



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	Note	Quarter ended 31 March		Year to date ended 31 March	
		2017 RM'000	2016 ⁽¹⁾ RM'000	2017 RM'000	2016 ⁽¹⁾ RM'000
Revenue	B1	29,261	N/A	29,261	N/A
Direct costs		(18,314)	N/A	(18,314)	N/A
Gross profit		10,947	N/A	10,947	N/A
Other operating income		374	N/A	374	N/A
Administrative expenses		(5,227)	N/A	(5,227)	N/A
Other operating expenses		(1,280)	N/A	(1,280)	N/A
Profit for the year from operations		4,814	N/A	4,814	N/A
Finance costs		(343)	N/A	(343)	N/A
Share of results of associates		56	N/A	56	N/A
Profit before taxation		4,527	N/A	4,527	N/A
Taxation	B4	(1,368)	N/A	(1,368)	N/A
Profit for the financial period		3,159	N/A	3,159	N/A
Other comprehensive income:					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation income		59	N/A	59	N/A
Total comprehensive income for the financial period		3,218	N/A	3,218	N/A
Profit for the financial period attributable to:-					
Owners of the Company		3,159	N/A	3,159	N/A
Total comprehensive income attributable to:-					
Owners of the Company		3,218	N/A	3,218	N/A
Earnings per share (sen)					
- Basic	B11	0.99	N/A	0.99	N/A
- Diluted	B11	0.99	N/A	0.99	N/A



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (cont'd)

Notes:

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

N/A- Not applicable

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ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

(The figures have not been audited)

	Unaudited As At 31 March 2017 RM'000	Audited As At 31 December 2016 RM'000
ASSETS		
	Note	
NON-CURRENT ASSETS		
Property, plant and equipment	5,601	5,684
Intangible assets	729	813
Investments in associates	1,169	1,113
Deferred tax assets	38	37
	<u>7,537</u>	<u>7,647</u>
CURRENT ASSETS		
Trade receivables	75,191	72,740
Other receivables, deposits and prepayments	2,723	2,942
Tax recoverable	249	215
Short term deposits with licensed banks	41,294	41,108
Cash and bank balances	208	540
	<u>119,665</u>	<u>117,545</u>
TOTAL ASSETS	<u>127,202</u>	<u>125,192</u>
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	31,908	31,908
Share premium	22,326	22,326
Foreign currency translation reserve	360	301
Retained profits	27,332	24,173
TOTAL EQUITY	<u>81,926</u>	<u>78,708</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017 (cont'd)

(The figures have not been audited)

		Unaudited As At 31 March 2017 RM'000	Audited As At 31 December 2016 RM'000
NON-CURRENT LIABILITIES	Note		
Retirement benefit obligations		66	64
Deferred tax liabilities		76	151
Hire purchase payables	B8	450	644
		<u>592</u>	<u>859</u>
CURRENT LIABILITIES			
Trade payables		15,069	18,188
Other payables, accruals and provisions		8,655	8,835
Hire purchase payables	B8	671	706
Taxation		1,735	1,524
Bank overdrafts (secured)	B8	18,554	16,372
		<u>44,684</u>	<u>45,625</u>
TOTAL LIABILITIES		<u>45,276</u>	<u>46,484</u>
TOTAL EQUITY AND LIABILITIES		<u>127,202</u>	<u>125,192</u>
Net assets per share (RM)		<u>0.25</u>	<u>0.24</u>

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HSS ENGINEERS BERHAD (1128564-U)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 31 MARCH 2017

(The figures have not been audited)

	<u>Non-Distributable</u>			<u>Distributable</u>	
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2017	31,908	22,326	301	24,173	78,708
Other comprehensive income:					
- Foreign currency translation income	-	-	59	-	59
Profit for the financial period	-	-	-	3,159	3,159
Total comprehensive income for the financial period	-	-	59	3,159	3,218
As at 31 March 2017	31,908	22,326	360	27,332	81,926

Notes:

- # This is the fourth interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the corresponding year to date in preceding year available as no interim financial report was prepared for the comparative financial period concerned.



