

**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.

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**ENGINEERS**

**HSS ENGINEERS BERHAD**

Registration No. 201501003232 (1128564-U)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED VARIATION FOR THE UTILISATION OF PROCEEDS RAISED  
FROM THE INITIAL PUBLIC OFFERING OF HSS ENGINEERS BERHAD ("HEB")**

The resolution in respect of the above proposal will be tabled as Special Business at the Ninth Annual General Meeting ("**9<sup>th</sup> AGM**") of HEB which will be held at Banyan Room, Ground Floor, Sime Darby Convention Center (SDCC), 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on Thursday, 6 June 2024 at 10.00 am.

The Notice of the 9<sup>th</sup> AGM, Proxy Form, Administrative Guide for the 9<sup>th</sup> AGM and this Circular to Shareholders are available on the 'Investor Relations' section on the Company's website at <https://hssgroup.listedcompany.com/home.html> and Bursa Malaysia Securities Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company's announcements.

A member entitled to attend and vote at the 9<sup>th</sup> AGM is entitled to appoint a proxy/proxies to attend and vote on his/her behalf. The Proxy Form must be completed, signed and deposited at the Share Registrar's office of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, to be submitted electronically vide TIH Online website at <https://tjh.online>, not less than forty-eight (48) hours before the time appointed for holding the 9<sup>th</sup> AGM or at any adjourned thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the 9<sup>th</sup> AGM should you subsequently wish to do so. However, you will not be allowed to attend and vote at the 9<sup>th</sup> AGM together with the proxy(ies) appointed by you. Please read the Notes in the Notice of the 9<sup>th</sup> AGM carefully and follow the procedures in the Administrative Guide for the 9<sup>th</sup> AGM.

Last date and time for lodging the Proxy Form .....: Tuesday, 4 June 2024 at 10.00 a.m.

Date and time of the AGM .....: Thursday, 6 June 2024 at 10.00 a.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
"AGM"	:	Annual General Meeting
"Board"	:	Board of Directors of HEB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular to shareholders dated 30 April 2024 in relation to the Proposed Variation
"Constitution"	:	Constitution of HEB
"FYE"	:	Financial year ended/ending, as the case may be
"HEB" or "Company"	:	HSS Engineers Berhad [Registration No. 201501003232 (1128564-U)]
"HEB Group" or "Group"	:	HEB and its subsidiary companies, collectively
"HSS Engineering" or "HSSE"	:	HSS Engineering Sdn Bhd [Registration No. 199701035253 (450753-X)], a wholly-owned subsidiary of the Company
"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, to which the listing of and quotation of which was transferred from the ACE Market to the Main Market of Bursa Securities with effect from 8 September 2017
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time
"LPD"	:	24 April 2024, being the latest practicable date prior to the printing and issuance of this Circular
"Previous Variation(s)"	:	Previous variations for the utilisation of proceeds raised from the IPO
"Proposed Variation"	:	Proposed variation for the utilisation of proceeds raised from the IPO made pursuant to Paragraph 8.22 of the Listing Requirements
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively

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**DEFINITIONS**

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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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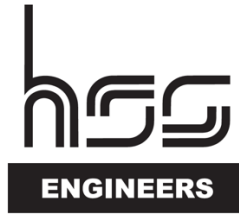
**EXECUTIVE SUMMARY**

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ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE “DEFINITIONS” SECTION AND CONTEXT OF THE CIRCULAR.

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSED VARIATION. SHAREHOLDERS ARE ADVISED TO READ THIS CIRCULAR IN ITS ENTIRETY FOR FURTHER DETAILS AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED VARIATION BEFORE VOTING AT THE FORTHCOMING AGM OF THE COMPANY.

