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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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BHS INDUSTRIES BERHAD

(Company No. 719660-W)

(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT

In relation to the

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The resolution in respect of the Proposed Share Buy-Back Authority will be tabled as Special Business at the 12th Annual General Meeting (“**12th AGM**”) of BHS Industries Berhad (“**BHS**”), to be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 28 November 2017 at 10.30 a.m., or at any adjournment thereof. The Notice of the 12th AGM together with the Form of Proxy are enclosed in the Annual Report 2017 of the Company.

Shareholders are advised to refer to the Notice of 12th AGM and the Form of Proxy, which are included in the Annual Report 2017. The Form of Proxy must be lodged at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the 12th AGM or at any adjournment thereof.

Last day, date and time for lodging the Form of Proxy : Sunday, 26 November 2017 at 10.30 a.m.

Day, date and time of the 12th Annual General Meeting : Tuesday, 28 November 2017 at 10.30 a.m.

This Statement is dated 30 October 2017

DEFINITIONS

“Act”	:	Companies Act 2016, as amended from time to time including any re-enactment thereof
“12th AGM”	:	12 th Annual General Meeting
“BHS” or “Company”	:	BHS Industries Berhad (719660-W)
“BHS Group” or “Group”	:	BHS and its subsidiary companies
“Board”	:	Board of Directors of BHS
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“Code”	:	Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time including any re-enactment thereof
“EPS”	:	Earnings per share
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time including any re-enactment thereof
“LPD”	:	16 October 2017, being the latest practicable date prior to the printing of this Statement.
“NA”	:	Net Assets
“Proposed Renewal of Share Buy-Back Authority”	:	Proposed renewal of authorisation for BHS to purchase its own shares of up to ten per centum (10%) of the Company’s total number of issued Shares at any point in time
“Purchased Shares” or “Purchased BHS Shares”	:	Shares purchased pursuant to the Proposed Renewal of Share Buy-Back Authority
“RM” and “Sen”	:	Ringgit Malaysia and Sen respectively
“Shares” or “BHS Shares”	:	Ordinary Shares in BHS
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting shares in a company (or any other company which is its subsidiary or holding company or a subsidiary of its holding company) and the number or aggregate number of such shares is not less than five per centum of the total number of all the voting shares included in the company
		For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act
“Treasury Shares”	:	Purchased BHS Shares which will be retained in treasury

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Statement shall be reference to Malaysian time, unless otherwise stated.

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BHS INDUSTRIES BERHAD

(Company No. 719660-W)

(Incorporated in Malaysia)

Registered Office:
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

30 October 2017

Board of Directors:

Dato' Sohaimi Bin Shahadan (*Independent Non-Executive Chairman*)

Dato' Lim Thiam Huat (*Managing Director*)

Koo Thiam Yoong (*Executive Director*)

Datuk Lee Hwa Cheng (*Executive Director*)

Datuk Lawrence Yeo Chua Poh (*Executive Director*)

Chew Yuit Yoo (*Senior Independent Non-Executive Director*)

Dato' Dr. Koe Seng Kheng (*Independent Non-Executive Director*)

Thiang Chew Lan (*Independent Non-Executive Director*)

To: **The Shareholders of BHS Industries Berhad**

Dear Sir/Madam

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. INTRODUCTION

At the 11th Annual General Meeting held on 20 December 2016, the Company had obtained shareholders' approval for the Company to purchase its Shares of up to ten per centum (10%) of its total number of issued Shares. The said authority shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming AGM unless a renewal of the authority is obtained from shareholders.

On 16 October 2017, the Board announced its intention to seek shareholders' approval for the Proposed Renewal of Share Buy-Back Authority at the forthcoming 12th AGM.

The mandate under the Proposed Renewal of Share Buy-Back Authority shall be effective upon the passing of the ordinary resolution and will remain in effect until the conclusion of the next AGM of the Company, or upon the expiration of the period within which the next AGM is required by law to be held, or if earlier revoked or varied by ordinary resolution of shareholders of the Company in a general meeting, whichever occurs first.

The purpose of this Statement is to provide you with the relevant information on the Proposed Renewal of Share Buy-Back Authority and to seek your approval for the ordinary resolution relating to the Proposed Renewal of Share Buy-Back Authority to be tabled as Special Business at the forthcoming 12th AGM, notice of which is set out in the accompanying Annual Report 2017.

