

2020 YEAR-END MESSAGE
From Tan Sri Ir. Kuna Sittampalam

The year 2020 has been like no other in our lifetime and has brought upon unprecedented challenges to the country, following the change in the administration with the announcement of a new government on 1st March 2020 and secondly the COVID-19 outbreak which has become a global pandemic.

Recognising the impact of the COVID 19 outbreak and the Movement Control Order (MCO), we were very proactive at HEB Group, focused on three key areas and firstly, took decisive actions to preserve the short/medium term safety of all of you and the medium/long term health of the company, which is crucial to you, our clients and our shareholders as well. For us, that means securing the health and safety of you all while maintaining business continuity.

The aggressive containment strategy the Government initially has adopted demanded our Group to quickly remodel to the 'next normal' in order to mitigate the impact on operations and financial performance of the Group. In an environment like this, we HEB family stayed resilient, prudent and acted responsibly and we took decisive actions to preserve business continuity. I am very proud of the team we have at HEB Group. Looking back over the year, we have managed to adapt very quickly. The speed with which we have embraced working from home and video conferencing during these difficult times, while still meeting our deliverables to clients and maintaining productivity shows the flexibility and ability of our staff to adapt to the "next normal".

We are now well-positioned to maintain the resilience, prospects and performance of this company. We have not only stabilized operations reasonably but also nearing mitigating the financial impact on the Group by ensuring continuous engagement with our clients in terms of project billings and collections. And now, we are focusing on protecting the future growth of our business with current healthy tender book value with more than 50% success rate based on our track record.

CORPORATE

This year we incorporated one new member to our Main Board. We welcome Miss Vanessa Santhakumar as a Non Independent and Non-Executive Director. Our congratulations and warm welcome to her.

We would like to record our sincere appreciation and gratitude to Dato' Ir. B Nitchiananthan for his contribution and dedicated service of more than thirty years to HEB and its group of companies. Dato Nitchi's impact on this organization goes far beyond what can be seen on paper and I know his absence will be felt by all of us. We wish him the very best in his future endeavors.

Following his resignation, the Board has appointed me as Acting CEO of the Group and Puan Sharifah Azlina as the Acting CEO of HSS Engineering Sdn Bhd.

Increased Corporate Governance: - Anti-bribery Management System (ISO 37001-2016)

As part of our commitment, towards good corporate governance and ensuring compliance with applicable anti-corruption laws, we, HEB completed our journey to attain ISO 37001:2016 Anti-bribery Management System Certification on 29th May 2020. The audit has been conducted via Remote Audit being the first time for HSS. I am proud with the commitment from all levels of staff for the committed effort towards the success of the ABMS certification. It has been quite a long and strenuous journey.

SMHB has achieved the ISO 14001:2015 Environmental Management Systems and ISO 45001:2018 Occupational Health and Safety Management System certifications issued by SIRIM in July 2020.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

This year, we have implemented *the "PROTEGE Ready to Work (RTW) Program"*, an initiative by the Ministry of Entrepreneur Development, which aims to provide On The Job and soft skills training to unemployed graduates to equip them with the necessary skills and knowledge to aid in obtaining gainful employment upon completion of the program. Till to date, HSS has appointed eight (8) protégés in various divisions and through this program, is

thus carrying out its CSR role towards nation building by training and nurturing young talent in the industry.

SUSTAINABILITY

When reviewing 2020, I cannot help but reflect on the unprecedented impact of the COVID-19 pandemic. HEB Group's resilience in the face of this global health and economic challenges is largely down to the determination of its people, clients and suppliers, through their continuous support. Credit must also be extended to the dogged dedication and determination of our leadership team.

The scale and impact of the COVID-19 pandemic has provided the construction industry in Malaysia with a window of opportunity for positive change. The capability and tools already exist to create a construction industry in Malaysia that can deliver a low carbon built environment with the ultimate aim of achieving net-zero carbon emissions in Malaysia. I believe that our advisory role to clients places us in a unique position to influence change and transformation of several vital, interconnected infrastructure systems from transportation and housing to energy and manufacturing. This will help us play our role to create a sustainable future by shifting the focus to embedding low carbon design as the standard for new infrastructure projects.

We learned several important lessons over the course of this global pandemic, which continues to envelop the entire business. The worst of the impact has been avoided through improvisation, fostering stronger relationships with clients and leveraging cutting-edge technologies. There are numerous examples of business units transforming their offerings to cater to the ever-changing needs. Clients have received remote advisory and the continuous delivery of services as all employees adapt to travel and other restrictions.

