

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

I. PROPOSED BONUS ISSUE OF WARRANTS; AND

II. PROPOSED PRIVATE PLACEMENT;

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

Reference is made to the earlier announcement dated 17 August 2022 in relation to the Proposals ("**Initial Announcement**").

On behalf of the Board of Directors of HEB ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") had on 17 August 2022, announced that the Company proposed to undertake the following:-

- i. a bonus issue of up to 181,241,384 free warrants in HEB ("**Warrant(s) B**") on the basis of 1 Warrant B for every 3 existing ordinary shares in HEB ("**HEB Share(s)**") held by shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date, to be determined and announced later ("**Proposed Bonus Issue of Warrants**"); and
- ii. a private placement of up to 20% of the total number of issued HEB Shares at a up to 20% discount to the 5-day volume weighted average price ("**VWAP**") to third party investor(s) to be identified later, at an issue price to be determined and announced later ("**Proposed Private Placement**"),

(collectively referred to as the "**Proposals**")

However, after reconsidering the funding requirements of HEB and its subsidiaries ("**HEB Group**" or the "**Group**"), the Board has noted the following since 17 August 2022:-

- i. The HEB Group had intended to implement the Proposed Bonus Issue of Warrants at an exercise price of RM0.43 per Warrant B which represented a discount of approximately 14% to the 5-day VWAP of HEB Shares up to and including 16 August 2022 (being the last trading day prior to the price-fixing date of the Warrants B, i.e. the date of the Initial Announcement) of RM0.50 per HEB Share. The Proposed Bonus Issue of Warrants was intended to serve as a reward to the shareholders of HEB for their continuous support by enabling them to participate in a derivative of the Company priced at RM0.43 per Warrant B after applying the said 14% discount. However, in view of the recent price movement of HEB Shares, the exercise price of RM0.43 per Warrant B now represents a premium of 7.50% as compared to the 5-day VWAP of HEB Shares up to and including 19 September 2022 of RM0.40 per HEB Share. Therefore, the Warrants B would be deemed "out of the money" and no longer serve its intended purpose; and
- ii. The recent price movement of HEB Shares has decreased the gross proceeds to be raised from the Proposed Private Placement from RM54.37 million (under the maximum scenario) to RM43.50 million. As such, the Board is of the opinion that the Proposed Private Placement no longer presents itself as the most commercially viable method of fund raising for the Company. The Company is, at present, considering other optimum forms of fund raising to best address its funding requirements.

Accordingly, after taking into account the unforeseen circumstances stated above, the Board has decided to abort the Proposals. The Board will continue to look into alternate forms of fund raising and methods of rewarding HEB shareholders.

Since 17 August 2022, HEB Group has secured the following notable contracts which continue to strengthen its position and contribute positively to future earnings:-

- i. On 6 September 2022, HEB had announced that its associate SMHB Sdn Bhd ("**SMHB**"), accepted a letter of appointment from Pengurusan Aset Air Berhad to appoint SMHB as the engineering consultant for the project "Cadangan Kajian dan Pembinaan Loji Rawatan Air Baru serta Kerja-Kerja Mempertingkatkan Sistem Bekalan Air di Daerah Batu Pahat, Johor". The estimated value of SMHB's appointment is RM11.56 million; and

- ii. On 14 September 2022, HEB announced that its associate company, HSS Integrated Sdn Bhd ("**HSSI**") accepted a "Surat Setuju Terima" from Kerajaan Negeri Kedah Darul Aman to appoint HSSI as the engineering consultant to provide engineering consultancy and supervision services for the project "Menaiktaraf Loji Rawatan Air Lubuk Buntar Lama, Daerah Bandar Baharu, Kedah Darul Aman". The estimated value of HSSI's appointment is RM5.21 million.

The Board is of the opinion that these new contracts secured by the Group on 6 September 2022 and 14 September 2022 which are in addition to the following:

- i. In February 2022, HEB's associate SMHB had been appointed to carry out design and construction supervision on the raw water transfer from Sungai Sedili Besar to Sungai Gembut in Johor for a contract sum of RM3 million to ensure continuous water supply from the Sg Gembut water treatment plant to its 27,000 consumers in the coastal region of Kota Tinggi district;
- ii. On 15 April 2022, HEB announced that HSSI had accepted a letter of appointment from Mass Rapid Transit Corporation Sdn Bhd to provide peer review consultancy services for the tender documentations for the upcoming "Projek Mass Rapid Transit Laluan 3: Laluan Lingkaran" (MRT3) ("**Project**"); and
- iii. On 5 August 2022, HEB announced that on 4 August 2022, a joint venture of HSSI and HSS Engineering Sdn Bhd had accepted a letter of appointment from MRT Lingkaran Sdn Bhd to provide project management consultancy services for the Project. The estimated project value of the Project is RM997.90 million;

will strengthen the future prospects of the Group, and enable the Group to meet its working capital requirements for ongoing projects from internally-generated funds and bank borrowings.

For the avoidance of doubt, based on the latest audited consolidated financial statements of the Group as at 31 December 2021, the HEB Group's bank borrowings stood at approximately RM51.83 million. Based on the Group's net assets of approximately RM227.91 million, its net gearing ratio is recorded at 0.12 times. In view of the foregoing, the Company may consider to fund its working capital and business investment/ expansion plan(s) in the interim via external borrowings.

Additionally, the Board will explore and consider alternative ways to reward the shareholders of HEB and will make the necessary announcements as and when required.

This announcement is dated 20 September 2022.