide services for engineering and construction projects with each party contributing their relevant area of competency and expertise for the agreed project revenue sharing.

(b) Business Transfer Agreements dated 21 November 2017 with SMHB and SMHB Services for the transfer of all relevant assets including all employees and SMHB's 100% equity interest in SMHB Environmental to the Company for a total consideration sum of RM1,406,000.

(c) Shareholding Agreement dated 21 November 2017 with SMHB and the existing shareholders of SMHB which provides the following salient terms:

   (i) restricts each of the existing shareholders and SMHB from transfer, sell, assign, deal, charge or encumber the existing shares in SMHB ("SMHB Shares"); allot or issue any new shares, stocks or security interest in SMHB; or undertake any corporate exercise related to share capital of SMHB, without prior written consent of the Company.

   (ii) each of the existing shareholders grant irrevocable and exclusive options to the Company to acquire their SMHB Shares in the event of death, incapacity (including mental and physical disability) and the deregistration or suspension of any of them or the revocation of any licenses or approvals granted to any of them as a registered engineer under the applicable laws which prohibits any of them from continuing to hold the SMHB Shares; and to purchase such number of SMHB Shares held by each of them to the maximum aggregate number of SMHB Shares permitted to be purchased and held by the Company under the applicable laws.

There is no other significant event that has occurred between the date of the last audited combined financial statements used in the preparation of this report other than as aforesaid.

SMHB Engineering Sdn. Bhd. (167729-A)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, Datuk Ir. Teo Chok Boo and Ir. Prem Kumar a/l M. Vasudevan being two of the directors of SMHB Engineering Sdn. Bhd., state that in the opinion of the directors, the combined financial statements set out on pages 4 to 43 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group as at 30 April 2015, 30 April 2016 and 30 April 2017 and of its financial performance and cash flows for the years ended on those dates.

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

DATUK IR. TEO CHOK BOO
Director

IR. PREM KUMAR A/L M. VASUDEVAN
Director

Kuala Lumpur,
Date 15 JAN 2018

azman, wong, salleh & co (No. AF 0012)
akauntan bertauliah
chartered accountants

An Independent Member Firm of DFK INTERNATIONAL

Date: 07 FEB 2018

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

Dear Sirs,

HSS Engineers Berhad ("HEB" or "the Company")
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 31 December 2016 for inclusion in the Abridged Prospectus

We have completed our assurance engagement to report on the accompanying compilation of pro forma consolidated statements of financial position as at 31 December 2016 and notes thereto of HEB and its subsidiaries ("HEB Group") by the Directors of HEB ("Directors"), which we have stamped for identification purpose, for inclusion in the Abridged Prospectus of HEB to be issued in connection with the Company's renounceable rights issue of up to 31,908,101 new ordinary shares in HEB ("HEB Shares")("Rights Shares") on the basis of one (1) Rights Share for every ten (10) HEB Shares held as at 5.00 p.m. on 21 February 2018 at an issue price of RM1.30 per Rights Share together with a bonus issue of up to 15,954,050 new HEB Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and up to 47,862,151 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ("Rights with Bonus Issue and Warrants").

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statements of financial positions are described in the notes thereto.

The pro forma consolidated statements of financial position have been compiled by the Directors to illustrate the impact of the Placement, Rights with Bonus Issue and Warrants and SMHB Acquisition (collectively "the Corporate Exercises") as described in Note 1 thereto followed by the assumed full exercise of the Warrants on the consolidated statement of financial position of HEB as at 31 December 2016 if those events or transactions had been completed on 31 December 2016. As part of this process, information about the financial position of HEB Group as at 31 December 2016 has been extracted by the Directors from the audited financial statements of HEB Group for the year ended 31 December 2016, on which the audit report has been published. In addition, the Directors have also extracted financial information from the audited combined financial statements for the year ended 30 April 2017 of SMHB Engineering Sdn Bhd, the subject entity of the SMHB Acquisition, included in the Accountants' Report.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

It is the responsibility of the Directors to compile the pro forma consolidated statements of financial position of HEB Group as at 31 December 2016 and the related notes on the basis of the applicable criteria as described in the notes thereto and in accordance with the requirements of the Prospectus Guidelines – Abridged Prospectus of Securities Commission Malaysia ("SC").

12th Floor, Wisma Tun Sambanthan, No. 2, Jalan Sultan Sulaiman, P.O. Box 12019, 50764 Kuala Lumpur, Malaysia.
Tel: 603-2273 2688 Fax: 603-2274 2688 e-mail: audit@folksdfk.com / general@folksdfk.com

DFK INTERNATIONAL

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines – Abridged Prospectus of SC, about whether the pro forma consolidated statements of financial position of HEB Group as at 31 December 2016 and the related notes have been compiled, in all material respects, by the Directors on the basis of the applicable criteria as described in the notes thereto.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position and the related notes on the basis of the applicable criteria as described in the notes thereto.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical information used in compiling the pro forma consolidated statements of financial position and the related notes, nor have we, in the course of this engagement, performed an audit or review of the financial information in compiling the pro forma consolidated statements of financial position and the related notes.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented in the pro forma financial information.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(i) The related pro forma adjustments give appropriate effect to those criteria; and
(ii) The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statements of financial position of HEB Group as at 31 December 2016 and the related notes have been properly compiled, in all material respects, on the basis of the applicable criteria as described in the notes thereto.

DFK INTERNATIONAL

Other Matters

This letter is issued by us for the sole purpose of expressing our opinion on the pro forma consolidated statements of financial position and the related notes which have been compiled by the Directors for inclusion in the Abridged Prospectus to shareholders in connection with the Company's Rights with Bonus Issue and Warrants and should not be relied upon for any other purposes. We do not assume responsibility to any party who placed reliance on this letter for purposes other than as aforesaid.

Yours faithfully,

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

NG YONG CHIN
03051/05/2019 J
Chartered Accountant

For identification only

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

Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Minimum Scenario	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment	4.1	5,684	5,684	5,684	5,684	6,509	6,509
Intangible assets	4.2	813	813	813	813	268,544	268,544
Investment in associates	4.3	1,113	1,113	1,113	1,113	1,113	1,113
Deferred tax assets		37	37	37	37	37	37
		7,647	7,647	7,647	7,647	276,203	276,203
CURRENT ASSETS							
Inventories	4.4	-	-	-	-	1	1
Trade receivables		72,740	72,740	72,740	72,740	72,740	72,740
Other receivables, deposits and prepayments		2,942	2,942	2,942	2,942	2,942	2,942
Tax recoverable		215	215	215	215	215	215
Short term deposits with licensed banks	4.5	41,108	41,108	41,108	41,108	41,108	41,108
Cash and bank balances	4.6	540	52,840	74,857	74,857	357	357
		117,545	169,845	191,862	191,862	117,363	117,363
TOTAL ASSETS		125,192	177,492	199,509	199,509	393,566	393,566

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

For identification only
AZMAN, WONG, SALLEH & CO. (AF: 0012)
Chartered Accountants
Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Minimum Scenario (Continued)	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
EQUITY AND LIABILITIES							
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
Share capital	4.7	31,908	84,208	88,950	89,797	197,797	258,258
Share premium	4.8	22,326	22,326	22,326	21,479	21,479	21,479
Foreign currency translation reserve		301	301	301	301	301	301
Warrant reserve	4.9	-	-	17,275	17,275	17,275	-
Retained profits	4.10	24,173	24,173	24,173	24,173	16,673	16,673
		78,708	131,008	153,025	153,025	253,525	296,711
NON-CURRENT LIABILITIES							
Retirement benefit obligations		64	64	64	64	64	64
Deferred tax liabilities		151	151	151	151	151	151
Hire purchase payables		644	644	644	644	644	644
Other payable	4.11	-	-	-	-	7,557	7,557
Term loan	4.12	-	-	-	-	85,000	41,814
		859	859	859	859	93,416	50,230
CURRENT LIABILITIES							
Trade payables		18,188	18,188	18,188	18,188	18,188	18,188
Other payables, accruals and provisions		8,835	8,835	8,835	8,835	8,835	8,835
Hire purchase payables		706	706	706	706	706	706
Taxation		1,525	1,525	1,525	1,525	1,525	1,525
Bank overdrafts (secured)	4.13	16,371	16,371	16,371	16,371	17,371	17,371
		45,625	45,625	45,625	45,625	46,625	46,625
TOTAL LIABILITIES		46,484	46,484	46,484	46,484	140,041	96,855
TOTAL EQUITY AND LIABILITIES		125,192	177,492	199,509	199,509	393,566	393,566

