

## HSS ENGINEERS BERHAD ("HEB" OR "COMPANY")

### **PROPOSED TRANSFER OF THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY FROM THE ACE MARKET TO THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("PROPOSED TRANSFER")**

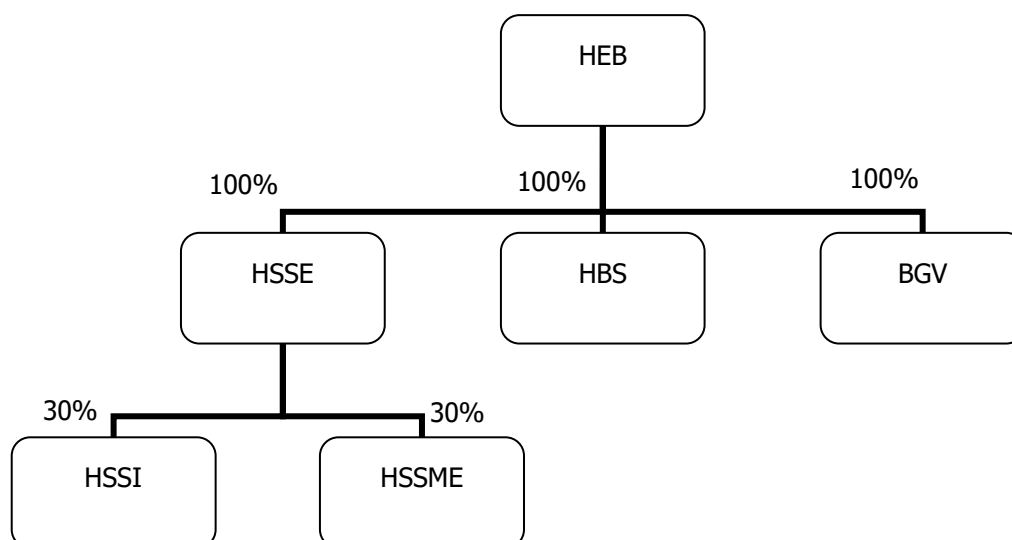
*We refer to the announcements dated 4 April 2017 and 4 May 2017 in relation to the Proposals. Unless otherwise defined, the definitions set out in the previous announcements shall apply herein.*

#### **1. INTRODUCTION**

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

HEB is an investment holding company. Through its subsidiaries, the HEB Group is principally involved in the provision of engineering and project management services (through an exclusive collaboration with HSSI and HSSME) including engineering design, project management, construction supervision and BIM services.

As at 18 August 2017, HEB's corporate group structure is set out below:



#### **2. SHARE CAPITAL**

As at 18 August 2017, the share capital of HEB is RM31,908,101 comprising 319,081,010 Shares.

#### **3. SHAREHOLDING SPREAD**

Based on the Record of Depositors of HEB as at 18 August 2017, approximately 30.4% of the share capital of the Company is held by 2,208 public shareholders holding not less than 100 Shares each.

#### 4. LISTING STATUS

HEB has been listed on the ACE Market of Bursa Securities since its admission on 10 August 2016.

#### 5. MARKET CAPITALISATION

The market capitalisation of HEB is RM317,708,961.66 based on a 5-day volume weighted average price of HEB Shares up to and including 18 August 2017 of RM0.9957 per Share.

#### 6. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The audited combined statements of profit or loss and other comprehensive income for the financial year end 31 December ("FYE") 2014 and 2015 as set out below have been prepared on the assumption that HEB Group has operated as a single economic entity since FYE 2014. The table below also sets out the audited consolidated statement of profit or loss and other comprehensive income for FYE 2016 and the latest unaudited financial statements for the 6-month financial period ended ("FPE") 30 June 2017 as well as the comparative period for the FPE 30 June 2016.

