

BHS INDUSTRIES BERHAD

CLARIFICATION ON THE ARTICLE PUBLISHED IN THE EDGE DATED 10 NOVEMBER 2017 ENTITLED "BHS UNIT TAPS INTO SARAWAK MARKET TO TRANSFORM OIL PALM WASTE INTO BIOGRADEABLE PRODUCTS"

Reference is made to the article published in The Edge on 10 November 2017 ("**Article**") entitled "BHS Unit Taps Into Sarawak Market To Transform Oil Palm Waste Into Biodegradable Products", in particular the following statements:-

- (1) *"Main-Market listed company BHS Industries Bhd's (BHS) wholly-owned subsidiary Nextgreen Sarawak Sdn Bhd (Nextgreen Sarawak) has teamed up with Bau Palm Oil Mill Sdn Bhd, a company managed by Sarawak Land Consolidation & Rehabilitation Authority (SALCRA) to construct a biogas plant and integrated wastewater treatment plant at SALCRA's palm oil mills."*
- (2) *"On the later stages, Lim said the semi-finished pulp will be delivered to Green Technology Park (GTP), which is yet to be determined – either Kuching or Bintulu, to finish the product into paper."*

The Board of Directors of BHS Industries Berhad ("**Company**") wishes to clarify the following:-

(1) **ENTRY OF MEMORANDUM OF UNDERSTANDING**

Reference is made to the following statement reported in the Article:-

"Main-Market listed company BHS Industries Bhd's (BHS) wholly-owned subsidiary Nextgreen Sarawak Sdn Bhd (Nextgreen Sarawak) has teamed up with Bau Palm Oil Mill Sdn Bhd, a company managed by Sarawak Land Consolidation & Rehabilitation Authority (SALCRA) to construct a biogas plant and integrated wastewater treatment plant at SALCRA's palm oil mills."

The Board of Directors wishes to clarify that Nextgreen (Sarawak) Sdn. Bhd. ("**NGS**"), a 70% owned-subsiary of the Company has today, 10 November 2017, entered into a Memorandum of Understanding ("**MOU**") with Sarawak Land Consolidation and Rehabilitation Authority ("**SALCRA**") and Bau Palm Oil Mill Sdn. Bhd. (Company No. 469819-X) ("**BAPOM**") (hereinafter referred to the "**Parties**") to jointly develop/implement and finance a waste management project to convert the palm oil biomass (i.e. empty fruit bunches, palm oil mill effluent, biogas and other palm waste supplied by BAPOM) into commercially viable products ("**Project**").

Append below are the details relating to the MOU.

(a) **Introduction**

The Project entails the construction of a biogas plant by BAPOM at its own cost for the supply of the biogas or biomethane to the Project and the provision of green technology, engineering design and construction services by NGS to support, develop and implement the Project pursuant to the MOU.

A joint venture company jointly owned by SALCRA and NGS will be set-up for the Project if the Project materialises.

The MOU is valid for a period of 24 months from the date of the MOU. The term can be extended by written agreement of the Parties.

The MOU serve as a preliminary platform to outline and record the roles of the respective Parties in participating in the Project.

(b) Information on SALCRA

SALCRA is a State Government of Sarawak statutory body established under the Sarawak Land Consolidation and Rehabilitation Authority Ordinance, 1976 and having a registered address at Wisma SALCRA, No. 1, Lot 2220, Block 26, MTL D, Jalan Dato' Mohd Musa, 94300 Kota Samarahan, Sarawak, Malaysia.

SALCRA is involved in the development of land in Sarawak for agricultural purposes and for matters connected therewith and incidental thereto such as oil palm plantation, Palm Oil Mills, other agricultural crops and related works.

(c) Information on BAPOM

BAPOM is a company incorporated in Malaysia and having its registered address at Level 2, Wisma SALCRA, No. 1, Lot 2220, Block 26, MTL D, Jalan Dato' Mohd Musa, 94300 Kota Samarahan, Sarawak, Malaysia.

BAPOM is involved in palm oil mill business and a subsidiary company of SALCRA.

(d) Rationale for the MOU

The Project aims to revolutionise the pulp and paper industry by providing a new source of eco-friendly paper and pulp. If the Project materialises, a joint venture company will be incorporated to undertake the Project to build a pulp mill factory near the vicinity of SALCRA's palm oil mills.

(e) Effects of the MOU

The MOU is not expected to have any material effect on the earnings per share, net assets per share, gearing, share capital and substantial shareholders' shareholding of the Company for the financial year ending 30 June 2018. Should the Project materialise, it is expected to contribute positively to the future earnings of the Group.

(f) Directors' and major shareholders' interest

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

(g) Statement by Directors

The Board of Directors of the Company, having taken into consideration all aspects of the MOU, is of the opinion that the MOU is in the best interest of the Company and its subsidiaries.

(h) Approvals required

The MOU is not subject to approval of the shareholders of the Company and any relevant government authorities.

(2) GREEN TECHNOLOGY PARK IN EAST MALAYSIA

Reference is made to the following statements reported in the Article, which were commented by Dato' Lim Thiam Huat, the Group Managing Director of the Company:-

“On the later stages, Lim said the semi-finished pulp will be delivered to Green Technology Park (GTP), which is yet to be determined – either Kuching or Bintulu, to finish the product into paper.

Our idea is to actually create a new GTP like what we did in Pekan, Pahang. So with the semi-finished pulp we can actually send to one location which is the GTP to finish the product into paper,” he said, adding that the export market would mainly be China as it has a shortage of raw materials.”

The Board of Directors wishes to comment that the Company is considering extending the diversification initiatives into manufacturing of renewable paper pulp products to East Malaysia. The idea would be to create a new GTP (similar to the Company's GTP in Pekan, Pahang) either in Kuching or Bintulu, which would near the vicinity of SALCRA's palm oil mills. However, nothing concrete has been decided as of to-date.