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

For identification only
AZMAN, WONG, SALLEH & CO. (AF: 0012)
Chartered Accountants
Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Minimum Scenario (Continued)	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
No. of HEB Shares in issue ('000)	4.7	319,081	356,438	373,374	381,842	476,579	501,983
Net assets per HEB Share (RM) [(a)]		0.25	0.37	0.41	0.40	0.53	0.59
Deposits, cash and bank balances		41,648	93,948	115,965	115,965	41,465	41,465
Total borrowings		17,721	17,721	17,721	17,721	103,721	60,535
Gearing (times) [(b)]		0.23	0.14	0.12	0.12	0.41	0.20
Net gearing (times) [(b)]		-	-	-	-	0.25	0.06

[(a)] Net assets per HEB Share is computed based on total equity attributable to owners of the Company divided by the number of HEB Shares in issue.
[(b)] Gearing is computed based on total borrowings divided by total equity attributable to owners of the Company, with total borrowings net of deposits, cash and bank balances for computation of net gearing.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

For identification only
AZMAN, WONG, SALLEH & CO. (AF: 0012)
Chartered Accountants
Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Maximum Scenario	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
ASSETS							
NON-CURRENT ASSETS							
Property, plant and equipment	4.1	5,684	5,684	5,684	5,684	6,509	6,509
Intangible assets	4.2	813	813	813	813	268,544	268,544
Investment in associates	4.3	1,113	1,113	1,113	1,113	1,113	1,113
Deferred tax assets		37	37	37	37	37	37
		7,647	7,647	7,647	7,647	276,203	276,203
CURRENT ASSETS							
Inventories	4.4	-	-	-	-	1	1
Trade receivables		72,740	72,740	72,740	72,740	72,740	72,740
Other receivables, deposits and prepayments		2,942	2,942	2,942	2,942	2,942	2,942
Tax recoverable		215	215	215	215	215	215
Short term deposits with licensed banks	4.5	41,108	41,108	50,108	50,108	50,108	50,108
Cash and bank balances	4.6	540	52,840	85,321	85,321	9,821	9,821
		117,545	169,845	211,326	211,326	135,827	135,827
TOTAL ASSETS		125,192	177,492	218,973	218,973	412,030	412,030

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

For identification only

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

Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Maximum Scenario (Continued)	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
EQUITY AND LIABILITIES							
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
Share capital	4.7	31,908	84,208	93,143	94,738	202,738	316,650
Share premium	4.8	22,326	22,326	22,326	20,731	20,731	20,731
Foreign currency translation reserve		301	301	301	301	301	301
Warrant reserve	4.9	-	-	32,546	32,546	32,546	-
Retained profits	4.10	24,173	24,173	24,173	24,173	16,673	16,673
		78,708	131,008	172,489	172,489	272,989	354,355
NON-CURRENT LIABILITIES							
Retirement benefit obligations		64	64	64	64	64	64
Deferred tax liabilities		151	151	151	151	151	151
Hire purchase payables		644	644	644	644	644	644
Other payable	4.11	-	-	-	-	7,557	7,557
Term loan	4.12	-	-	-	-	85,000	3,634
		859	859	859	859	93,416	12,050
CURRENT LIABILITIES							
Trade payables		18,188	18,188	18,188	18,188	18,188	18,188
Other payables, accruals and provisions		8,835	8,835	8,835	8,835	8,835	8,835
Hire purchase payables		706	706	706	706	706	706
Taxation		1,525	1,525	1,525	1,525	1,525	1,525
Bank overdrafts (secured)	4.13	16,371	16,371	16,371	16,371	16,371	16,371
		45,625	45,625	45,625	45,625	45,625	45,625
TOTAL LIABILITIES		46,484	46,484	46,484	46,484	139,041	57,675
TOTAL EQUITY AND LIABILITIES		125,192	177,492	218,973	218,973	412,030	412,030

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

For identification only
AZMAN, WONG, SALLEH & CO. (AF: 0012)
Chartered Accountants
Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONTINUED)

The Pro Forma Consolidated Statements of Financial Position of HSS Engineers Berhad ("HEB") and its subsidiaries ("HEB Group") as at 31 December 2016 set out below are provided for illustrative purposes only.

Maximum Scenario (Continued)

	Note	HEB Audited as at 31 December 2016 RM'000	Pro Forma I After Placement RM'000	Pro Forma II After Pro Forma I and issuance of Rights Shares RM'000	Pro Forma III After Pro Forma II and issuance of Bonus Shares RM'000	Pro Forma IV After Pro Forma III and SMHB Acquisition RM'000	Pro Forma V After Pro Forma IV and assuming full exercise of Warrants RM'000
No. of HEB Shares in issue ('000)	4.7	319,081	356,438	388,346	404,300	499,037	546,899
Net assets per HEB Share (RM) [(a)]		0.25	0.37	0.44	0.43	0.55	0.65
Deposits, cash and bank balances		41,648	93,948	135,429	135,429	59,929	59,929
Total borrowings		17,721	17,721	17,721	17,721	102,721	21,355
Gearing (times) [(b)]		0.23	0.14	0.10	0.10	0.38	0.06
Net gearing (times) [(b)]		-	-	-	-	0.16	-

[(a)] Net assets per HEB Share is computed based on total equity attributable to owners of the Company divided by the number of HEB Shares in issue.

[(b)] Gearing is computed based on total borrowings divided by total equity attributable to owners of the Company, with total borrowings net of deposits, cash and bank balances for computation of net gearing.

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. CORPORATE EXERCISES

At the Extraordinary General Meeting of HEB held on 30 January 2018, the shareholders of HEB have given their approval for HEB to undertake the following corporate exercises:-

(a) Acquisition of the entire equity interest in SMHB Engineering Sdn Bhd ("SMHB Engineering") for a purchase consideration of RM270,000,000 to be satisfied via the issuance of 94,736,842 new ordinary shares in HEB ("HEB Shares") at an issue price of RM1.14 per HEB Share and RM162,000,000 in cash (**"SMHB Acquisition"**);

(b) Placement of new HEB Shares to investors to be identified to raise gross proceeds of up to RM52,300,000 (**"Placement"**); and

(c) Renounceable rights issue of up to 31,908,101 new HEB Shares ("Rights Shares") on the basis of one (1) Rights Share for every ten (10) HEB Shares held as at 5.00 p.m. on 21 February 2018 at an issue price of RM1.30 per Rights Share together with a bonus issue of up to 15,954,050 new HEB Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed and up to 47,862,151 free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed (**"Rights with Bonus Issue and Warrants"**).

(collectively referred to as **"Corporate Exercises"**)

2. BASIS OF PREPARATION

(a) The Pro Forma Consolidated Statements of Financial Position of HEB as at 31 December 2016 are provided for illustrative purposes only, to show how the audited consolidated statement of financial position of HEB as at 31 December 2016 would be presented had the Placement, Rights with Bonus Issue and Warrants and SMHB Acquisition followed by the assumed full exercise of the Warrants been effected on 31 December 2016 and all the effects of the events or transactions had been incorporated in the financial statements of HEB.

