

BHS INDUSTRIES BERHAD (“BHS” OR THE “COMPANY”)

- (I) **PROPOSED DISPOSAL BY BHS OF SEVEN (7) PARCELS OF LAND COMPRISING SIX (6) PARCELS OF FREEHOLD AGRICULTURAL LAND HELD UNDER LOT 1081 GM 1489, LOT 1082 GM 1488, LOT 1083 GM 1499, LOT 1085 GM 1504, LOT 462 GM 436 AND LOT 463 GM 1479, AND ONE (1) PARCEL OF FREEHOLD VACANT LAND HELD UNDER LOT 99 GRN 379407, ALL LOCATED IN MUKIM AND DISTRICT OF KOTA TINGGI AND STATE OF JOHOR, TO HARTA SISTEM SDN BHD FOR A TOTAL CASH CONSIDERATION OF RM5,954,000; AND**
 - (II) **PROPOSED DISPOSAL BY BHS OF THE ENTIRE EQUITY INTERESTS IN BHS RESOURCES PTE LTD, A WHOLLY-OWNED SUBSIDIARY OF BHS, TO HENG BOON SENG AND LIEW SAI YING FOR A TOTAL CASH CONSIDERATION OF SGD1,516,079 (EQUIVALENT TO RM3,931,648 (BASED ON THE BANK NEGARA MALAYSIA’S MIDDLE EXCHANGE RATE OF SINGAPORE DOLLAR 1.00: RM2.5933 AS AT 2 APRIL 2014)).**
-

1. INTRODUCTION

The Board of Directors of BHS (“**Board**”), wishes to announce that on 2 April 2014, BHS had entered into:

- (a) a Master Sale and Purchase Agreement (“**MSPA**”) with Harta Sistem Sdn Bhd (“**Harta Sistem**”) for the proposed disposal of seven (7) parcels of land comprising six (6) parcels of freehold agricultural land held under Lot 1081 GM 1489, Lot 1082 GM 1488, Lot 1083 GM 1499, Lot 1085 GM 1504, Lot 462 GM 436 and Lot 463 GM 1479, and one (1) parcel of freehold vacant land held under Lot 99 GRN 379407, all located in Mukim and District of Kota Tinggi and State of Johor (“**Johor Land**”) for a total cash consideration of RM5,954,000 (“**Disposal Consideration I**”) (“**Proposed Disposal I**”); and
- (b) a Share Sale Agreement (“**SSA**”) with Heng Boon Seng and Liew Sai Ying (“**Purchasers**”) for the proposed disposal of the entire equity interests in BHS Resources Pte Ltd (“**BHS Singapore**”), a wholly-owned subsidiary of BHS, to the Purchasers for a total cash consideration of Singapore Dollar (“**SGD**”) 1,516,079 (equivalent to RM3,931,648 (based on the Bank Negara Malaysia’s (“**BNM**”) middle exchange rate of SGD1.00: RM2.5933 as at 2 April 2014)) (“**Disposal Consideration II**”) (“**Proposed Disposal II**”).

(collectively referred to as the “**Proposed Disposals**”)

The Proposed Disposal I and Proposed Disposal II are related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) in view of the interests of the major shareholder and certain Directors of the Company, further details of which are set out in Section 9 of this announcement.

Accordingly, on 22 January 2014, the Board, save for the Interested Directors (as defined in Section 9 of this announcement) who have abstained from all deliberations on the Proposed Disposals had appointed RHB Investment Bank Berhad (“**RHBIB**”) as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of the Company in respect of the Proposed Disposals.

2. DETAILS OF THE PROPOSED DISPOSALS

2.1 Proposed Disposal I

2.1.1 Salient terms of the MSPA

The salient terms of the MSPA include, amongst others, the following:

(a) Conditions precedents

The parties agree that the sale and purchase of the Johor Land is conditional upon obtaining the following within six (6) months from the date of the MSPA, or such other date as may be agreed upon between the parties as the last date by which the conditions set out below must be fulfilled ("**MSPA Cut-Off Date**"):

- (i) the approval of the shareholders of BHS at an extraordinary general meeting to be held in compliance with the Listing Requirements for the Proposed Disposal I; and
- (ii) the execution of the sale and purchase agreement and memorandum of transfer ("**MSPA Transfer**") for each of the Johor Land incorporation the terms of the MSPA.

(collectively referred to as the "**MSPA Conditions Precedents**").

(b) MSPA unconditional date

The parties agree that the MSPA shall become unconditional on the completion of the conditions as disclosed in Section 2.1.1(a) of this announcement ("**MSPA Unconditional Date**").

(c) Satisfaction

(i) Upon execution of the MSPA:

- (1) a sum of Ringgit Malaysia One Hundred Nineteen Thousand Eighty (RM119,080.00) only ("**MSPA Retention Sum**") equivalent to two per centum (2%) of the Disposal Consideration I shall be paid by Harta Sistem to the solicitor of Harta Sistem ("**Harta Sistem Solicitor**") as stakeholder to deal with in accordance with clause 11 of the MSPA (payment of Real Property Gains Tax ("**MSPA RPGT**") to the Inland Revenue Branch); and
- (2) a sum of Ringgit Malaysia Four Hundred Seventy Six Thousand Three Hundred Twenty (RM476,320.00) only ("**MSPA Balance Deposit**") has been paid by Harta Sistem to the solicitor of BHS ("**BHS Solicitor**") as stakeholder upon the execution of the MSPA, the receipt of which BHS hereby acknowledge;

(The MSPA Retention Sum and the MSPA Balance Deposit shall collectively refer to as the "**MSPA Deposit**") and as part payment of the Disposal Consideration I); and

- (ii) Harta Sistem shall pay a sum of Ringgit Malaysia Five Million Three Hundred Fifty Eight Thousand Six Hundred (RM5,358,600.00) only ("**MSPA Balance Purchase Price**") on or before ninety (90) days from the MSPA Unconditional Date ("**MSPA Completion Date**") to BHS Solicitor to hold and deal with in accordance with the applicable provisions of the MSPA.

(d) Extension

In the event that the MSPA Balance Purchase Price is not paid to BHS Solicitor by the MSPA Completion Date, BHS shall grant Harta Sistem an extension of thirty (30) days or such period of time as agreed between the parties, commencing from the MSPA Completion Date ("**MSPA Extended Completion Period**"), provided that the Harta Sistem shall pay interest to BHS at the rate of eight per centum (8%) per annum, calculated on a day-to-day basis, on the outstanding balance of the Disposal Consideration I during such period of extension provided always that:

- (i) if BHS's letter to refund to Harta Sistem the amount made towards payment of the MSPA Balance Purchase Price in the event the MSPA Transfer cannot be registered with the relevant land authority, shall exceed seven (7) business days from the day such a request is made by Harta Sistem Solicitor or Harta Sistem's financier's solicitors (as the case may be); or
- (ii) in the event that certified true copies of the current quit rent and assessment receipts to be provided by BHS shall exceed seven (7) days from the day such a request is made by the Harta Sistem Solicitor or Harta Sistem's financier's solicitors (as the case may be),

the MSPA Completion Date or the MSPA Extended Completion Period shall be extended by such excess period of time up to the date the documents are forwarded without Harta Sistem having to pay any interest to BHS during such extension of time.

(e) The right to terminate

- (i) If on the expiry of the MSPA Cut-Off Date -
 - (1) any of the approvals shall have been refused and appeal or appeals to the relevant approving authorities against such refusal have not been successful; or
 - (2) any of the approvals have not been obtained; or
 - (3) any of the approvals shall have been granted subject to terms and conditions which are not acceptable to BHS being terms and conditions which affect BHS, and further representations to the relevant approving authorities to vary such terms and conditions have not been successful, and BHS is/ are not willing to accept such terms and conditions then imposed by the relevant approving authorities;

then either BHS or Harta Sistem or both of them shall be entitled to terminate the MSPA by giving a notice of termination to that effect to the other party, whereupon BHS shall refund and repay to Harta Sistem, or procure the refund and repayment to Harta Sistem of all monies paid by Harta Sistem to BHS (if any) in respect of the sale and purchase of the Johor Land and thereafter, the parties shall not have any further rights under the MSPA except in respect of –

- (1) any obligation under the MSPA which is expressed to apply after the termination of the MSPA; and
- (2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the MSPA to any party prior to such termination.

