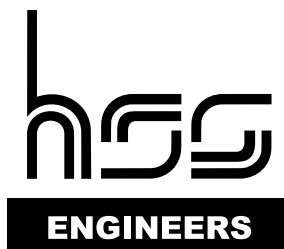


**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**HSS ENGINEERS BERHAD**

*(Company No.: 1128564-U)  
(Incorporated in Malaysia)*

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED VARIATIONS AND EXTENSION OF TIMEFRAME FOR THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING OF HSS ENGINEERS BERHAD ("HEB")**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

The Notice of the Extraordinary General Meeting ("EGM") of HEB which is scheduled to be held at 12.30 p.m. on Tuesday, 18 June 2019 at Ballroom I, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan or immediately after the conclusion or adjournment (as the case may be) of the Fourth Annual General Meeting of the Company, scheduled to be held at the same venue and on the same date at 10.30 a.m. whichever is later, or at any adjournment thereof is enclosed together with the Form of Proxy in this Circular.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/ her behalf. In such event, the Form of Proxy should be lodged at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than 48 hours before the time stipulated for holding the EGM or at any adjournment thereof, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM, should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy ..... : Sunday, 16 June 2019 at 12.30 p.m.

Date and time of the EGM..... : Tuesday, 18 June 2019 at 12.30 p.m.

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016, as amended from time to time and any re-enactment thereof
"Announcement"	:	Announcement dated 17 April 2019 in relation to the Proposed Variation
"ASEAN"	:	Association of Southeast Asian Nations
"Board"	:	Board of Directors of HEB
"BIM"	:	Building Information Modeling, which is the process of designing a building or facility collaboratively using an intelligent system of 3D modelling and computer simulation
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular to shareholders dated 23 May 2019 in relation to the Proposed Variation
"EGM"	:	Extraordinary General Meeting
"Facility Management"	:	A professional service encompassing multiple disciplines to ensure the functionality of the built environment by integrating people, place, process and technology
"FYE"	:	Financial year ended/ending, as the case may be
"HEB" or the "Company"	:	HSS Engineers Berhad
"HEB Group" or the "Group"	:	HEB and its subsidiary companies, collectively
"HEB Share(s)" or "Share(s)"	:	Ordinary share(s) in HEB
"IDR"	:	Indonesian Rupiah
"IPO"	:	Initial public offering exercise in conjunction with the listing of and the quotation of HEB's entire share capital on the ACE Market of Bursa Securities on 10 August 2016
"IPO Prospectus"	:	The prospectus of IPO dated 29 June 2016
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time
"LPD"	:	6 May 2019, being the latest practicable date prior to the printing and despatch of this Circular
"Proposed Variation"	:	Proposed variations and extension of timeframe for the utilisation of proceeds raised from the IPO

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## DEFINITIONS (CONT'D)

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"RM" and "sen" : Ringgit Malaysia and sen, respectively

"SMHB Engineering" : SMHB Engineering Sdn Bhd

All references to "**our Company**" in this circular are to HEB and references to "**Our Group**" are to our Company and our subsidiaries. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to HEB, and where the context requires, shall include our subsidiaries. All references to "**you**" in this Circular are to our shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

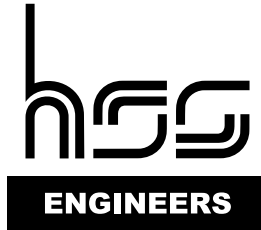
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**HSS ENGINEERS BERHAD**

*(Company No.: 1128564-U)  
(Incorporated in Malaysia)*

**Registered Office**

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

23 May 2019

**Board of Directors**

Dato' Mohd Zakhir Siddiqy Bin Sidek *(Independent Non-Executive Chairman)*  
Tan Sri Ir. Kunasingam A/L V. Sittampalam *(Executive Vice Chairman)*  
Dato' Ir. Nitchiananthan A/L Balasubramaniam *(Executive Director / Group Chief Executive Officer)*  
Ir. Sharifah Azlina Bt Raja Kamal Pasmah *(Executive Director / Group Chief Operating Officer)*  
Ir. Prem Kumar A/L M. Vasudevan *(Executive Director)*  
Datuk Ir. Teo Chok Boo *(Executive Director)*  
Mohan A/L Ramalingam *(Senior Independent Non-Executive Director)*  
Dato' Sri Ir. Hj. Ismail Bin Md. Salleh *(Independent Non-Executive Director)*  
Ng Kuan Yee *(Alternate Director to Dato' Ir. Nitchiananthan A/L Balasubramaniam / Group Chief Financial Officer)*  
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi *(Alternate Director to Datuk Ir. Teo Chok Boo)*

