

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

(I) PROPOSED TRANSFER; AND

(II) PROPOSED AMENDMENTS

1. INTRODUCTION

On behalf of the Board of Directors of the Company ("Board"), M&A Securities Sdn Bhd wishes to announce that HEB proposes to undertake the following:

- (i) 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 ("Bursa Securities") ("Proposed Transfer"); and
- (ii) Proposed amendments to the Articles of Association of the Company to facilitate the implementation of the Proposed Transfer ("Proposed Amendments").

The Proposed Transfer and Proposed Amendments are collectively referred to as the "Proposals".

2. DETAILS OF THE PROPOSALS

2.1 Proposed Transfer

As at 24 March 2017, being the latest practicable date prior to the date of this announcement ("LPD"), the issued share capital of the Company is RM31,908,101 comprising 319,081,010 ordinary shares ("HEB Shares" or "Shares").

HEB and its subsidiaries ("HEB Group" or "Group") have met the requirements for the transfer of its listing to the Main Market of Bursa Securities as set out in the Equity Guidelines issued by the Securities Commission Malaysia ("SC") ("SC Equity Guidelines") and the Main Market Listing Requirements of Bursa Securities, which include, amongst others, the following:

(i) Profit requirements

Pursuant to the SC Equity Guidelines, a corporation which is listed on the ACE Market of Bursa Securities may seek a transfer listing to the Main Market of Bursa Securities if it meets the profit requirements of an aggregate profit after tax ("PAT") of at least RM20 million for the past 3 to 5 full financial years prior to submission to the SC with a PAT of at least RM6 million for the most recent financial year.

HEB Group has met the above profit requirements based on its audited financial statements for the 3 financial years ended ("FYE") 31 December 2014 to 2016, details as follows:

	Audited			Aggregate
	FYE 31 December			
	(¹)2014	(¹)2015	2016	
	RM'000			
PAT	9,149	10,134	14,017	33,300

Note:

(1) Based on combined PAT on the assumption that the HEB Group is already in existence.

(ii) Healthy financial position

The Group's financial position based on the audited consolidated financial statements as at 31 December 2016 is set out as follows:

	Audited
	FYE
	31 December 2016
Net assets (RM'000)	78,708
Cash and bank balances (RM'000)	41,647
Borrowings (RM'000)	17,721
Net operating cash flow (RM'000)	2,867
Current ratio (times)	2.57
Gearing (times)	0.23

As at 31 December 2016, the current assets of HEB Group stood at approximately RM117.5 million while its current liabilities were at approximately RM45.6 million. The Group's current ratio (calculated as current assets over current liabilities) of 2.57 times as at 31 December 2016 reflects its ability to meet short-term obligations.

In addition, the HEB Group has cash and bank balances of approximately RM41.6 million as at 31 December 2016 and had generated positive cash flow from operating activities during FYE 2016. The Board is confident that, after taking into account its gearing level and cash flow position as well as the banking facilities currently available to the Group, its working capital will be sufficient for its existing and foreseeable requirements for a period of 12 months from the date of this announcement.

Accordingly, HEB Group is in a healthy financial position with no accumulated losses based on its latest audited consolidated statement of financial position as at 31 December 2016.

(iii) Public shareholding spread

HEB is required to meet a public shareholding spread of at least 25% of the total number of listed shares (excluding treasury shares) being in the hands of a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Based on the Record of Depositors of HEB as at the LPD, approximately 30.2% of the total number of issued shares of the Company is held by 1,878 public shareholders holding not less than 100 Shares each.

2.2 Proposed Amendments

The Proposed Amendments entail the consequential amendments to the Articles of Association of the Company to facilitate the implementation of the Proposed Transfer, details as follows:

Article No.	Existing Articles		Amended Articles	
To amend Article No. 2	Words Articles	Meanings The Articles of Association as originally framed or as altered from time to time by special resolution subject to the Act and the written approval of the Exchange.	Words Articles	Meanings The Articles of Association as originally framed or as altered from time to time by special resolution subject to the Act and the approval by shareholders and/or Exchange. The Articles have been drafted in a manner to incorporate the requirements of the relevant governing statutes, regulations and guidelines. Without prejudice to any provisions in the Act or under the Articles pertaining to the amendments to the Articles, in the event the applicable provisions of any relevant governing statutes, regulations and guidelines are from time to time amended, modified or varied, such amendments, modifications or variations shall be

deemed inserted therein whereupon the Articles shall be read and construed subject to and in accordance with the amended, modified or varied statutes, regulations and guidelines.

