

Company Overview

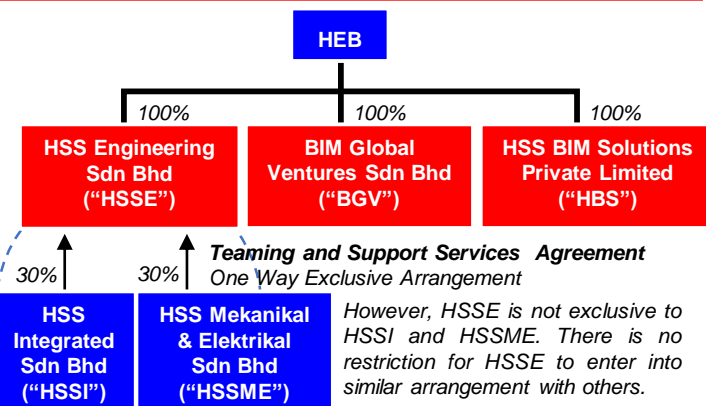
HSS Engineers Berhad ("HEB" or the "Company") is an investment holding company which was incorporated in January 2015 under the Act as a private limited company under the name of HSS Engineers Sdn. Bhd. before it converted into a public limited company and assumed its present name in March 2015.

HEB, through its subsidiaries ("HEB Group" or the "Group") and associates, is principally involved in the **provision of engineering and project management services including engineering design, project management, construction supervision and building information modelling ("BIM") services.**

To date, the Group's total workforce consists of more than 600 employees, of which 250 of them are engineers, and are operating from 3 main offices based in Kuala Lumpur, Penang, and Chennai, India.

HEB Group has longstanding experiences in a wide array of sectors, which includes urban infrastructure, roads and highways, railways and metro systems, building and structures, transportation planning, power generation, and water resources and supply, just to name a few. The Company provides its services on a global scale, with local existing clients as well as clients in countries such as India and the Middle East.

Group Structure



Principal Activities

Company	Principal activities
Our subsidiaries	
HEB	Investment holding
HSSE	Provision of engineering and project management services ⁽¹⁾
HBS	Provision of BIM services
BGV	Provision of BIM services
Our associated companies held through HSSE	
HSSI	An engineering consultancy company registered under the Registration of Engineers Act 1967 ("REA") to provide civil and structural consultancy services
HSSME	An engineering consultancy company registered under the REA to provide mechanical and electrical consultancy services

(1) Notwithstanding HEB Group's technical expertise and capacity, in light of Malaysia's regulatory framework, **their** local services offering is limited to providing the Support Services which forms a significant portion of engineering services. Through the collaboration with HSSI and HSSME, they assist HSSI and HSSME to deliver comprehensive engineering services to the clients. Support Services include but are not limited to: Technical support and related manpower support in the preparation of all tender bids or procurement documents, project management, construction supervision services, BIM services, providing lead and expertise in legal and commercial negotiations, marketing & sales, administration, human resource, finance, accounting, management and legal support.

Order Book / On-going Projects

To be billed progressively on average over the next 2 to 5 years

As at 31 Dec 2016	RM million	%
Engineering services		
- Engineering design	81.99	21.4
- Construction supervision	136.97	35.7
Project Management	159.53	41.7
	372.59	98.5
BIM services	4.54	1.2
TOTAL	383.03	100.0

Utilisation of Proceeds

Utilisation of Proceeds	Estimated timeframe for utilization ⁽¹⁾	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000) ⁽²⁾
Expansion/ venture into same or allied services:-		24,000	-
• Expansion into India		15,000	-
• Venture into the provision of Support Services to the water sector in Malaysia	18 months	6,000	-
• Venture into the provision of Support Services to the power sector in Malaysia		3,000	-
Repayment of bank borrowings	3 months	4,000	4,000
General working capital	12 months	708	708
Estimated listing expenses	1 month	3,200	3,200
Total Proceeds		31,908	7,908

(1) From the date of listing of Shares on the ACE market of Bursa Securities on 10 August 2016

(2) As at 31 Mar 2017

Stock Information

Stock Code Name	HSSEB/ 0185
Listing Market	ACE Market of Bursa Malaysia
Sector	Trading/ Services
Enlarged Issued & Paid-up Share Capital (No. of shares / RM)	319,081,010 / RM31,908,101
52 Week Range	RM0.39 – 1.02
Share Price (as at 30 Jun 2017)	RM0.93
Market Capital (as at 30 Jun 2017)	RM296.75 million