<b>Key Information</b>	<b>Description</b>
<b>Summary of the Proposed Variation</b>	<p>The Company had achieved approximately RM31.908 million of the total gross proceeds from the IPO. As at the LPD, the Company has utilised approximately RM26.113 million of the IPO proceeds whilst the remaining balance which is unutilised is RM5.795 million.</p> <p>The remaining balance of RM5.795 million is currently earmarked for expansion into India &amp; ASEAN and to venture into recurring income and long-term based contracts with focus within the power sector.</p> <p>The Board proposed to vary the balance IPO proceeds of RM5.795 million for partial repayment of wholly-owned subsidiary’s overdraft facilities.</p>
<b>Rationale for the Proposed Variation</b>	<p>The reallocation of RM5.795 million for partial repayment of wholly-owned subsidiary’s overdraft facilities will benefit the Group by optimising and bolstering liquidity management through the reduction of financing costs. This is expected to free up significant capital that can be redirected towards enhancing operational efficiencies and funding strategic expansion plans.</p>
<b>Effects of the Proposed Variation</b>	<p>The Proposed Variation will not have any effect on the issued share capital, substantial shareholders’ shareholdings, earnings and earnings per share of the Company. The Proposed Variation is expected to contribute positively to the gearing ratio of HEB Group as and when the benefits of the revised utilisation of the proceeds are realised.</p>
<b>Approvals Required and Conditionality</b>	<p>The Proposed Variation is subject to the following approvals being obtained:</p> <ul style="list-style-type: none"><li>(a) shareholders of HEB at the forthcoming AGM to be convened; and</li><li>(b) any other relevant authorities/parties, if required.</li></ul> <p>The Proposed Variation is not conditional upon any other corporate exercise/scheme of our Company.</p>
<b>Directors’ Statement and Recommendation</b>	<p>The Board, upon 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 and will not have any adverse effect on the financial performance of the HEB Group. Accordingly, the Board recommends that the shareholders VOTE IN FAVOUR of the resolution pertaining to the Proposed Variation to be tabled at the forthcoming AGM.</p>



**HSS ENGINEERS BERHAD**  
Registration No. 201501003232 (1128564-U)  
(Incorporated in Malaysia)

**Registered Office**  
12<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

30 April 2024

### **Board of Directors**

Dato' Mohd Zakhir Siddiqy Bin Sidek (*Independent Non-Executive Chairman*)  
Tan Sri Ir. Kunasingam A/L V.Sittampalam (*Executive Vice Chairman/ Acting Group Chief Executive Officer*)  
Dato' Sri Ir. Hj. Ismail Bin Md.Salleh (*Senior Independent Non-Executive Director*)  
Tai Keat Chai (*Independent Non-Executive Director*)  
Datuk Ir. Teo Chok Boo (*Executive Director*)  
Ir. Sharifah Azlina Bt Raja Kamal Pasmah (*Executive Director*)  
Ir. Prem Kumar A/L M Vasudevan (*Executive Director*)  
Vanessa A/P Santhakumar (*Non-Independent Non-Executive Director*)  
Ir. Syed Mohamed Adnan Bin Mansor Alhabshi (*Alternate Director to Datuk Ir. Teo Chok Boo*)

**To: The Shareholders of HSS Engineers Berhad**

Dear Sir/Madam,

### **PROPOSED VARIATION**

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#### **1. INTRODUCTION**

On 5 April 2024, the Board announced the Company's intention to seek the approval of the shareholders to vary the utilisation of proceeds arising from the IPO.

Further details of the Proposed Variation are set out 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 AGM.**

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

## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME

Reference is made to the proposed utilisation of proceeds raised from the IPO as disclosed in the Company's prospectus dated 29 June 2016 that was issued in conjunction with the listing of the Company on the ACE Market of Bursa Securities on 10 August 2016 and the announcements dated 6 February 2018, 23 December 2020, 18 November 2021 and 29 December 2023 respectively in relation to Variations and/or Extension of Timeframe ("EOT") for utilisation of proceeds raised from the IPO and Circulars to Shareholders of HEB dated 23 May 2019 and 20 May 2022. Details of which are set out in ensuing sections.

Proceeds raised from the IPO and the utilisation of proceeds as disclosed in the Company's prospectus dated 29 June 2016:-

No.	Utilisation of proceeds	Estimated timeframe for utilisation	RM'000
1.	Expansion/venture into same or allied services: <ul style="list-style-type: none"> <li>- Expansion into India</li> <li>- Venture into the provision of Support Services to the water sector in Malaysia</li> <li>- Venture into the provision of Support Services to the power sector in Malaysia</li> </ul>	18 months	15,000 6,000 3,000
2.	Repayment of bank borrowings	3 months	4,000
3.	General working capital	12 months	708
4.	Estimated listing expenses	1 months	3,200
<b>Total proceeds raised from the IPO</b>			<b>31,908</b>

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## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Details on the respective announcements dated 6 February 2018, 23 December 2020, 18 November 2021 and 29 December 2023 and Circulars to Shareholders of HEB dated 23 May 2019 and 20 May 2022.