**To: Our Shareholders**

Dear Sir/Madam,

**PROPOSED VARIATION**

---

**1. INTRODUCTION**

On 17 April 2019, the Board announced that it proposes to vary the utilisation of proceeds arising from the IPO.

Further details of the Proposed Variation are set in the ensuing sections.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION PERTAINING TO THE PROPOSED VARIATION AND TO SEEK YOUR APPROVAL BY WAY OF POLL FOR THE RESOLUTION PERTAINING TO THE PROPOSED VARIATION TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED VARIATION TO BE TABLED AT THE FORTHCOMING EGM.**

## 2. DETAILS OF THE PROPOSED VARIATION

### 2.1 Details of the First Revision

Reference is made to the proposed utilisation of proceeds raised from the IPO as disclosed in the IPO Prospectus.

The Company was listed on the ACE Market of Bursa Securities on 10 August 2016 and had raised total gross proceeds of approximately RM31.91 million from the IPO. Subsequently, the listing of and quotation for the entire share capital of HEB had been transferred from the ACE Market to the Main Market of Bursa Securities with effect from 8 September 2017.

On 6 February 2018, the Board had announced that as at 31 January 2018, the Company had only utilised RM7.91 million of the IPO proceeds as per the intended purpose as disclosed in the IPO Prospectus and the Board intended to vary the utilisation of the balance IPO proceeds of RM24.00 million ("**Balance IPO Proceeds**"). The Board had, on even date, extended the timeframe for the utilisation of the Balance IPO Proceeds up to 9 August 2019 ("**First Revision**").

Further details of the First Revision are set out in the table below:-

Purpose	Original proposed utilisation (a) RM'000	Actual utilisation (b) RM'000	Balance IPO Proceeds as at 31.01.18 RM'000	Variation to the Balance IPO Proceeds RM'000	After the First Revision		
					Balance IPO Proceeds (d) RM'000	Original timeframe for utilisation from the listing date	Revised timeframe for utilisation from the listing date
Expansion into India	15,000	-	15,000	(10,000) <sup>(c)</sup>	5,000	18 months	Up to 36 months
Venture into the water sector in Malaysia	6,000	-	6,000	(6,000) <sup>(c)</sup>	-	18 months	-
Venture into the power sector in Malaysia	3,000	-	3,000	-	3,000	18 months	Up to 36 months
BIM	-	-	-	8,000	8,000	-	Up to 36 months
Facility Management	-	-	-	8,000	8,000	-	Up to 36 months
Repayment of bank borrowings	4,000	4,000	-	-	-	3 months	-
General working capital	708	708	-	-	-	12 months	-
Estimated listing expenses	3,200	3,200	-	-	-	1 month	-
<b>Total</b>	<b>31,908</b>	<b>7,908</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>-</b>

**Notes:-**

- (a) As per the IPO Prospectus.
- (b) As at 31 January 2018.
- (c) The excess amount of RM16,000,000 was re-allocated to BIM and Facility Management which form part of HEB's existing business and consistent with its future plans and prospects as disclosed in the IPO Prospectus, which states that the Group's primary thrust moving forward is to continue expanding its three (3) existing core services (i.e, the engineering services, project management services and BIM) and to venture into a fourth (4<sup>th</sup>) core service (i.e. Facility Management).
- As part of the Company's future plan, it intends to take a proactive approach to identify other major industry players in Malaysia for possibility of potential merger or acquisition to expand its 3 existing core services, which includes BIM. In addition, the Company also intends to venture into Facility Management in order to position themselves as a total engineering and project management service provider and to build a steady recurring income business model.
- (d) Pending the utilisation of the Balance IPO Proceeds for the above purposes, the proceeds would be placed as deposits with financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital of the Company.