(b) The Pro Forma Consolidated Statements of Financial Position are compiled based on the audited consolidated financial statements of HEB for the year ended 31 December 2016 and financial information extracted from the audited combined financial statements of SMHB Engineering for the year ended 30 April 2017 included in the Accountants' Report, which have been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of HEB Group.

For identification only

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

Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

3. PRO FORMA EFFECTS

The Pro Forma Consolidated Statements of Financial Position have been prepared to show the different effects of the Corporate Exercises under the following scenarios for the Rights with Bonus Issue and Warrants: -

(I) Minimum Scenario

Assuming the Rights with Bonus Issue and Warrants is subscribed on a minimum subscription level to raise minimum gross cash proceeds of RM22,016,589 based on the irrevocable letter of undertaking dated 12 January 2018 provided by a substantial shareholder of HEB, namely, Victech Solutions Sdn Bhd ('Victech"), a company controlled by HEB's executive director, Tan Sri Ir. Kunasingam A/L V. Sittampalam ("TS Kuna"), to subscribe for an amount of RM22,016,589 for its entitlement to the Rights Shares in full and additional excess Rights Shares if required ("Victech Undertaking").

(II) Maximum Scenario

Assuming all the entitled shareholders of HEB subscribe in full their entitlements under the Rights with Bonus Issue and Warrants.

3.1 Pro Forma I

<u>**Minimum Scenario and Maximum Scenario**</u>

Pro Forma I incorporates the effects of the Placement which entails the issuance of new HEB shares ("Placement Shares') to investors to be identified to raise gross cash proceeds of up to RM52,300,000 for HEB. For the purpose of pro forma illustration, the Placement Shares are placed to investors at an indicative issue price of RM1.40 per HEB Share resulting in the issuance of additional 37,357,143 new HEB Shares. Accordingly, the issued and paid-up share capital of HEB will increase from RM31,908,101 comprising 319,081,010 HEB Shares to RM84,208,101 comprising 356,438,153 HEB Shares after the Placement.

3.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the issuance of Rights Shares with Warrants under the Rights with Bonus Issue and Warrants.

For the purpose of pro forma illustration, the Rights Shares are issued at the fixed issue price of RM1.30 per Rights Share. The issue price of RM1.30 is assumed as the cumulative fair value of both the Rights Share and Warrant. As the Rights Share and Warrant are to be recognized at their respective fair values, their fair values are proportionately adjusted to the issue price of RM1.30 per Rights Share by assigning a fair value of RM0.68 to each Warrant, which is determined using the Trinomial option pricing model based on the following input data:-

(a) Fair value of share: RM1.54
(b) Warrant exercise price: RM1.70
(c) Warrant exercise period: 5 years commencing from date of issuance until date of expiry
(d) Risk free interest rate: 3.947%
(e) Volatility of share price: 48.480%

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Chartered Accountants

Kuala Lumpur

HSS ENGINEERS BERHAD (1128564-U)
Incorporated in Malaysia
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Minimum Scenario

The minimum subscription of 16,935,838 Rights Shares with 25,403,757 Warrants at the issue price of RM1.30 per Rights Share will raise a total gross cash proceeds of RM22,016,589 for HEB. This will increase the issued and paid-up share capital of HEB from RM84,208,101 comprising 356,438,153 HEB Shares to RM88,950,135 comprising 373,373,991 HEB Shares and result in a warrant reserve of RM17,274,555 representing the fair value of the 25,403,757 Warrants at RM0.68 per Warrant.

Maximum Scenario

The full subscription of 31,908,101 Rights Shares with 47,862,151 Warrants at the issue price of RM1.30 per Rights Share will raise a total gross cash proceeds of RM41,480,531 for HEB. This will increase the issued and paid-up share capital of HEB from RM84,208,101 comprising 356,438,153 HEB Shares to RM93,142,369 comprising 388,346,254 HEB Shares and result in a warrant reserve of RM32,546,263 representing the fair value of the 47,862,151 Warrants at RM0.68 per Warrant. Part of the proceeds amounting to RM9,000,000 to be used for settlement of the deferred Cash Consideration for the SMHB Acquisition on its third anniversary of completion will be placed in interest-bearing deposits with licensed bank pending use.

3.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the issue of Bonus Shares under the Rights with Bonus Issue and Warrants. No proceeds will be raised as the issue of the Bonus Shares will be wholly capitalized from the share premium account of HEB pursuant to Section 618(3) of the Companies Act 2016.

Minimum Scenario

The minimum subscription of 16,935,838 Rights Shares results in the issue of 8,467,919 Bonus Shares by way of the capitalization of a sum of RM846,792 from share premium account. This will increase further the issued and paid-up share capital of HEB from RM88,950,135 comprising 373,373,991 HEB Shares to RM89,796,927 comprising 381,841,910 HEB Shares upon completion of the Rights with Bonus Issue and Warrants.

Maximum Scenario

The full subscription of 31,908,101 Rights Shares results in the issue of 15,954,050 Bonus Shares by way of the capitalization of a sum of RM1,595,405 from share premium account. This will increase further the issued and paid-up share capital of HEB from RM93,142,369 comprising 388,346,254 HEB Shares to RM94,737,774 comprising 404,300,304 HEB Shares upon completion of the Rights with Bonus Issue and Warrants.

3.4 Pro Forma IV

Pro Forma IV incorporates the effects of Pro Forma III and the SMHB Acquisition.

The SMHB Acquisition entails the acquisition of the entire equity interest in SMHB Engineering for RM270,000,000 ("Purchase Consideration") to be satisfied partly in cash ("Cash Consideration") and partly in new HEB shares ("Consideration Shares") as follows: -

Mode of Settlement	RM'000
Cash Consideration	162,000
Consideration Shares	108,000
Purchase Consideration	270,000

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Kuala Lumpur

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The Cash Consideration will be settled in the following manner: -

	RM'000
Upon completion of the SMHB Acquisition	153,000
On third (3rd) anniversary of completion of the SMHB Acquisition	9,000
Cash Consideration	162,000

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The upfront Cash Consideration of RM153,000,000 will be partly settled with the cash proceeds from the Placement and Rights with Bonus Issue and Warrants and partly financed by a term loan of RM85,000,000 to be raised by HEB from a licensed financial institution. The deferred Cash Consideration of RM9,000,000 is discounted at the rate 6.0% per annum being the existing borrowing rate of HEB Group to arrive at the fair value of RM7,556,574 on initial recognition.

The Consideration Shares will be satisfied via the issuance of 94,736,842 new HEB Shares at an issue price of RM1.14 per HEB Share upon completion of the SMHB Acquisition.

Premised on an internal reorganisation to facilitate the SMHB Acquisition, SMHB Engineering will acquire directly 30% equity interest in SMHB Sdn Bhd ("SMHB") and 100% equity interest in SMHB Environmental Sdn Bhd ("SMHB Environmental"). In addition, the assets and employees of SMHB and SMHB Environmental and the assets of SMHB Services Sdn Bhd (an existing wholly-owned subsidiary of SMHB to be excluded from the SMHB Acquisition) will be transferred to SMHB Engineering under a business transfer arrangement. Upon completion of the SMHB Acquisition, SMHB Engineering and SMHB Environmental will be wholly-owned subsidiaries of HEB while SMHB will be an associate of HEB. SMHB Engineering, SMHB Environmental and SMHB are collectively referred to as SMHB Engineering Group.