	Combined		Consolidated	Unaudited	
	FYE 2014	FYE 2015	FYE 2016	FPE 2016	FPE 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	104,575	121,503	139,004	65,827	67,131
Cost of sales	(67,373)	(80,775)	(88,403)	(44,325)	(44,471)
Gross profit ("GP")	37,202	40,728	50,601	21,502	22,660
Other income	1,248	1,156	854	224	653
Operating expenses	(23,935)	(26,868)	(30,335)	(13,229)	(13,684)
Profit from operations	14,515	15,016	21,120	8,497	9,629
Finance costs	(1,095)	(1,296)	(1,437)	(727)	(709)
Share of result of associates	-	-	207	2	96
Profit before taxation ("PBT")	13,420	13,720	19,890	7,772	9,016
Taxation	(4,271)	(3,586)	(5,873)	(2,550)	(2,887)
<b>Profit after taxation ("PAT")</b>	<b>9,149</b>	<b>10,134</b>	<b>14,017</b>	<b>5,222</b>	<b>6,129</b>
PAT attributable to:					
- Owners of the Company	9,149	10,134	14,017	5,222	6,129
Earnings before interest and taxation	14,515	15,016	21,327	8,499	9,725
Depreciation and amortisation	1,252	1,430	1,436	714	709
Earnings before interest, taxation, depreciation and amortisation	15,767	16,446	22,763	9,213	10,434
GP margin (%)	35.6	33.5	36.4	32.7	33.8
PBT margin (%)	12.8	11.3	14.3	11.8	13.4
PAT margin (%)	8.7	8.3	10.1	7.9	9.3
Effective tax rate (%)	31.8	26.1	29.5	32.8	32.0
Basic earnings per Share (sen)	<sup>(1)</sup> 3.58	<sup>(1)</sup> 3.97	<sup>(2)</sup> 4.97	<sup>(1)</sup> 2.04	<sup>(3)</sup> 1.92
Diluted earnings per Share (sen) <sup>(3)</sup>	2.86	3.17	4.97	2.04	1.92

**Notes:**

- (1) Calculated based on PAT divided by HEB's issued share capital of 255,264,810 Shares in issue before its IPO.
- (2) Calculated based on PAT divided by HEB's weighted average number of issued share capital of 281,942,074 Shares in issue during the financial year.
- (3) Calculated based on PAT divided by HEB's issued share capital of 319,081,010 Shares after its IPO.

**Financial commentaries****Comparison between FYE 2015 and FYE 2014**

The Group's revenue in FYE 2015 increased by RM16.9 million or 16.2% from RM104.6 million in FYE 2014 to RM121.5 million in FYE 2015. Such increase was mainly due to increase in revenue from new projects related to engineering design (increase of RM13.3 million or 40.3%), construction supervision (increase of RM2.3 million or 6.2%) and project management (increase of RM3.1 million or 12.3%) secured during the year.

The Group's PBT increased by RM0.3 million or 2.2% from RM13.4 million in FYE 2014 to RM13.7 million in FYE 2015. This was mainly attributable to the growth in overall revenue despite an increase in the operating expenses of RM2.9 million or 12.3% to RM26.8 million in FYE 2015 from RM23.9 million in FYE 2014. The operating expenses mainly consists of professional charges incurred in preparing of the initial public offering of the Group, impairment on trade receivables, payment for computer software licenses, payment for the staff group health insurance, increment in rental of premises and bonus payment incurred in FYE 2015. However, the increase was partially offset by the decrease in write-off of amounts due from related parties of RM1.2 million which was one-off in nature in FYE 2014.

**Comparison between FYE 2016 and FYE 2015**

For FYE 2016, the Group recorded revenue of RM139.0 million, a 14.4% increase over revenue of RM121.5 million in FYE 2015. This increase in the Group's revenue by RM17.5 million was mainly attributable to the higher revenue contributions from on-going projects such as the MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya) projects, wharf/yard works related to Westports, and the West Coast Expressway from Tg. Karang to Banting.

The Group's PBT increased by RM6.2 million or 45.0% from RM13.7 million in FYE 2015 to RM19.9 million in FYE 2016. This was mainly attributable to the increase in overall revenue of the Group in FYE 2016 contributed from engineering design and higher contributions from project management. However, this increase was partially offset by higher operating expenses which increased by RM3.5 million or 13.0% to RM30.3 million in FYE 2016 from RM26.8 million in FYE 2015. The increase in operating expenses consists mainly of a one-off death gratuity paid to the Group's late co-founder in recognition of his invaluable contribution to the Group and additional listing expenses incurred.

**Comparison between 6-month FPE 30 June 2017 and FPE 30 June 2016**

For the FPE 30 June 2017, the Group recorded revenue of RM67.1 million, increase of RM1.30 million or 1.9% as compared to RM65.8 million recorded in FYE 2016. This was mainly attributed to increased revenue from project management which grew substantially due to the contribution from MRT Line 2 (Jajaran Sg. Buloh-Serdang-Putrajaya) which is progressing as scheduled.

The Group recorded a PBT of RM9.0 million, an increase of RM1.2 million or 16.0% as compared to RM7.8 million recorded in FPE 30 June 2016. This was mainly attributable to stronger gross profit margins achieved for the current period.

This announcement is dated 21 August 2017.