



**ENGINEERS**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

*(The figures have not been audited)*

	Note	Quarter ended 30 June		Year to date ended 30 June	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	B1	37,870	33,610	67,131	65,827
Direct costs		<u>(26,157)</u>	<u>(22,071)</u>	<u>(44,471)</u>	<u>(44,325)</u>
Gross profit		11,713	11,539	22,660	21,502
Other operating income		279	114	653	224
Administrative expenses		(6,154)	(5,640)	(11,381)	(11,166)
Other operating expenses		<u>(1,023)</u>	<u>(782)</u>	<u>(2,303)</u>	<u>(2,063)</u>
Profit for the year from operations		4,815	5,231	9,629	8,497
Finance costs		(366)	(401)	(709)	(727)
Share of results of associates		40	2	96	2
<b>Profit before taxation</b>		<b>4,489</b>	<b>4,832</b>	<b>9,016</b>	<b>7,772</b>
Taxation	B4	<u>(1,519)</u>	<u>(1,537)</u>	<u>(2,887)</u>	<u>(2,550)</u>
<b>Profit for the financial period</b>		<b>2,970</b>	<b>3,295</b>	<b>6,129</b>	<b>5,222</b>
<b>Other comprehensive income:</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation (loss)/income		(43)	12	16	(134)
<b>Total comprehensive income for the financial period</b>		<b><u>2,927</u></b>	<b><u>3,307</u></b>	<b><u>6,145</u></b>	<b><u>5,088</u></b>
Profit for the financial period attributable to:-					
Owners of the Company		<b><u>2,970</u></b>	<b><u>3,295</u></b>	<b><u>6,129</u></b>	<b><u>5,222</u></b>
Total comprehensive income attributable to:-					
Owners of the Company		<b><u>2,927</u></b>	<b><u>3,307</u></b>	<b><u>6,145</u></b>	<b><u>5,088</u></b>
Earnings per share (sen)					
- Basic	B11	<u>0.93</u>	<u>1.29</u>	<u>1.92</u>	<u>2.04</u>
- Diluted	B11	<u>0.93</u>	<u>1.29</u>	<u>1.92</u>	<u>2.04</u>



**ENGINEERS**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

*(The figures have not been audited)*

	<b>Unaudited As At 30 June 2017 RM'000</b>	<b>Audited As At 31 December 2016 RM'000</b>
<b>ASSETS</b>		
	<b>Note</b>	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,459	5,684
Intangible assets	650	813
Investments in associates	1,209	1,113
Deferred tax assets	37	37
	<u>7,355</u>	<u>7,647</u>
<b>CURRENT ASSETS</b>		
Trade receivables	75,956	72,740
Other receivables, deposits and prepayments	3,818	2,942
Tax recoverable	250	215
Short term deposits with licensed banks	41,166	41,108
Cash and bank balances	3,319	540
	<u>124,509</u>	<u>117,545</u>
<b>TOTAL ASSETS</b>	<u><b>131,864</b></u>	<u><b>125,192</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	54,234	31,908
Share premium	-	22,326
Foreign currency translation reserve	317	301
Retained profits	28,292	24,173
<b>TOTAL EQUITY</b>	<u>82,843</u>	<u>78,708</u>



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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2017 (cont'd)**

*(The figures have not been audited)*

		<b>Unaudited As At 30 June 2017 RM'000</b>	<b>Audited As At 31 December 2016 RM'000</b>
<b>NON-CURRENT LIABILITIES</b>	<b>Note</b>		
Retirement benefit obligations		64	64
Deferred tax liabilities		73	151
Hire purchase payables	B8	445	644
		<u>582</u>	<u>859</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		21,647	18,188
Other payables, accruals and provisions		10,374	8,835
Hire purchase payables	B8	753	706
Taxation		2,130	1,524
Bank overdrafts (secured)	B8	13,535	16,372
		<u>48,439</u>	<u>45,625</u>
<b>TOTAL LIABILITIES</b>		<u>49,021</u>	<u>46,484</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>131,864</b></u>	<u><b>125,192</b></u>
Net assets per share (RM)		<u>0.26</u>	<u>0.24</u>



**ENGINEERS**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 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
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)	22,326	(22,326)	-	-	-
Other comprehensive income:					
- Foreign currency translation income	-	-	16	-	16
Profit for the financial period	-	-	-	6,129	6,129
Total comprehensive income for the financial period	-	-	16	6,129	6,145
Transactions with owners of the Company:					
Dividend paid	-	-	-	(2,010)	(2,010)
<b>As at 30 June 2017</b>	<b>54,234</b>	<b>-</b>	<b>317</b>	<b>28,292</b>	<b>82,843</b>

Note a

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



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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR TO DATE ENDED 30 JUNE 2017 (cont'd)**

*(The figures have not been audited)*

	<u>Non-Distributable</u>		<u>Distributable</u>		
	<b>Share Capital</b>	<b>Invested Equity</b>	<b>Foreign Currency Translation Reserve</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 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
Other comprehensive income:					
- Foreign currency translation loss	-	-	(134)	-	(134)
Profit for the financial period	-	-	-	5,222	5,222
Total comprehensive income for the financial period	-	-	(134)	5,222	5,088
<b>As at 30 June 2016</b>	<b>25,526</b>	<b>-</b>	<b>131</b>	<b>15,371</b>	<b>41,028</b>

^ Represents RM10 only.