In accordance with the Share Sale Agreement dated 27 October 2017 executed between the vendors of SMHB Engineering and HEB, the parties have agreed that certain assets and liabilities of SMHB Engineering Group will be excluded from the SMHB Acquisition. The following table shows the effects of the SMHB Acquisition based on the audited combined financial statements of SMHB Engineering Group for the year ended 30 April 2017: -

	SMHB Engineering Group 30 April 2017 **RM'000**	Adjustments for Excluded Assets and Liabilities **RM'000**	Effects on Pro Forma **RM'000**
Property, plant and equipment	1,666	(841)	825
Investment	11,033	(11,033)	-
Deferred tax assets	2,029	(2,029)	-
Marketable investments	51,516	(51,516)	-
Inventories	1	-	1
Trade and other receivables	28,778	(28,778)	-
Deposits, cash and bank balances	2,333	(2,333)	-
Provisions, trade and other payables	(32,381)	32,381	-
Taxation	(104)	104	-
	64,871	(64,045)	826
Investment in associate			*
Goodwill			267,731
Fair value of Purchase Consideration			268,557

* representing RM4

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The fair value of the Purchase Consideration is arrived at after considering the fair value of the deferred Cash Consideration on initial recognition. The investment in associate representing 30% equity interest in SMHB is carried at RM4 based on the consideration agreed between SMHB Engineering and the vendors for the shares transfer as part of the internal reorganisation. The final allocation of the fair value of the Purchase Consideration to the fair value of assets including intangibles acquired and the fair value of liabilities including contingent liabilities, if any assumed, will be determined based on their established fair value as at the date of completion of the SMHB Acquisition ("acquisition date"). Hence, the resulting goodwill to be determined on the acquisition date may differ from that shown in the above table.

The estimated expenses of RM7,500,000 incurred for the Corporate Exercises are settled by internal funds or bank overdraft and charged to retained profits for illustration.

<u>Minimum Scenario</u>

The issuance of 94,736,842 new HEB Shares at an issue price of RM1.14 per HEB Share upon completion of the SMHB Acquisition will increase the issued and paid-up share capital of HEB from RM89,796,927 comprising 381,841,910 HEB Shares to RM197,796,927 comprising 476,578,752 HEB Shares. An amount of RM6,500,000 of the estimated expenses for the Corporate Exercises is settled by proceeds from Rights with Bonus Issue and Warrants and internal funds with the balance of RM1,000,000 settled by bank overdraft.

<u>Maximum Scenario</u>

The issuance of 94,736,842 new HEB Shares at an issue price of RM1.14 per HEB Share upon completion of the SMHB Acquisition will increase the issued and paid-up share capital of HEB from RM94,737,774 comprising 404,300,304 HEB Shares to RM202,737,774 comprising 499,037,146 HEB Shares. The whole estimated expenses of RM7,500,000 for the Corporate Exercises is settled by proceeds from Rights with Bonus Issue and Warrants.

3.5 Pro Forma V

Pro Forma V incorporates the effects of Pro Forma IV and the full exercise of Warrants.

Each Warrant entitles the registered holder, at any time during the period of five (5) years commencing from the date of issuance of the Warrants, to subscribe for one (1) new HEB Share at the fixed exercise price of RM1.70 per Warrant.

<u>Minimum Scenario</u>

The full exercise of 25,403,757 Warrants at the exercise price of RM1.70 per Warrant for one new HEB Share will raise a total cash proceeds of RM43,186,387 which shall be used to partly settle the term loan of RM85,000,000 to be raised by HEB to part-finance the SMHB Acquisition. A total of 25,403,757 new HEB Shares will be issued pursuant to the full exercise of the Warrants and the warrant reserve of RM17,274,555 will be transferred to share capital. This will increase the issued and paid-up share capital of HEB from RM197,796,927 comprising 476,578,752 HEB Shares to RM258,257,869 comprising 501,982,509 HEB Shares.

<u>Maximum Scenario</u>

The full exercise of 47,862,151 Warrants at the exercise price of RM1.70 per Warrant for one new HEB Share will raise a total cash proceeds of RM81,365,657 which shall be used to partly settle the term loan of RM85,000,000 to be raised by HEB to part-finance the SMHB Acquisition. A total of 47,862,151 new HEB Shares will be issued pursuant to the full exercise of the Warrants and the warrant reserve of RM32,546,263 will be transferred to share capital. This will increase the issued and paid-up share capital of HEB from RM202,737,774 comprising 499,037,146 HEB Shares to RM316,649,694 comprising 546,899,297 HEB Shares.

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4. SUMMARY OF PRO FORMA EFFECTS

4.1 Property, Plant and Equipment

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	5,684	5,684
Arising from SMHB Acquisition	825	825
Pro Forma IV and Pro Forma V	6,509	6,509

4.2 Intangible Assets

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	813	813
Arising from SMHB Acquisition – Goodwill	267,731	267,731
Pro Forma IV and Pro Forma V	268,544	268,544

4.3 Investment in Associates

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	1,113	1,113
Arising from SMHB Acquisition – 30% equity interest in SMHB	*	*
Pro Forma IV and Pro Forma V	1,113	1,113

* representing RM4.00

4.4 Inventories

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	-	-
Arising from SMHB Acquisition	1	1
Pro Forma IV and Pro Forma V	1	1

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4.5 Short Term Deposits with Licensed Banks

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I	41,108	41,108
Part of proceeds from Rights with Bonus Issue and Warrants placed in interest-bearing deposits with licensed bank	-	9,000
Pro Forma II, Pro Forma III, Pro Forma IV and Pro Forma V	41,108	50,108

4.6 Cash and Bank Balances

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016	540	540
Gross proceeds from Placement	52,300	52,300
Pro Forma I	52,840	52,840
Gross proceeds from Rights with Bonus Issue and Warrants	22,017	41,481
Part of proceeds from Rights with Bonus Issue and Warrants placed in interest-bearing deposits with licensed bank	-	(9,000)
Pro Forma II and Pro Forma III	74,857	85,321
Proceeds from term loan raised	85,000	85,000
Settlement of upfront Cash Consideration upon completion of SMHB Acquisition	(153,000)	(153,000)
Settlement of estimated expenses for Corporate Exercises	(6,500)	(7,500)
Pro Forma IV and Pro Forma V	357	9,821

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4.7 Share Capital

	Minimum Scenario		Maximum Scenario	
	No. of ordinary shares '000	Paid-up RM'000	No. of ordinary shares '000	Paid-up RM'000
As at 31 December 2016	319,081	31,908	319,081	31,908
Issuance of new HEB Shares arising from Placement	37,357	52,300	37,357	52,300
Pro Forma I	356,438	84,208	356,438	84,208
Issuance of Rights Shares under Rights with Bonus Issue and Warrants	16,936	4,742	31,908	8,935
Pro Forma II	373,374	88,950	388,346	93,143
Issuance of Bonus Shares under Rights with Bonus Issue and Warrants	8,468	847	15,954	1,595
Pro Forma III	381,842	89,797	404,300	94,738
Issuance of Consideration Shares arising from SMHB Acquisition	94,737	108,000	94,737	108,000
Pro Forma IV	476,579	197,797	499,037	202,738
Issuance of new HEB Shares arising from full exercise of Warrants	25,404	43,186	47,862	81,366
Transfer from warrant reserve upon full exercise of Warrants	-	17,275	-	32,546
Pro Forma V	501,983	258,258	546,899	316,650

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4.8 Share Premium

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I and Pro Forma II	22,326	22,326
Amount capitalised for Bonus Shares under Rights with Bonus Issue and Warrants	(847)	(1,595)
Pro Forma III, Pro Forma IV and Pro Forma V	21,479	20,731

4.9 Warrant Reserve

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I	-	-
Arising from fair value of Warrants issued under Rights with Bonus Issue and Warrants	17,275	32,546
Pro Forma II, Pro Forma III and Pro Forma IV	17,275	32,546
Transfer to share capital upon full exercise of Warrants	(17,275)	(32,546)
Pro Forma V	-	-

