

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

### PROPOSED PRIVATE PLACEMENT OF 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 ("PROPOSED PRIVATE PLACEMENT")

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Abbreviations used herein shall, unless otherwise redefined, mean the same as those defined in the Company's announcements dated 17 November 2023 ("**1<sup>st</sup> Announcement**"), 22 November 2023 ("**2<sup>nd</sup> Announcement**") and 23 November 2023 ("**3<sup>rd</sup> Announcement**") (collectively referred to as the "**Announcements**").

Further to the Announcements, on behalf of the Board, M&A Securities wishes to announce that the Board intends to enhance the clarity and provide updated information regarding the utilisation of proceeds to be raised from the Proposed Private Placement, particularly in respect of its business expansion plans, vis-à-vis those of its existing operations. In this regard, the Company's other business expansion plans per the earlier Announcements are pending finalisation and will be announced in due course.

The following sections further explain the Group's rationale in this clarification and give better visibility to shareholders and investors alike on the application of the proceeds to be raised from the Proposed Private Placement. These sections are numbered in accordance with the disclosures made in Section 2.5 and Section 3 of the 1<sup>st</sup> Announcement accordingly and shall supersede the corresponding sections in both the 1<sup>st</sup> and 2<sup>nd</sup> Announcements. These sections should be read together with the 1<sup>st</sup> Announcement.

#### 2.5 Utilisation of proceeds

Based on the indicative issue price of RM1.04 per Placement Share, the Company is expected to raise gross proceeds of up to RM51.57 million from the Proposed Private Placement, which are expected to be utilised by HEB and its subsidiaries ("**HEB Group**" or "**Group**") in the following manner:

<u>Details</u>	<u>RM'000</u>	<u>Expected timeframe of utilisation from the listing of the Placement Shares</u>
Expansion of business <sup>(1)</sup>	24,434	Within 24 months
Working capital requirements <sup>(2)</sup>	12,000	Within 12 months
Repayment of loans <sup>(3)</sup>	14,000	Within 12 months
Estimated expenses in relation to the Proposed Private Placement <sup>(4)</sup>	1,140	Within 1 month
<b>Total</b>	<b><u>51,574</u></b>	

#### Notes:

- (1) The Company intends to allocate up to RM24,434,000 of the proceeds from the Proposed Private Placement to finance its ongoing projects and areas of expansion in the following manner:

<b>Projects</b>	<b>Estimated allocation (RM'000)</b>	<b>Expected timeframe of utilisation from the listing of the Placement Shares <sup>(f)</sup></b>
Provision of Drone Services and Intellectual Technology Solutions <sup>(a)</sup>	9,000	within 18 months
Expansion of Design and Supervision Engineering and Project Management Services to Sarawak by HSS Alliance (Sarawak) Sdn Bhd <sup>(b)</sup>	3,000	within 12 months
Expansion of Design Engineering and Project Management Services to United Kingdom <sup>(c)</sup>	1,000	within 18 months
Expansion of BIM Services to Philippines <sup>(d)</sup>	1,000	within 12 months
Development of Photovoltaic Plant under the Corporate Green Power Programme and recurring income within the renewable energy sector <sup>(e)</sup>	10,434	within 24 months

(a) HSS Technologies Sdn Bhd, a wholly-owned subsidiary of HEB, has successfully entered into a binding Heads of Agreement with ProPick Digital Solutions & Consulting Sdn Bhd on 6 September 2023. This agreement has led to the formation of HSS Propick Technologies Sdn Bhd, a joint venture focused on delivering comprehensive drone services and intellectual technology solutions. In addition to the above, HSS Technologies is also in the midst of developing, bidding, negotiating and securing projects in 5G enterprise solutions, IOT solutions and management platforms in the construction sector and the digital health care segments. It is anticipated that contract awarders will inform the Group by Q3 2024 if it has successfully procured these new contracts.

(b) HSS Alliance (Sarawak) Sdn Bhd is a Sarawak-based company operating under the HSS Group's umbrella, with HSS Engineering Sdn Bhd as one of its shareholders. The company was established with the objective of undertaking projects in Sarawak, and is currently actively participating in the bidding process for various projects within the region. These projects encompass the construction and enhancement of roads, railway initiatives, power plant development, infrastructure, renewable energy and waste management. As of now, these projects are still in the bidding phase, and it is anticipated that more details will be provided once they are successfully secured by the Group, which is expected to occur in Q2 2024.

(c) The Group has through HSS London Private Company Limited ("**HSS London**"), a wholly-owned subsidiary of HSS International Sdn. Bhd. ("**HSS International**") (which in turn is wholly-owned by HEB), entered into a binding Joint Venture Agreement ("**JVA**") with Investnet Limited ("**Investnet Ltd**") for the incorporation of a special purpose vehicle ("**Venus JV**") in United Kingdom to undertake and provide engineering professional services and project management consultancy services in respect of construction projects in Europe. This collaboration allows the HEB Group to leverage their core competencies and expertise in engineering design and project management within the European region, which presents immense opportunities for growth and market penetration and provides the opportunity to tap into new customer segments.

The Group is actively identifying, bidding for, and negotiating various projects under the Venus JV, focusing on building construction projects, as well as residential and commercial development projects, with the Group via its affiliates contributing its expertise in project management consultancy and design services. Should the Venus JV be successfully awarded any concrete contracts, notifications will be issued by Q4 2024 and HEB will make the necessary announcements.