The re-allocation of the utilisation of the Balance IPO Proceeds pursuant to the First Revision was based on the following reasons:-

- (i) The Company had on 27 October 2017, entered into a conditional share sale agreement to acquire SMHB Engineering for a total consideration of approximately RM270.00 million. SMHB Engineering is principally involved in the provision of engineering consultancy services in the water resources and water supply development sectors. Accordingly, the acquisition of SMHB Engineering was part of the Company's plan to make further inroads into the water sector in Malaysia.

Notwithstanding that approximately RM6.00 million of the Balance IPO Proceeds was initially earmarked for the Company's venture into the water sector in Malaysia, the said Balance IPO Proceeds was not utilised for the acquisition of SMHB Engineering as the Company had decided to finance the cost of acquisition of SMHB Engineering via the following mode of settlement:-

<b>Method of settlement for the acquisition of SMHB Engineering</b>	<b>Amount RM'000</b>
Issuance of new ordinary shares	108,000
Cash consideration:-	
Bank borrowings	85,000
Private placement <sup>(a)</sup>	52,300
Rights with bonus issue and warrants <sup>(b)</sup>	24,700
<b>Total</b>	<b><u>270,000</u></b>

**Notes:-**

- (a) The private placement was completed on 8 March 2018.
- (b) The Rights with bonus issue and warrants was completed on 21 March 2018.

The acquisition of SMHB Engineering was subsequently completed on 28 March 2018. Accordingly, RM6.00 million of the Balance IPO Proceeds which was initially earmarked for the Company's venture into the water sector in Malaysia had been re-allocated to BIM and Facility Management;

- (ii) BIM will be made mandatory in 2019 for public projects worth RM100 million in Malaysia; and

- (iii) Facility Management will enable the Company to develop a steady long-term income business model.

In addition, the revised timeframe for the utilisation of the Balance IPO Proceeds was to allow HEB to carefully assess its proposed investment into the identified areas of growth.

The First Revision was not subjected to any regulatory authorities' or shareholders' approval on the basis that the variation was not material given the First Revision was consistent with HEB's existing business, and future plans and prospects as disclosed in the IPO Prospectus.

## 2.2 Details of the Proposed Variation

As at the LPD, the Balance IPO Proceeds after the First Revision still remains at RM24.00 million.

For the avoidance of doubt, the current status of the Company's proposals under the First Revision is as follows:-

Purpose	Status of the proposals under the First Revision	Balance IPO Proceeds as at the LPD RM'000
Expansion into India	As at the LPD, the Company is in the midst of identifying possible joint ventures/ strategic partnerships/ business alliances for the expansion into India	5,000
Venture into the water sector in Malaysia	The Company had completed the acquisition of SMHB Engineering (which was part of the Company's plan to make further inroads into the water sector in Malaysia) on 28 March 2018. However, the Company did not utilise any of the Balance IPO Proceeds for the said acquisition as the Company had decided to finance the cost of acquisition of SMHB Engineering via other mode of financing as highlighted in Section 2.1(i) of this Circular	-
Venture into the power sector in Malaysia	As at the LPD, the Company is still exploring and evaluating opportunities for the provision of BIM and Facility Management services in the power sector and no plans has been confirmed or materialised at this juncture	3,000
BIM		8,000
Facility Management		8,000
		<b>24,000</b>

After due deliberation, the Board intends to undertake the following variations:

- (a) vary the utilisation of the Balance IPO Proceeds from the First Revision to be re-allocated for the following purposes:-
- (i) expansion into India & ASEAN,
  - (ii) partial repayment of borrowings for the acquisition of SMHB Engineering;
  - (iii) to venture into recurring income and long term based contracts with focus within the power sector; and



- (b) extend the timeframe for the utilisation of the Balance IPO Proceeds in accordance with the above until fourth quarter of 2020.

Further details of the Proposed Variation are illustrated in the table below.