Listening to stakeholders is increasingly important as we begin the next phase of our sustainability journey. Currently, we are building a robust sustainability framework and our future sustainability disclosure will be further aligned with international sustainability standards. Perhaps most importantly, our sustainability reporting must be relevant to both stakeholders and the business strategy. For the first time, we will reach out to both internal and external stakeholders to understand their priorities. When you get this survey, I ask that

you spare five minutes of your time to share your thoughts and expectations so we can continue to improve the relevance and impact of our sustainability disclosure.

REGIONAL EXPANSION - DIVERSIFICATION OF REVENUE

2020 saw the continuation of our regional expansion efforts focusing on India, Philippines and Indonesia, but is wary of the impact of the pandemic on regional economies. A certain degree of rising nationalism is expected in India, Philippines and Indonesia as the governments of these countries aim to preserve domestic interests and internal resources by striking a delicate balance in empowering local talents and employing external expertise. As a result, the Group will need to evaluate the commitment of these countries to their high-growth infrastructure development plans, and as such the realistic mid-to-long term opportunities present to the Group.

We have engaged with some leading Japanese consultants to form collaborations to work on projects together. The Group has commenced supervision services for North-South Commuter Railway Extension (NSCR-EX) project in Philippines through our Japanese partners- Oriental Consultants Global.

In June 2020, the Ministry of Road Transport and Highways (MORTH), India decided to formulate a policy framework on the usage of precast concrete on National Highways Authority of India (NHA) structures. We are part of the “Expert Committee” with IIT Mumbai in a lead role to develop a roadmap for the policy framework with the ultimate objective of achieving reduced cost, reduced time, better quality product and reduced environmental pollution. To date, we have worked with IIT Mumbai to prepare the draft report which has been circulated to MORTH and NHA for comments.

HEB is working closely with the Ministry of Road Transport & Highways (MoRTH), Government of India to provide Value Engineering Solutions for some of the mega projects in India with **“Accelerated Bridge Construction (ABC)”** technique and innovative alternative materials.

RECURRING AND LONG TERM INCOME

We are in active pursuit of a fourth vertical to our current revenue portfolio which is an important part of our on-going strategy to provide a longer term sight on revenue that is recurring. On September 2nd 2020, we have submitted our bid for a Development of 50MW AC Solar plant under the Large Scale Solar@MEnTARI (LSS) 3B. We are also exploring the “non-guaranteed offtake” opportunities in the areas of water concessions and toll highway as another potential area of recurring income for the Group.

NOTEWORTHY PROJECTS

As another year like no other in our lifetime draws to close, it is a fitting time for a moment to reflect on our achievements over the past year.

The year 2020 started on a high note having just secured the landmark RM2.5billion, Iskandar Malaysia BRT Project in Johor. This is the first Gold Standard BRT project to be implemented in Malaysia. HSSI was appointed as the lead consultant for 51km BRT lines comprising Infrastructure Works for the Iskandar Puteri Line, Skudai Line and Tebrau Line to be implemented in a conventional build only contract and BRT Systems, Buses and Bus Operations to be implemented via Public Private Partnership (PPP). Concurrently, our railway team were working full swing on several different mandates for East Coast rail Link (ECRL) such as the:-

- Railway scheme for the 80km length of ECRL from Gombak to Port Klang
- The Preliminary and Detailed Designs for the 210km ECRL from Kota Bharu to Dungun
- Feasibility Study of the 25km ECRL realignment at Kuantan Port City
- Supervision of the Construction Works for the ECRL stretch from Kota Bharu to Dungun.

The COVID-19 health hazard which has affected all project work fronts and created new working environment including our MRT Line 2 projec. The government granted special dispensation for MRT 2 vital work to continue with stringent health testing conditions, social distancing and strict access control to sites. Our staff had to work diligently with innovative ideas such as the usage of drones to verify progress in supporting our client to meet the requirements during these challenging times.

SMHB has just completed the final report on the feasibility study for Landeh Water Treatment Plant, Sarawak for Kuching Water Board (KWB). The construction of the new Landeh water treatment plant is necessary in order to provide adequate clean and treated water to residents in and around the Borneo Highland areas and is expected to cost about RM 994 million. SMHB is also currently engaged by PWC to work on a study investigating the feasibility of an integrated water operator for Sarawak. The MOU is keen on exploring the idea of merging the existing water operators (KWB, SWB, LAKU and JBALB) into a single entity.

On the Selangor front, SMHB has just completed the feasibility study of the Rasau scheme in Selangor. This scheme will essentially abstract water from Sg. Klang and take into consideration the use of multiple ex-tin mining ponds to enhance the yield, reliability and possibly the water quality of the source water. SMHB has also been appointed by Pengurusan Air Selangor Sdn Bhd (AiS) to be the Owners Engineer for the Rasau Water Supply Scheme.