- (d) On 15 November 2023, HSS International entered into a binding Heads of Agreement with Engineering and Development Corporation of the Philippines ("**EDCOP**") for the incorporation of a joint venture vehicle under the name "EDCOP-HSS". EDCOP-HSS was incorporated to provide advanced Building Information Modelling (BIM) services and solutions, focused on 3D modelling, clash detection, and comprehensive engineering and project management for the infrastructure sector, while also engaging in innovative research and development in BIM technologies. The formation of EDCOP-HSS provides HEB Group with a platform to bring its seasoned expertise in BIM technology to the Philippine construction market and further augment its regional presence across Asia. Should EDCOP-HSS be successfully awarded any contracts, notifications will be issued by Q3 2024 and HEB will make the necessary announcements.
- (e) On 15 August 2023, a consortium comprising HEB's wholly-owned subsidiary, HSS Engineering Sdn Bhd ("**HSSE**"), Shizen Malaysia Sdn Bhd, Solarvest Asset Management Sdn Bhd and Aziho Trading Sdn Bhd (collectively "**the Consortium**") accepted a Letter of Notification ("**Notification Letter**") from the Suruhanjaya Tenaga (Energy Commission) ("**ST**") informing them that ST have offered the Consortium to develop a Photovoltaic Plant with an export capacity of 29.99MW at Lot 744 & 777, Mukim Bandar Gurun, Daerah Kuala Muda, Kedah. HSSE owns 10% ordinary shares in the Consortium.

Further, the implementation of Malaysia's National Energy Transition Roadmap, has created an opportunity for renewable energy projects. With a growing demand for renewables and a range of project opportunities emerging, the allocation of funds for renewable energy development by the Group positions it strategically in this evolving landscape. The costs associated with these projects are set out in the table below and the Group emphasizes that for solar projects, the proceeds will be utilized towards the development of the solar plant itself which comprises construction costs, land acquisition costs and other related expenditures.

- (f) The estimated timeline for completion are the Group's best estimates at this juncture, based on the actual services to be provided by the Group, relying on past project experiences, budgetary forecasts, and anticipated working capital needs. However, this timeline is subject to potential variations based on clients' requirements, actual implementation of the project and other variables that may arise during the project's execution.

The Group intends to utilise the proceeds from the Proposed Private Placement for the expansion of business for the Group as follows:

<b>Utilisation</b>	<b>% of the allocated proceeds</b>
Personnel costs (eg: salaries and fees for professionals and support staff providing engineering, administrative, and support services)	40%
Subcontractor costs (eg: local personnel across geographical regions such as Sarawak, Philippines and United Kingdom and for procuring specialized services including technology intellectual skills and expertise)	15%

<b>Utilisation</b>	<b>% of the allocated proceeds</b>
Capital expenditure (eg: ground mounted solar facilities, which comprises amongst others, mounting structures, earthwork, infrastructure and interconnection facilities, financing cost and any other project development costs)	45%
	<b>100%</b>

The actual allocation for each cost component might vary, as it depends on the unique requirements, value, and financing of each project, including specific milestones, additional services, and unforeseen circumstances. Pending such confirmation, the proposed proceeds identified above is anticipated to be primarily directed towards these aforementioned costs, aligning with the Company's current operational needs.

- (2) The Company proposes to utilise up to RM12,000,000 of the proceeds from the Proposed Private Placement for working capital requirements of its day-to-day operations, including to fund the working capital requirements of the Group's ongoing projects such as acting as Lead Consultant for the preparation, submission and approval of the amendment to the master layout plan 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, in data centre projects which includes a Data Centre at Cyberjaya for an Infinaxis Data Centre, and the "Owners Engineer Services For Life Extension Program of Sungai Perak Hydroelectric Station During Project Implementation" contract agreement with TNB Power Generation Sdn. Bhd. The costs in regard to these projects include but are not limited to, design and tender stages to construction, handing over and defects liability period.

For the avoidance of doubt, the quantum and costs of each project will vary depending on its specific circumstances and requirements (such as, exact milestones, additional services and unforeseen circumstances). Therefore, the Group is unable to determine the breakdown per project at this juncture.

- (3) A secured term loan was granted to the Company for the purposes of part-financing the cash consideration for the acquisition of its subsidiary, SMHB Engineering Sdn. Bhd. The Company proposes to utilise RM14,000,000 of the total gross proceeds from the Proposed Private Placement to fully repay its secured term loan which is expected to record an annual interest savings of approximately RM475,000 based on the interest rate of 5.8% per annum.
- (4) The estimated expenses comprise fees payable to the relevant authorities, advisory and placement fees to be incurred. Any excess or deficit in the amount allocated for estimated expenses will be adjusted against the utilisation for the working capital requirements of the Group.

The actual proceeds to be raised from the Proposed Private Placement will be dependent on the issue price of the Placement Shares and actual number of Placement Shares issued. In the event that the actual proceeds raised are lower/higher than the amount budgeted, the shortfall/excess will be adjusted from/allocated to the working capital requirements of the Group.

Pending full utilisation of the proceeds, the Company will place such proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institutions or in short-term money market instruments. Interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used for the Group's working capital requirements.

In the event that the actual proceeds raised are lower, the actual proceeds will firstly be utilised for item (4) followed by item (3) above. The balance, if any, will be utilised for item (1) followed by item (2) above.

### **3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT**

The Proposed Private Placement is an avenue to allow interested investors to participate in the Group's future expansion, and in conjunction, will enable the Group to raise additional funds to strengthen the capital position of the Company for purposes of its ongoing, newly secured and future identified projects, as well as to repay its borrowings, as set out in Section 2.5.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables HEB to raise funds expeditiously without incurring interest costs as compared to conventional bank borrowings thereby minimising any potential cash outflow in respect of interest servicing costs.

This announcement is dated 6 December 2023.