(ii) If after the MSPA Unconditional Date, a notice terminating is given due to the fault of Harta Sistem:

- (1) the MSPA Deposit shall immediately be absolutely forfeited to BHS as agreed liquidated damages;
- (2) BHS shall return or caused to be returned free of interest to Harta Sistem the MSPA Balance Purchase Price, or any part thereof which has been received by any of them pursuant to the provisions of the MSPA, to Harta Sistem and/ or Harta Sistem's financier accordingly, within fourteen (14) days after receipt of a notice terminating the MSPA failing which BHS shall pay interest at the rate of eight per centum (8%) per annum on the sum to be refunded calculated on daily basis from the expiry of the fourteen (14) days period until the actual refund of any moneys paid towards the Disposal Consideration I and all other monies paid by Harta Sistem;
- (3) Harta Sistem shall return or caused to be returned the MSPA Transfer received by Harta Sistem or Harta Sistem Solicitor or Harta Sistem's financier's solicitors to BHS with the interest of BHS intact and the withdrawal of any caveat lodged on the title to the Johor Land at the costs and expenses of Harta Sistem in exchange for the return of the MSPA Balance Purchase Price, provided always that if the MSPA Transfer has already been duly adjudicated and stamped then Harta Sistem Solicitor shall instead of returning the MSPA Transfer to BHS surrender the MSPA Transfer to the stamp office for cancellation and refund of the stamp duty paid by Harta Sistem;

and thereafter, save as provided under the clause for specific performance, neither party shall have any further claim against the other on any matter in respect, or arising out of the MSPA (save and except for antecedent breaches) and BHS shall be at liberty to resell or deal with the Johor Land as they shall see fit without having to account to Harta Sistem for any profit made on such resale or otherwise arising from or in respect of the Johor Land.

(iii) If after the MSPA Unconditional Date, a notice terminating is given due to the fault of BHS:

- (1) BHS shall return or caused to be returned free of interest all moneys paid by Harta Sistem under or pursuant to the MSPA or any part thereof which has been received by any of them pursuant to the provisions of the MSPA, to the Harta Sistem, within fourteen (14) days after receipt of a notice terminating the MSPA failing which BHS shall pay interest at the rate of eight per centum (8%) per annum on the sum to be refunded calculated on daily basis from the expiry of the fourteen (14) days period until the actual refund of any moneys paid towards the Disposal Consideration I and all other monies paid by Harta Sistem;
- (2) Harta Sistem shall return or caused to be returned the MSPA Transfer received by Harta Sistem or Harta Sistem Solicitor or Harta Sistem's financier's solicitors to BHS with the interest of BHS intact and the withdrawal of any caveat lodged on the title to the Johor Land at the costs and expenses of Harta Sistem in exchange for the return of all monies paid by Harta Sistem, provided always that if the MSPA Transfer has already been duly adjudicated and stamped then Harta Sistem Solicitor shall instead of returning the MSPA Transfer to BHS surrender the MSPA Transfer to the stamp office for cancellation and refund of the stamp duty paid by Harta Sistem; and

- (3) BHS shall pay an additional sum equivalent to ten per centum (10%) of the Disposal Consideration I as agreed liquidated damages to Harta Sistem, within fourteen (14) days after receipt of a notice terminating the MSPA;

and thereafter, save as is provided under the clause for specific performance, neither party shall have any further claim against the other on any matter in respect of or arising out of the MSPA save and except in respect of antecedent breaches.

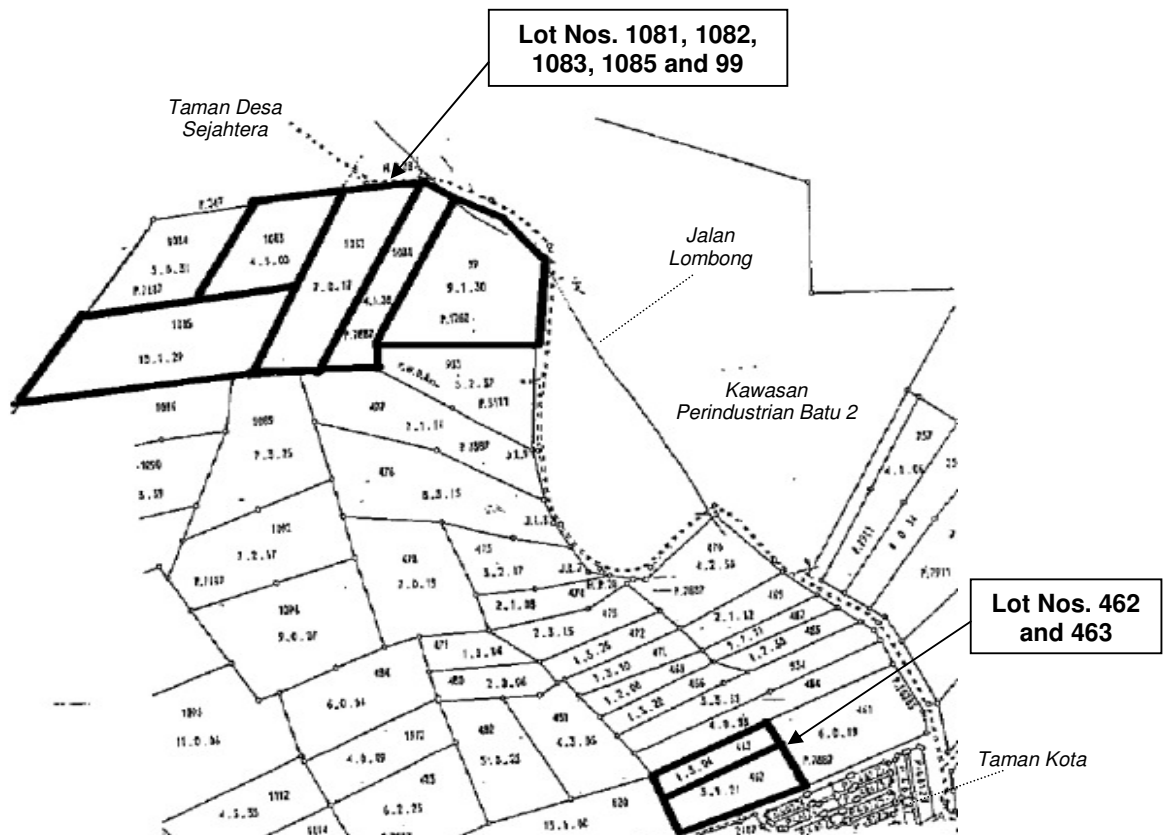
- (iv) Specific performance

Notwithstanding the foregoing provisions of the MSPA, and in the alternative to the termination by BHS or by Harta Sistem, any party shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the sale or purchase in accordance with the provisions of the MSPA.

2.1.2 Information on the Johor Land

The Johor Land comprises of seven (7) parcels of land namely, the six (6) parcels of freehold agricultural land, held under Lot 1081 GM 1489, Lot 1082 GM 1488, Lot 1083 GM 1499, Lot 1085 GM 1504, Lot 462 GM 436 and Lot 463 GM 1479, and one (1) parcel of freehold vacant land, held under Lot 99 GRN 379407, all located in Mukim and District of Kota Tinggi and State of Johor.

The map below illustrates how the seven (7) parcels of land are located in proximity with one another.



(Source: The valuation certificate dated 10 February 2014 prepared by Henry Butcher Malaysia (Johor) Sdn Bhd)

Lot 1081 GM 1489, Lot 1082 GM 1488, Lot 1083 GM 1499, Lot 1085 GM 1504 and Lot 99 GRN 379407

The five (5) of parcels of land mainly Lot 1081 GM 1489, Lot 1082 GM 1488, Lot 1083 GM 1499, Lot 1085 GM 1504 and Lot 99 GRN 379407 are located adjoining with each other. Lot No 99 GRN 379407 is located at first layer lot along Jalan Lombong whilst the other four (4) parcels of land adjoining to the west are second, third and fourth layer and lies approximately 3.8 kilometres north-east of Kota Tinggi town centre. It is easily accessible from Kota Tinggi town centre via Jalan Tun Habab and Jalan Lombong of approximately 3.8 kilometres leading to the said parcels of land.