Previous Variation of each utilisation of proceeds and/or extension of timeframe undertaken and its reasons	Date of announcement/ Date of circular	Approval from shareholders	Date of approval
Details of the previous variation and extension of time and its reason please refer to Table A (" <b>Variation A</b> ")	Date of announcement: 6 February 2018	N/A <sup>(i)</sup>	N/A
Details of the previous variation and extension of time and its reason please refer to Table B (" <b>Variation B</b> ")	Date of circular: 23 May 2019	Yes	18 June 2019
Details of the previous variation and extension of time and its reason please refer to Table C (" <b>Variation C</b> ")	Date of announcement: 23 December 2020	N/A <sup>(ii)</sup>	N/A
Details of the previous extension of time and its reason please refer to Table D (" <b>EOT D</b> ")	Date of announcement: 18 November 2021	N/A <sup>(iii)</sup>	N/A
Details of the previous variation and extension of time and its reason please refer to Table E (" <b>Variation E</b> ")	Date of circular: 20 May 2022	Yes	8 June 2022
Details of the previous extension of time and its reason please refer to Table F (" <b>EOT F</b> ")	Date of announcement: 29 December 2023	N/A <sup>(iii)</sup>	N/A

### Notes:

- (i) Variation A was not subjected to shareholders' approval on the basis that it was not material as it remained consistent with HEB's existing business, and future plans and prospects as disclosed in HEB's prospectus dated 29 June 2016 ("**IPO Prospectus**"). Notwithstanding this, the Board exercised due diligence in the management of the IPO Proceeds and provided detailed disclosures regarding the utilisation thereof in its quarterly financial statements and annual reports.
- (ii) Variation C was not subjected to shareholders' approval on the basis that it was not material as it was consistent with the scope and intent of Variation B. Specifically, Variation C re-organised the proceeds previously allocated under Variation B, taking into consideration HEB's current business prospects and the latest funding requirement of its businesses. This re-allocation included shifting RM 3.0 million from expansion initiatives in India and ASEAN to venture into recurring income and long-term based contracts within the power sector, which represents less than 25% of the total IPO proceeds of approximately RM31.91 million.
- (iii) EOT D and EOT F were not subjected to shareholders' approval because they were non-material, as each EOT simply involved a one-year extension for the utilisation of the IPO Proceeds.



2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table A – Details of the Variation A:-

No.	Details of Utilisation	IPO Proceeds <sup>(i)</sup> (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation A (RM'000)	IPO Proceeds for Utilisation after Variation A (RM'000)	Timeframe for Utilisation of IPO Proceeds (from the listing date)	Revised Timeframe for Utilisation of IPO Proceeds after Variation A (from the listing date)
1.	(a) Expansion into India	15,000	-	15,000	(10,000) <sup>(i)</sup>	5,000	18 months	Up to 36 months
	(b) Venture into the water sector in Malaysia	6,000	-	6,000	(6,000) <sup>(ii)</sup>	-	18 months	-
	(c) Venture into the power sector in Malaysia	3,000	-	3,000	-	3,000	18 months	Up to 36 months
	(d) Building Information Modeling	-	-	-	8,000 <sup>(iii)</sup>	8,000	-	Up to 36 months
	(e) Facility Management	-	-	-	8,000 <sup>(iii)</sup>	8,000	-	Up to 36 months
2.	Repayment of bank borrowings	4,000	4,000	-	-	-	3 months	-
3.	General working capital	708	708	-	-	-	12 months	-
4.	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>

According to the table above, **RM7.908 million** of IPO proceeds had been utilised prior to the Variation A.

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## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

### Notes:

- (i) The Board had originally earmarked RM15 million specifically for expanding HEB's operations into India, capitalising on anticipated business growth opportunities. However, these expansion plans had yet to materialise, primarily due to unforeseen delays and market conditions that had been less favorable than expected. In light of these developments, and after careful consideration, the Board deemed it prudent to reduce the allocation for the India expansion by RM10 million.
- (ii) The excess amount of RM16,000,000 was thereafter re-allocated to Building Information Modeling and Facility Management which form part of HEB's existing business as well as its future plans and prospects as disclosed in the IPO Prospectus. The prioritising of investments in Building Information Modeling (BIM) and Facility Modeling, was viewed as a more viable and immediate opportunity for enhancing the Company's core business capabilities and market position.