Purpose	Original proposed utilisation RM'000	First Revision RM'000	After the First Revision RM'000	Proposed Variation RM'000	After the Proposed Variation RM'000	Notes
Expansion into India	15,000	(10,000)	5,000	(5,000)	-	(a)
Expansion into India & ASEAN	-	-	-	6,000	6,000	
Venture into the water sector in Malaysia	6,000	(6,000)	-	-	-	(b)
Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	-	6,000	6,000	
Venture into the power sector in Malaysia	3,000	-	3,000	(3,000)	-	(c)
BIM	-	8,000	8,000	(8,000)	-	
Facility Management	-	8,000	8,000	(8,000)	-	
To venture into recurring income and long term based contracts with focus within the power sector	-	-	-	12,000	12,000	
<b>Total</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>	

**Notes:-**

- (a) Under the First Revision, HEB had proposed to utilise approximately RM5.00 million of the Balance IPO Proceeds for the expansion of its business operations in India (particularly in the sectors of transportation, public security and energy), in view of India's large population size and the Indian government's plans to invest in urbanisation.

In the Proposed Variation, the Board plans to further increase the allocation of the Balance IPO Proceeds from RM5.00 million to RM6.00 million for geographical diversification by extending its market presence into India & ASEAN.

- (b) Under the First Revision, HEB had proposed to re-allocate approximately RM6.00 million of the Balance IPO Proceeds for BIM and Facility Management, which was initially earmarked for its venture into the water sector in Malaysia.

As highlighted in Section 2.1(i) of this Circular, the Company had completed the acquisition of SMHB Engineering (which was part of the Company's plan to make further inroads into the water sector in Malaysia) on 28 March 2018. However, the Company did not utilise any of the Balance IPO Proceeds for the said acquisition as the Company had decided to finance the cost of acquisition of SMHB Engineering via other mode of financing which include, amongst others, bank borrowing of approximately RM85.00 million.

In the Proposed Revision, the Board intends to re-allocate RM6.00 million of the Balance IPO Proceeds to partially repay the aforesaid bank borrowings of approximately RM85.00 million for the acquisition of SMHB Engineering. The partial repayment of the aforesaid bank borrowings is expected to result in potential interest savings of approximately RM0.39 million based on interest rate of 6.5% per annum.

- (c) Under the First Revision, HEB had proposed to utilise approximately RM19.00 million of the Balance IPO Proceeds for the following purposes:-

- (i) RM3.00 million for HEB's venture into power sector in Malaysia;
- (ii) RM8.00 million for BIM; and
- (iii) RM8.00 million for Facility Management.

In the Proposed Variation, the Board intends to re-allocate approximately RM7.00 million out of the RM19.00 million for the purpose of item (a) and (b) above. The remaining balance of RM12.00 million will be consolidated to finance long-term contracts generating recurring income, with focus on the power sector (mainly renewable energy) in light of the current market opportunities.

### 3. RATIONALE OF THE PROPOSED VARIATION

#### (a) Expansion into India & ASEAN

Under the First Revision, HEB had proposed to utilise approximately RM5.00 million of the Balance IPO Proceeds for the expansion of its business operations in India (particularly in the sectors of transportation, energy and public security), in view of India's large population size and the Indian government's plans to invest in urbanisation.

However, as the Board continued to assess the option to expand HEB's business operations in other ASEAN countries, the Board takes note of the business opportunities in Indonesia and Philippines, as it is expected that the construction industry in these countries will witness growth in the near future with significant public investments in large-scale transportation infrastructure projects, private sector development and overall economic development. The proposed business expansion into other ASEAN countries will assist in HEB's efforts to reduce dependency on Malaysia, which has contributed approximately 99.48% of HEB's unaudited consolidated revenue for the FYE 31 December 2018.

The Board sets out below, for shareholders' information, justifications for the Company's proposed expansion in India & ASEAN (i.e. Indonesia and Philippines):-

##### (i) India

We have targeted India as one of the countries for our expansion due to its growing population and urbanisation. Based on the Independent Market Researcher's Report in the IPO Prospectus, the Indian government is poised to spend a total investment of USD1.2 trillion over the next twenty (20) years in development of the country. This will likely result in various development projects for the years to come, and present an attractive opportunity to us to partake in, especially in the sectors of transportation, energy and public security.

In accordance to the India Brand Equity Foundation, increased impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of construction projects. In addition, the Government of India is also working on reducing bottlenecks as well as improving growth in the infrastructure sector by working on initiatives like 'Housing for All' and 'Smart Cities Mission'.