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 MARCH 2017**

(The figures have not been audited)

	Year to date ended	
	31 March 2017 RM'000	31 March 2016⁽¹⁾ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,527	N/A
Adjustments for:		
Depreciation of property, plant and equipment	271	N/A
Amortisation of intangible assets	85	N/A
Unrealised loss on foreign exchange	23	N/A
Interest on hire purchase	25	N/A
Interest on bank overdrafts	318	N/A
Provision for compensated absences	130	N/A
Share of results of associates	(56)	N/A
Interest income from short term deposits	(374)	N/A
Operating profit before working capital changes	<u>4,949</u>	<u>N/A</u>
Changes in working capital:		
Increase in trade receivables	(2,474)	N/A
Decrease in other receivables, deposits and prepayments	219	N/A
Decrease in trade payables	(3,119)	N/A
Decrease in other payables, accruals and provisions	(310)	N/A
Cash used in operations	<u>(735)</u>	<u>N/A</u>
Tax paid	(1,266)	N/A
Net cash used in operating activities	<u>(2,001)</u>	<u>N/A</u>



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HSS ENGINEERS BERHAD (1128564-U)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 MARCH 2017 (cont'd)**

(The figures have not been audited)

	<u>Year to date ended</u>	
	31 March 2017 RM'000	31 March 2016⁽¹⁾ RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(182)	N/A
Interest received on short term deposits	374	N/A
Net cash from investing activities	192	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on hire purchase financing	(229)	N/A
Placement of fixed deposits pledged	(1,079)	N/A
Interest paid on hire purchase	(25)	N/A
Interest paid on bank overdrafts	(318)	N/A
Net cash used in financing activities	(1,651)	N/A
Net decrease in cash and cash equivalents during financial period	(3,460)	N/A
Effect of exchange rate changes on cash and cash equivalents	53	N/A
Cash and cash equivalents at beginning of financial period	12,901	N/A
Cash and cash equivalents at end of financial period	9,494	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED
31 MARCH 2017 (cont'd)**
(The figures have not been audited)

Components of cash and cash equivalents as at 31 March 2017 is as follows:

	Unaudited as at 31 March 2017 RM'000	Unaudited as at 31 March 2016⁽¹⁾ RM'000
Cash and bank balances	208	N/A
Short term deposits with licensed banks	41,294	N/A
Bank overdrafts (secured)	<u>(18,554)</u>	<u>N/A</u>
	22,948	N/A
Less: short term deposits pledged with licensed banks	<u>(13,454)</u>	<u>N/A</u>
	<u>9,494</u>	<u>N/A</u>

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

N/A- Not applicable



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 Listing Requirements of 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.

This is the fourth interim financial report on the consolidated results for the first (1st) quarter ended 31 March 2017 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial report 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.



ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

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

134: INTERIM FINANCIAL REPORT (cont'd)

A3. Auditors' report on preceding audited financial statements

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

A4. Seasonal or cyclical factors

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

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

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

A6. Material changes in estimates

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

A7. Debt and equity securities

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

A8. Dividend paid

There was no dividend paid during the current financial period 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 31 March 2017 were as follows:-

	RM'000
Authorised but not contracted for:	2,288
	<u>2,288</u>

The breakdown of the capital commitments are as follows:-

	RM'000
Renovations	278
Computers	1,124
Furniture and fittings and office equipment	56
Computer software	680
Motor vehicle	150
	<u>2,288</u>

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

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

A13. Effect of Changes in composition of the Group

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 and contingent liabilities as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORT (cont'd)
A15. Related party transactions

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

	Year to date ended 31 March 2017 RM'000	Year to date ended 31 March 2016 ⁽¹⁾ RM'000
(i) <u>Associates:</u>		
<u>HSS Integrated Sdn Bhd ("HSSI")</u>		
Provision of engineering and project management services by HSSE ⁽²⁾	28,077	N/A
Reimbursable charged by HSSE ⁽²⁾	625	N/A
<u>HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME")</u>		
Provision of engineering and project management services by HSSE ⁽²⁾	93	N/A
(ii) In which a Director and substantial shareholders have interest		
<u>Matmer Corporation Sdn Bhd</u>		
Rental of premises and reimbursable charged to HSSE	717	N/A