### **Variation A** was due to the following:-

- (a) In line with HEB's expansion into the water industry, HEB entered into a conditional Share Sale Agreement for the acquisition of 100% equity interest in SMHB Engineering ("SMHB Acquisition") at RM270 million. Instead of utilising the IPO proceeds, SMHB Acquisition was financed by debt, private placement of ordinary shares and rights issue which had been approved by the shareholders of HEB at the Extraordinary General Meeting held on 30 January 2018. The SMHB Acquisition was finalised on 28 March 2018, subsequent to which HEB was duly registered as the sole corporate shareholder in accordance with statutory records;
- (b) Market development and geographical growth within Malaysia, ASEAN and 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;
- (c) Building Information Modeling was anticipated to be made mandatory in 2019 for public projects worth RM100 million in Malaysia; and
- (d) Develop a steady long-term income business model through facility management.

In addition, the revised timeframe for the utilisation of the IPO proceeds allowed HEB to carefully assess its proposed investment into the identified areas of growth.

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2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table B – Details of the Variation B:-

No.	Details of Utilisation	IPO Proceeds Utilisation after Variation A (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation B (RM'000)	IPO Proceeds for Utilisation after Variation B (RM'000)	Reasons/Notes
1.	Expansion into India	5,000	-	5,000	(5,000)	-	(a)
2.	Expansion into India & ASEAN	-	-	-	6,000	6,000	
3.	Venture into the water sector in Malaysia	-	-	-	-	-	(b)
4.	Partial repayment of borrowings for the acquisition of SMHB Engineering	-	-	-	6,000	6,000	
5.	Venture into the power sector in Malaysia	3,000	-	3,000	(3,000)	-	(c)
6.	Building Information Modeling	8,000	-	8,000	(8,000)	-	
7.	Facility Management	8,000	-	8,000	(8,000)	-	
8.	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>	

For the avoidance of doubt, **no IPO proceeds** had been utilised prior to the Variation B.

## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

### Reasons/ Notes:-

- a) The Board had increased the allocation of the balance IPO proceeds from RM5.0 million to RM6.0 million for geographical diversification by extending its market presence into India & ASEAN. The Board noted of the business opportunities in Indonesia and Philippines, as it 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. Specifically, India was identified as a strategic target for HEB's expansion efforts, particularly in the transportation, public security, and energy sectors. This decision was influenced by India's substantial population and the Indian government's commitment to significant investments in urbanisation.
- b) The Board re-allocated RM6.0 million of the balance IPO proceeds to partially repay the bank borrowings for the acquisition of SMHB Engineering which resulted in interest savings of RM0.39 million based on interest rate of 6.5% per annum.
- c) The Board has withdrawn the proceeds previously allocated to Building Information Modeling (BIM) and Facility Management as the Company was still in the process of exploring and evaluating opportunities for providing BIM and Facility Management services in the power sector. As at the relevant date, no definitive plans had been confirmed or materialised. The Board allocated RM12.0 million of the balance IPO proceeds for venturing into recurring income and long-term based contracts with focus within the power sector in light of the contemporaneous market opportunities available in Malaysia. The Board believed that venturing into the renewable energy sector would provide a stable revenue base for HEB Group, considering the vast support given towards this sector by the Government.

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2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table C – Details of Variation C:-

No.	Details of Utilisation	IPO Proceeds Utilisation after Variation B (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation C (RM'000)	IPO Proceeds for Utilisation after Variation C (RM'000)	Timeframe for Utilisation of IPO Proceeds before Variation C	Timeframe for Utilisation of IPO Proceeds after Variation C (iii)
1.	Expansion into India & ASEAN	6,000	-	6,000	(3,000)	3,000 <sup>(i)</sup>	Up to 31 December 2020	Up to 31 December 2021
2.	Partial repayment of borrowings for the acquisition of SMHB Engineering	6,000	(6,000)	-	-	-	-	-
3.	To venture into recurring income and long-term based contracts with focus within the power sector	12,000	-	12,000	3,000	15,000 <sup>(ii)</sup>	Up to 31 December 2020	Up to 31 December 2021
	<b>Total</b>	<b>24,000</b>	<b>6,000</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>-</b>

According to the table above, **RM6.0 million** of IPO proceeds had been utilised prior to Variation C.

