

**BHS INDUSTRIES BERHAD (“BHS” OR “THE COMPANY”)
NON-RELATED PARTY TRANSACTION**

**DISPOSAL OF LAND BY ULTIMATE IVORY SDN. BHD., A WHOLLY-OWNED SUBSIDIARY
OF BHS INDUSTRIES BERHAD**

This is a voluntary announcement based on Paragraph 10.05(2) of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

1. INTRODUCTION

The Board of Directors of BHS Industries Berhad (“**BHS**” or the “**Company**”) wishes to announce that Ultimate Ivory Sdn. Bhd. (“**Ultimate Ivory**”), its wholly-owned subsidiary has on 27 February 2017, entered into a Sale and Purchase Agreement (“**SPA**”) with Dengkil Paper Mill Sdn. Bhd. (“**DPMSB**”) to dispose of 12.09 acres of undivided leasehold land within 375 acres of land in the Green Technology Park Pekan (“**GTP Pekan**”) in Kg Paloh Hinai, Mukim Lepar, Daerah Pekan, Pahang Darul Makmur (“**Disposed Land**”) for a sale consideration Ringgit Malaysia Five Million Two Hundred and Sixty Six Thousand Four Hundred and Four (RM5,266,404.00) only. (“**Sale Consideration**”) (“**Disposal**”).

The abovementioned 375 acres of land in Pekan (“**Pekan Land**”) was alienated by Pejabat Setiausaha Kerajaan Pahang (Pahang State Government) to Ultimate Ivory as announced by the Company to Bursa Securities on 21 October 2016.

The Disposal is in line with the proposed development of Phase 1 of GTP Pekan which involves the construction of tissue paper mill with production capacity of 5,000 metric tons of tissue paper using the Pre-conditioning Refiner Chemical Recycled Bleached Mechanised Pulp Technology, held under a master license by System Publishing House Sdn. Bhd., a wholly-owned subsidiary of System Multimedia & Internet Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company.

2. INFORMATION ON THE PEKAN LAND

The details of the Land to be developed by BHS for the GTP Pekan Project are set out below:

Mukim/ District/ State	:	Mukim Lepar/ Daerah Pekan/ Pahang Darul Makmur
Land area	:	375 acres
Existing use	:	The subject property is currently vacant, save for infrastructural work being carried out on 26 acres of land approved for the development of Phase 1 in GTP Pekan as announced by the Company on 11 March 2016
Tenure	:	Leasehold of 99 years commencing from the date of issuance of the title
Registered owner	:	The Land is currently registered under Pejabat Setiausaha Kerajaan Pahang as it is still pending the issuance of land title from Pejabat Tanah & Galian Kuantan
Category of land use	:	<ul style="list-style-type: none">▪ 275 acres for industrial land▪ 100 acres for mixed development
Encumbrances	:	None

Note:

The lot no./ title no. of the Land is not available as it is pending issuance of land title from Pejabat Tanah & Galian Kuantan.

3. INFORMATION ON DPMSB

DPMSB was incorporated in Malaysia on 27 November 2013 as a private limited company under the Companies Act, 1965. DPMSB is primarily involved in the manufacturing of paper and paper related products. The current share capital of DPMSB is RM800,002 represented by 800,002 ordinary shares.

4. DETAILS OF THE SALE CONSIDERATION

4.1 BASIS OF ARRIVING AT THE SALE CONSIDERATION

The Sale Consideration was arrived on a “willing buyer willing seller” basis after taking into consideration, inter-alia, the price offered for other land within the area and the enquiries made by management with property agents familiar with the locality as well as the estimated infrastructure cost to be incurred by the Company on the Disposed Land and the common infrastructure costs of the GTP Pekan.

4.2 MANNER OF SETTLEMENT

4.2.1 Deposit Sum

A sum of RM526,640.00 (“**Deposit**”) shall be paid by DPMSB upon execution of the SPA.

4.2.2 Balance of Deposit

RM4,739,763.60 only shall be paid by DPMSB to BHS in two (2) fixed equal instalments of RM2,369,881.80 (“**1st Tranche**” and “**2nd Tranche**” respectively)

The 1st Tranche shall be payable by DPMSB to BHS upon the expiry of thirty (30) days from the date of the payment of the Deposit while the 2nd Tranche shall be payable upon the expiry of thirty (30) days from the date of the payment of the 1st Tranche.

4.2.3 Good and Services Tax (“**GST**”)

The deposit sum and balance of deposit stated above have yet to include GST of 6%.

5. EFFECTS OF THE DISPOSAL

BHS is expected to record profits on the Disposal for the financial year ending 30 June 2017. The amount of profits to be recognised for the financial year ending 30 June 2017 will be based on percentage of completion method of accounting hence the actual amount of profits to be recognised for the financial year ending 30 June 2017 could not be ascertained at the time of this announcement. Also, such profits arising from the Disposal are exempted from income tax.

In addition, the Disposal will not have any significant effect on the earnings per share and net assets per share of BHS for the financial year ending 30 June 2017.

6. EAST COAST ECONOMIC REGION INCENTIVE

As an approved developer undertaking development of GTP Pekan, Ultimate Ivory has been granted income tax exemption of 100% for 10 years commencing from the year the Company derives statutory income.

7. APPROVALS REQUIRED

The Disposal is not subject to the approval of BHS's shareholders and/or any other relevant authorities and is not conditional upon any other corporate proposal.

8. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Disposal pursuant to paragraph 10.02 (g) of the Main Market Listing Requirements of Bursa Securities is 4.7%, based on the latest audited consolidated financial statements of the Company for the financial year ended 30 June 2016.

9. DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders and/or persons connected with them has any interest, whether direct or indirect, in the Disposal.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Disposal, including but not limited to the rationale of the Disposal is of the opinion that the Disposal is in the best interest of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Disposal is expected to be completed by the end of first quarter of the financial year ending 30 June 2018.

This announcement is dated 27 February 2017.