Notes:

- (1) This is the fourth interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding year's corresponding year to date available as no interim financial report was prepared for the comparative financial period concerned.
- (2) These related party transactions are transacted pursuant to the exclusive arrangement between HSSI and HSSME to collaborate, co-operate and work together with HSSE to bid for, procure, obtain, or otherwise provide services for potential engineering and construction works and projects and to undertake all professional engineering services related to the projects as registered professional engineers under the Registration of Engineers Act 1967 ("REA") with each party contributing to the collaboration, their relevant area of competency and expertise.

N/A- Not applicable



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HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

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

A15. Related party transactions (cont'd)

(b) As at 31 March 2017, the amount of guarantee provided by the Group to SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL") is as follows:

	Unaudited As At 31 March 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	6,143	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. Services for this Variation Order have been duly completed in February 2016 with no outstanding payments.

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 RM1,203,673 (31 December 2016: RM1,470,120).

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 RM29.2 million. The Group's revenue was mainly derived from engineering services and project management amounting to RM28.2 million. Local market continued to contribute significant portion of revenue amounting to RM28.8 million or 98.6% of the Group's total revenue.

The Group registered a profit before taxation of RM4.5 million for the current financial quarter and current financial year to date under review.

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

	← Quarter ended →			← Year to date ended →		
	31 March 2017		31 March 2016 ⁽¹⁾	31 March 2017		31 March 2016 ⁽¹⁾
	RM'000	%	RM'000	RM'000	%	RM'000
Engineering services						
- Engineering design	9,562	32.7	N/A	9,562	32.7	N/A
- Construction supervision	5,934	20.3	N/A	5,934	20.3	N/A
Project management	12,674	43.3	N/A	12,674	43.3	N/A
BIM services	466	1.6	N/A	466	1.6	N/A
Reimbursable income	625	2.1	N/A	625	2.1	N/A
	29,261	100.0	N/A	29,261	100.0	N/A

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B1. Review of performance (cont'd)

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

	← Quarter ended →			← Year to date ended →		
	31 Mar 2017		31 Mar 2016 ⁽¹⁾	31 Mar 2017		31 Mar 2016 ⁽¹⁾
	RM'000	%	RM'000	RM'000	%	RM'000
Local						
Malaysia	28,853	98.6	N/A	28,853	98.6	N/A
Overseas						
India	73	0.3	N/A	73	0.3	N/A
Middle East	335	1.1	N/A	335	1.1	N/A
	29,261	100.0	N/A	29,261	100.0	N/A

Notes:

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

N/A- Not applicable

(c) Our unbilled order book as at 31 March 2017 amounted to RM383.0 million, details as follows:

	RM'000	%
Engineering services		
- Engineering design	81,991	21.4
- Construction supervision	136,966	35.7
Project management	159,534	41.7
	<u>378,491</u>	<u>98.8</u>
BIM services	4,540	1.2
Total	<u>383,031</u>	<u>100</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B2. Comparison with preceding quarter's profit before taxation

	Current Quarter 31 March 2017 RM'000	Preceding Quarter 31 December 2016 RM'000	Variance RM'000	%
Revenue	29,261	36,680	(7,419)	(20.2)
Profit before taxation	4,527	9,628	(5,101)	(53.0)

The decline in revenue and corresponding profit before tax were due to /attributed to the slower progress on ongoing projects during current quarter due to festivities. This has been the norm for the Group over the years and is in tandem with the construction industry which traditionally experiences a slower pace in the first quarter.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B4. Income tax expense

	Quarter and Year to-dated ended 31 March 2017 RM'000
Income tax expense	
- Current financial period	1,443
- Prior financial period	-
Deferred tax	
- Current financial period	(75)
Total tax expense	<u>1,368</u>
Effective tax rate (%)	<u>30.2</u>

The effective tax rate for the current and financial year to date ended 31 March 2017 is higher than the statutory tax rate of 24% mainly due to the losses incurred in HSSEB, 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.