Accordingly, part of the Balance IPO Proceeds will be channelled towards the cost of expanding our business presence which may include establishing joint ventures/strategic partnerships/business alliances with the local partners in India. For the avoidance of doubt, as at the LPD, Company is in the midst of identifying possible joint ventures/ strategic partnerships/ business alliances for the expansion into India.

(ii) Indonesia

Within the ASEAN region, we have prioritized the importance of establishing our presence particularly in Indonesia due to the recognised demand for major infrastructure development, which is a field where we have vast experience in.

We have premised our expansion plans in accordance to the opportunities described in the Independent Market Researcher's Report as highlighted in the IPO Prospectus. The Indonesian government has expressed its intention to continue its focus on developing the state of public infrastructure in Indonesia. At the same time, population growth and urbanization are also driving demand for residential and commercial property.

In particular, under the National Medium Term Development Plan (2015-2019), the Indonesian government intends to push an estimated infrastructure investments of IDR4,886 trillion whereby IDR3,386 trillion are designated for strategic infrastructures and IDR1,500 trillion for basic infrastructures.

Accordingly, part of the Balance IPO Proceeds will be channelled towards the cost of expanding our business presence which may include establishing joint ventures/strategic partnerships/business alliances with the local partners in Indonesia. For the avoidance of doubt, as at the LPD, Company is in the midst of identifying possible joint ventures/ strategic partnerships/ business alliances for the expansion into Indonesia.

(iii) Philippines

Similar to Indonesia, the Board has identified the Philippines as another strategic location for the expansion of its business opportunities in the ASEAN region and hence there is a need for us to expand our business presence there.

As at the LPD, HSS Engineering Sdn Bhd, a subsidiary of HEB, is in negotiation with a few parties with the intention of collaborating for engineering projects in Philippines.

Accordingly, part of the Balance IPO Proceeds will be channelled towards the cost of expanding our business presence which may include establishing joint ventures/strategic partnerships/business alliances with the local partners in Philippines.

In view of Sections 3(a)(i) and 3(a)(ii) above and pursuant to the Proposed Variation, the Board plans to utilise approximately RM6.00 million of the Balance IPO Proceeds for the expansion of its business operations in India & ASEAN, as compared to the RM5.00 million earmarked solely for expansion of its business operations in India under the First Revision.

**(b) Partial repayment of borrowings for the acquisition of SMHB Engineering (which was part of the Company's plan to make further inroads into the water sector in Malaysia)**

As highlighted in Section 2.1(i) of this Circular, the Company had completed the acquisition of SMHB Engineering (which was part of the Company's plan to make further inroads into the water sector in Malaysia) on 28 March 2018. However, the Company did not utilise any of the Balance IPO Proceeds for the said acquisition as the Company had decided to finance the cost of acquisition of SMHB Engineering via a combination of RM108.00 million in ordinary shares of the Company and RM162.00 million in cash.

Out of the total RM162.00 million cash consideration, approximately RM77.00 million was funded via proceeds from private placement and rights with bonus issue and warrants exercise which were completed on 8 March 2018 and 21 March 2018, respectively, in which the remaining balance of RM85.00 million was funded through bank borrowings.

In the Proposed Variation, the Board intends to re-allocate the abovementioned RM6.00 million of the Balance IPO Proceeds to partially repay the RM85 million bank borrowings utilised for the acquisition of SMHB Engineering, which will result in potential interest savings of approximately RM0.39 million based on interest rate of 6.5% per annum.

For information purpose, SMHB Engineering, through its subsidiary namely SMHB Sdn Bhd ("**SMHB**"), is principally involved in the provision of civil, structural, mechanical and electrical consultancy services. SMHB offers a comprehensive range of engineering consultation services in water resource and water supply development, waste management, drainage, flood mitigation and irrigation, road, rail and bridges, infrastructure for land development, mechanical and electrical and environmental services and project management consultancy. SMHB has been in the water sector for more than 35 years and has undertaken a major role in various pivotal water sector projects locally, which include the development of Sungai Selangor Phases 1, 2 and 3, the Pahang-Selangor raw water transfer project, the strategic planning for water distribution within Selangor and Kuala Lumpur, the design of water treatment works for Sungai Selangor Supply Scheme Phase 3, the Melaka River Rehabilitation and Beautification Project as well as the design of numerous dams in Malaysia. Accordingly, the acquisition of SMHB Engineering was in line with the Company's plan to make further inroads into the water sector in Malaysia.