Core Businesses

Engineering Services: (1) Engineering Design

3 Main phases:

Concept Design	<ul style="list-style-type: none"> Assess technical and financial feasibility Produce conceptual design or master plan
Preliminary and Detailed Design	<ul style="list-style-type: none"> Develop detailed design which includes civil, structural, mechanical and electrical design Provide cost estimation and perform value engineering
Specification and Procurement	<ul style="list-style-type: none"> Prepare bill of quantities, tender documents and contracts Assist clients during procurement process

Engineering Services: (2) Construction Supervision

Purpose: To ensure the construction works are in compliance with the approved drawings and specifications, project schedule, relevant laws and guidelines, and the client's budget

Scopes:

Quality and Safety	<ul style="list-style-type: none"> Inspection of materials and workmanship Report and monitor remedial works on any defects discovered and perform quality control test Monitor site personnel's compliance of the prescribed safety and environment policy implemented
Work Progress, Finance and Coordination	<ul style="list-style-type: none"> Supervise and report on construction works progress Liaise with relevant authorities and coordinate the activities of all parties involved with the construction works Assess any request for extension of time and variations, and make recommendation to clients with cost estimates Check and verify all payment requests Inspect, verify and test completed construction works for the issuance of Take-Over Certificate and Certificate of Completion and Compliance Identify any defective and incomplete works for the issuance of Certificate of Making Good Defects, and supervise all remedial works Vet through final account for the construction works prior to client's certification and acceptance

Project Management

Scopes:

Project and Design Management	<ul style="list-style-type: none"> Develop project master plan and project budget Review all designs prepared by the client's appointed consultants Oversee value engineering exercise Liaise with authorities and stakeholders for approvals / feedbacks
Procurement Management and Contract Administration	<ul style="list-style-type: none"> Outline Procurement strategy Manage the entire procuring process Continually review and update the project budget
Construction Management	<ul style="list-style-type: none"> Assess constructability Monitor and supervise project progress Formulate and monitor compliance to the safety and health programme Oversee testing and commissioning
Interface Management	<ul style="list-style-type: none"> Manage the interface between various stakeholders/ parties
Risk Management	<ul style="list-style-type: none"> Maintain and monitor risk register Highlight potential issues and propose mitigation / corrective measures

Building Information Modeling (BIM) Services

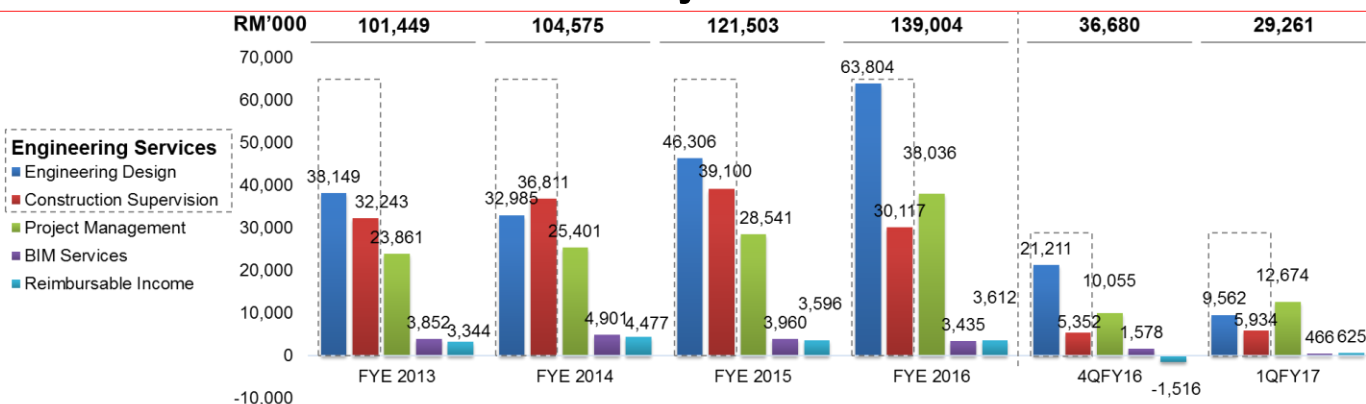
- Process of **designing a building or facility** collaboratively using an intelligent system of **3D modelling and computer simulation**
- Involves **integration of data/design** from owners, architects, structural engineers, and mechanical, electrical and plumbing systems engineer, and builders
- Can be implemented **throughout the life cycle of a building or facility**, from planning and design phase to construction and even management / maintenance of the building or facility