The subject locality and larger neighbourhood of the said five (5) parcels of land mainly consists of agricultural smallholdings, with oil palm and rubber trees as major cultivation, housing scheme, industrial and villages. The housing estates situated within the proximity of the said lands include Taman Kota to the south east, Taman Desa Sejahtera due north and Taman Kota Jaya and Taman Kemang which are 2.5 kilometres away. The villages nearby are Kampung Jawa, Kampung Batu Empat and also found in the locality are detached dwelling houses, government quarters, offices public amenities such as Kota Tinggi General Hospital, Majlis Daerah Kota Tinggi, Kota Tinggi Land and District Office, mosque, post office, Tenaga Nasional Berhad (TNB) building, Menara Point and other government premises located along Jalan Tun Habab within Kota Tinggi town centre.

Kawasan Perindustrian Batu 2 is located along Jalan Lombong due south east of the said parcels of land comprises a few units of detached factories. Kota Tinggi town centre which lies about 3.8 kilometres due south-east is the main administrative and commercial centre of the district. The five (5) parcels of land enjoy good road access provided by Jalan Lombong.

Lot 1081 GM 1489, Lot 1082 GM 1488, Lot 1083 GM 1499, Lot 1085 GM 1504 and Lot 99 GRN 379407 as combined is regular in shape. Lot 99 GRN 379407 has a road frontage onto Jalan Lombong measuring about 230.67 metres wide (756.8 feet). Overall, it is generally flat to undulating in terrain and lies level with the surrounding land and slightly higher than the frontage road, Jalan Lombong. The land is not demarcated by any form of fencing. Lot 99 GRN 379407 and Lot 1081 GM 1489 are currently vacant with wild trees and bushes with partially cleared whilst the remaining three (3) parcels of land are planted with young oil palm trees which are approximately 4 to 5 years old. The plantation is fairly maintained.

Of these three (3) parcels of land which have been planted with oil palm, Lot 1082 GM 1488, Lot 1083 GM 1499 and Lot 1085 GM 1504 are presently rented out to a third party for a rental of RM2,513.15 per month.

Lot 462 GM 436 and Lot 463 GM 1479

The other two (2) parcels of land mainly Lot 462 GM 436 and Lot 463 GM 1479 are contiguous to each other and are located along Jalan Rusa, Off Jalan Lombong which is adjacent to Taman Kota which lies approximately 3.15 kilometres north-east of Kota Tinggi town centre. It is easily accessible from Kota Tinggi town centre via Jalan Tun Habab and Jalan Lombong of approximately 2.9 kilometres, thence a left turn onto a metalled road, Jalan Rusa of Taman Kota for approximately 250 metres leading to the said parcels of land.

The subject locality and larger neighbourhood of the said two (2) parcels of land mainly consists of agricultural smallholdings, with oil palm and rubber trees as major cultivation, housing scheme, industrial and villages. The housing estates situated within the proximity of the said lands include Taman Kota which is adjacent to the south, Taman Desa Sejahtera due north-west and Taman Kota Jaya and Taman Kemang which are 2 kilometres away. The villages nearby are Kampung Jawa, Kampung Batu Empat and also found in the locality are detached dwelling houses, government quarters, offices public amenities such as Kota Tinggi General Hospital, Majlis Daerah Kota Tinggi, Kota Tinggi Land and District Office, mosque, post office, Tenaga Nasional Berhad (TNB) building, Menara Point and other government premises are located along Jalan Tun Habab within Kota Tinggi town centre.

Kawasan Perindustrian Batu 2 is located along Jalan Lombong due north-west of the said parcels of land comprises a few units of detached factories. Kota Tinggi town centre which lies about 3.15 kilometres due south-east is the main administrative and commercial centre of the district. The two (2) parcels of land enjoy good road access provided by Jalan Lombong.

Lot 462 GM 436 and Lot 463 GM 1479 as combined is regular in shape. It is generally flat to undulating in terrain and lies level with the surrounding lands. The land is not demarcated by any form of fencing. The two (2) parcels of land are planted with old rubber trees with wild trees and bushes which have not been maintained or tapped.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

The summary of the details of the Johor Land are set out in the table below:

Lot Nos.	:	99 *	1081	1082	1083	1085	462	463
Title Nos.	:	GRN 379407	GM 1489	GM 1488	GM 1499	GM 1504	GM 436	GM 1479
Mukim and District	:	Mukim Kota Tinggi, District of Kota Tinggi						
State	:	State of Johor						
Land area	:	3.8192 hectares (2.9863 hectares-net area) ⁽¹⁾	1.7958 hectares	2.8758 hectares	1.9223 hectares	4.2214 hectares	1.3683 hectares	0.7183 hectares
Category of land use	:	Nil ⁽²⁾	Agriculture					
Existing use		Vacant	Vacant	Oil palm plantation	Oil palm plantation	Oil palm plantation	Rubber plantation	Rubber plantation
Express condition	:	Nil	Land for rubber plantation only	Land for oil palm plantation only	Land for oil palm plantation only	Land for rubber plantation only	Land for cocoa plantation only	Land for rubber plantation only
Restriction-in-interest	:	Nil						
Tenure	:	Freehold						
Registered owner	:	BHS Industries Berhad						
Encumbrances	:	Nil						
Caveats	:	Nil						
Cost of investment ⁽³⁾	:	RM1,268,247.00	RM597,361.00	RM662,062.00	RM442,949.00	RM972,413.00	RM330,981.00	RM173,576.00
Valuation method	:	Comparison Method of valuation only						
Market value ⁽⁴⁾		RM5,217,000					RM737,000	
Net Book Value ("NBV") ⁽³⁾	:	RM1,268,247.00	RM597,361.00	RM662,062.00	RM442,949.00	RM972,413.00	RM330,981.00	RM173,576.00
Future usage	:	Plan zoning for industry						
Maturity of trees and production (for the past 3 years)		Not applicable. There is no maturity of trees and production for the past 3 years.	Not applicable. There is no maturity of trees and production for the past 3 years.	Planted with young oil palm trees of age about 4 to 5 years old. The land is leased to a third party for a rental income of RM30,158 per annum or RM2,513.15 per month. Thus, there is no data provided by the tenant.			Not applicable. It is planted with old rubber trees which have not been maintained or tapped.	
Other endorsements	:	Refer to note (1) below	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- * Based on the valuation certification dated 10 February 2014 prepared by Henry Butcher Malaysia (Johor) Sdn Bhd ("**Henry Butcher**"), the new survey number for Lot 99 GRN 379407 is Lot No. 11745.
- (1) After the Government's land acquisition of approximately 0.8329 hectares in 1997, the net land area for Lot 99 GRN 379407 is 2.9863 hectares. The aforesaid land acquisition has been registered as follows:
 - Proposed land acquisition part of the area measuring 0.8329 hectares had been registered vide Presentation No. P10259/2002 Volume No. 915 Folio No. 39 dated 13 February 1997; and
 - Land acquisition parts of the area measuring 0.8329 hectares vide Presentation No. F04585/2009 dated 8 November 1997.
- (2) Based on the land title, the category of land use is nil. Henry Butcher has expressed its opinion that Lot 99 GRN 379407 should be categorised for the usage of agricultural as the surrounding usage of land is for agriculture purpose.
- (3) Based on BHS' latest audited financial statements for Financial Year Ended ("**FYE**") 30 June 2013.
- (4) Based on valuation certificate dated 10 February 2014 prepared by Henry Butcher.

2.1.3 Basis and justification on arriving at the Disposal Consideration I

The Disposal Consideration I was arrived at on a 'willing buyer-willing seller' basis after taking into consideration the market valuation on the Johor Land carried out by Henry Butcher Malaysia (Johor) Sdn Bhd, an independent firm of registered valuers, appointed by the Company. Henry Butcher had vide its valuation certificate dated 10 February 2014 ("**Valuation Certificate I**") assessed the market value on the Johor Land at RM5,954,000 using the Comparison Method of valuation. The details of the Johor Land are set out in Section 2.1.2 of this announcement.

2.1.4 Method of valuation for the Johor Land

In arriving at the opinion of the market value of the Johor Land, Henry Butcher had appraised the Johor Land in its Valuation Certificate I by using the Comparison Method of valuation.

The Comparison Method is the market approach of comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration is given to factors such as location, accessibility, size, land zoning, improvements and amenities, time element and other relevant factors to arrive at the market value of the property.