4.10 Retained Profits

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	24,173	24,173
Estimated expenses for Corporate Exercises charged	(7,500)	(7,500)
Pro Forma IV and Pro Forma V	16,673	16,673

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4.11 Other Payable

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	-	-
Accrual for fair value of deferred Cash Consideration upon completion of SMHB Acquisition	7,557	7,557
Pro Forma IV and Pro Forma V	7,557	7,557

4.12 Term Loan

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	-	-
Term loan raised to part-finance SMHB Acquisition	85,000	85,000
Pro Forma IV	85,000	85,000
Proceeds from full exercise of Warrants utilized to settle part of term loan	(43,186)	(81,366)
Pro Forma V	41,814	3,634

4.13 Bank Overdrafts (Secured)

	Minimum Scenario RM'000	Maximum Scenario RM'000
As at 31 December 2016 and after Pro Forma I, Pro Forma II and Pro Forma III	16,371	16,371
Amount utilized to settle part of the estimated expenses for Corporate Exercises	1,000	-
Pro Forma IV and Pro Forma V	17,371	16,371

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

5. APPROVAL BY BOARD OF DIRECTORS

These Pro Forma Consolidated Statements of Financial Position of HEB as at 31 December 2016 were approved by the Board of Directors of HEB in accordance with a resolution dated

On behalf of the Board,

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

Date: 07 FEB 2018

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

Kuala Lumpur

CERTIFIED TRUE COPY

NG YONG CHIN 03051/05/2019 J
Partner
AZMAN, WONG, SALLEH & CO. (AF 0012)
Chartered Accountants

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

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 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)

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

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	
Group	Share Capital (Note 13) RM	Invested Equity (Note 15) RM	Foreign Currency Translation Reserve (Note 16) RM	Retained Profits RM	Total 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

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 (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.

<u>Classification and measurement</u>

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)

<u>Impairment of financial assets</u>

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)

<u>Derecognition of financial assets</u>

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.

<u>Classification and measurement</u>

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)

<u>Classification and measurement (Continued)</u>

(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.

<u>**Derecognition of a financial liability**</u>

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	2015
	RM	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	2015
	RM	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	2015
	RM	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	2015
	RM	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	2015	2016	2015
	RM	RM	RM	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	2015	2016	2015
	RM	RM	RM	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 RM	2015 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 RM	2015 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 RM	Group 2015 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 RM	Group 2015 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 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 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

	Group	
	2016	2015
	RM	RM
(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 RM	Group 2015 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 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 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 RM	Group 2015 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.

<u>*Sensitivity analysis for interest rate risk*</u>

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:

PESURUHJAYA SUMPAH
No: W465
Nama: KAPT.(B) JASNI BIN YUSOFF
MALAYSIA

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

azman, wong, salleh & co (No. AF 0012)
akauntan bertauliah
chartered accountants

An Independent Member Firm of DFK INTERNATIONAL

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.

12th Floor, Wisma Tun Sambanthan, No. 2, Jalan Sultan Sulaiman, P.O. Box 12019, 50764 Kuala Lumpur, Malaysia.
Tel: 603-2273 2688 Fax: 603-2274 2688 e-mail: audit@folksdfk.com / general@folksdfk.com

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	***Our audit approach to address the key audit matter***
Revenue recognition	Our audit approach included the following: -
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.	- 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.
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.	- 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.
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.	- 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

Certified True Copy

Ng Kuan Yee
Company Secretary (MIA 17693)

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	Note	Quarter ended 30 Sept 2017 RM'000	2016 RM'000	% +/(-)	Year to date ended 30 Sept 2017 RM'000	2016 RM'000	% +/(-)
Revenue	B1	37,374	36,471	2.5	104,505	102,298	2.2
Direct costs		(26,796)	(26,080)		(71,267)	(71,454)	
Gross profit		10,578	10,391	1.8	33,238	30,844	7.8
Other operating income		292	388		945	612	
Administrative expenses		(5,846)	(7,317)		(17,227)	(17,434)	
Other operating expenses		(919)	(812)		(3,222)	(2,875)	
Profit for the year from operations		4,105	2,650	54.9	13,734	11,147	23.2
Finance costs		(316)	(428)		(1,025)	(1,155)	
Share of results of associates		59	98		155	100	
Profit before taxation		**3,848**	**2,320**	65.9	**12,864**	**10,092**	27.5
Taxation	B4	(1,001)	(806)		(3,888)	(3,356)	
Profit for the financial period		**2,847**	**1,514**	88.0	**8,976**	**6,736**	33.3
Other comprehensive income:							
Item that may be reclassified subsequently to profit or loss							
Foreign currency translation (loss)/income		(23)	36		(7)	(98)	
Total comprehensive income for the financial period		**2,824**	**1,550**	82.2	**8,969**	**6,638**	35.1
Profit for the financial period attributable to:-							
Owners of the Company		**2,847**	**1,514**	88.0	**8,976**	**6,736**	33.3
Total comprehensive income attributable to:-							
Owners of the Company		**2,824**	**1,550**	82.2	**8,969**	**6,638**	35.1
Earnings per share (sen)							
- Basic	B11	0.89	0.56	58.9	2.81	2.50	12.4
- Diluted	B11	0.89	0.56	58.9	2.81	2.50	12.4

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017
(The figures have not been audited)

	Note	Unaudited As At 30 September 2017 RM'000	Audited As At 31 December 2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,333	5,684
Intangible assets		659	813
Investments in associates		1,268	1,113
Deferred tax assets		36	37
		7,296	7,647
CURRENT ASSETS			
Trade receivables		84,802	72,740
Other receivables, deposits and prepayments		4,007	2,942
Tax recoverable		259	215
Short term deposits with licensed banks		42,272	41,108
Cash and bank balances		1,333	540
		132,673	117,545
TOTAL ASSETS		**139,969**	**125,192**
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		54,234	31,908
Share premium		-	22,326
Foreign currency translation reserve		294	301
Retained profits		31,139	24,173
TOTAL EQUITY		85,667	78,708

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (cont'd)
(The figures have not been audited)

	Note	Unaudited As At 30 September 2017 RM'000	Audited As At 31 December 2016 RM'000
NON-CURRENT LIABILITIES			
Retirement benefit obligations		62	64
Deferred tax liabilities		88	151
Hire purchase payables	B8	702	644
Term loan	B8	92	-
		944	859
CURRENT LIABILITIES			
Trade payables		26,085	18,188
Other payables, accruals and provisions		11,936	8,835
Hire purchase payables	B8	309	706
Term loan	B8	37	-
Taxation		699	1,524
Bank overdrafts (secured)	B8	14,292	16,372
		53,358	45,625
TOTAL LIABILITIES		54,302	46,484
TOTAL EQUITY AND LIABILITIES		**139,969**	**125,192**
Net assets per share (RM)		0.27	0.24

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

		Non-Distributable		Distributable	
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total RM'000
As at 1 January 2017	31,908	22,326	301	24,173	78,708
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)	22,326	(22,326)	-	-	-
Other comprehensive income:					
- Foreign currency translation loss	-	-	(7)	-	(7)
Profit for the financial period	-	-	-	8,976	8,976
Total comprehensive income for the financial period	-	-	(7)	8,976	8,969
Transactions with owners of the Company:					
Dividend paid	-	-	-	(2,010)	(2,010)
As at 30 September 2017	**54,234**	**-**	**294**	**31,139**	**85,667**

Note a

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

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 SEPTEMBER 2017 (cont'd)
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Invested Equity RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	Total RM'000
As at 1 January 2016	^	-	6,302	265	29,373	35,940
Issuance of new ordinary shares arising from acquisition of subsidiaries	25,033	-	-	-	-	25,033
Effect of merger	-	-	(6,302)	-	(19,224)	(25,526)
Issuance of new ordinary shares arising from shares subscription	493	-	-	-	-	493
Issuance of new ordinary shares arising from Initial Public Offering ("IPO")	6,382	25,526	-	-	-	31,908
Listing expenses arising from issue of new ordinary shares pursuant to the IPO	-	(3,200)	-	-	-	(3,200)
Other comprehensive income:						
- Foreign currency translation loss	-	-	-	(98)	-	(98)
Profit for the financial period	-	-	-	-	6,736	6,736
Total comprehensive income for the financial period	-	-	-	(98)	6,736	6,638
As at 30 September 2016	**31,908**	**22,326**	**-**	**167**	**16,885**	**71,286**

^ Represents RM10 only.