SHAREHOLDERS OF BHS ARE ADVISED TO CONSIDER CAREFULLY THE CONTENTS OF THIS STATEMENT BEFORE VOTING ON THE PROPOSED RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.

2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

2.1 Rationale and Potential Advantages of the Proposed Renewal of Share Buy-Back Authority

The Proposed Renewal of Share Buy-Back Authority will enable BHS to utilise its surplus financial resources, which is not immediately required for other uses, to purchase BHS Shares from the market. The share buy-back may stabilise the supply, demand and price of BHS Shares in the open market, thereby supporting the fundamental value of the Shares.

Where the Shares bought are retained as Treasury Shares, the Board would have an option to distribute the Treasury Shares as dividends to reward shareholders and/or resell the Treasury Shares at a higher price on Bursa Securities and utilise the proceeds for any feasible investment opportunity arising in the future, or as working capital.

2.2 Funding

The Proposed Renewal of Share Buy-Back Authority, if implemented, is expected to be financed by internally generated funds of the BHS Group and/or bank borrowings as long as the purchase is backed by an equivalent amount of retained profits of the Company, subject to compliance with the Prevailing Law.

The maximum amount of funds to be allocated for the Proposed Renewal of Share Buy-Back Authority will be limited to the amount of retained profits of the Company. Based on the Company's audited financial statements as at 30 June 2017, the audited retained profits of the Company was RM12,693,773.

2.3 Risk Assessment and Potential Disadvantage of the Proposed Renewal of Share Buy-Back Authority

The Proposed Renewal of Share Buy-Back Authority is not expected to have any potential material disadvantages to the Company and its shareholders as any share buy-back exercise will be undertaken only after in-depth consideration of the financial resources of BHS and its subsidiaries and of the resultant impact on BHS Group. The Directors in exercising any decision on the Proposed Renewal of Share Buy-Back Authority will be mindful of the interest of the Company and that of its shareholders.

The Proposed Renewal of Share Buy-Back Authority, if implemented, will reduce the financial resources of BHS and may result in BHS Group foregoing any good investment opportunities that may emerge in the future or, reduce interest income that may derive from depositing the funds in interest bearing instruments. It may also result in a lower amount of cash reserve available for dividends to be declared to shareholders as funds are utilised to pay for the treasury shares.

2.4 Public Shareholding Spread

In accordance to Paragraph 12.14 of the Listing Requirements, the Company can only undertake to purchase its own shares to the extent that the public shareholding spread of the Company shall not fall below 25% at all times pursuant to the Proposed Renewal of Share Buy-Back Authority.

The public shareholding spread of the Company as at LPD is approximately 41.85%.

The Board is mindful of the public shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of Shares of the Company. The Company will ensure that prior to any share buy-back exercise, the Public Shareholding Spread of at least 25% is maintained.

3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

On the assumption that the Proposed Renewal of Share Buy-Back Authority is carried out in full, the effects of the Proposed Renewal of Share Buy-Back Authority on the share capital, NA, working capital, earnings and shareholdings of Directors and Substantial Shareholders of BHS are set out below:-

3.1 Share Capital

The Proposed Renewal of Share Buy-Back Authority will result in the reduction of the total number of issued Shares of the Company if the Shares so purchased are cancelled.

Based on the total number of Issued Shares of our Company as at the LPD, and assuming that the maximum number of Shares (of up to ten percent (10%) of the total number of issued Shares) authorised under the Proposed Renewal of Share Buy-Back Authority are purchased and cancelled, it will result in the total number of issued Shares of our Company being reduced as follows:-

	After the Proposed Renewal of Share Buy-Back Authority		
	Minimum Scenario	Maximum Scenario	
	No. of BHS Shares	No. of BHS Shares	No. of BHS Shares
Existing total number of issued Shares as at the LPD	458,366,718	458,366,718	458,366,718
Assuming full exercise of Warrants 2015/2020	-	-	198,290,398
Enlarged total number of issued Shares	458,366,718	458,366,718	656,657,116
<i>Less:</i>			
Treasury Shares as at LPD	(26,940,000)	(26,940,000)	(26,940,000)
Maximum number of Shares which may be purchased and cancelled pursuant to the Proposed Renewal of Share Buy-Back Authority	-	(18,896,672)	(38,725,712)
Resultant total number of issued Shares after cancellation of BHS Shares purchased under the Proposed Renewal of Share Buy-Back Authority	431,426,718	412,530,046	590,991,404

Notes:-

- Minimum Scenario : Assuming no conversion of Warrants 2015/2020 as at LPD, prior to the implementation of the Proposed Renewal of Share Buy-Back Authority.
- Maximum Scenario : Assuming full conversion of Warrants 2015/2020 as at LPD, prior to the implementation of the Proposed Renewal of Share Buy-Back Authority. Effect on the full exercise of Employees' Share Option Scheme ("ESOS") is not included as the Company has not issue any ESOS options to eligible persons.