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## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

### Reasons/ Notes:-

- (i) The reduction of the allocation for expansion into India & ASEAN from RM6.0 million to RM3.0 million was mainly due to the on-going Coronavirus Disease 2019 (“**Covid-19**”) situation in the ASEAN region and the nationalism in Indonesia and Philippines. The Board took the view that the aforesaid uncertainties were likely to hamper HEB's geographical expansion plans in Philippines, Indonesia and India. In addition, Indonesia and the Philippines were forecasted to see sharp deceleration of growth, with the International Monetary Fund projecting growth in the barely positive range. Hence, the Board reduced HEB Group's exposure to country risks for international expansion and accordingly, decreased the allocation for expansion into India & ASEAN by RM3.0 million (i.e. from RM6.0 million to RM3.0 million), and re-allocated the balance RM3.0 million for the venture into recurring income and long-term based contracts with focus within the power sector.
- (ii) The increase of the allocation for venturing into the renewable energy sector from RM12.0 million to RM15.0 million was made to align with the Government's efforts towards renewable energy in order to reduce reliance on fossil fuel as the Government aimed for a new renewable energy target of 20% by 2025. During the year, the Board had identified suitable / viable acquisitions or investments in the renewable energy business in Malaysia and also explored / evaluated new projects and opportunities in relation to renewable energy in Malaysia, which included, amongst others, the following:
- Net Energy Metering (NEM) for Industrial factories/ Hypermarkets
  - Large Scale Solar Photovoltaic Plant
  - Small Hydro projects in Malaysia
- (iii) The revised timeframe for the utilisation of the balance IPO proceeds allowed HEB to have more time to implement the proposals as highlighted above.

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2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table D – Details of the EOT D:-

No.	Details of Utilisation	IPO Proceeds Utilisation after Variation C (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation (RM'000)	IPO Proceeds for Utilisation (RM'000)	Timeframe for Utilisation of IPO Proceeds before EOT D	Timeframe for Utilisation of IPO Proceeds after EOT D <sup>(i)</sup>
1.	Expansion into India & ASEAN	3,000	-	-	-	3,000	Up to 31 December 2021	Up to 31 December 2022
2.	To venture into recurring income and long-term based contracts with focus within the power sector	15,000	-	-	-	15,000	Up to 31 December 2021	Up to 31 December 2022
	<b>Total</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>-</b>

For the avoidance of doubt, no IPO proceeds had been utilised prior to the EOT D.

**Reasons/ Notes:-**

- (i) The Board was of the view that the on-going Covid-19 situation in the ASEAN region, closure of international boarders among ASEAN countries and the nationalism in Indonesia and Philippines, were likely to hamper HEB's geographical expansion plans particularly in Philippines, Indonesia and India. In addition, Indonesia and the Philippines are forecasted to see sharp deceleration of growth, with the International Monetary Fund projecting growth in the barely positive range. Further, the implementation of the movement control order (MCO), conditional movement control order (CMCO), enhanced movement control order (EMCO) in 2020 and 2021 and National Recovery Plan had resulted in disruption of the power sector.

2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table E – Details of the Variation E:-

No.	Details of Utilisation	IPO Proceeds Utilisation after EOT D (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation (RM'000)	IPO Proceeds Utilisation (RM'000)	Timeframe for Utilisation of IPO Proceeds before Variation E	Timeframe for Utilisation of IPO Proceeds after Variation E
1.	Expansion into India & ASEAN	3,000	-	-	(3,000)	-	Up to 31 December 2022	N/A
2.	To venture into recurring income and long-term based contracts with focus within the power sector in Malaysia	15,000	-	-	(15,000)	-	Up to 31 December 2022	N/A
3.	Partial repayment of borrowings for the acquisition of SMHB Engineering	N/A	-	N/A	12,000	12,000 <sup>(i)</sup>	N/A	Up to 31 December 2023
4.	Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	N/A	-	N/A	6,000	6,000 <sup>(ii)</sup>	N/A	Up to 31 December 2023
	<b>Total</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>-</b>

For the avoidance of doubt, no IPO proceeds had been utilised prior to the Variation E.