BIM Execution Plan	Overall BIM execution plan will establish the complete BIM process, workflows, communication and methodology
Design	Production of 3D model
Analysis	<ol style="list-style-type: none"> Clash Detection Documentation and fabrication
Construction	<ol style="list-style-type: none"> Construction 4D/5D Construction logistics
Operation and Maintenance	The structure, the detailed look and feel of the intended architecture as well as its functionality will be tested.
Renovation	Simulate renovation process

Financial Highlights

FYE 31 Dec (RM '000)	2013	2014	2015	2016	CAGR (%)	Q4FY16	Q1FY17	Change (%)
Revenue	101,449	104,575	121,503	139,004	11.07	36,680	29,261	(20.23)
PBT	8,889	13,420	13,720	19,890	30.80	9,628	4,527	(52.98)
PAT	6,708	9,149	10,134	14,017	27.85	7,128	3,159	(55.68)
PBT Margin (%)	8.76	12.83	11.29	14.31	-	26.25	15.47	-
PAT Margin (%)	6.61	8.75	8.34	10.08	-	19.43	10.80	-
EBITDA	10,946	15,767	16,446	22,763	27.64	10,020	5,226	(47.84)
No. of Shares (mil)	255,265	255,265	255,265	319,081	-	319,081	319,081	0.00
Net EPS (sen)	2.63	3.58	3.97	4.97	23.63	2.52	0.99	(60.71)
Diluted EPS (sen)	2.10	2.86	3.17	4.39	27.86	2.52	0.99	(60.71)

Revenue by Activities



Revenue by Geographical Regions

Financial year ended 31 December (%)	FYE 2013	FYE 2014	FYE 2015	FYE 2016	4Q FY16	4Q FY16
Local	←	94.0 – 98.0	→	98.0	97.0	98.6
Overseas (India, Middle East, Brunei)	←	2.0 – 6.0	→	2.0	3.0	1.4
Total	←	100.0	→	100.0	100.0	100.0

Major On-going Projects of the Group and its Associates

Market Discipline	Project Details	Clients	Scope
Railway	Mass Rapid Transit (MRT) Line 1 - Jajaran Sg. Buloh - Kajang	Mass Rapid Transit Corporation Sdn Bhd	Project Management
Railway	MRT Line 2 - Jajaran Sg. Buloh – Serdang- Putrajaya	Mass Rapid Transit Corporation Sdn Bhd	Project Management
Railway	Mass Rapid Transit (MRT) Line 1 - Jajaran Sg. Buloh Kajang	Mass Rapid Transit Corporation Sdn Bhd	BIM Services
Highway	West Coast Expressway from Tg. Karang to Banting	IJMC-KEB Joint Venture	Engineering Design and Construction Supervision
Highway	Sungei Besi – Ulu Kelang Elevated Expressway (SUKE)	Turnpike Synergy Sdn Bhd	Engineering Design and Construction Supervision
Highway	Maju Expressway (MEX) Extension to Kuala Lumpur International Airport	Maju Holdings Sdn Bhd	Engineering Design
Township Development	Kwasa Damansara Township Development	Kwasa Land Sdn Bhd (a wholly owned subsidiary of Employees Provident Fund)	Project Management
Port	Westports Construction and Completion on Land Reclamation works, Wharf and Yard	Westports Malaysia Sdn Bhd	Engineering Design and Construction Supervision

New Project Secured in 2017

Project details	Clients	Contract Value	Commencement/Completion Date	Scope
RM' million				
1 Projek Menaiktaraf Loji Rawatan Air Lubuk Buntar Lama, Kedah	Syarikat Air Darul Aman Sdn. Bhd.	3.2	December 2016/ March 2021	Engineering design
2 East Coast Rail Link	China Communications Construction Company (M) Sdn Bhd	4.4	January 2017/ July 2017	Scheme design
3 Kuala Lumpur - Singapore High Speed Rail	MyHSR Corporation Sdn. Bhd.	17.9	2 nd Quarter 2017/ 2 nd Quarter 2018	Reference Design Consultant 05 (RDC05)
	Total	25.2		