The Proposed Renewal of Share Buy-Back Authority will not affect BHS's total number of issued Shares if all the Shares purchased are retained as treasury shares and resold and/or distributed as dividends.

3.2 NA and Working Capital

The Proposed Renewal of Share Buy-Back Authority may increase or decrease the NA per Share of BHS Group depending on the purchase price in comparison to the NA per Share of BHS Group at the time that the purchase is made.

If the Purchased Shares are kept as Treasury Shares, the NA per Share would decrease unless the cost per share of the Treasury Shares purchased is below the NA per Share at the relevant point in time. This is due to the requirement for Treasury Shares to be carried at cost and be offset against reserves, resulting in a decrease in the NA of the Company.

If the Treasury Shares are resold through Bursa Securities, the NA of BHS Group would increase if the Company realises a gain from the resale and vice versa. If the Treasury Shares were distributed as share dividends, the NA of BHS Group would decrease by the cost of the Treasury Shares.

The Proposed Renewal of Share Buy-Back Authority is likely to reduce the working capital of BHS Group, the quantum of which will depend on the actual purchase price and number of Shares that would be purchased pursuant to the Proposed Renewal of Share Buy-Back Authority.

3.3 Earnings

On the assumption that the Purchased Shares are treated as Treasury Shares and subsequently resold, the earnings of BHS Group may be affected depending on the actual selling price and number of Treasury Shares resold. In the event the Purchased Shares are held as Treasury Shares i.e. neither cancelled nor resold, the effective reduction in the total number of issued Shares of the Company pursuant to the Proposed Renewal of Share Buy-Back Authority would generally, all else being equal, increase the consolidated EPS of the Group.

3.4 Gearing

The effect of the Proposed Renewal of Share Buy-Back Authority on the gearing of the Group will depend on the proportion of borrowings utilised to fund any purchase of Shares. At this juncture, the Company has not determined whether to use any form of borrowings for purposes of the Proposed Renewal of Share Buy-Back Authority.

3.5 Shareholdings of Directors and Substantial Shareholders

The effects of the Proposed Renewal of Share Buy-Back Authority on the shareholdings of the Directors and existing Substantial Shareholders of BHS based on the Register of Directors' Shareholdings and Register of Substantial Shareholders' Shareholdings as at LPD assuming the Proposed Renewal Share Buy-Back Authority is carried out in full by BHS and the Shares so purchased are cancelled, are as follows:-

Directors	As at LPD				After the Proposed Renewal of Share Buy-Back Authority							
					Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Sohaimi Bin Shahadan	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Lim Thiam Huat	79,075,998	18.33	-	-	79,075,998	19.17	-	-	155,508,002	26.31	-	-
Koo Thiam Yoong	5,570,368	1.29	-	-	5,570,368	1.35	-	-	8,355,552	1.41	-	-
Datuk Lee Hwa Cheng	5,892,776	1.37	4,177,776*	0.97	5,892,776	1.43	4,177,776*	1.01	5,892,776	1.00	4,177,776*	0.71
Datuk Lawrence Yeo Chua Poh	-	-	30,000,000#	6.95	-	-	30,000,000#	7.27	-	-	30,000,000#	5.08
Dato' Dr. Koe Seng Kheng	6,250,602	1.45	-	-	6,250,602	1.52	-	-	9,375,902	1.59	-	-
Chew Yuit Yoo	-	-	261,248^	0.06	-	-	261,248^	0.06	-	-	391,872^	0.07
Thiang Chew Lan	554,805	0.13	280,186^	0.06	554,805	0.13	280,186^	0.07	832,207	0.14	420,278^	0.07

Substantial Shareholders	As at LPD				After the Proposed Renewal of Share Buy-Back Authority							
					Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Lim Thiam Huat	79,075,998	18.33	-	-	79,075,998	19.17	-	-	155,508,002	26.31	-	-
Pelaburan MARA Berhad	41,593,776	9.64	-	-	41,593,776	10.08	-	-	41,593,776	7.04	-	-
Federal Land Development Authority	44,423,701	10.30	-	-	44,423,701	10.77	-	-	44,423,701	7.52	-	-
Ling Siew Luan	32,572,999	7.55	-	-	32,572,999	7.90	-	-	38,104,677	6.45	-	-
Amechanus Ventures Sdn. Bhd.	30,000,000	6.95	-	-	30,000,000	7.27	-	-	30,000,000	5.08	-	-

Notes:-

* Deemed interested by virtue of his interest in Hebat Koordinasi (Asia) Sdn. Bhd. pursuant to Section 8 of the Act.