The State Government of Selangor has also embarked on a new project to improve the security of supply associated with Sg. Selangor. The existing Sg Selangor plants have been frequently shut down due to pollution, causing major disruption in supply and discontent with the public and commercial/ industrial sectors. The project entails the use of raw water from an off river storage pond in the vicinity of the plants , in the event of future pollution incidents. SMHB is engaged for the detailed design of the remedial measures.

In the year 2020, our bridge department has successfully completed the design of many bridges, and the constructions of which are on-going. The detailed design of East Coast Rail Link (ECRL) has been completed and the construction has commenced. The main focus on the design of the 50km viaduct is the standardisation and the use of precast elements for the superstructure deck.

The construction is almost 50% complete for the Sg Pulai Bridge project, which involves construction of 160m long balanced cantilever box girder bridge under marine condition out of total 3km long bridge. One of the key challenges in faced by our design team is the subsoil

condition which exhibits one distinct trend, very soft to soft alluvium, comprising of Silt and Marine Clay deposits between 15m to 24m thick overlaid on stiff to hard alluvium. This soft compressible overburden soil layer of SPT N of less than 4 would require at least 16 months of surcharge period to achieve the required consolidation. In view of the timeframe and logistic issues during construction, **“Vacuum Consolidation”** was opted to be implemented as an alternative to expedite the consolidation process. The system consists of the installation of a drainage system (using PVD and Horizontal Drains), an isolation system and a series of vacuum pumps.

We have also completed the design of bridge in India with **“Ultra High Performance Fibre Concrete (UHPFC) Box Girder”** in segments for the bridge superstructure deck. The developer intended to launch this new technology with UHPFC materials in India. The Govt. of India formed one **‘National Panel of Experts (NPE)’** comprising professors from IIT and other experts from different Govt Sectors to review the design and performance of this innovative technology. The bridge is under construction and the UHPFC Box Girders Segments have already been transhipped to India from Malaysia. We have also completed the preliminary design of another bridge in India using this UHPFC materials involving Extradosed Bridge for the Main Span and Box Girder for the Approach Spans.

To address the long term consolidation settlement challenge for the Access and Main Roads to Pengerang Refinery and Petrochemical Integrated Development (RAPID) project, our innovative design incorporated combination of PVD with surcharge and Piled Embankment solutions, which proved to be successful as the amount of recorded settlements are within the tolerable magnitudes and the desired driving comfort at the zones was achieved,

HSS during the Year 2020 finalised the detailed design for the iconic STS Port project and currently is awaiting for the signing of the Concession Agreement between the Project Proponent and the Government to begin construction activities for the fully off-shore structure. With Westports Phase II having also nearly obtained all the required technical approvals, it is expected to be a busy 2021 for the HSS Port team as we move into the reclamation & dredging designs and subsequently construction for the first four Container Terminals which will span over several years. We are proud to be a part of these large marine infrastructure development that are fully privately funded.

We were also appointed by IJM Holdings Sdn. Bhd. as the C&S and M&E Consultant for a twenty (20) storey office building for Lembaga Hasil Dalam Negeri Malaysia (LHDNM) in Penang with a total build-up area of 121, 000 sqft with large column placed strategically to achieve column free office space and 4.0 meters floor to floor height. The construction of the project is expected to start by February 2021.

Our M&E division assisted Scatec Solar complete their 30MW solar farm and working with the relevant authorities in getting them to achieve their Commercial Operations Date (COD) as per their agreement with the Energy Commission (EC). Another key milestone is the successful completion and commencement of operations at Sahara Dyson's new factory in Senai, Johor. The biggest challenge we had in reviewing and managing the installation of the M&E works during the MCO period given that the client and their project Manager were based in Singapore was to remotely monitor the works using available technologies like VC calls and ZOOM meetings. The PM and Client had very different SOP based on Singapore guidelines as opposed to us here in Malaysia. The working criteria to adhere and comply had to use creativity and innovation in presenting and advising them to ensure that the work was in line with their needs and requirements for operations to commence.

HEB BIM Team assimilated the ISO 19650 standards in their BIM workflow and processes efficiently. The culmination of these efforts is obtaining the ISO 19650 certification in 2021 which is in tandem with our's direction of obtaining BIM Level 2 certification. The Covid19 has significantly accelerated the adoption of digital technology catalysing the need of BIM as one of the trends shaping the construction industry. Despite the current economic adversity and frailties, we have successfully secured BIM consultancy services for Iskandar Malaysia Bus Rapid Transit (IMBRT) in Johor. Along with IMBRT, we are in pole position in securing BIM consultancy services for KPJ Tawakkal Specialist Hospital which will commence in Q2 2021, having completed the KPJ Melaka Specialist Hospital in Q3 2020. Last but not least, we are in the midst of securing an extension of its BIM scope with Samsung CT following the completion of the current contract in the Lot 91 project. The additional scope comprises of the as-built modelling phase which will commence tentatively in Q2 2021.