**(c) To venture into recurring income and long-term based contracts with focus within the power sector**

As part of the Company's business plan to achieve sustainable growth in the long-term, the Company intends to focus on establishing recurring income through long-term based contracts within the power sector, specifically with plans to venture into renewable energy sources such as solar energy, biogas and bio mass.

According to the Energy, Science, Technology, Environment and Climate Change Ministry, the current renewable energy target is at 2%, but the Government aims for a new renewable energy target of 20% by 2030. The Board believes that venturing into the renewable energy sector will provide a stable revenue base for the Group, considering the vast support given towards this sector by the Government.

In line with the foregoing, approximately RM12.00 million of the Balance IPO proceeds shall be re-allocated for the purpose of venturing into the renewable energy sector. As at LPD, the Board is still exploring and evaluating opportunities in the renewable energy business and nothing has been confirmed or materialised at this juncture.

In any event, the Company shall make the necessary announcement in accordance with the Listing Requirements as and when the new business(es) or contracts have been identified and are likely to materialise. The Company will also make the necessary announcement as well as seek shareholders' approval if the new business(es) will result in diversification of the Group's business.

The Board is of the view that a venture in renewable energy does not amount to a material change to the earlier intended purpose of utilisation of the IPO Proceeds as highlighted in the IPO Prospectus as it is still within the power sector and given the life-cycle of such a venture, it will also involve managing the facility, i.e Facility Management, complemented by BIM.

#### 4. EFFECTS OF THE PROPOSED VARIATION

The Proposed Variation will not have any effect on the issued share capital, substantial shareholders' shareholdings, net assets and earnings per share of the Group. The Proposed Variation is expected to contribute positively to the future earnings of HEB Group as and when the benefits of the revised utilisation of the proceeds are realised.

Purely for illustration purposes only, the effect of the Proposed Variation on HEB Group's gearing ratio based on the latest audited consolidated financial statements for the FYE 31 December 2018, assuming the Proposed Variation had been effected at the end of that financial period is set out below:-

	<b>Audited as at 31 December 2018 RM</b>	<b>Pro Forma I After Proposed Variation RM</b>
Share capital	254,291,378	254,291,378
Warrants reserve	29,195,903	29,195,903
Foreign currency translation reserve	252,322	252,322
(Accumulated losses)/ Retained profits	(70,820,231)	(70,820,231)
Total equity	<u>212,919,372</u>	<u>212,919,372</u>
Total borrowings	90,054,855	88,354,855 <sup>(a)</sup>
Gearing ratio (times)	0.44	0.41

**Notes:-**

- (a) After taking into consideration the utilisation of RM6.00 million of the Balance IPO Proceeds to partially repay the RM85 million bank borrowings utilised for the acquisition of SMHB Engineering, which will also result in potential interest savings of approximately RM0.39 million based on interest rate of 6.5% per annum.

#### 5. APPROVALS REQUIRED

The Proposed Variation is subject to the following approvals being obtained:

- (a) shareholders of HEB at an EGM to be convened; and
- (b) any other relevant authorities/parties, if required.

#### 6. INTER-CONDITIONALITY

The Proposed Variation is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

#### 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders of HEB and/or persons connected with them has any interest, whether direct or indirect, in the Proposed Variation.

## **8. DIRECTORS' STATEMENT**

The Board, after taking into consideration all aspects of the Proposed Variation, including the rationale and effects of the Proposed Variation and after careful deliberation, is of the opinion that the Proposed Variation is in the best interest of the HEB Group. Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Variation to be tabled at the forthcoming EGM.

## **9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Variation is expected to be completed by the fourth quarter of 2020.

## **10. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Variation, there is no other outstanding corporate exercise, which has been announced but pending completion as at the LPD.

## **11. EGM**

The EGM, the notice of which is enclosed with this Circular, is scheduled to be held at 12.30 p.m. on Tuesday, 18 June 2019 at the Ballroom I, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan or immediately after the conclusion or adjournment (as the case may be) of the Fourth Annual General Meeting of the Company, scheduled to be held at the same venue and on the same date at 10.30 a.m. whichever is later, or at any adjournment thereof, for the purposes of considering and if thought fit, passing the resolution to give effect to the Proposed Variation.