Deemed interested by virtue of his interest in Amechanus Ventures Sdn. Bhd. pursuant to Section 8 of the Act.

^ Deemed interested by virtue of her spouse's interests pursuant to Section 221 of the Act.

Minimum Scenario : Assuming no conversion of Warrants 2015/2020 as at LPD, prior to the implementation of the Proposed Renewal of Share Buy-Back Authority.

Maximum Scenario : Assuming full conversion of Warrants 2015/2020 as at LPD, prior to the implementation of the Proposed Renewal of Share Buy-Back Authority. Effect on the full exercise of Employees' Share Option Scheme ("ESOS") is not included as the Company has not issue any ESOS options to eligible persons.

4. IMPLICATION RELATING TO THE CODE

Pursuant to Rule 4 of the Code, where a group of persons acting in concert holds more than 33% of the voting shares or the voting rights of the Company, any member of the group will be obliged to make a mandatory offer for the remaining BHS Shares not held by him/them if he acquires voting shares or voting rights resulting in him:-

- (a) acquiring more than 33% of the voting shares or voting rights of the Company; or
- (b) acquiring more than 2% of the voting shares or voting rights of the Company in any six (6) month period (when the person already holds more than 33% but not more than 50% of the voting shares or voting rights of the Company).

In the event that the obligation is triggered due to the share buy-back, the affected substantial shareholder(s) and/or person(s) acting in concert may seek approval from the Securities Commission for the exemption under Section 219 of the Capital Markets and Services Act 2007, subject to certain conditions being met since the increase in their shareholding is inadvertent and is a result of action that is outside their direct participation.

5. PURCHASES, RESALE OR CANCELLATION OF TREASURY SHARES DURING THE FINANCIAL YEAR ENDED 30 JUNE 2017

During the financial year ended 30 June 2017, a total of 10,000 Shares were repurchased from the open market and retained as Treasury Shares in accordance with Section 127 subsection (4) (b) of the Act. There is no resale and/or cancellation of its Treasury Shares during the financial year.

The details on share buy-back during the financial year ended 30 June 2017 are as follows:-

Month	No. of Shares Purchased	Share Price per Share			Net Purchase Consideration (RM)	Cumulative No. of Shares retained as Treasury Shares
		Lowest (RM)	Highest (RM)	Average (RM)		
Balance b/f	26,930,000	-	-		-	26,930,000
22.11.2016	10,000	0.41	0.41	0.41	4,100.00	26,940,000

6. APPROVAL REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the approval of the shareholders of BHS at the 12th AGM.

7. DIRECTORS' RECOMMENDATION

BHS's Board, having considered all aspects of the Proposed Renewal of Share Buy-Back Authority, is in the best interest of the Company and accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the 12th AGM.

8. 12th AGM

The ordinary resolution to approve the Proposed Renewal of Share Buy-Back Authority is set out as Ordinary Resolution in the Notice of the 12th AGM contained in BHS's Annual Report 2017, which is sent to you together with this Statement. The 12th AGM is to be held at Langkawi Room, Bukit Jalil Golf and Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 28 November 2017 at 10.30 a.m., or at any adjournment thereof.

If you are unable to attend and vote in person at the forthcoming 12th AGM, you are requested to complete, sign and return the Form of Proxy set out in BHS's Annual Report 2017 in accordance with the instructions therein as soon as possible, and in any event so as to arrive at the Registered Office of BHS at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the AGM or at any adjournment thereof. The completion and lodging of the Form of Proxy does not preclude you from attending and voting in person at the forthcoming AGM should you subsequently wish to do so.

Yours faithfully
For and on behalf of the Board
BHS INDUSTRIES BERHAD

DATO' DR. HAJI SOHAIMI BIN SHAHADAN
Independent Non-Executive Chairman