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	Year to date ended	
	30 September 2017 RM'000	**30 September 2016 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,864	10,092
Adjustments for:		
Depreciation of property, plant and equipment	819	778
Amortisation of intangible assets	243	295
Bad debts written off	89	-
Unrealised loss on foreign exchange	68	233
Interest on hire purchase	69	90
Interest on bank overdrafts	955	1,065
Interest on term loan	1	-
Provision for compensated absences	120	131
Share of results of associates	(155)	(100)
Interest income from short term deposits	(940)	(307)
Loss/(gain) on disposal of property, plant and equipment	50	(54)
Operating profit before working capital changes	14,183	12,223
Changes in working capital:		
Increase in trade receivables	(12,219)	(20,496)
(Increase)/decrease in other receivables, deposits and prepayments	(1,065)	2,333
Increase in trade payables	7,897	1,266
Increase in other payables, accruals and provisions	3,037	5,595
Increase in amounts due to associates	-	2,615
Decrease in amounts due to related parties	-	(2,368)
Cash generated from operations	11,833	1,168
Tax paid	(4,820)	(2,713)
Net cash from/(used in) operating activities	7,013	(1,545)

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2017 (cont'd)
(The figures have not been audited)

	Year to date ended 30 September 2017 RM'000	30 September 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(366)	(775)
Purchase of intangible assets	(89)	(32)
Proceeds from disposal of property, plant and equipment	6	54
Investment in associates	-	(906)
Interest received on short term deposits	940	307
Net cash from/(used in) investing activities	491	(1,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of new shares	-	31,908
Share issue expenses	-	(3,200)
Payment on hire purchase financing	(554)	(664)
Dividend paid	(2,010)	-
Placement of fixed deposits pledged	(2,897)	(3,948)
Proceeds from term loan	129	-
Interest paid on hire purchase	(69)	(90)
Interest paid on bank overdrafts	(955)	(1,065)
Interest paid on term loan	(1)	-
Net cash (used in)/from financing activities	(6,357)	22,941
Net increase in cash and cash equivalents during financial period	1,147	20,044
Effect of exchange rate changes on cash and cash equivalents	(7)	(81)
Cash and cash equivalents at beginning of financial period	12,901	(10,457)
Cash and cash equivalents at end of financial period	**14,041**	**9,506**

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED 30 SEPTEMBER 2017 (cont'd)
(The figures have not been audited)

Components of cash and cash equivalents as at 30 September 2017 is as follows:

	Unaudited as at 30 September 2017 RM'000	Unaudited as at 30 September 2016 RM'000
Cash and bank balances	1,333	959
Short term deposits with licensed banks	42,272	39,002
Bank overdrafts (secured)	(14,292)	(18,923)
	29,313	21,038
Less: short term deposits pledged with licensed banks	(15,272)	(11,532)
	14,041	**9,506**

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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

A1. Basis of preparation

The interim financial report of HSS Engineers Berhad ("**HSSEB**" or the "**Company**") and its subsidiaries ("**the Group**") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134- Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The subsidiaries consist of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Pvt Ltd ("HBS") and BIM Global Ventures Sdn Bhd ("BGV"), all are wholly-owned by the Company.

The interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 and accompanying explanatory notes attached to this interim financial report.

A2. Changes in accounting policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 except for the adoption of the following applicable Amendments to Standards or new Standards during the current financial period which is effective from 1 January 2017:

MFRSs (Including The Consequential Amendments)

- 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"

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

A3. Auditors' report on preceding audited financial statements

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

A4. Seasonal or cyclical factors

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

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

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

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

A6. Material changes in estimates

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

A7. Debt and equity securities

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

A8. Dividend paid

During the current financial period under review, a single tier final dividend of 0.63 sen per ordinary share for the financial year ended 31 December 2016 totalling RM2,010,210 was paid on 31 May 2017. There was no dividend paid during the current quarter under review.

A9. Segmental information

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

A10. Valuation of property, plant and equipment

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

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

A11. Capital commitments

The capital commitments of the Group as at 30 September 2017 were as follows:-

	RM'000
Authorised but not contracted for:	171

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

Save as disclosed in Note B6(i), there were no material events subsequent to the end of the current financial period that have not been reflected in this interim financial report.

A13. Effect of Changes in composition of the Group

There were no changes in the composition of the Group for the current financial period under review.

A14. Contingent assets or contingent liabilities

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

The Company has issued corporate guarantees to a financial institution and hire purchase financier for banking and hire purchase facilities granted to a subsidiary amounting to RM15.30 million as at 30 September 2017. Saved as disclosed above, the Group has no contingent liabilities as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

A15. Related party transactions

(a) As at 30 September 2017, the amount of guarantee provided by the Group to SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL") is as follows:

	Unaudited As At 30 September 2017 RM'000	Audited As At 31 December 2016 RM'000
Guarantee provided to SNCL in respect of payment obligations of HSSI to SNCL in connection with services to be provided by HSSI-SNC Lavalin Joint Venture ("HSSI-SNCL")		
- Amount of guarantee at inception	64,794	64,794
- Amount of guarantee at period end	1,700	10,134

HSSI-SNCL is an unincorporated joint venture equally owned by HSSI and SNCL. The abovementioned guarantee pursuant to a Guarantee Agreement dated 12 February 2014 arose from additional scope of services ("Variation Order") awarded to HSSI-SNCL but which is to be executed solely by HSSI. The Group shall be liable for the outstanding payment obligations of HSSI to SNCL under the guarantee in the event the payments are withheld by the employer due to default on the part of HSSI in the execution of the Variation Order only.

SNCL can only demand payments for its portion of the billings rendered by HSSI-SNCL which are yet to be paid by the employer at any time due to the default. The Group's exposure to the outstanding payment obligations of HSSI to SNCL at the end of the financial period is RM Nil (31 December 2016: RM1,470,120).

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ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B1. Review of performance

For the current quarter and current financial year to date under review, the Group recorded revenue of RM37.3 million and RM104.5 million respectively.

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

	Quarter ended				Year to date ended			
	30 Sept 2017		30 Sept 2016		30 Sept 2017		30 Sept 2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Engineering services								
- Engineering design	15,221	40.7	16,931	46.4	35,200	33.7	42,593	41.6
- Construction supervision	6,048	16.2	6,977	19.1	17,463	16.7	24,765	24.2
Project management	13,206	35.3	9,871	27.1	41,140	39.4	27,981	27.4
BIM services	317	0.8	1,170	3.2	1,038	1.0	1,831	1.8
Reimbursable income	2,582	7.0	1,522	4.2	9,664	9.2	5,128	5.0
	37,374	**100.0**	**36,471**	**100.0**	**104,505**	**100.0**	**102,298**	**100.0**

Engineering design

The engineering design revenue declined for both current quarter and year to date ended 30 September 2017 were mainly due to the completion of LRT Ampang Line Extension and Westports Construction and Completion on Land Reclamation works, Container Yard and Wharf whereby the design revenue contributed by these projects contracted in line with the completion status. The decline was compensated by newly secured projects in 2017 including East Coast Rail Line ("ECRL") scheme design and preliminary design, Kuala Lumpur-Singapore High Speed Rail (Reference Design Consultants 05) and Consultant for External Infrastructure Works for Bukit Bintang City Centre.