Henry Butcher had not applied other method i.e. Investment Method or Residual Method due to minimal income generated for Lot 1082 GM1488, Lot 1083 GM 1499 and Lot 1085 GM1504, no income/economic benefit generated for Lot 99 GRN 379407, Lot 1081 GM1489, Lot 462 GM 436 and Lot 463 GM1479, and no proposed development to the Johor Land. Nevertheless, Henry Butcher has taken into consideration the highest and the best use of the Johor Land as a potential land for industrial development as it is already zoned for industrial purpose.

The valuation of the Johor Land was undertaken in accordance with the Guidelines on Asset Valuations issued by the Securities Commission Malaysia ("**SC**") and the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia. The Johor Land was inspected by Henry Butcher on 9 January 2014.

Henry Butcher is of the opinion that the total market value of the Johor Land is RM5,954,000 appraised vide its Valuation Certificate I, in its existing condition, free from all encumbrances and with vacant possession.

2.1.5 Estimated gain arising from the Proposed Disposal I

Based on the audited consolidated financial results for FYE 30 June 2013, BHS and its subsidiaries ("BHS Group" or "Group") is expected to realise an estimated one-off net gain (after taxation) of approximately RM980,719 in relation to the Proposed Disposal I as set out below:

	RM
Disposal Consideration I	5,954,000
Audited NBV as at 30 June 2013	(4,447,589)
Estimated expenditure	(307,795)
	1,198,616
RPGT *	(217,897)
Estimated net gain from Proposed Disposal I	980,719

Note:

* The disposals of the Johor Land falls in the fifth (5th) year from the date of acquisition, thus, the applicable rate of RPGT is 15%. The RPGT was derived after defraying the incidental costs relating to the said disposals such as the valuer's fees and legal fees.

2.1.6 Original cost and date of investment

The breakdown of the dates and original cost of investment for each of the six (6) parcels freehold agricultural land and one (1) parcel of freehold vacant land are set out below:

Lot Nos. (Title Nos.)	Date of investment	Original cost of investment RM
Lot 1081 (GM 1489)	28 December 2009	597,361
Lot 1082 (GM 1488)	18 July 2009	662,062
Lot 1083 (GM 1499)	18 July 2009	442,949
Lot 1085 (GM 1504)	18 July 2009	972,413
Lot 462 (GM 436)	28 December 2009	330,981
Lot 463 (GM 1479)	28 December 2009	173,576
Lot 99 (GRN 379407)	28 December 2009	1,268,247
		4,447,589

2.1.7 Information on Harta Sistem

Harta Sistem was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 30 December 1982. Harta Sistem is principally involved in property investment, factory letting, property management and investment holding.

As at the LPD, the authorised share capital of Harta Sistem is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which 4,069,061 ordinary shares have been issued and fully paid-up.

The shareholdings of directors and shareholders of Harta Sistem are as follows:

	Shareholdings in Harta Sistem			
	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Heng Song Khoon	2,549,268	62.65	-	-
Liew Sai Ying	1,519,793	37.35	-	-

2.2 Proposed Disposal II

2.2.1 Salient terms of the SSA

The salient terms of the SSA include, amongst others, the following:

(a) Conditions precedents

Except for the obligations set out in this clause and the provisions of clause 8 (confidentiality and announcement) to clause 12 (general) of the SSA, the obligations of the parties under the SSA are in all respects conditional upon the following approvals or conditions in respect of the Proposed Disposal II being fulfilled or obtained on or before 6 months from the date of the SSA or such other date as may be agreed upon between the parties as the last date by which the conditions set out below must be fulfilled ("**SSA Cut-Off Date**"):

- (i) the approval of the shareholders of BHS at an extraordinary general meeting to be held in compliance with the Listing Requirements for the Proposed Disposal II;
- (ii) BHS and/ or BHS Singapore obtaining third party consent, if necessary, for the sale of the Proposed Disposal II and not withdrawn, on or before 90 days from the SSA Unconditional Date (as defined below), or such other date as may be agreed upon between the parties upon which completion is to take place ("**SSA Completion Date**") and if such consents are given subjects to conditions, then provided such conditions are acceptable to the parties; and
- (iii) the Purchasers obtaining any other regulatory approval and/ or third party consent. If necessary and such approval and/or consent is not withdrawn on or before the SSA Completion Date and if such consents are given subject to conditions, then provided such conditions are acceptable to the parties.

(collectively referred to as the "**SSA Conditions Precedents**").

(b) SSA unconditional date

The SSA shall become unconditional on the day upon which the last of the conditions as disclosed in Section 2.2.1(a) of this announcement have been duly fulfilled ("**SSA Unconditional Date**").

(c) Payment

The Disposal Consideration II shall be paid by the Purchasers to BHS in the following manner:

- (i) a sum of SGD151,607.90 which is equivalent to RM393,164.77 (based on the BNM's middle exchange rate of SGD1.00: RM2.5933 as at the date of the SSA, being ten per centum (10%) of the Disposal Consideration II upon execution of the SSA ("**SSA Deposit**"), which forms part payment toward the Disposal Consideration II which BHS thereby acknowledge receipt thereof; and
- (ii) a sum of SGD1,364,471.10 which is equivalent to RM3,538,482.90 (based on the BNM's middle exchange rate of SGD1.00: RM2.5933 as at the date of the SSA, being ninety per centum (90%) of the Disposal Consideration II upon execution of the SSA ("**SSA Balance Purchase Price**") on the SSA Completion Date.

(d) The right to terminate

(i) If on the expiry of the SSA Cut-Off Date -

- (1) any of the approvals shall have been refused and appeals to the relevant approving authorities against such refusal have not been successful; or
- (2) any of the approvals have not been obtained; or
- (3) any of the approvals shall have been granted subject to terms and conditions which are not acceptable to BHS being terms and conditions which affect BHS, and further representations to the relevant approving authorities to vary such terms and conditions have not been successful, and BHS is not willing to accept such terms and conditions then imposed by the relevant approving authorities,

then either BHS or the Purchasers or both of them shall be entitled to terminate the SSA by giving a notice of termination to that effect to the other party, whereupon BHS shall refund and repay to the Purchasers, or procure the refund and repayment to the Purchasers of all monies paid by the Purchasers to BHS (if any) in respect of the sale and purchase of Proposed Disposal II and thereafter, the parties shall not have any further rights under the SSA except in respect of –

- (1) any obligation under the SSA which is expressed to apply after the termination of the SSA; and
- (2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to any party prior to such termination.

(ii) Following the giving of a notice of termination by the Purchasers or BHS due to the fault of either one of the parties –

- (1) BHS will return to the Purchasers all documents, if any, delivered to it by or on behalf of the Purchasers;
- (2) BHS will refund and repay to the Purchasers, or procure the refund and repayment to the Purchasers, of all monies paid by the Purchasers including the SSA Deposit;
- (3) Purchasers will in exchange for the fulfillment by BHS of its obligations under Sections 2.2.1(d)(ii)(1) and 2.2.1(d)(ii)(2) of this announcement, return to BHS all documents (including but not limited to the transfer documents), if any, delivered to it by or on behalf of BHS; and

and thereafter none of the parties will have any further rights or obligations under the SSA to the other party or parties, except in respect of –

- (1) any rights or obligations under the SSA which is expressed to apply after the termination of the SSA; and
- (2) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SSA to either party prior to such termination.

(iii) Specific performance

Notwithstanding the foregoing provisions, the parties will be at liberty to take such action in law as may be necessary to compel the defaulting party by way of specific performance to complete the transaction contemplated in the SSA (in which respect the alternative remedy of monetary compensation will not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions therein) or to claim damages for the breach of the defaulting party.

2.2.2 Information on BHS Singapore

BHS Singapore was incorporated in Singapore as a private limited company under the Singapore Companies Act, Cap 50 on 2 April 2009. BHS Singapore is principally involved in investment activities.

As at 31 March 2014, being the latest practicable date prior to the announcement (“**LPD**”), the total issued and paid-up share capital of BHS SGD1,000,000. The directors of BHS Singapore as at the LPD are Heng Soo Li, Liew Sai Ying, Heng Boon Seng and Teh Ki-Hoon.

The Profit After Tax/ (Loss After Taxation) (“**PAT/ (LAT)**”) and Net Assets (“**NA**”) of BHS Singapore for the past two (2) FYEs 30 June 2012 and 2013 are set out below:

	FYE 30 June 2012		FYE 30 June 2013	
PAT/ (LAT)	SGD(18,559)	RM(46,477) [#]	SGD22,095	RM55,525 [*]
NA	SGD895,822	RM2,243,407 [#]	SGD917,917	RM2,306,725 [*]

Notes:

[#] Based on the BNM's exchange rates (SGD 1.00: RM2.5043) as at 29 June 2012.

