

BHS INDUSTRIES BERHAD ("BHS")
RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

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1. INTRODUCTION

Pursuant to Paragraph 10.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"), the Board of Directors of BHS wishes to announce that two (2) of its wholly-owned subsidiaries, namely, BHS Book Printing Sdn Bhd ("BBP") and Pustaka Sistem Pelajaran Sdn Bhd ("Sistem"), had on 12 July 2011 entered into a Recurrent Related Party Transaction of a Revenue or Trading Nature with a related party, Rakan Bersatu Sdn Bhd ("Rakan" or "Related Party") which is necessary for their day-to-day operations ("Transaction"). Detail of the said Transaction is set out hereunder.

2. DETAILS OF RECURRENT RELATED PARTY TRANSACTION

BBP is principally engaged in the provision of printing services and Sistem is principally engaged in book publishing and trading in books. In their ordinary course of businesses, both BBP and Sistem entered into Transactions with Rakan, a wholly-owned subsidiary of Harta Sistem Sdn Bhd, a company owned by Heng Song Khoon and Liew Sai Ying, both are directors and major shareholders of BHS, for renting from Rakan the following premises located at Bersatu Industrial Park, Jalan Bersatu, Cheras Jaya, Selangor Darul Ehsan for a period from 12 July 2011 to 30 June 2012 :-

Lot No.	Tenant	Built-up Area (square feet)	Monthly Rental (RM)	Value of the Transactions (RM)
17-18 Ground Floor	BBP	4,800	4,080.00	47,512.26
17-19 Ground Floor	BBP	4,800	4,080.00	47,512.26
17-22 Ground Floor	BBP	4,800	4,080.00	47,512.26
17-23	BBP	9,600	8,160.00	95,024.52
17-23A	BBP	9,600	8,160.00	95,024.52
17-25 Ground Floor	BBP	4,800	4,080.00	47,512.26
17-22 First Floor	Sistem	4,800	4,080.00	47,512.26
17-27	Sistem	9,600	8,160.00	95,024.52
TOTAL		52,800		522,634.86

The above monthly rental was derived based on the prevailing market rental surrounding the vicinity and is made at arms' length on terms not more favourable to the Related Party.

During the preceding twelve (12) months, Sistem has in its ordinary course of business, transacted a total sales of RM67,550.00 in relation to educational books with System Publishing House Pte Ltd, a company incorporated in Singapore which is owned by both Heng Song Khoon and Liew Sai Ying ("First Recurrent Transaction").

The Transaction and First Recurrent Transaction are hereinafter referred to as Recurrent Transactions.

3. RATIONALE

BBP is principally involved in printing services and Sistem is principally involved in book publishing and trading in books. Both companies have been operating their business activities from the factory lots for over 15 years. The Recurrent Transactions have been carried out or will be carried out on an arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to the public and are not prejudicial to the minority shareholders of the Company.

4. FINANCIAL EFFECTS

The Recurrent Transactions will not have any material effect on the earnings per share, net assets and gearing at the group level, issued and paid-up share capital and substantial shareholders of BHS.

5. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Recurrent Transactions pursuant to paragraph 10.02 (g) of the MMLR is 1.07%.

6. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for Heng Song Khoon, Liew Sai Ying and their son, Heng Boon Seng, who are deemed interested in the Recurrent Transactions, none of the Directors and/or major shareholders of BHS and/or persons connected to them have any interest, direct or indirect in the Recurrent Transactions.

Accordingly, the interested directors, namely, Heng Song Khoon, Liew Sai Ying and Heng Boon Seng have abstained from deliberation on the resolution in relation to the Recurrent Transactions.

7. APPROVAL REQUIRED

The Recurrent Transactions do not require the approval of BHS's shareholders nor any relevant authority.

8. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of the Company, after taking into consideration the prevailing market rental in the vicinity area and all aspects of the Recurrent Transactions, is of the opinion that the Recurrent Transactions are fair, reasonable and on normal commercial terms, in the best interest of the Company and are not detrimental to the interest of the minority shareholders, and therefore had recommended it to the Board of Directors for approval.

9. DIRECTORS' OPINION

The Board of Directors of BHS (save for Heng Song Khoon, Liew Sai Ying and Heng Boon Seng), having considered all aspects of the Recurrent Transactions is of the opinion that the Recurrent Transactions are fair, reasonable and on normal commercial terms, in the best interest of the Company and are not detrimental to the interest of the minority shareholders.

This announcement is dated 12 July 2011.