Construction supervision

The reduction in supervision revenue for both current quarter and year to date ended 30 September 2017 was attributed to the decrease in revenue from LRT Ampang Line Extension in line with the completion status of this project. However, the decline was compensated by supervision revenue contributed by few projects which have been progressing in line with the construction stage of these projects. They are Maju Expressway Extension To KLIA, Sungei Besi-Ulu Kelang Elevated Expressway and West Coast Expressway.

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B1. Review of performance (cont'd)

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

Project management

The revenue from project management grew substantially for both current quarter and year to date ended 30 September 2017 due to the contribution from MRT Line 2 –Jajaran Sg. Buloh-Serdang-Putrajaya which is progressing as per schedule.

BIM services

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

Reimbursable income

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

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

	Quarter ended				**Year to date ended**			
	30 Sept 2017		**30 Sept 2016**		**30 Sept 2017**		**30 Sept 2016**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Local								
Malaysia	37,257	99.7	35,494	97.3	103,236	98.8	100,634	98.3
Overseas								
India	82	0.2	492	1.4	296	0.3	889	0.9
Middle East	35	0.1	485	1.3	418	0.4	702	0.7
Brunei	-	-	-	-	555	0.5	73	0.1
	37,374	**100.0**	**36,471**	**100.0**	**104,505**	**100.0**	**102,298**	**100.0**

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

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B1. Review of performance (cont'd)

(c) Profit after tax ("PAT")

The PAT grew by 33.3% or RM2.24 million to RM8.97 million for the 9 months ended 30 September 2017 from RM6.73 million recorded in previous corresponding period ended 30 September 2016 mainly attributable to stronger gross profit margin achieved for the current period.

The PAT grew by 88.0% or RM1.33 million to RM2.84 million for the current quarter ended 30 September 2017 from RM1.51 million recorded in previous quarter ended 30 September 2016 mainly attributable to lower operating expenses incurred.

(d) Our unbilled order book as at 30 September 2017 is as follows:

	RM'000	%
Engineering services		
- Engineering design	112,086	28.1
- Construction supervision	133,729	33.6
Project management	145,882	36.6
	391,697	98.3
BIM services	6,489	1.7
Total	**398,186**	**100**

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

B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 30 September 2017 RM'000	Preceding Quarter 30 June 2017 RM'000	Variance RM'000	%
Revenue	37,374	37,870	(496)	(1.3)
Gross profit	10,578	11,713	(1,135)	(9.7)
Profit before taxation	3,848	4,489	(641)	(14.3)

The profit before tax ("PBT") for current quarter was lower by RM0.64 million as compared to PBT for immediate preceding quarter ended 30 June 2017. This was mainly due to higher gross profit ("GP") margin recorded in preceding quarter arising from the higher contributions from projects which earns higher GP margin.

ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B3. Prospects

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

(a) Geographical expansion into ASEAN, Middle East and India regions;

(b) Continuous enhancement on its three (3) existing core services (i.e. engineering services, project management and Building Information Modeling ("BIM") services) and proposed venture into a fourth (4th) core service i.e. facility management; and

(c) Venturing into the provision of support services to the water and power generation sectors which are expected to continue receiving strong government support given their strategic importance to the country.

The Group expects to perform satisfactorily in the financial year 2017 given the strong order book, underpinned by the positive outlook in the construction industry both locally & regionally, driven largely by government continued spending on infrastructure projects.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the prospects for the remaining period to the end of the financial year ending 31 December 2017 will remain favourable.

B4. Income tax expense

	Quarter ended		Year to date ended	
	30 Sept 2017 RM'000	**30 Sept 2016 RM'000**	**30 Sept 2017 RM'000**	**30 Sept 2016 RM'000**
Income tax expense				
- Current financial period	1,230	791	4,195	3,420
- Prior financial period	(244)	(7)	(244)	(7)
Deferred tax				
Current financial period	15	22	(63)	(57)
Total tax expense	1,001	806	3,888	3,356
Effective tax rate (%)	26.0	34.7	30.2	33.2

The effective tax rate for the current quarter and financial year to date ended 30 September 2017 is higher than the statutory tax rate of 24% mainly due to the losses incurred in HBS and BGV. Such losses had resulted in lower profit before tax of the Group which indirectly increased the effective tax rate. In addition, recurring non-deductible expenses such as legal and professional fees, business development and entertainment, gift and donations and restriction on certain interest expenses which are non-deductible had also contributed to the increase in effective tax rate.

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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B5. Variance of actual profit from profit forecast and profit guarantee

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

B6. Status of corporate proposals

Save as disclosed below, there is no corporate proposal announced but not completed as at the date of this report.

(i) Proposed Acquisition of Entire Equity Interest in SMHB Engineering Sdn Bhd

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

To part finance the Proposed Acquisition, the Company announced on the same date the following corporate proposals:

(a) Proposed placement of new HSSEB shares to investors to be identified to raise gross proceeds of up to RM52,300,000 ("Proposed Placement"); and

(b) Proposed renounceable rights issue of up to 31,908,101 new HSSEB shares ("rights shares) on the basis of one (1) rights share for every ten (10) HSSEB shares held on an entitlement date to be determined later together with a bonus issue of up to 15,954,050 new HSSEB shares ("bonus shares") on the basis of one (1) bonus share for every two (2) rights shares subscribed and up to 47,862,151 free detachable warrants ("warrants") on the basis of three (3) warrants for every two (2) rights shares subscribed ("Proposed Rights With Bonus Issue and Warrants")

The Proposed Acquisition, Proposed Placement and Proposed Rights With Bonus Issue and Warrants are currently pending the approvals from shareholders, Bursa Malaysia Securities Berhad and relevant government authorities, if required.

(ii) Proposed Transfer to Main Market of Bursa Malaysia Securities Berhad

On 4 April 2017, HSSEB announced that it proposed to undertake the proposed transfer of the listing of and quotation for the entire issued and paid up share capital of the Company from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"). The Proposed Transfer had been approved by Securities Commission on 21 August 2017 and Bursa Malaysia Securities Berhad on 25 August 2017. Following the approvals, the listing of and quotation for the entire issued and paid up share capital of the Company had been transferred from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad on 8 September 2017.

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

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

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

	Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Estimated Timeframe for utilisation(1)
(a)	Expansion / venture into same or allied services:-				
	- Expansion into India	15,000	-	-	Within 18 months
	- Venture into the provision of support services to the water sector in Malaysia	6,000	-	-	
	- Venture into the provision of support services to the power sector in Malaysia	3,000	-	-	
(b)	Repayment of bank borrowings	4,000	4,000	-	Within 3 months
(c)	General working capital	708	708	-	Within 12 months
(d)	Estimated listing expenses	3,200	3,200	-	Within 1 month
	Total	**31,908**	**7,908**	-	

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

As at the date of this report, save for approximately RM7.91 million which has been utilised for various purposes as disclosed above, there is no other utilisation of IPO proceeds.

Notes:

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

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B8. Group's borrowings and debt securities

The Group's borrowings as at 30 September 2017 are as follows:-

	Unaudited as at 30 September 2017 RM'000	Audited as at 31 December 2016 RM'000
Current:		
Hire purchase payables	309	706
Bank overdrafts	14,292	16,372
Term loan	37	-
	14,638	17,078
Non-current:		
Hire purchase payables	702	644
Term loan	92	-
	794	644
Total borrowings:		
Hire purchase payables	1,011	1,350
Bank overdrafts	14,292	16,372
Term loan	129	-
	15,432	**17,722**

All the borrowings are secured and denominated in Ringgit Malaysia except for the term loan which is unsecured and denominated in Indian Rupee. Bank overdrafts are secured against the short term deposits pledged with licensed banks as disclosed in the Unaudited Condensed Consolidated Statement of Cash Flows.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B9. Material litigation

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

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

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

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

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

The litigation had been resolved without any payment of damages, with no order as to costs and without liberty to file afresh. A Consent Judgment has been filed on 28 September 2017.