Listing Requirements	The Listing Requirements of the Exchange for the ACE Market for the time being, including any amendments thereto that may be made from time to time.	Listing Requirements	The Listing Requirements of the Exchange for the ACE Market or Main Market for the time being, including any amendments thereto that may be made from time to time.
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3. BACKGROUND INFORMATION OF HEB GROUP

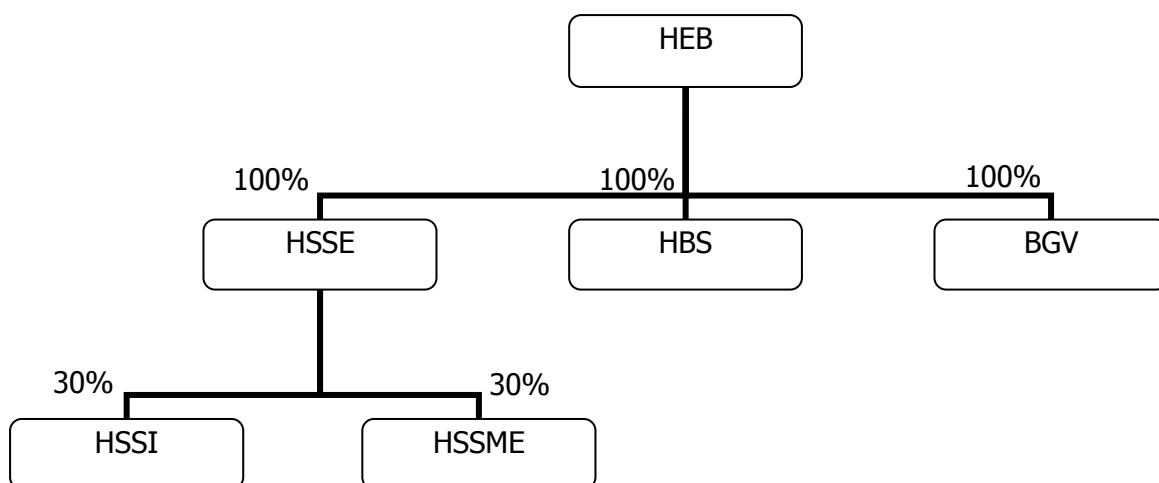
3.1 History and business of HEB Group

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. The Company was subsequently converted into a public limited company on 31 March 2015 and assumed its present name.

HEB is an investment holding company and was incorporated to facilitate the initial public offering ("IPO") of HEB Group. HEB was subsequently listed on the ACE Market of Bursa Securities on 10 August 2016.

As part of the IPO, HEB had acquired the entire equity interest of HSS Engineering Sdn Bhd ("HSSE"), HSS BIM Solutions Private Limited ("HBS") and BIM Global Ventures Sdn Bhd ("BGV") on 7 June 2016, 8 June 2016 and 14 June 2016 respectively. On 30 May 2016, HSSE acquired 30% equity interest in HSS Integrated Sdn Bhd ("HSSI") and HSS Mekanikal & Elektrikal Sdn Bhd ("HSSME").

As at LPD, the HEB Group structure is as follows:



The details of the HEB Group are summarised as follows:

Company	Principal activities
Subsidiaries	
HEB	Investment holding
HSSE	Provision of engineering and project management services ⁽¹⁾
HBS	Provision of building information modelling ("BIM") services
BGV	Provision of BIM services

Associates 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

Note:

⁽¹⁾ In light of Malaysia's regulatory, HSSE's local services offering is limited to providing support services to HSSI and HSSME which forms a significant portion of its engineering services. Through an exclusive collaboration with HSSI and HSSME, HSSE assists HSSI and HSSME to deliver comprehensive engineering services to their clients.