AWARDS

It's an honour to mention that HEB Engineers and its management were nominated in the 10th Malaysia Investor Relations (IR) Awards 2020 in the following five (5) categories:

1. Best Company for IR
2. Best CFO for IR - Ng Kuan Yee
3. Best IR Website
4. Most Improved Service from IR Team
5. Quality of One-on-One Meetings

And it is with great pleasure that we congratulate '**Ng Kuan Yee**' for being awarded "**Best Chief Financial Officer for IR (Small Cap)**" at the 10th Malaysia Investor Relations Awards 2020.

Further to that, it also gives me a pleasure to congratulate our Executive Director, **Pn Ir Sharifah Azlina bt Raja Kamal Pasmah**, who was conferred the **Prestigious ASEAN Federation of Engineering Organisations Honorary Member** in recognition of her contributions to **Women in Science , Engineering & Technology (WISET)**

I am also pleased to announce that I have been elected as an **International Fellow Member by the Royal Academy of Engineering (Royal Academy of Engineering)**, being the first and only Malaysian Professional Engineer as an International Fellow since the Academy was established in 1976. Beyond a personal achievement, this election is due to what we all have accomplished firstly as a engineering ground and secondly as a nation in the engineering industry and this recognitions opens the pathway for a Malaysian to make a difference in the engineering industry not only in UK but also the world.

FINANCIAL PERFORMANCE

Commendable Financial Performance

We are proud to report laudable financial performance for FY 2020 on the back of higher revenue recorded plus strict cost control measures being implemented given the weak economic sentiments due to the current pandemic. The Group posted revenue of RM125m for current financial year ended 30 September 2020 with a profit after taxation of RM7.7m recorded to date turning around from a loss position in the same corresponding period last year.

As an engineering consultancy firm, the Management values our staff contribution as our human capital to propel the Group forward and hence the salary reduction implemented since 2018 under Cost Management 2.0 have been fully reinstated and paid back to the affected staff in 2020.

HEB is a potential beneficiary of the mega infrastructure projects to be revived or rolled out by the Government of Malaysia, the Management expects earnings are on track to achieve good financial close for FY 2020 whilst assessing key risks which include political uncertainties which may affect the timing of roll-out of infrastructure projects.

2021 - Year Ahead

Budget 2021 which was passed on 15th December 2020 is an expansionary budget and the implementation of large infrastructure projects will be the core to the government's effort to restore the country's economy in the face of the Covid- 19 Pandemic. The Government has also affirmed its commitment on some of the key mega projects such as the Mass Rapid Transit Line 3 (MRT 3), Kuala Lumpur- Singapore High Speed Rail (KL-Spore HSR), Penang Transport Master Plan (PTMP), Johor Bahru – Singapore Rapid Transit System (RTS) and Pan Borneo Highway in Sabah and Sarawak.

We are definitely paying a lot of attention to Sarawak and want to be part of the growth story as we envisaged them to be a major beneficiary from Indonesia's decision to build its new capital city in Kalimantan. As for the Sarawak Metro project, we have completed the feasibility studies for a proposed autonomous rapid transit (ART) system network in Kuching and it is anticipated the detailed engineering design consultancy works for Phase 1 to be roll-out in the first quarter of 2021.

As for the water sector, the State Government of Melaka along with the Federal Government is actively pursuing the implementation of the Jerneh dam to address water shortages in Melaka and the implementation of the Tasik Biru Scheme. In view of the recent episodes of pollution of Sg Selangor which has caused severe water disruption to consumers, the State Government of Selangor has studied measures to deal with such pollution in the future. The preferred option entails the diversion of polluted water away from the intakes through a new bypass during such an incident and pumping water from an existing off river storage into the stretch of the river supplying the intakes.

With our extensive experience and long track record in spearheading the progress of notable mega projects, we are poised to positively leverage on our expertise, and support the resurgence of the local construction and infrastructure developments.

As we embrace the 'new normal' and embark on these era of change , I hope that each of us will seize this opportunity to advocate what we do, be agile and courageous with new ideas and pursue further innovation or even pivot new business models which will pave the way for greater improvement towards operational and financial efficiency whilst always considering the health and safety of our staff.

We have come through a year that was filled with crisis of unprecedented nature and effects and I wish to express my most heartfelt thanks to each and every one of you, the people of HEB as we have managed to adapt very quickly and continue to strive during these challenging times. Let us together as HEB work to make 2021 a success where we continue to be looked upon as the Foremost Engineering Services provider in the country and regionally.

I would like to wish you and your family a happy and safe New Year, knowing that 2021 brings great promise and new beginnings

With best regards

Tan Sri Ir. Kuna Sittampalam