

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

PROPOSED VARIATION FOR THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING ("PROPOSED VARIATION")

1. INTRODUCTION

Reference is made to the proposed utilisation of proceeds raised from the Initial Public Offering ("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 Malaysia Securities Berhad 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 for utilisation of proceeds raised from the IPO and Circulars to Shareholders of HEB dated 23 May 2019 and 20 May 2022.

As at the date of this announcement, the Company had utilised approximately RM26.113 million from the total IPO Proceeds of RM31.908 million and remains a balance of RM5.795 million of IPO proceeds which has yet to be utilised ("**Balance IPO Proceeds**").

The Board of Directors of HEB wishes to inform that the Company intends to seek its shareholders' approval on the Proposed Variation for the Utilisation of Balance IPO Proceeds at the forthcoming Annual General Meeting ("**AGM**") of the Company ("**Proposed Variation**").

For information purpose, the current status and details of the latest utilisation of Balance IPO Proceeds and timeframe for utilisation as announced on 29 December 2023 ("**Latest Revision**") are illustrated in the table below; -

Purpose	Status	Balance IPO Proceeds (RM'000)	Timeframe for Utilisation of Balance IPO Proceeds after Latest Revision
Expansion into India & ASEAN, and venture into recurring income and long-term based contracts with focus within the power sector	As at to-date, 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 ^(a)
Total		5,795	

Notes:-

- (a) 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. This approach aligns with the Government's National Energy Transition Roadmap, which sets an ambitious goal of achieving 70% new renewable energy installation capacity by 2050, primarily through an increase in solar panel installations. In line with the foregoing, the Company was exploring and evaluating opportunities within the renewable energy sector.

2. DETAILS OF THE PROPOSED VARIATION

After due deliberation, the Board intends 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 wholly-owned subsidiary's overdraft facilities.

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

No.	Purpose	Balance IPO Proceeds (RM'000)	Timeframe for utilisation after Latest Revision	Actual Utilisation (RM'000) ^(a)	Proposed Variation (RM'000)	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)	(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
	Total	6,000	-	(205)	-	5,795	-

Reasons/Notes:-

- (a) HEB, via its wholly-owned subsidiary HSS International Sdn Bhd has acquired a 12% equity Stake ("Acquisition") in PT Oriental Consultants 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 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.

3. RATIONALE OF THE PROPOSED VARIATION

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

As of to-date, HSS Engineering Sdn Bhd ("HSSE"), a wholly-owned subsidiary of HEB, has been leveraging operational overdraft facilities, resulting in outstanding borrowings of RM22.33 million. These funds are employed for operational purposes and to partially finance ongoing contracts and projects.

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. 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 reallocation strategy.

This reallocation 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 to 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.

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 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.

5. 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.

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

8. 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.

9. APPLICATION TO THE REGULATORY AUTHORITIES

The relevant applications to the regulatory authorities in relation to the Proposed Variation will be made within two (2) months from the date of this announcement.

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.

This announcement is dated 5 April 2024.