**ENGINEERS**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR TO DATE ENDED  
30 JUNE 2017**

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2017 RM'000</b>	<b>30 June 2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,016	7,772
Adjustments for:		
Depreciation of property, plant and equipment	546	510
Amortisation of intangible assets	163	204
Bad debts written off	89	-
Unrealised loss on foreign exchange	53	322
Interest on hire purchase	47	63
Interest on bank overdrafts	662	664
Provision for compensated absences	123	159
Share of results of associates	(96)	(2)
Interest income from short term deposits	(652)	(135)
Loss/(gain) on disposal of property, plant and equipment	2	(54)
<b>Operating profit before working capital changes</b>	<b>9,953</b>	<b>9,503</b>
Changes in working capital:		
Increase in trade receivables	(3,358)	(863)
Increase in other receivables, deposits and prepayments	(876)	(394)
Increase/(decrease) in trade payables	3,459	(6,473)
Increase in other payables, accruals and provisions	1,472	2,903
Increase in amounts due to associates	-	2,636
Decrease in amounts due to related parties	-	(2,368)
<b>Cash generated from operations</b>	<b>10,650</b>	<b>4,944</b>
Tax paid	(2,394)	(1,562)
<b>Net cash from operating activities</b>	<b>8,256</b>	<b>3,382</b>



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

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

*(The figures have not been audited)*

	<b>Year to date ended</b>	
	<b>30 June 2017 RM'000</b>	<b>30 June 2016 RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(163)	(436)
Purchase of intangible assets	-	(16)
Proceeds from disposal of property, plant and equipment	^	54
Investment in associates	-	(906)
Interest received on short term deposits	652	135
<b>Net cash from/(used in) investing activities</b>	<b>489</b>	<b>(1,169)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on hire purchase financing	(367)	(483)
Dividend paid	(2,010)	-
Placement of fixed deposits pledged	(1,791)	(3,335)
Interest paid on hire purchase	(47)	(63)
Interest paid on bank overdrafts	(662)	(664)
<b>Net cash used in financing activities</b>	<b>(4,877)</b>	<b>(4,545)</b>
<b>Net increase/(decrease) in cash and cash equivalents during financial period</b>	<b>3,868</b>	<b>(2,332)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>15</b>	<b>(106)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>12,901</b>	<b>(10,457)</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>16,784</b>	<b>(12,895)</b>

^ Represents less than RM100.



**ENGINEERS**

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

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

*(The figures have not been audited)*

Components of cash and cash equivalents as at 30 June 2017 is as follows:

	<b>Unaudited as at 30 June 2017 RM'000</b>	<b>Unaudited as at 30 June 2016 RM'000</b>
Cash and bank balances	3,319	1,859
Short term deposits with licensed banks	41,166	14,390
Bank overdrafts (secured)	<u>(13,535)</u>	<u>(18,225)</u>
	30,950	(1,976)
Less: short term deposits pledged with licensed banks	<u>(14,166)</u>	<u>(10,919)</u>
	<b><u>16,784</u></b>	<b><u>(12,895)</u></b>

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ENGINEERS

## HSS ENGINEERS BERHAD (1128564-U)

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

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

##### **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 SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 June 2017 were as follows:-

	<b>RM'000</b>
Authorised but not contracted for:	2,195

The breakdown of the capital commitments are as follows:-

	<b>RM'000</b>
Renovations	261
Computers	1,055
Furniture and fittings and office equipment	49
Computer software	680
Motor vehicle	150
	<u>2,195</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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**HSS ENGINEERS BERHAD (1128564-U)**
**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 30 June 2017 RM'000	Year to date ended 30 June 2016 RM'000
(i) <b><u>Associates:</u></b>		
<b><u>HSS Integrated Sdn Bhd ("HSSI")</u></b>		
Provision of engineering and project management services by HSSE <sup>(1)</sup>	59,271	61,109
Reimbursable charged by HSSE <sup>(1)</sup>	7,079	3,606
Provision of BIM services by BGV	<u>133</u>	<u>46</u>
<b><u>HSS Mekanikal &amp; Elektrikal Sdn Bhd ("HSSME")</u></b>		
Provision of engineering and project management services by HSSE <sup>(1)</sup>	57	450
Reimbursable charged by HSSE <sup>(1)</sup>	<u>2</u>	<u>-</u>
(ii) In which a Director and substantial shareholders have interest		
<b><u>Matmer Corporation Sdn Bhd</u></b>		
Rental of premises and reimbursable charged to HSSE	<u>1,367</u>	<u>1,359</u>