## 2. DETAILS OF THE PREVIOUS VARIATION(S) AND/OR EXTENSION OF TIMEFRAME (CONT'D)

### Reasons/ Notes:-

- (i) During the Extraordinary General Meeting held on 18 June 2019, the shareholders of HEB had approved RM6.0 million of the IPO proceeds to partially repay the bank borrowings of approximately RM85.00 million for the acquisition of SMHB Engineering. For information purposes, the said proceeds had been fully utilised for aforesaid repayment of bank borrowings. The variation allowed the re-allocation of RM12.00 million of the balance IPO proceeds to partially repay RM41.49 million bank borrowings balance as at 13 April 2022, which resulted in interest savings of approximately RM0.61 million.
- (ii) The Board allocated RM6.00 million of the Balance IPO Proceeds to finance acquisition in India and ASEAN as well as long-term contracts generating recurring income within the power sector collectively, in light of current market conditions. The Board assessed and had taken note of the business opportunities in the ASEAN region and India, as it expected that the construction industry in these countries would 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 would assist in HEB's efforts to reduce dependency on Malaysia. Additionally, the Company was in the process of studying and exploring potential avenues for engagements in recurring and long-term contracts within the renewable energy sector in Malaysia. The Company was evaluating various proposals within the renewable energy sector, specifically pertaining to long-term contracts. Although the Company participated in bids for the Large Scale Solar project (LSS3 and LSS Mentari) and was not successful, optimism remained high. This positive outlook was supported by several key industry trends, including government initiatives such as the Large Scale Solar (LSS) and Net Energy Metering (NEM 3.0) programs, which was expected to drive growth in the sector. By delving into these sustainable energy ventures, the Company aimed to broaden its business scope and adapt to the evolving global energy landscape, thereby securing a sustainable and forward-looking position in the market.

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2. DETAILS OF THE PREVIOUS VARIATIONS AND/OR EXTENSION OF TIMEFRAME (CONT'D)

Table F – Details of the EOT F:-

No	Details of Utilisation	IPO Proceeds Utilisation after Variation E (RM'000)	Actual Utilisation (RM'000)	Balance of IPO Proceeds Unutilised (RM'000)	Variation (RM'000)	IPO Proceeds for Utilisation (RM'000)	Timeframe for Utilisation of IPO Proceeds before EOT F	Timeframe for Utilisation of IPO Proceeds after EOT F
1.	Partial repayment of borrowings for the acquisition of SMHB Engineering	12,000	(12,000)	-	-	-	Up to 31 December 2023	N/A
2.	Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	6,000	-	6,000	-	6,000	Up to 31 December 2023	Up to 31 December 2024 <sup>(i)</sup>
	<b>Total</b>	<b>18,000</b>	<b>(12,000)</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>	<b>-</b>	<b>-</b>

**Reasons/Notes:-**

- (i) EOT F was due to the Board's firm belief that the strategic plans for growth in the Indian and ASEAN markets were set to materialise and the extension permitted the Company to make well-informed decisions, capitalise on these opportunities and navigate the evolving landscape of these markets effectively. EOT F also granted the Company additional time to refine its strategic approach in alignment with the Government's National Energy Transition Roadmap. This roadmap sets an ambitious target of achieving 70% new renewable energy installation capacity by 2050, with a significant focus on expanding solar panel installations. In accordance with this directive, the Company has been actively exploring and evaluating opportunities within the renewable energy sector.

### 3. DETAILS OF THE PROPOSED VARIATION

As at to-date, the Company had utilised approximately RM26.113 million from the total IPO proceeds of RM31.908 million ("**Total IPO Proceeds**") and remains a balance of RM5.795 million of IPO proceeds which has yet to be utilised ("**Balance IPO Proceeds**"). Details of which are set out in the table below:-

	<b>RM'000</b>
<b>Total IPO Proceeds</b>	31,908
<b>Utilisation of IPO Proceeds:-</b>	
- Repayment of bank borrowings	(4,000)
- General working capital	(708)
- Estimated listing expenses	(3,200)
- Partial repayment of borrowings for the acquisition of SMHB Engineering	(18,000)
- Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	(205)
<b>Balance IPO Proceeds</b>	<b>5,795</b>

For the avoidance of doubt, the current status and details of the latest utilisation of Balance IPO Proceeds prior to the Proposed Variation are illustrated in the table below:-

<b>Purpose</b>	<b>Status</b>	<b>Balance IPO Proceeds (RM'000)</b>	<b>Timeframe for utilisation of Balance IPO Proceeds</b>
Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	As at the LPD, the Company is in the midst of studying various proposals on recurring and long-term based contracts in the renewable energy sector.	5,795	Up to 31 December 2024 <sup>(a)</sup>
<b>Total</b>		<b>5,795</b>	-

#### Notes:-

- (a) The Board's firm belief that the strategic plans for growth in the India and ASEAN markets were set to materialise and the extension permitted the Company to make well-informed decisions, capitalise on these opportunities and navigate the evolving landscape of these markets effectively. Further, the extensions also granted the Company additional time to refine its strategic approach in alignment with the Government's National Energy Transition Roadmap. This roadmap sets an ambitious target of achieving 70% new renewable energy installation capacity by 2050, with a significant focus on expanding solar panel installations.