3.2 Historical financial data

The following table sets forth a summary of HEB's audited combined statements of profit or loss and other comprehensive income for the 2 FYEs 31 December 2014 and 31 December 2015 and HEB's audited consolidated statements of profit or loss and other comprehensive income for FYE 31 December 2016:

	⁽¹⁾ FYE 2014	⁽¹⁾ FYE 2015	FYE 2016
	RM'000		
Revenue	104,575	121,503	139,004
Cost of sales	(67,373)	(80,775)	(88,403)

	(1) FYE 2014	(1) FYE 2015	FYE 2016
	RM'000		
Gross profit ("GP")	37,202	40,728	50,601
Other income	1,248	1,156	854
Operating expenses	(23,935)	(26,868)	(30,335)
Profit from operations	14,515	15,016	21,120
Finance costs	(1,095)	(1,296)	(1,437)
Share of results of associates	-	-	207
Profit before taxation ("PBT")	13,420	13,720	19,890
Taxation	(4,271)	(3,586)	(5,873)
PAT	9,149	10,134	14,017
Earnings before interest and taxation	14,515	15,016	21,327
Depreciation and amortisation	1,252	1,430	1,436
Earnings before interest, taxation, depreciation and amortisation	15,767	16,446	22,763
GP margin (%)	35.6	33.5	36.4
PBT margin (%)	12.8	11.3	14.3
PAT margin (%)	8.7	8.3	10.1
Effective tax rate (%)	31.8	26.1	29.5
Basic earnings per share ("EPS") (sen)	(2) 3.58	(2) 3.97	(3) 4.97
Diluted EPS (sen) (4)	2.86	3.17	4.39

Notes:

- (1) Prepared on the assumption that the HEB Group had operated together as a single economic entity throughout the FYEs 2014 to 2015.
- (2) Calculated based on PAT divided by HEB's issued share capital of 255,264,810 Shares before its IPO.
- (3) Calculated based on PAT divided by HEB's weighted average number of share capital of 281,942,074 Shares during the financial year.
- (4) Calculated based on PAT divided by HEB's enlarged share capital of 319,081,010 Shares after its IPO.

There were no exceptional or extraordinary items during the 3 financial years under review. In addition, the audited combined financial statements of HEB Group for FYEs 31 December 2014 and 31 December 2015 and audited consolidated financial statements of HEB Group for the FYE 31 December 2016 were not subject to any audit qualifications.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Transfer

The Proposed Transfer is expected to enhance the Group's prestige and reputation, and will accord the HEB Group with greater recognition and acceptance amongst investors, in particular, institutional investors. In addition, the Proposed Transfer will also promote the Group's corporate image leading to greater recognition and confidence to clients, sub-contractors, business partners, bankers, employees and shareholders.

As at LPD, the market capitalisation of the Company is approximately RM223 million, reflecting investors' confidence and acceptance in the Group's business and operational model. As such, the Board considers the proposed listing of the Shares on the Main Market of Bursa Securities to be timely and beneficial to the Group's future growth and its ability to raise funds for further expansion. Nevertheless, the Proposed Transfer will not result in any change in the Group's existing core business and operational model.

4.2 Proposed Amendments

The Proposed Amendments are necessary to incorporate the relevant amendments to the Articles of Association of the Company to facilitate the Proposed Transfer. The Proposed Amendments will be implemented simultaneously with the Proposed Transfer.

5. EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on the share capital, shareholdings structure, net assets, gearing, earnings and earnings per share of the HEB Group.

6. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

- (i) SC, for the Proposed Transfer;
- (ii) Equity Compliance Unit of the SC, for the resultant equity structure after the Proposed Transfer;
- (iii) Bursa Securities, for the Proposed Transfer;
- (iv) Shareholders of HEB, for the Proposed Amendments at the forthcoming annual general meeting of the Company to be held on 27 April 2017; and
- (v) Any other relevant authorities, if required.

The Proposed Transfer and the Proposed Amendments are inter-conditional to each other and not conditional upon any other proposals, if any.

7. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS

None of the Directors and/or major shareholders of the Company and/or persons connected to them have any interest, either direct or indirect, in the Proposals.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

9. ADVISER

M&A Securities Sdn Bhd has been appointed as Adviser for the Proposed Transfer.

10. ESTIMATED TIME FRAME FOR THE COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances, the Proposals are expected to be completed in the second half of 2017.

11. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities on the Proposed Transfer is expected to be made within 2 months from the date of this announcement.

This announcement is dated 4 April 2017.