

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

- (I) PROPOSED SPECIAL SHARE DIVIDEND;**
- (II) PROPOSED BONUS ISSUE OF SHARES; AND**
- (III) PROPOSED SHARE SPLIT**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

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### **1. INTRODUCTION**

On behalf of the Board of Directors of BHS (“Board”), TA Securities Holdings Berhad (“TA Securities”) wishes to announce that the Company proposes to undertake the following:

- (i) proposed distribution of up to 3,401,111 treasury shares held by the Company (“Special Share Dividend”) to the shareholders of the Company (“Shareholders”) on the basis of two (2) treasury shares for every forty five (45) ordinary share of RM0.50 each in BHS (“BHS Shares” or “Shares”) held on the entitlement date to be determined later (“Dividend Entitlement Date”) (“Entitled Shareholders”) (“Proposed Special Share Dividend”);
- (ii) proposed bonus issue of up to 80,000,000 BHS Shares (“Bonus Shares”) on the basis of one (1) Bonus Share for every one (1) existing BHS Share held on the entitlement date to be determined later (“Bonus Entitlement Date”) (“Proposed Bonus Issue of Shares”); and
- (iii) proposed share split involving the subdivision of every one (1) existing BHS Share into two (2) ordinary shares of RM0.25 each in BHS (“Subdivided Shares”) (“Proposed Share Split”).

(Collectively referred to as the “Proposals”)

Further details of the Proposals are set out in the ensuing sections below.

### **2. DETAILS OF THE PROPOSALS**

#### **2.1 Details of the Proposed Special Share Dividend**

##### **2.1.1 Basis and number of Special Share Dividends to be issued**

The Proposed Special Share Dividend entails a distribution of up to 3,401,111 treasury shares as at 20 October 2014, being the latest practicable date (“LPD”) prior to the issuance of this announcement, on the basis of two (2) treasury shares for every forty five (45) existing BHS Shares held by the Entitled Shareholders.

The actual number of treasury shares to be distributed will depend on the total number of issued and paid-up BHS Shares as at the Dividend Entitlement Date.

In determining the Shareholders’ entitlements to the Special Share Dividend, fractional entitlements, if any, shall be disregarded and dealt with in such manner as the Board at its absolute discretion as it may deem fit or expedient or in the best interest of the Company.

The Proposed Special Share Dividend shall be distributed to entitled shareholders before the Proposed Bonus Issue of Shares.

### **2.1.2 Ranking of the Special Share Dividend**

The distributed BHS Shares pursuant to the Proposed Special Share Dividend shall rank *pari passu* in all respects with the then existing BHS Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of distribution of the Special Share Dividend.

## **2.2 Details of the Proposed Bonus Issue of Shares**

### **2.2.1 Basis and number of Bonus Shares to be issued**

The Proposed Bonus Issue of Shares will entail the issuance of up to 80,000,000 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every one (1) existing BHS Share held by the Entitled Shareholders as at the close of business on the Entitlement Date.

The issued and paid-up share capital of BHS as at the LPD prior to the date of this announcement) is RM38,262,500 comprising 76,525,000 BHS Shares (excluding 3,475,000 treasury shares). Upon completion of the Proposed Bonus Issue of Shares, the Proposed Special Share Dividend and assuming the remaining 73,889 treasury shares held in the Company after the Proposed Special Share Dividend were resold in the market of Bursa Malaysia Securities Berhad (“Bursa Securities”) prior to the Bonus Entitlement Date, the issued and paid-up share capital of the Company will be RM80,000,000 comprising 160,000,000 BHS Shares.

The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the issued and paid-up share capital of BHS as at the Bonus Entitlement Date including the total number of treasury shares distributed under the Proposed Special Share Dividend.

Fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, shall be dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient or in the best interest of the Company.

The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

For avoidance of doubt, the Proposed Special Share Dividend shall be distributed to Entitled Shareholders before the Proposed Bonus Issue of Shares. The entitlement to the Proposed Bonus Issue of Shares will be based on the increased number of shares held by the Entitled Shareholders after the Proposed Special Share Dividend and assuming the remaining 73,889 treasury shares held in the Company after the Proposed Special Share Dividend were resold in the market of Bursa Securities.

### **2.2.2 Ranking of the Bonus Shares**

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing BHS Shares, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Bonus Shares.

### **2.2.3 Listing of and quotation for the Bonus Shares**

An application will be made to Bursa Securities for the listing of and quotation for the Bonus Shares on Bursa Securities. Upon obtaining approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities.

## **2.3. Proposed Share Split**

### **2.3.1 Details of the Proposed Share Split**

The Proposed Share Split entails the subdivision of every existing one (1) BHS Share held by the shareholders of the Company whose names appear in the Company's Record of Depositors on an entitlement date to be determined and announced later by the Board ("Share Split Entitlement Date"), into two (2) Subdivided Shares.

For the avoidance of doubt, the Proposed Share Split shall be implemented after the completion of the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares.

After taking into account the Proposed Special Share Dividend, the Proposed Bonus Issue of Shares and assuming the remaining 73,889 treasury shares held in the Company after the Proposed Special Share Dividend were resold in the market of Bursa Securities prior to the Bonus Entitlement Date, the issued and paid-up share capital of the Company will be up to RM80,000,000 comprising 160,000,000 ordinary shares of RM0.50 each in BHS. Upon completion of the Proposed Share Split, the issued and paid-up share capital of the Company will be RM80,000,000 comprising 320,000,000 ordinary shares of RM0.25 each in BHS.