^{*} Based on the BNM's exchange rates (SGD 1.00: RM 2.5130) as at 28 June 2013.

BHS Singapore generates its income from leasing of investment properties. Currently, it owns two (2) amalgamated factory units identified as #03-21 MK3-U40960W and #03-22 MK3-U40968L on the third (3rd) storey of a light industrial building known as “One Commonwealth” located in 1 Commonwealth Lane, Singapore (“**Singapore Properties**”). The Singapore Properties are situated on land zoned ‘business 1’ in the Singapore Master Plan 2008.

“One Commonwealth” is an industrial development situated along Commonwealth Avenue, Singapore, diagonally across the road from the Commonwealth’s Mass Rapid Transit (MRT) station and among a small cluster of B1 factory buildings east of the Biopolis. For the convenience of the working crowd in the vicinity, there are many eateries sited nearby. Other public amenities found in the vicinity include schools, food centres, shopping centres, supermarket, neighbourhood police post, community club and places of worship. Road communication with the rest of Singapore is good as the existing road system is linked to the Ayer Rajah Expressway (AYE).

“One Commonwealth” is a nine (9)-storey with mezzanine level light industrial development accommodating a total of 249 units of showroom and factory. A canteen unit is located on the 1st storey whilst the car park is located on the fifth (5th) storey of the subject building. Vehicular ramp access is available from first (1st) to fourth (4th) storeys which allow loading and unloading of goods in front of every unit. The upper storeys are served by two (2) service lifts and four (4) passenger lifts. The ceiling height and floor loading capacity of the building are as follows:

Level	Usage	Floor to floor height (metres)	Floor loading (kilonewtons/ metres ²)
First (1 st)	Showroom/ canteen	6.5	7.5/ 5.0
Second (2 nd) to Fourth (4 th)	Ramp-up factory	4.2	5.0
Fifth (5 th)	Car park	4.2	3.0
Sixth (6 th) to Ninth (9 th)	Factory	4.0	5.0
Ninth (9 th) mezzanine	Factory	3.0	5.0

The Singapore Properties are situated at the third (3rd) storey of One Commonwealth. They were occupied by one tenant and were minimally renovated with accommodation comprising a reception area, seminar room and a toilet each. The floors of the Singapore Properties are lined with carpet/ vinyl tiles/ homogenous tiles/ cement screed. The walls are generally plastered and emulsion painted except that at the toilets, they are lined with homogenous/ ceramic tiles. The ceilings are generally of skimmed coat and emulsion painted with ceiling boards and against which the cable trays, air-conditioners and lights were mounted.

The summary of the details of the Singapore Properties are set out in the table below:

Title No.	:	MK3 – U40960W	MK3 – U40968L
Postal address	:	1 Commonwealth Lane #03-21 “One Commonwealth”, Singapore 149544	1 Commonwealth Lane #03-22 “One Commonwealth”, Singapore 149544
Age of buildings	:	4 years	
Existing usage	:	They are currently occupied by a tenant and was minimally renovated with accommodation comprising a reception area, seminar room and a toilet each.	
Tenure	:	Leasehold estate of 30 years commencing 1 March 2008	
Registered owner	:	BHS Resources Pte Ltd	
Express condition	:	Nil	
Restriction-in-interest	:	Nil	
Zoning	:	The Singapore Properties are situated on land zoned ‘business 1’ in the Singapore Master Plan 2008 edition. It has a plot ratio of 2.5.	
Encumbrances	:	Refer to note (1) below	
Caveats	:	Refer to note (2) below	
Date of investment/ Cost of investment ⁽³⁾	:	14 October 2009/ SGD600,000	14 October 2009/ SGD600,000
Valuation method	:	Comparison Method of valuation only	
Market value ⁽⁴⁾	:	SGD775,000	SGD775,000
NBV as at 30 June 2013 ⁽³⁾	:	SGD475,919	SGD475,919
Year of completion	:	2010	
Strata floor area	:	132.0 square metres	132.0 square metres

Amount of lettable space	:	132.0 square metres	132.0 square metres
Amount of lettable space available	:	Fully tenanted.	
Tenancy	:	They are currently tenanted to a tenant for monthly gross rentals as set out below:	
		Unit No.	Monthly gross rental *
		#03-21	SGD3,836.70
		#03-22	SGD3,836.70
			<u>SGD7,673.40</u>
		<i>Note:</i> * Inclusive of maintenance fee and services charges.	
		The leases are for a period of thirty-six (36) months commencing from 1 September 2011, with an option to renew for a further term of 1 year.	

Notes:

- (1) The Singapore Properties are subjected to restrictive covenants contained in restriction IC/242897H and IC/242901G for #03-21 and #03-22 respectively in relation to the lease registered on the Singapore Properties both of which are under IC/41635G. The Singapore Properties are mortgaged to United Overseas Bank Limited under IB/596828J and IB/596839P for #03-21 and #03-22 respectively.
- (2) The Singapore Properties are subjected to caveats contained in IB/596880E, IB/660524W and IB/697217A for #03-21 and IB 596893D, IB/660701D, and IB/698764J for #03-22. All the caveats on the Singapore Properties will not affect the SSA.
- (3) Based on BHS Singapore's latest audited financial statements for the FYE 30 June 2013.
- (4) Based on valuation certificate dated 27 January 2014 prepared by Knight Frank Pte Ltd ("Knight Frank").

2.2.3 Basis and justification on arriving at the Disposal Consideration II

The Disposal Consideration II was arrived at on a 'willing buyer-willing seller' basis after taking into consideration BHS Singapore's NA of SGD917,917 (equivalent to RM2,380,434), after adjusting the revaluation surplus arising from the valuation of the Singapore Properties based on its market value, as appraised by Knight Frank in its valuation certificate dated 27 January 2014 ("**Valuation Certificate II**"). The computation of BHS Singapore's adjusted NA is as follows:

	SGD	RM ^
Audited NA as at 30 June 2013	917,917	2,380,434
Add: Revaluation surplus for the Singapore Properties	598,162	1,551,214
Adjusted NA	<u>1,516,079</u>	<u>3,931,648</u>

Note:

^ Equivalent to RM3,931,648 (based on the BNM's middle exchange rate of SGD1.00: RM2.5933 as at 2 April 2014, being the date the SSA was entered into. At present, there is no capital gain tax legislation in Singapore, therefore, the adjusted NA has not taken into account the capital gain tax implications arising from the Proposed Disposal II.

2.2.4 Estimated gain arising from the Proposed Disposal II

Based on the audited consolidated financial results for the FYE 30 June 2013, BHS Group is expected to realise an estimated one-off net gain of approximately RM1,326,906 in relation to the Proposed Disposal II as set out below:

	RM
Disposal Consideration II	3,931,648
Audited NA as at 30 June 2013 of BHS Singapore	(2,380,434)
Estimated expenditure	(224,308)
	<hr/> 1,326,906

2.2.5 Original cost and date of investment

The original costs of investment in BHS Singapore are set out below:

Date of investment	No. of shares allotted in BHS Singapore	Consideration SGD	Consideration RM
04.11.2009	200,000	200,000	491,060 ⁽¹⁾
10.11.2009	200,000	200,000	490,100 ⁽²⁾
12.11.2009	400,000	400,000	979,600 ⁽³⁾
10.12.2009	200,000	200,000	491,340 ⁽⁴⁾
		<hr/> 1,000,000	<hr/> 2,452,100

Notes:

- (1) Based on the actual transaction rates (SGD1.00: RM2.4553) taken from the bank's transfer form dated 4 November 2009.
- (2) Based on the actual transaction rates (SGD1.00: RM2.4505) taken from the bank's transfer form dated 10 November 2009.
- (3) Based on the actual transaction rates (SGD1.00: RM2.4490) taken from the bank's transfer form dated 12 November 2009.
- (4) Based on the actual transaction rates (SGD1.00: RM2.4567) taken from the bank's transfer form dated 10 December 2009.

2.2.6 Method of valuation for the Singapore Properties

In arriving at the opinion of the market value of the Singapore Properties, Knight Frank had appraised the Singapore Properties in its Valuation Certificate II using the Comparison Method.

