BHS INDUSTRIES BERHAD

RECEIPT OF LETTER OF ACCEPTANCE FROM THE EDUCATION BOARD, MINISTRY OF EDUCATION MALAYSIA IN RELATION TO A SERVICE CONTRACT AWARDED TO PUSTAKA YAKIN PELAJAR SDN. BHD. FOR PUBLISHING, PRINTING AND SELLING OF PAST YEAR QUESTION PAPERS

1. BACKGROUND OF PUSTAKA YAKIN PELAJAR SDN. BHD.

Pustaka Sistem Pelajaran Sdn. Bhd. ("**Pustaka Sistem**"), a wholly-owned subsidiary of the Company has a 50% equity interest in Pustaka Yakin Pelajar Sdn. Bhd. ("**Yakin**").

Yakin is engaged in book publishing related activities and was formerly a wholly-owned subsidiary of Pustaka Sistem.

2. INTRODUCTION ON THE RECEIPT OF THE LETTER OF ACCEPTANCE

On 12 October 2017, Yakin received and accepted a Letter of Acceptance ("**LOA**") from the Examination Board, Ministry of Education Malaysia awarding a service contract with exclusive/absolute rights to publish, print and sell the past year question papers for "Ujian Pencapaian Sekolah Rendah (UPSR), Pentaksiran Tingkatan Tiga (PT3), Sijil Pelajaran Malaysia (SPM) Sijil Pelajaran Malaysia Ulangan (SPMU) and Sijil Tinggi Agama Malaysia (STAM)" ("**Service Contract**").

Details of salient terms and conditions of the LOA is set out in item (3) below:-

3. KEY TERMS AND CONDITIONS

Contract Period	:	5 years effective from 1 October 2017 to 30 September 2022, unless it is terminated earlier in accordance with the relevant provisions in the LOA.
Term of Contract Renewal	:	Not stipulated in the LOA

4. FINANCIAL EFFECTS

The Service Contract will have no effect on the issued and paid-up capital of the Company but is expected to contribute positively to the earnings of the Company and enhance net assets per share of the Group for the financial year ending 30 June 2018 and the following financial years within the duration of the Service Contract.

5. RISKS

The Company does not foresee any exceptional risk other than normal operational risks associated with the Service Contract.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders and/or persons connected with the Directors and/or major shareholders of BHS has any direct or indirect interest in the LOA.

7. DIRECTORS' STATEMENT

The Board of Directors of the Company is of the opinion that the acceptance of the LOA is in the best interest of the Company.

This announcement is dated 12 October 2017.