The delay in executing strategic growth plans in the India and ASEAN markets, alongside ventures in recurring income and long-term contracts within the power sector, can be attributed to complex regulatory environments, economic fluctuations, operational challenges, and shifts in strategic focus. Additionally, prolonged impacts from the COVID-19 pandemic, such as travel restrictions and economic uncertainties, have further hindered timely implementation. The Company continues to adapt its strategies to align with evolving market conditions and internal capabilities to ensure the achievement of its long-term objectives.

### 3. DETAILS OF THE PROPOSED VARIATION (CONT'D)

After due deliberation, the Board had on 5 April 2024 announced the Company's intention to seek the approval of the shareholders to vary the utilisation of the Balance IPO Proceeds to be re-allocated for the partial repayment of its wholly-owned subsidiary's overdraft facilities.

Further details of the Proposed Variation are illustrated in the table below:-

No.	Details of Utilisation	Balance IPO Proceeds (RM'000)	Timeframe for utilisation after EOT F	Actual Utilisation (RM'000)	Proposed Variation (RM'000) <sup>(b)</sup>	After Proposed Variation (RM'000)	Timeframe for utilisation after Proposed Variation
1.	Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	6,000	Up to 31 December 2024	(205) <sup>(a)</sup>	(5,795)	-	N/A
2.	Partial repayment of wholly-owned subsidiary's overdraft facilities	N/A	-	N/A	5,795	5,795	Up to 31 December 2024
	<b>Total</b>	<b>6,000</b>	<b>-</b>	<b>(205)</b>	<b>-</b>	<b>5,795</b>	<b>-</b>

#### Reasons/Notes:-

- (a) HEB, via its wholly-owned subsidiary HSS International Sdn Bhd has acquired a 12% equity stake ("**Acquisition**") in PT Oriental Consultant Indonesia ("**PT Oriental**"). PT Oriental is an Indonesian firm specializing in engineering consultancy services, including engineering design, urban planning services and construction consultancy. PT Oriental is also a 55% subsidiary of Oriental Consultants Global Co. Ltd ("**OC Global**"), a leading Japanese integrated and engineering consulting firm, who signed a preferred partnership with HEB in 2022 to explore potential infrastructure projects in the region. The acquisition was completed on 29 March 2024, via full payment of the purchase consideration of RM205,000.

The Company's expansion plans remain on track and shall be financed via internally generated funds, bank borrowings and/or proceeds from the Private Placement exercise; as mentioned in Note 11 of this Circular.

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#### 4. RATIONALE OF THE PROPOSED VARIATION

##### (a) Partial repayment of wholly-owned subsidiary's overdraft facilities

As of LPD, HSS Engineering Sdn Bhd (“**HSSE**”), a wholly-owned subsidiary of HEB, has been leveraging operational overdraft facilities, resulting in outstanding borrowings of RM21.09 million. These funds are employed for operational purposes and to partially finance ongoing contracts and projects such as acting as Lead Consultant for the preparation, submission and approval of the amendment to the master layout of Lapangan Terbang Sultan Abdul Aziz Shah and the subsequent infrastructure works and associated works for Malaysia Airports Sdn Bhd Phase 2 and Phase 3, as well as data centre projects which includes a Data Centre at Cyberjaya for an Infinaxis Data Centre. The expected completion dates for the aforementioned projects are Q3 2028 and Q1 2025 respectively.

In the Proposed Variation, the Board upon careful consideration, intends to redirect the Balance IPO Proceeds of RM5.795 million towards the partial repayment of the abovementioned overdraft facilities, with interest rate of 5.65% per annum. This move is projected to achieve an annual interest savings of approximately RM0.327 million.

For information purpose, HSSE is principally involved in the provision of engineering and project management services. HSSE has played an integral role in the success of many of Malaysia's major infrastructure and landmark projects from various industries/sectors, including railways, highways, ports, airports, townships, water resources, telecommunications and energy. Accordingly, the reallocation of the Balance IPO Proceeds of RM5.795 million for the partial repayment of HSSE's overdraft facilities is in line with the Company's overall growth strategy.

This strategy is formulated with the objective of optimising liquidity, aiming to reduce borrowing costs in the short term while enhancing the Company's financial flexibility. Such financial prudence is crucial as we embark on various expansion plans which includes but not limited to the provision of drone services and intellectual solutions, expansion of design and supervision engineering and project management services to Sarawak and development of photovoltaic plant under the Corporate Green Power Programming and recurring income within the renewable energy sector. This will ensure the Group has the necessary resources to seize growth opportunities effectively and sustainably. This decision is part of our broader commitment to safeguarding and enhancing shareholder value through strategic financial stewardship.