**Notes:**

<sup>(1)</sup> 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.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 30 June 2017, the amount of guarantee provided by the Group to SNC-Lavalin (Malaysia) Sdn Bhd ("SNCL") is as follows:

	<b>Unaudited As At 30 June 2017 RM'000</b>	<b>Audited As At 31 December 2016 RM'000</b>
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	2,604	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 RM1,122,253 (31 December 2016: RM1,470,120).

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 RM37.8 million and RM67.1 million respectively.

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

	Quarter ended				Year to date ended			
	30 June 2017		30 June 2016		30 June 2017		30 June 2016	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Engineering services</b>								
- Engineering design	10,417	27.5	13,925	41.4	19,979	29.8	25,662	39.0
- Construction supervision	5,481	14.4	8,166	24.3	11,415	17.0	17,788	27.0
<b>Project management</b>	15,260	40.3	8,979	26.8	27,934	41.6	18,109	27.5
<b>BIM services</b>	255	0.7	348	1.0	721	1.1	661	1.0
<b>Reimbursable income</b>	6,457	17.1	2,192	6.5	7,082	10.5	3,607	5.5
	<b>37,870</b>	<b>100.0</b>	<b>33,610</b>	<b>100.0</b>	<b>67,131</b>	<b>100.0</b>	<b>65,827</b>	<b>100.0</b>

Engineering design

The engineering design revenue declined for both current quarter and year to date ended 30 June 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 Kuala Lumpur-Singapore High Speed Rail (Reference Design Consultants 05).

Construction supervision

The reduction in supervision revenue for both current quarter and year to date ended 30 June 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.

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 June 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 and no significant fluctuation noted for both current quarter and financial year to date.

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:-

	<u>Quarter ended</u>				<u>Year to date ended</u>			
	<u>30 June 2017</u>		<u>30 June 2016</u>		<u>30 June 2017</u>		<u>30 June 2016</u>	
	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
<b>Local</b>								
Malaysia	37,126	98.0	33,261	99.0	65,979	98.3	65,141	99.0
<b>Overseas</b>								
India	141	0.4	253	0.7	214	0.3	397	0.6
Middle East	48	0.1	96	0.3	383	0.6	217	0.3
Brunei	555	1.5	-	-	555	0.8	72	0.1
	<b>37,870</b>	<b>100.0</b>	<b>33,610</b>	<b>100.0</b>	<b>67,131</b>	<b>100.0</b>	<b>65,827</b>	<b>100.0</b>

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 17.4% or RM0.91 million to RM6.13 million for first half year 2017 from RM5.22 million recorded in previous corresponding period ended 30 June 2016 despite of the marginal decline in second quarter 2017. This was mainly attributable to stronger gross profit margin achieved for the current period.

## (d) Our unbilled order book as at 30 June 2017 amounted to RM358.0 million, details as follows:

	<b>RM'000</b>	<b>%</b>
Engineering services		
- Engineering design	75,477	21.1
- Construction supervision	130,396	36.4
Project management	147,119	41.1
	<u>352,992</u>	<u>98.6</u>
BIM services	5,020	1.4
<b>Total</b>	<b><u>358,012</u></b>	<b><u>100</u></b>

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

Subsequent to 30 June 2017, the Group has managed to secure following contracts totalling RM41.6 million to provide:

- (i) Design Consultancy Services and Construction Supervision for the Proposed Tun Razak Exchange (TRX) External Roads involving "Projek Penyuraian Trafik dan Kerja-Kerja Menaiktaraf Jalan Tun Razak (Dari Jalan Langgak Golf ke Bulatan Kampung Pandan) Kuala Lumpur" totalling RM19.0 million;
- (ii) Preliminary Design Consultancy Services for Infrastructure Works for the East Coast Rail Link ("ECRL") from KM0 to KM220 of the ECRL totalling RM16.3 million; and
- (iii) Appointment as the Consultant Civil and Structural Engineer & Mechanical and Electrical Engineer for External Infrastructure Works for "Cadangan Pembangunan Bercampur Bukit Bintang City Centre yang mengandungi Pusat Membeli Belah, Ruang Pejabat, Pusat Persembahan Muzik, Pangsapuri Perkhidmatan dan Hotel di atas Lot PT143, Seksyen 56 di Jalan Hang Tuah / Jalan Pudu, Wilayah Persekutuan Kuala Lumpur" totalling RM6.3 million.