The Comparison Method seeks to determine the value of the industrial units by comparing recent transactions of comparable industrial units within the subject development to establish the fair market value of the property. Where there are sufficient and suitable transactions, the Comparison Method presents straightforward, market tested approach, and for this reason is preferred over the Capitalisation Approach (also known as Investment Method). The Comparison Method relies on the evidence of actual transactions done and is the best "test" of value being reflective of prevailing property market conditions and sentiment.

Knight Frank has only relied upon one (1) method of valuation and has not applied Capitalisation Approach (also known as Investment Method) in this instance. In times of market volatility where transaction prices are trending ahead of rentals, this approach may result in a capital value that lags behind market transactions. A key assumption of this method is the capitalisation rate or yield and this is critical as a small difference in yield will result varying capital values.

The valuation of the Singapore Properties was undertaken in accordance with the Guidelines on Asset Valuations issued by the SC, the Valuation Standards issued by the Singapore Institute of Surveyors and Valuers (SISV) and International Valuation Standards (IVS). The Singapore Properties were inspected by Knight Frank on 27 January 2014.

Knight Frank is of the opinion that the market value of the unencumbered leasehold interest in the Singapore Properties, subject to existing tenancies is SGD1,550,000 (equivalent to RM4,056,054) (based on the currency conversion rates (SGD1: RM2.616809) as at 27 January 2014) as appraised vide its Valuation Certificate II.

2.2.7 Information on the Purchasers

(a) Heng Boon Seng

Heng Boon Seng was appointed as an Executive Director to the Board on 7 August 2007. Subsequently, on 17 February 2014 he was redesignated as Non-Independent and Non-Executive Director. He is a Chartered Engineer, Member of the Institution of Civil Engineers (United Kingdom) and Member of the Institution of Engineers Singapore. He graduated with a Bachelor of Engineering (Hons) from University College London, United Kingdom in 2001 and also holds a Third Level Diploma in Accounting accredited by the London Chamber of Commerce and Industry (LCCI). His career started as a graduate engineer at the engineering consultancy firm, Faber Maunsell Ltd., United Kingdom in 2001. He later joined Halcrow Group Ltd., United Kingdom as a consultant in 2004. During his stint at Halcrow Group Ltd, he was promoted as Market Sector Manager in 2004 and seconded to Rail Link Engineering in 2005 as an interface engineer on the Channel Tunnel Rail Link (Eurostar) project. In addition to the above, he has ten (10) years of background experience in BHS Group's printing business. He is responsible for the management of the marketing and sales function of the printing business of the Group as well as leading the Group's technical development in printing technology. Heng Boon Seng is also a member of the Remuneration Committee. He is the son of Heng Song Khoon and Liew Sai Ying.

(b) Liew Sai Ying

Liew Sai Ying was appointed as an Executive Director to the Board on 7 August 2007. She obtained her Certificate of Salesmanship from New Zealand Institute of Management in 1970 and a Diploma in Business Administration from Premier College, Auckland, New Zealand a year later. Upon obtaining her Diploma, she joined ACME Development Sdn Bhd in 1972 as an administrator. She subsequently left in 1973 and co-founded System Educational Company with Heng Song Khoon. Thereafter, as the business grew, she co-founded Harta Sistem in 1978 and was appointed to the Board of Directors of BHS Book Printing Sdn Bhd in 1990. She has over twenty-five (25) years of experience in the publishing industry. She is responsible for the management of the sales and marketing function of BHS Group's publishing arm for both local and overseas market. She is also responsible for leading new product developments for BHS Group. She is the spouse to Heng Song Khoon and mother to Heng Boon Seng.

2.3 Utilisation of proceeds

The Disposal Consideration I and Disposal Consideration II are proposed to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation	Total RM
(a) Acquisition of other businesses/ assets ⁽¹⁾	Within twenty-four (24) months from the date of completion of the Proposed Disposals	8,500,000
(b) Working capital ⁽²⁾	Within twelve (12) months from the date of completion of the Proposed Disposals	635,648
(c) Estimated expenses ⁽³⁾	Within six (6) months from the date of completion of the Proposed Disposals	750,000
		<u>9,885,648</u>

Notes:

(1) *This is earmarked to part or to finance potential acquisitions/ investments in other businesses when the opportunity arises for future business expansion of BHS Group's activities. As at the LPD, the Board has yet to identify any specific businesses/ assets for acquisition or investment. In the event shareholders' approval is required pursuant to the Listing Requirements for the potential acquisitions/ future investments, such approval will be sought as per the provisions of the Listing Requirements. Any excess/ shortfall in the actual amount utilised for future investments would be adjusted to/ from working capital.*

Pending the identification of new businesses to be invested in, the Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.

If the Company is unable to identify suitable investments within twenty-four (24) months from the completion date of the Proposed Disposals, the timeframe for the utilisation of proceeds that has been allocated for the said purpose will be extended and disclosed in BHS Group's quarterly result announcement, until the Company has successfully identified suitable new businesses to invest in.

(2) *The proceeds will be utilised for additional working capital requirements in respect of BHS Group's day-to-day operations to support its existing business operations which shall include, but not limited to the payment of trade and other payables, salaries and marketing expenses. The breakdown of proceeds to be utilised for each component of the operating expenses has not been determined at this juncture. The actual utilisation for each component of working capital may differ at the time of utilisation.*

(3) *The expenses in relation to the Proposed Disposals comprising advisory fees, valuer fees, solicitors fees, fees payable to relevant authorities, RPGT and other related expenses for the Proposed Disposals. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the working capital of BHS Group.*

2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Harta Sistem and the Purchasers from the Proposed Disposal I and Proposed Disposal II.

3. RATIONALE FOR THE PROPOSED DISPOSALS

The Johor Land, namely Lot 1082 GM 1488, Lot 1083 GM 1499 and Lot 1085 GM 1504, have contributed a recurrent income of RM30,158 per annum to BHS Group since 1 December 2009, whilst the remaining four (4) parcels of land, namely Lot 99 GRN 379407, Lot 1081 GM 1489, Lot 462 GM 436 and Lot 463 GM 1479, have not generated any income to BHS Group since its acquisition. In aggregate, the Johor Land contributes a return on assets (i.e. the return of the Johor Lands) of approximately 0.51% based on the latest audited financial statements for the FYE 30 June 2013. Meanwhile, BHS Singapore contributes a profit after tax of approximately RM55,525 or return on assets of approximately 1.90% based on the latest audited financial statement for the FYE 30 June 2013. The Board is of the opinion that the returns currently generated by both the Johor Land and BHS Singapore are relatively low and insignificant in comparison to current market yields such as the minimum rates for fixed deposits at the current prevailing levels of 3% for the one-month deposit and 3.70% for twelve (12)-month deposit (*Source: Bank Negara Malaysia*).

Hence, the Board believes that the Proposed Disposals will enable the Company to unlock and realise the value and capital appreciation of the Johor Land and Singapore Properties. The Proposed Disposals will enable BHS to realise an estimated one-off gain (after taxation) of approximately RM980,719 arising from the disposals of the Johor Land and an estimated one-off gain of approximately RM1,326,906 arising from the disposals BHS Singapore. The proceeds arising from the Proposed Disposals is expected to further enhance the liquidity position of the Company to undertake the necessary investment and expansion strategies when available/ required to grow the Group's revenue base and profitability.

4. RISK FACTORS

The risk factors (which may not be exhaustive) in relation to the Proposed Disposals are set out below:

4.1 Non-completion of the Proposed Disposals

The completion of the Proposed Disposal is conditional upon the Conditions Precedents as set out in Sections 2.1.1 and 2.2.1 of this announcement being fulfilled. There can be no assurance that all the Conditions Precedent will be fulfilled or obtained in a timely manner or at all. Should a delay or non-completion of the Proposed Disposals occur, BHS Group may not realise all the benefits that may accrue to it from the proposed utilisation of proceeds as disclosed in Section 2.3 of this announcement and the estimated one-off gain (after taxation) of approximately RM980,719 arising from the Proposed Disposal I and the estimated one-off gain of approximately RM1,326,906 arising from the Proposed Disposal II.

Notwithstanding the above, BHS shall endeavour to ensure that all the Conditions Precedent are met and that the Proposed Disposals are completed in a timely manner.