B10. Dividend Payable

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B11. Earnings per share ("EPS")

The basic and diluted EPS are computed as follows:

	Quarter ended		Year to date ended	
	30 Sept 2017	**30 Sept 2016**	**30 Sept 2017**	**30 Sept 2016**
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,847	1,514	8,976	6,736
Weighted average number of ordinary shares in issue ('000)	319,081	269,446	319,081	269,446
Basic EPS (sen)	0.89	0.56	2.81	2.50
Diluted EPS (sen) (1)	0.89	0.56	2.81	2.50

Notes:

(1) Diluted earnings per share of the Group is equivalent to the basic earnings per share as the Company does not have convertible options as at the end of the reporting period.

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

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

	Quarter ended 30 Sept 2017 RM'000	**Year-to-date ended 30 Sept 2017 RM'000**
Depreciation of property, plant and equipment	273	819
Amortisation of intangible assets	80	243
Bad debts written off	-	89
Interest expense	316	1,025
Interest income	(288)	(940)
Loss on disposal of property, plant & equipment	48	50
Loss on foreign exchange	31	114

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

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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

B13. Disclosure of realised and unrealised profits or losses

The realised and unrealised retained profits of the Group as at 30 September 2017 are analysed as follows:-

	Unaudited As At 30 September 2017 RM'000	Audited As At 31 December 2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	50,335	43,527
- Unrealised	(334)	(337)
	50,001	43,190
Total share of retained profits from associates:		
- Realised	362	207
Add: consolidation adjustments	(19,224)	(19,224)
Total retained profits of the Group	**31,139**	**24,173**

B14. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 16 November 2017.

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DIRECTORS' REPORT

HSS ENGINEERS BERHAD (1128564-U)
Malaysia's Engineering DNA

B1 (1-4) Block B, Plaza Dwitasik, No.21, Jalan 5/106, Bandar Sri Permaisuri, 56000 Kuala Lumpur, Malaysia
T +603 9173 0355 | F +603 9173 0939 | E heb@hss.com.my | W www.hssgroup.com.my

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

Date: 15 FEB 2018

To: The shareholders of HSS Engineers Bhd

Dear Sir/Madam,

On behalf of the Board of Directors of HSS Engineers Bhd ("**HEB**") ("**Board**"), I wish to report that after making due enquiries in relation to the period between 31 December 2016, being the date on which the last audited financial statements of HEB and its subsidiaries ("**Group**") have been made up, and up to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus, that:

(a) the business of HEB and its subsidiaries has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, since the last audited financial statements of the Group, no circumstances have arisen which has adversely affected the trading or the value of the assets of HEB or any of its subsidiaries;

(c) the current assets of HEB and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantee or indemnity given by HEB or any of its subsidiaries;

(e) there has been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowing of any corporation within the Group; and

(f) there has been, since the last audited financial statements of the Group, no material change in the published reserves or any unusual factor affecting the profits of HEB and its subsidiaries.

Yours faithfully,

For and on behalf of the Board of
HSS ENGINEERS BERHAD

Tan Sri Kunasingam A/L Sittampalam
Executive Director / Executive Vice Chairman

FURTHER INFORMATION

1. SHARE CAPITAL

(a) Save for the Rights Shares, Bonus Shares and Exercised Shares pursuant to the Rights with Bonus Issue and Warrants, no securities in our Company will be issued or allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of this Abridged Prospectus.

(b) As at the date of this Abridged Prospectus, there is no founder, management or deferred shares in our Company. There is only one (1) class of shares, namely ordinary shares in our Company.

(c) The HEB Shares will be subject to all provisions of the Constitution of our Company.

(d) All the Rights Shares, Bonus Shares and the Exercised Shares will, upon allotment and issue, rank equally in all respects with each other and the then existing HEB Shares, except that the Rights Shares, Bonus Shares and the Exercised Shares will not be entitled to any dividends, rights (including voting rights), allotments and/or distributions that may be declared, made or paid to the shareholders of our Company, the entitlement of which is prior to the date of allotment of these shares.

(e) Save for the Provisional Rights with Bonus Shares and Warrants to be issued pursuant to the Rights with Bonus Issue and Warrants to the Entitled Shareholders, no person has been or is entitled to be granted an option to subscribe for any securities of our Company.

(f) Save as disclosed in Section 2.2 of **Appendix II** of this Abridged Prospectus, no securities of our Company have been issued or agreed to be issued as fully or partly paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this Abridged Prospectus.

2. DIRECTORS' REMUNERATION

The extract of the provisions in the Constitution of our Company in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in the Constitution of our Company):

(a) Article 97

The Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by an ordinary resolution of the Company in general meeting, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, or, failing agreement, equally, except that any Director who shall hold office or part only of the period in respect of which such remuneration is payable shall be entitled to rank in such division for a proportion of the remuneration related to the period during which he has held office PROVIDED ALWAYS that:

(i) fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;

(ii) salaries and other emoluments payable to executive Directors pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover;

(iii) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the general meeting; and

(iv) any fees paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

(b) Article 98

(i) The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.

(ii) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determine by the board of Directors provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

3. MATERIAL CONTRACTS

Save for the HOA and SSA, as at the LPD, our Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, during the two (2) years immediately preceding the date of this Abridged Prospectus.

4. MATERIAL LITIGATION

As at the LPD, our Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which may have a material effect on the financial position or business of our Group.

5. GENERAL

Save as disclosed in this Abridged Prospectus, there are no:

(a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

(b) material commitments for capital expenditure of our Group;

(c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;

(d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on revenues or operating income of our Group;

(e) substantial increase in revenue; and

(f) material information, including any special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

6. CONSENTS

Maybank IB, Newfields, our Company Secretaries, Share Registrar, Principal Banker and Solicitors for the Corporate Exercises, have given and have not subsequently withdrawn their written consent to the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Messrs Azman, Wong, Salleh & Co, being our auditors and reporting accountants, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Abridged Prospectus, including the Reporting Accountants' Letter relating to the pro forma consolidated statements of financial position of our Company as at 31 December 2016 and the Accountants' Report on SMHB Engineering.

Bloomberg has given and has not subsequently withdrawn its written consent to the inclusion of its name as the source of the historical share prices of our Company and all references thereto in the form and context in which it appears in this Abridged Prospectus.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan during business hours from Mondays to Fridays (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

(a) Constitution of our Company;

(b) audited financial statements of our Company for the FYE 31 December 2015 and audited consolidated financial statements of our Company for the FYE 31 December 2016;

(c) latest unaudited consolidated financial statements of our Company for the 9-month FPE 30 September 2017 together with explanatory notes as set out in **Appendix VII** of this Abridged Prospectus;

(d) the pro forma consolidated statements of financial position of our Company as at 31 December 2016 together with the notes and the Reporting Accountants' Letter thereon as set out in **Appendix III** of this Abridged Prospectus;

(e) Accountants' Report on SMHB Engineering as set out in **Appendix IV** of this Abridged Prospectus;

(f) the Directors' Report as set out in **Appendix VII** of this Abridged Prospectus;

(g) the Undertaking;

(h) the Deed Poll;

(i) the HOA and the SSA; and

(j) letters of consent referred to Section 6 of this Appendix.

8. RESPONSIBILITY STATEMENT

Our Board have seen and approved this Abridged Prospectus, together with the accompanying NPA and the RSF. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in this Abridged Prospectus and the accompanying NPA and the RSF false or misleading.

Maybank IB, being the Principal Adviser for the Rights with Bonus Issue and Warrants acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights with Bonus Issue and Warrants.