**ENGINEERS**

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2017**

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

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

	<b>Current Quarter 30 June 2017 RM'000</b>	<b>Preceding Quarter 31 March 2017 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	37,870	29,261	8,609	29.4
Gross profit	11,713	10,947	766	7.0
Profit before taxation	4,489	4,527	(38)	(0.84)

The profit before tax ("PBT") for current quarter was fairly consistent with the PBT posted in the immediate preceding quarter ended 31 March 2017 despite the revenue was higher by RM8.61 million in current quarter. This was due to higher gross profit ("GP") margin recorded in preceding quarter arising from the higher contributions from projects which earns higher GP margin.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 (4<sup>th</sup>) 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**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 June</u> <u>2017</u> <u>RM'000</u>	<u>30 June</u> <u>2016</u> <u>RM'000</u>	<u>30 June</u> <u>2017</u> <u>RM'000</u>	<u>30 June</u> <u>2016</u> <u>RM'000</u>
<u>Income tax expense</u>				
- Current financial period	1,522	1,581	2,965	2,629
- Prior financial period	-	-	-	-
<u>Deferred tax</u>				
Current financial period	(3)	(44)	(78)	(79)
Total tax expense	<u>1,519</u>	<u>1,537</u>	<u>2,887</u>	<u>2,550</u>
Effective tax rate (%)	<u>33.8</u>	<u>31.8</u>	<u>32.0</u>	<u>32.8</u>

The effective tax rate for the current quarter and financial year to date ended 30 June 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.

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

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 which is currently pending approval from the authorities.

**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:-

<b>Purposes</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Deviation RM'000</b>	<b>Estimated Timeframe for utilisation<sup>(1)</sup></b>
(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
<b>Total</b>	<b>31,908</b>	<b>7,908</b>	<b>-</b>	



**ENGINEERS**

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2017**

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

**B7. Utilisation of proceeds from the Initial Public Offering ("IPO") (cont'd)**

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.

**B8. Group's borrowings and debt securities**

The Group's borrowings as at 30 June 2017 are as follows:-

	<b>Unaudited as at 30 June 2017 RM'000</b>	<b>Audited as at 31 December 2016 RM'000</b>
<b>Current:</b>		
Hire purchase payables	753	706
Bank overdrafts	<u>13,535</u>	<u>16,372</u>
	<u>14,288</u>	<u>17,078</u>
<b>Non-current:</b>		
Hire purchase payables	<u>445</u>	<u>644</u>
<b>Total borrowings:</b>		
Hire purchase payables	1,198	1,350
Bank overdrafts	<u>13,535</u>	<u>16,372</u>
	<u><b>14,733</b></u>	<u><b>17,722</b></u>

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.



ENGINEERS

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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"), 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 HSE 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 interim financial report, the Court had scheduled the matter for trial on 2<sup>nd</sup> to 5<sup>th</sup> October 2017, 23<sup>rd</sup> and 24<sup>th</sup> October 2017, and 26<sup>th</sup> and 27<sup>th</sup> October 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 SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 June 2017	30 June 2016	30 June 2017	30 June 2016
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,970	3,295	6,129	5,222
Weighted average number of ordinary shares in issue ('000)	319,081	255,265	319,081	255,265
Basic EPS (sen) <sup>(1)</sup>	0.93	1.29	1.92	2.04
Diluted EPS (sen) <sup>(2)</sup>	0.93	1.29	1.92	2.04

**Notes:**

<sup>(1)</sup> Basic earnings per share for previous quarter and previous year to date ended 30 June 2016 was calculated based on the shares in issue of 255,264,810 after the acquisition by HSS Engineers Berhad ("HSSEB") of the entire issued and paid up capital of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Private Limited ("HBS"), BIM Global Ventures Sdn Bhd ("BGV") and shares subscription by two (2) former shareholders of HBS but before public issue.

<sup>(2)</sup> Diluted earnings per share of the Company 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 June 2017 RM'000	Year-to-date ended 30 June 2017 RM'000
Depreciation of property, plant and equipment	275	546
Amortisation of intangible assets	78	163
Bad debts written off	89	89
Interest expense	366	709
Interest income	(278)	(652)
Loss on disposal of property, plant & equipment	2	2
Loss on foreign exchange	41	83

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 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 June 2017 are analysed as follows:-

	<b>Unaudited As At 30 June 2017 RM'000</b>	<b>Audited As At 31 December 2016 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	47,515	43,527
- Unrealised	(302)	(337)
	47,213	43,190
Total share of retained profits from associates:		
- Realised	303	207
Add: consolidation adjustments	(19,224)	(19,224)
Total retained profits of the Group	<b>28,292</b>	<b>24,173</b>

**B14. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 16 August 2017.

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