If you are unable to attend, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instruction provided thereon so as to arrive at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time stipulated for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

## **12. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendix I of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board  
**HSS ENGINEERS BERHAD**

**Tan Sri Ir. Kunasingam A/L V. Sittampalam**  
Executive Vice Chairman

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. MATERIAL LITIGATION**

As at the LPD, our Group is not engaged, whether as Plaintiff or Defendant, in any legal action, proceeding, arbitration or prosecution for any criminal offence which has a material effect on the financial position of our Group and our Board is not aware of any proceedings, pending or threatened or any fact likely to give any rise to any proceedings which might materially and adversely affect the financial position and/or the business of our Group

**3. MATERIAL COMMITMENTS**

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group which have not been provided for, which upon becoming enforceable may have a material impact on the financial position of our Group.

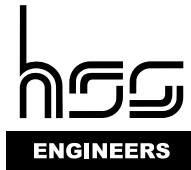
**4. CONTINGENT LIABILITIES**

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/position of the Group.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of HEB at Lot 6.05, Level 6, KPMG Tower 8 First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours (except public holidays) from the date of this Circular up to the time stipulated for the holding of the EGM:-

- i. Constitution of our Company; and
- ii. Audited consolidated financial statements of our Company for the FYE 31 December 2017 and 31 December 2018 and the latest unaudited results for the financial period ended 31 March 2019.



**HSS ENGINEERS BERHAD**  
Company No. 1128564-U  
(Incorporated in Malaysia)

## **NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of HSS Engineers Berhad (“**the Company**”) will be held at Ballroom I, Main Wing Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 June 2019 at 12.30 p.m. or immediately after the conclusion or adjournment (as the case may be) of the Fourth Annual General Meeting of the Company, scheduled to be held at the same venue and on the same date at 10.30 a.m. whichever is later, or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution, with or without modifications:-

### **ORDINARY RESOLUTION**

#### **Proposed Variations and Extension of Timeframe for the Utilisation of Proceeds raised from the Initial Public Offering (“IPO Proceeds”) (“Proposed Variation”)**

“THAT approval be and is hereby given to the Company for the variations and extension of timeframe for the utilisation of the IPO Proceeds, the details of which are set out in the Circular to Shareholders of the Company dated 23 May 2019.

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things, and execute all necessary documents as they may consider necessary or expedient or in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Variation.”

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)  
TAN AI NING (MAICSA 7015852)  
NG KUAN YEE (MIA 17693)  
Company Secretaries

Selangor Darul Ehsan  
Date: 23 May 2019

### **NOTES:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.



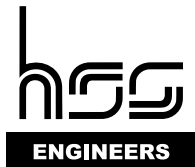
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

*Personal data privacy:*

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*



# PROXY FORM



**HSS ENGINEERS BERHAD**  
(Company No. 1128564-U)  
(Incorporated in Malaysia)

CDS Account No.	
Shares Held	

I/We, \_\_\_\_\_ NRIC No./ Passport No./ Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **HSS ENGINEERS BERHAD**, hereby appoint:-

Full Name	NRIC No./ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

\*and/\*or failing him/her (\*delete as appropriate)

Full Name	NRIC No./ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

\*or failing him/her/them, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company to be held at Ballroom I, Main Wing Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 June 2019 at 12.30 p.m. or immediately after the conclusion or adjournment (as the case may be) of the Fourth Annual General Meeting of the Company, scheduled to be held at the same venue and on the same date at 10.30 a.m. whichever is later, or at any adjournment thereof, in respect of \*my/our shareholding(s) in the manner indicated below:-

	RESOLUTION		FOR	AGAINST
1.	Proposed Variation	Ordinary Resolution		

\* Strike out whichever is not applicable

Please indicate with an "X" in the spaces provided on how you wish your vote to be cast. In the absence of specific instruction, the proxy will vote or abstain from voting at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

\_\_\_\_\_  
Signature/Common Seal of Member

## NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints more than one (1) proxy but not more than two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 23 May 2019.

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Affix  
Stamp

Share Registrar of HSS Engineers Berhad  
**Tricor Investor & Issuing House Services Sdn Bhd (11324-H)**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur  
Wilayah Persekutuan. (KL)

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