Investment Highlights

1 Experienced Management with Proven Track Record of Excellence

Experienced management

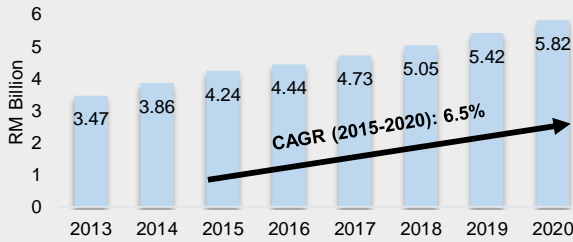
- Executive Directors – average >30 years of hands-on experience
- Qualified professionals with extensive management, operating and tacit industry expertise and experience in their respective fields

Proven track record of excellence

- >15 years of Group's operating history
- Participation in various landmark projects

2 Healthy Growth Prospects & Financial Position

- Construction sector is expected **8% growth to RM170 billion** in 2017⁽¹⁾
- Market size and growth forecast for the engineering and project management services market in Malaysia, 2013-2020⁽²⁾



Drivers:

- Government-led initiatives and spending
- Sustained economic growth to support spending and investment in properties
- Steady population growth
- Increasing participation by professionals
- The strategic need for project management services
- Positive construction industry outlook

The market size and corresponding growth and forecast include:

Engineering design and consulting activities for machinery, industrial processes and industrial plant; projects involving civil engineering, hydraulic engineering, traffic engineering; water management projects; project elaboration and realisation relative to electrical and electronic engineering, mining engineering, chemical engineering, mechanical, industrial and systems engineering, safety engineering; project management activities related to construction; Elaboration of projects using air conditioning, refrigeration, sanitary and pollution control engineering, acoustical engineering, etc.

- **Double-digit CAGR** between FYE2013-FYE2016 for revenue (11.1%), PBT (30.8%), PAT (27.8%), EBITDA (27.6%), EPS (23.6%)
- **Sustainable profit margins** between FYE2013-FYE2016 for PBT margin (Q1FY17: 15.47%) & PAT margin (Q1FY17: 10.80%)
- **Healthy order book** of RM 383 million to be billed over the next 2 to 5 years
- **Undemanding price at low PER**

Company Sector	HSS Engineers Construction	PER (times)	Market Capital (RM)
		15.00 (Forward PER for FY2018, refer to AffinHwang Capital's report dated 29 May 2017) 21.44 (Trailing PER)	296.75 million 53.11 billion

- **Proposed dividend** – single tier final dividend of 0.63 sen per ordinary share for FYE2016, translated to 0.78% dividend yield and a payout ratio of 14.34%

Sources

- (1) 17-Apr11-The Star Online-CIDB sees construction sector growing 8% to RM170b in 2017
 (2) Independent Market Research Report prepared by Protégé Associates

3 At the Forefront of Technology Innovation with a Strong Human Capital

Application of the latest technology

- AutoCAD for design reports and 2D drawings; Total Stations for surveying (late 1980s) → 3D design (mid of 1990s) → BIM technology (in 2012)
- Able to reap the benefits of early adoption and possess a competitive edge should the proposed mandatory BIM submission for architects and engineers in 2017 and 2018 materialise

Strong human capital

- More than 1/3 of workforce / 250 employees are engineers – ensuring their competency through trainings, cross functional and inter-company collaboration
- Authorised Autodesk Training and Certification Centre in India and Malaysia- scout for talented individuals from the pool of university students – competitive advantage

4 Comprehensive Strategic Expansion Plans

Regional	Geographical expansion via local and/ or foreign acquisitions including strategic partnership/ joint venture with companies with local presence <ul style="list-style-type: none"> ✓ India ✓ Middle East ✓ ASEAN
Services	Continuous expansion on our 3 existing core services and proposed venture into the 4 core service <ul style="list-style-type: none"> ✓ Engineering Services ✓ Project Management ✓ BIM Services ✓ Facility Management (New Service)
Businesses	Venturing into the provision of Support Services for the water and power sectors in Malaysia <ul style="list-style-type: none"> ✓ Water ✓ Power