4.2 Loss of income upon completion of the Proposed Disposals

As at the LPD, based on BHS Singapore's latest audited financial statements for the FYE 30 June 2013, BHS Singapore derives revenue and PAT of approximately SGD92,081 (equivalent to RM231,400 based on the BNM's exchange rates of SGD1.00: RM2.513 as at 28 June 2013) and SGD22,095 respectively (equivalent to RM55,525 based on the BNM's exchange rates of SGD1.00: RM2.513 as at 28 June 2013). Furthermore, the Johor Land, namely Lot 1082 GM 1488, Lot 1083 GM 1499 and Lot 1085 GM 1504, have contributed a recurrent income of RM30,158 per annum to the BHS Group. Hence, upon the completion of the Proposed Disposals, the BHS Group will cease to consolidate the revenue and profit derived from BHS Singapore and recurrent income from the Johor Land. Nevertheless, the Board is of the belief that the funds raised from the Proposed Disposals will enable the Group to seek for new investment/ expansion opportunities with more attractive returns which will ultimately enhance the Group's revenue and profitability.

4.3 Failure and/or delay in approval from relevant parties

The Proposed Disposals are conditional upon approvals received from the shareholders of BHS at an Extraordinary General Meeting (“EGM”) to be convened. In the event that the approvals are not obtained within the permitted time period, the parties may either mutually extend the stipulated period or failing which, terminate the SPA and/or SSA.

5. EFFECTS OF THE PROPOSED DISPOSALS

The effects of the Proposed Disposals are as follows:

5.1 Issued and paid-up share capital and substantial shareholder’s shareholdings

The Proposed Disposals will not have any effect on the issued and paid-up share capital and substantial shareholders’ shareholdings of BHS as the Disposal Consideration I and Disposal Consideration II will be satisfied wholly in cash and does not involve any issuance of new shares in BHS.

5.2 Earnings and Earnings Per Share (“EPS”)

Based on the total aggregate net Disposal Consideration I and Disposal Consideration II of RM9,135,648 (after defraying the estimated expenses in relation to the Proposed Disposals of approximately RM750,000), the Proposed Disposals are expected to result in an one-off gain on disposal (after taxation) of approximately RM980,719 arising from the Proposed Disposal I and an one-off gain of approximately RM1,326,906 arising from the Proposed Disposal II.

For illustration purposes, the pro forma effect on BHS Group’s EPS based on the financial results of the Group for the FYE 30 June 2013 are as follows:

	Existing (sen)	After the Proposed Disposals (sen)
Based on the audited consolidated financial statements of BHS Group for the FYE 30 June 2013 and assuming the Proposed Disposals have been effected on 1 July 2012	10.05*	13.25 *

Note:

* Excluding 7,900,000 treasury shares as at the LPD.

However, the actual gain on the Proposed Disposals will be determined on the completion date based on applicable accounting principles effective at that time.

Barring unforeseen circumstances, the Proposed Disposals are expected to contribute positively to the earnings and EPS of BHS Group in the future financial years as the Proposed Disposals would enable BHS Group to unlock and realise the value and capital appreciation of the Johor Land and Singapore Properties. The proceeds raised from the Proposed Disposals are expected to further enhance the liquidity position of the Company to undertake the necessary investment and expansion strategies when available/ required to grow the Group’s revenue base and profitability.

5.3 NA, NA per share and gearing

For illustration purposes, the effects of the Proposed Disposals on the consolidated NA and gearing of BHS based on the audited consolidated statement of financial position of BHS as at 30 June 2013 shall be based on the following:

- Scenario I : Assuming that the Proposed Disposals are effected.
 Scenario II : Assuming that only the Proposed Disposal I is effected.
 Scenario III : Assuming that only the Proposed Disposal II is effected.

	<----- Scenario I ----->		<----- Scenario II ----->		<----- Scenario III ----->	
	Audited as at 30 June 2013 RM	After the Proposed Disposals RM	Audited as at 30 June 2013 RM	After the Proposed Disposal I only RM	Audited as at 30 June 2013 RM	After the Proposed Disposal II only RM
Share capital	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Share premium	1,684,192	1,684,192	1,684,192	1,684,192	1,684,192	1,684,192
Foreign currency translation reserve	49,297	49,297	49,297	49,297	49,297	49,297
Merger reserve	(16,832,846)	(16,832,846)	(16,832,846)	(16,832,846)	(16,832,846)	(16,832,846)
Fair value adjustment reserve	61,245	61,245	61,245	61,245	61,245	61,245
Treasury shares	(4,223,922)	(4,223,922)	(4,223,922)	(4,223,922)	(4,223,922)	(4,223,922)
Retained profits	44,952,232	⁽⁴⁾ 47,259,857	44,952,232	⁽⁵⁾ 45,932,951	44,952,232	⁽⁶⁾ 46,279,138
NA attributable to owners of the Company	65,690,198	67,997,823	65,690,198	66,670,917	65,690,198	67,017,104
No. of shares in issue*	72,100,000	72,100,000	72,100,000	72,100,000	72,100,000	72,100,000
NA per share (RM) ⁽¹⁾	0.91	0.94	0.91	0.92	0.91	0.93
Total borrowings	2,431,689	⁽²⁾ 1,411,974	2,431,689	2,431,689	2,431,689	⁽²⁾ 1,411,974
Gearing (times) ⁽³⁾	0.04	0.02	0.04	0.04	0.04	0.02

Notes:

* Excluding 7,900,000 treasury shares as at LPD.

(1) The NA per share was derived by dividing the NA attributable to owners of the Company with the number of shares in BHS.

(2) Upon the completion of the Proposed Disposal II, the BHS Group's bank borrowings will be reduced by RM1,019,715.

(3) The gearing ratio was derived by dividing the total borrowings with the NA attributable to owners of the Company.

(4) After taking into account the estimated incidental expenses of approximately RM750,000 in relation to the Proposed Disposals, the one-off gain (after taxation) of approximately RM980,719 arising from the Proposed Disposal I and the one-off gain of approximately RM1,326,906 arising from the Proposed Disposal II.

(5) After taking into account the estimated incidental expenses of approximately RM525,692 in relation to the Proposed Disposal I and the estimated one-off gain (after taxation) of approximately RM980,719 arising from the Proposed Disposal I.

(6) After taking into account the estimated incidental expenses of approximately RM224,308 in relation to the Proposed Disposal II and the estimated one-off gain of approximately RM1,326,906 arising from the Proposed Disposal II.

6. CASH COMPANY OR PRACTICE NOTE 17 (“PN 17”) COMPANY

The Proposed Disposals will not result in BHS becoming a cash company or a PN17 company as defined under the Listing Requirements.

7. APPROVALS REQUIRED

The Proposed Disposals are subject to the following approvals being obtained:

- (a) the shareholders of BHS at an EGM to be convened; and
- (b) any other relevant authorities and/or parties, if required.

The Proposed Disposal I and Proposed Disposal II are not inter-conditional upon each other. The Proposed Disposals are not conditional upon any other corporate exercise undertaken by BHS, if any.

8. HIGHEST PERCENTAGE RATIO

As disclosed in Section 13 of this announcement, Pustaka Sistem Pelajaran Sdn Bhd, a wholly-owned subsidiary of BHS, had sold books to System Publishing House Pte. Ltd., a company which is owned by Heng Song Khoon and Liew Sai Ying, both are directors and major shareholders of BHS Group, amounted to RM58,005 for the twelve (12) months preceding the date of this announcement and the highest percentage ratio applicable is 0.09%. The said transaction was not announced to Bursa Securities as it does not warrant an announcement to be made by BHS as prescribed under Paragraph 10.09 of the Listing Requirements.

Further, the highest percentage ratio applicable to the Proposed Disposal I and Proposed Disposal II are 9.06% and 5.99% respectively based on the latest consolidated audited financial statements of BHS Group for the FYE 30 June 2013. However, pursuant to the Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the transactions with related party and Proposed Disposals based on the principle of aggregation is approximately 15.14%, based on the latest consolidated audited financial statements of BHS Group for the FYE 30 June 2013.