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.

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 Securities which is currently pending approval from the authorities.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B7. Utilisation of proceeds from the 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 31 March 2017 are as follows:-

	Unaudited as at 31 March 2017 RM'000	Audited as at 31 December 2016 RM'000
Current:		
Hire purchase payables	671	706
Bank overdrafts	18,554	16,372
	19,225	17,078
Non-current:		
Hire purchase payables	450	644
Total borrowings:		
Hire purchase payables	1,121	1,350
Bank overdrafts	18,554	16,372
	19,675	17,722

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

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"), is 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.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)****B9. Material litigation (cont'd)****(a) Kuala Lumpur High Court Suit No. WA-23NCVC-26-06/2016 (cont'd)**

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

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

At the date of this interim financial report, the Court had scheduled the matter for trial on 2nd to 5th October 2017, 23rd and 24th October 2017, and 26th and 27th October 2017.

(b) 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 amounts to RM64,617,267.17 as at May 2016 includes but not limited to losses and damages suffered by MAHB. MAHB further claims interest, costs and any other/ further relief that the arbitrator may deem fit and just.

Pursuant to the parties' mediation proceeding, MAHB and HSSI had agreed on 31 March 2017, on a without admission of liability basis, to a full and final settlement of Ringgit Malaysia One Million and Five Hundred Thousand (RM1,500,000.00) towards all MAHB's claims against HSSI arising out of the subject matter of MAHB's claim under the parties' mediation proceeding and the Notice of Arbitration.

The agreed settlement has been fully paid by HSSI and MAHB has withdrawn their Notice of Arbitration on 3 April 2017.

The agreed settlement was borne by HSSI's insurer pursuant to its professional indemnity insurance policy, save for an excess amount of Ringgit Malaysia One Hundred and Fifty Thousand (RM150,000.00) only contributed by HSSI under the terms of the insurance coverage.

Based on the above, the Board is of the view that the agreed settlement will not have any material impact on the financial and operational position, order book and future earnings of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017
B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (cont'd)
B10. Dividend Payable

	31 March 2017
Single tier final dividend for financial year ended	31 December 2016
Amount per share	0.63 sen
Approved on	27 April 2017
Entitlement to dividends based on record of depositors as at	5 May 2017
Date payable	31 May 2017

No dividend was payable for the previous corresponding period.

B11. Earnings per share ("EPS")

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

	Quarter and Year-to-date ended 31 March 2017
Net profit attributable to ordinary equity holders of the Company (RM'000)	3,159
Weighted average number of ordinary shares in issue ('000)	319,081
Basic EPS (sen)	0.99
Diluted EPS (sen) ⁽¹⁾	0.99

Notes:

- ⁽¹⁾ Diluted earnings per share of the Company for the current quarter and year to date ended 31 March 2017 is equivalent to the basic earnings per share as the Company does not have convertible options as at the end of the reporting period.

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ENGINEERS

HSS ENGINEERS BERHAD (1128564-U)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

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

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

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

	Quarter and Year-to-date ended 31 March 2017 RM'000
Depreciation of property, plant and equipment	271
Amortisation of intangible assets	85
Interest expense	343
Interest income	(374)
Loss on foreign exchange	42
	<u>42</u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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 31 March 2017 are analysed as follows:-

	Unaudited As At 31 March 2017 RM'000	Audited As At 31 December 2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	46,577	43,527
- Unrealised	(284)	(337)
	<u>46,293</u>	<u>43,190</u>
Total share of retained profits from associates:		
- Realised	<u>263</u>	<u>207</u>
Add: consolidation adjustments	(19,224)	(19,224)
Total retained profits of the Group	<u>27,332</u>	<u>24,173</u>

B14. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 26 May 2017.

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