For completeness sake, the prior changes in business venture and planning are primarily due to changing market conditions, unforeseen operational challenges, and shifts in strategic focus, as well as impacts from global events like the COVID-19 pandemic. These factors necessitated such adjustments to ensure alignment with current market realities and opportunities.

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## 5. 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 Company. The Proposed Variation is expected to contribute positively to the gearing ratio of HEB Group as and when the benefits of the revised utilisation of the proceeds are realised.

Purely for illustration purposes only, the pro forma effect of the Proposed Variation on HEB Group's gearing ratio based on the latest unaudited consolidated financial statements for the FYE 31 December 2023, assuming the Proposed Variation had been effected at the end of 31 December 2023 is set out below:-

	<b>Unaudited as at 31 December 2023 (RM'000)</b>	<b>Pro Forma I after Proposed Variation (RM'000)</b>
Share capital	254,564	254,564
Foreign currency translation reserve	207	207
Retained profits	4,227	4,227
Less: Non-controlling interest	(7)	(7)
Total Equity	<u>258,991</u>	<u>258,991</u>
Total borrowings	45,865	40,070 <sup>(a)</sup>
Gearing ratio (times)	0.18	0.15

### Notes:-

- (a) After taking into consideration the utilisation of RM5.795 million of the Balance IPO Proceeds to partially repay the outstanding overdraft borrowings of the Company's wholly-owned subsidiary.

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## 6. APPROVALS REQUIRED

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

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

## 7. INTER-CONDITIONALITY

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

## 8. 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 to them has any interest, whether direct or indirect, in the Proposed Variation.

## 9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, upon 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 the shareholders VOTE IN FAVOUR of the resolution pertaining to the Proposed Variation to be tabled at the forthcoming AGM.

## 10. 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 31 December 2024.

## 11. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

On 11 December 2023, the Company had obtained Bursa Securities' approval for the listing of and quotation for up to 49,590,000 new ordinary shares in the Company, representing up to 10% of the total issued and paid-up share capital of the Company ("**Private Placement**").

The first tranche of the Private Placement was completed on 8 February 2024 following the listing of and quotation for 12,500,000 ordinary shares on the Main Market of Bursa Securities, at an issue price of RM1.11 per Placement Share.

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

## 12. AGM

The Ninth AGM ("9<sup>th</sup> AGM") of the Company, the notice of which is enclosed in the Annual Report 2023 of the Company for the financial year ended 31 December 2023 accompanying this Circular, will be held at the Banyan Room, Ground Floor, Sime Darby Convention Center (SDCC), 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on Thursday, 6 June 2024 at 10.00 a.m. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Variation under the agenda of Special Business as set out in the Notice of the 9<sup>th</sup> AGM.

If you are unable to attend, speak and vote in person at the 9<sup>th</sup> AGM, you may appoint proxy(ies) to attend and vote on your behalf by completing the Proxy Form which is enclosed in the Annual Report 2023 of the Company in accordance with the instruction provided thereon. The Proxy Form must be completed, signed and deposited at the Share Registrar's office of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor,

Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, to be submitted electronically via TIIH Online website at <https://tiih.online>, not less than forty-eight (48) hours before the time appointed for holding the AGM or at any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending and voting in person at the 9<sup>th</sup> AGM should you subsequently wish to do so. However, you will not be allowed to attend and vote at the 9<sup>th</sup> AGM together with the proxy(ies) appointed by you.

### **13. FURTHER INFORMATION**

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

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

**Tan Sri Ir. Kunasingam A/L V.Sittampalam**  
Executive Vice Chairman/ Acting Group Chief Executive Officer



**FURTHER INFORMATION****1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen, considered, deliberated and approved by the Board of HEB 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 12<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the time stipulated for the holding of the forthcoming 9<sup>th</sup> AGM:-

- (i) Constitution of the Company; and
- (ii) Audited consolidated financial statements of the Company for the FYE 31 December 2021, 31 December 2022 and 31 December 2023.

**EXTRACT OF THE ORDINARY RESOLUTION TO BE TABLED AT THE 9<sup>TH</sup> AGM OF HEB IN RELATION TO THE PROPOSED VARIATION FOR THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING**

**Ordinary Resolution 9**

**Proposed Variation 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 variation for the utilisation of the IPO Proceeds, the details of which are set out in Section 3 of the Circular to Shareholders of the Company dated 30 April 2024.

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.”

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