9. DIRECTORS AND/OR MAJOR SHAREHOLDERS’ INTEREST AND/OR PERSONS CONNECTED WITH THEM

Save for the following, none of the Directors or major shareholders or persons connected to them have any interest, direct or indirect, in relation to the Proposed Disposals:

- (a) Harta Sistem is a major shareholder of BHS and the purchaser in relation to the Proposed Disposal I, Heng Song Khoon and Liew Sai Ying are the shareholders and Directors of Harta Sistem;
- (b) Heng Song Khoon is deemed interested in the Proposed Disposals by virtue of him being the Executive Chairman and Managing Director and major shareholder of BHS, with direct and indirect equity interest of 8.88% and 14.24% (held through Harta Sistem) respectively in BHS. He is the father of Heng Boon Seng, Heng Soo Li and Heng Soo Sze and spouse of Liew Sai Ying, and thus he is deemed a person connected to Liew Sai Ying and Heng Boon Seng.
- (c) Liew Sai Ying is deemed interested in the Proposed Disposals by virtue of her being the Executive Director and major shareholder of BHS, with direct and indirect equity interest of 5.89% and 14.24% (held through Harta Sistem) respectively in BHS. She is the mother of Heng Boon Seng, Heng Soo Li and Heng Soo Sze and spouse of Heng Song Khoon;

- (d) Heng Boon Seng is deemed interested in the Proposed Disposals by virtue of him being the Non-Independent and Non-Executive Director and a shareholder of BHS, with direct and indirect equity interest of 4.67% and 0.69% (held through his spouse) respectively in BHS. He is the son of Heng Soon Khoon and Liew Sai Ying and sibling of Heng Soo Li and Heng Soo Sze, and thus he is deemed a person connected to Heng Song Khoon and Liew Sai Ying.
- (e) Heng Soo Li is deemed interested in the Proposed Disposals with direct equity interest of 0.27% in BHS. She is the daughter of Heng Song Khoon and Liew Sai Ying and sibling of Heng Boon Seng and Heng Soo Sze, and thus she is deemed a person connected to Heng Song Khoon, Liew Sai Ying and Heng Boon Seng.
- (f) Heng Soo Sze is deemed interested in the Proposed Disposals with direct equity interest of 2.72% in BHS. She is the daughter of Heng Song Khoon and Liew Sai Ying and sibling of Heng Boon Seng and Heng Soo Li, and thus she is deemed a person connected to Heng Song Khoon, Liew Sai Ying and Heng Boon Seng.

Accordingly, Heng Song Khoon, Liew Sai Ying and Heng Boon Seng (collectively referred to as the “**Interested Directors**”) are deemed interested in the Proposed Disposals. The Interested Directors have abstained and will continue to abstain from any deliberations in meetings of the Board to consider the Proposed Disposals.

The interested major shareholders, Harta Sistem, Heng Soon Khoon and Liew Sai Ying (collectively referred to as the “**Interested Major Shareholders**”) shall abstain from voting in respect of their direct and indirect interests in the Company (if any) on the ordinary resolutions pertaining to the Proposed Disposals at the EGM of the Company to be convened.

In addition, the Interested Directors and Interested Major Shareholders shall also undertake that they shall ensure that all persons connected to them, if any, will abstain from voting in respect of their direct and indirect interests in the Company (if any) on the ordinary resolutions pertaining to the Proposed Disposal I and Proposed Disposal II at the EGM of the Company to be convened.

Based on the Register of Substantial Shareholders’ shareholdings as at the LPD, the direct and indirect interests of the Interested Major Shareholders are set out below:

Interested Major Shareholders	Shareholdings in BHS as at the LPD			
	Direct		Indirect	
	No. of shares	% *	No. of shares	% *
Harta Sistem	9,969,543	13.83	300,000	0.42 ⁽¹⁾
Heng Song Khoon	6,400,161	8.88	10,269,543	14.24 ⁽²⁾
Liew Sai Ying	4,245,296	5.89	10,269,543	14.24 ⁽²⁾

Notes:

* Excluding 7,900,000 treasury shares as at the LPD.

(1) Deemed interested by virtue of its interest in Rakan Bersatu Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 (“**Act**”).

(2) Deemed interested by virtue of his/ her interest in Harta Sistem pursuant to Section 6A of the Act.

Based on the Register of Directors' shareholdings as at the LPD, the direct and indirect interests of the Interested Directors are set out below:

Interested Directors	Shareholdings in BHS as at the LPD			
	Direct		Indirect	
	No. of shares	% *	No. of shares	% *
Heng Song Khoon	6,400,161	8.88	12,229,543	16.96 ⁽¹⁾
Liew Sai Ying	4,245,296	5.89	12,229,543	16.96 ⁽¹⁾
Heng Boon Seng	3,370,000	4.67	500,000	0.69 ⁽²⁾

Notes:

* Excluding 7,900,000 treasury shares as at the LPD.

(1) Deemed interested by virtue of his/ her interest in Harta Sistem pursuant to Section 6A of the Act and his/ her daughter's interest pursuant to Section 134 (12)(c) of the Act.

(2) Deemed interested by virtue of his spouse's interest pursuant to Section 134 (12)(c) of the Act.

Based on the Register of Depositors as at the LPD, the shareholdings of the persons connected with Interested Major Shareholders and Interested Directors are set out below:

Persons connected with Interested Major Shareholders/ Interested Directors	Shareholdings in BHS as at the LPD	
	Direct	
	No. of shares	% *
Heng Soo Li	195,500	0.27
Heng Soo Sze	1,960,000	2.72

Note:

* Excluding 7,900,000 treasury shares as at the LPD.

10. DIRECTOR'S STATEMENT

The Board (save for the Interested Directors who have abstained from all deliberations on the Proposed Disposals), having considered all aspects of the Proposed Disposals including but not limited to the rationale, financial effects and the valuation of the Johor Land and Singapore Properties, is of the opinion that the Proposed Disposals are in the best interest of the Company.

11. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered all aspects of the Proposed Disposals, including but not limited to the rationale, salient terms of the SPA and SSA, financial effects and the valuation of the Johor Land and Singapore Properties is of the opinion that the Proposed Disposals are:

- (a) in the best interest of BHS;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interests of the non-interested shareholders of BHS.

The Audit Committee have sought the opinion of the Independent Adviser in forming its views in relation to the Proposed Disposals and has concurred with the Independent Adviser's findings that the financial terms of the Proposed Disposals are fair and reasonable and not detrimental to the non-interested shareholders of BHS.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposals are expected to be completed in the fourth (4th) quarter of calendar year 2014.

13. TRANSACTIONS WITH RELATED PARTY FOR THE PAST TWELVE (12) MONTHS

Save for the Recurrent Related Party Transactions (“RRPT”) entered into within the ordinary course of business, BHS Group has not entered into any transaction with the Purchaser for the twelve (12) months preceding the date of this announcement:

Related party with whom BHS Group transacted	Relationship	Company within BHS Group involved in RRPT	Nature of transaction	Amount transacted RM
Rakan Bersatu Sdn Bhd	A wholly-owned subsidiary of Harta Sistem which is owned by Heng Song Khoon and Liew Sai Ying, both are directors and major shareholders of BHS Group	▪ BHS Book Printing Sdn Bhd	Rental income	497,400
		▪ Pustaka Sistem Pelajaran Sdn Bhd	Rental income	146,880
System Publishing House Pte Ltd	A company which is owned by Heng Song Khoon and Liew Sai Ying, both are directors and major shareholders of BHS Group	▪ Pustaka Sistem Pelajaran Sdn Bhd	Sales of books	58,005

14. INDEPENDENT ADVISER

The Proposed Disposal I and Proposed Disposal II are related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Securities. Therefore, RHBIB has been appointed by the Board (save for the Interested Directors who have abstained from all deliberations on the Proposed Disposals) to act as the Independent Adviser to undertake the following:

- (a) comment as to whether the Proposed Disposals are fair and reasonable so far as the non-interested shareholders of BHS are concerned as well as whether the Proposed Disposals are detrimental to the non-interested shareholders of BHS; and
- (b) advise the non-interested shareholders of BHS on the voting action in respect of the Proposed Disposals at the EGM to be convened.

15. APPLICATIONS TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the applications to the relevant authorities in relation to the Proposed Disposals are expected to be made within two (2) months from the date of this announcement.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are made available for inspection at the Registered Office of BHS at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement:

- (a) the MSPA dated 2 April 2014;
- (b) the SSA dated 2 April 2014; and
- (c) the valuation certificates dated 10 February 2014 and dated 27 January 2014 prepared by Henry Butcher and Knight Frank respectively, both are independent registered valuers, in relation to valuation of the Johor Land and the Singapore Properties.

This announcement is dated 2 April 2014.