No suspension will be imposed on the trading on BHS Shares on Bursa Securities for the purpose of implementing the Proposed Share Split.

Fractional entitlements arising from the Proposed Share Split, if any, shall be dealt with in such manner as the Board shall in its absolute discretion deems fit, expedient and in the best interest of the Company.

### **2.3.2 Ranking of the Subdivided Shares**

The Subdivided Shares shall, upon allotment and issue, rank *pari passu* in all respect with each other, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to shareholders, the entitlement date of which precedes the date of allotment of the Subdivided Shares.

### **2.3.3 Listing of and quotation for the Subdivided Shares**

An application will be made to Bursa Securities for the listing of and quotation for the Subdivided Shares on Bursa Securities. Upon obtaining approvals, the Subdivided Shares will be listed and quoted on the Main Market of Bursa Securities.

### **3. Capitalisation of reserves**

The Proposed Special Share Dividend and the Proposed Bonus Issue of Shares will be effected by way of capitalisation of up to RM41.82 million from the Company's share premium and retained earnings. The Company intends to capitalise the entire share premium before utilising the Company's retained earnings.

Based on the Company's latest audited financial statements for the financial year ended ("FYE") 30 June 2014, the retained earnings of BHS are approximately RM48.0 million. BHS' share premium and retained earnings will be sufficient for the capitalisation for the Proposed Special Share Dividend and the Proposed Bonus Issue of the Shares.

The Board confirms that based on its latest audited financial statements for the FYE 30 June 2014, the reserves required for the capitalisation of the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares are adequate and unimpaired by losses on a consolidated basis, in accordance with paragraph 6.30(1) of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements").

Further details of the capitalization of the reserves required for the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares are set out in Section 5.3 of this announcement.

### **4. RATIONALE FOR THE PROPOSALS**

#### **4.1 Proposed Special Share Dividend and the Proposed Bonus Issue of Shares**

After due consideration, the Board is of the view that the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares are the most appropriate avenue of rewarding the existing shareholders of the Company as the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares will:

- (i) reward the existing shareholders of the Company for their continuous support;
- (ii) enable the BHS shareholders to increase the number of BHS Shares held in the Company, whilst maintaining their percentage of equity interest; and
- (iii) expected to be able to encourage the trading liquidity of BHS Shares on Bursa Securities via greater participation by investors as well as potentially broadening of shareholder base of the Company.

## 4.2 Proposed Share Split

The Proposed Share Split is expected to adjust the market price of BHS Shares and will result in the Subdivided Shares being more affordable which will enable a wider group of investors to participate in the growth of the Company.

The Proposed Share Split is expected to enhance the marketability and trading liquidity of the ordinary shares of the Company as a result of the increase in the number of shares in issue.

## 5. EFFECTS OF THE PROPOSALS

### 5.1 Issued and paid-up share capital

The proforma effects of the Proposals on the issued and paid-up share capital of BHS are as follows:

	<b>Par Value (RM)</b>	<b>No. of BHS Shares (‘000)</b>	<b>RM (‘000)</b>
Issued and paid-up share capital as at LPD (excluding treasury shares)	0.50	76,525	38,262
To be issued pursuant to the Proposed Special Share Dividend	0.50	3,401	1,701
After the Proposed Special Share Dividend	0.50	79,926	39,963
Add: Assuming remaining treasury shares held in the Company were resold prior to the Bonus Entitlement Date	0.50	74	37
	0.50	80,000	40,000
To be issued pursuant to the Proposed Bonus Issue of Shares	0.50	80,000	40,000
After the Proposed Bonus Issue of Shares	0.50	160,000	80,000
After the Proposed Share Split	<b>0.25</b>	<b>320,000</b>	<b>80,000</b>

### 5.2 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of the BHS Group for the financial year ending 30 June 2015. However, there will be a corresponding dilution in BHS’s consolidated EPS as a result of the increase in the number of shares arising from the Proposals.

### 5.3 Net assets (“NA”) and gearing

The proforma effects of the Proposals on the consolidated NA and gearing of BHS are as follows:

<b>Group</b>	<b>Audited as at 30 June 2014 RM'000</b>	<b>(I) Resale of treasury shares up to the LPD<sup>(1)</sup> RM'000</b>	<b>(II) After (I) and the Proposed Special Share Dividend RM'000</b>	<b>(III) After (II) and the Proposed Bonus Issue of Shares<sup>(5)</sup> RM'000</b>	<b>(IV) After (III) and the Proposed Share Split RM'000</b>
Share capital	40,000	40,000	40,000	80,000	80,000
Share premium	1,684	12,857	11,038 <sup>(6)</sup>	- <sup>(6)</sup>	-
Foreign currency translation reserve	111	111	111	111	111
Merger reserve	(16,833)	(16,833)	(16,833)	(16,833)	(16,833)
Fair value adjustment reserve	295	295	295	295	295
Treasury shares	(4,224)	(1,858)	(39)	-	-
Retained profits	52,954	52,954	52,954	23,842 <sup>(6)(7)</sup>	23,842
<b>Shareholders' funds / NA</b>	<b>73,987</b>	<b>87,526</b>	<b>87,526</b>	<b>87,415</b>	<b>87,415</b>
No. of shares in issue (‘000)	72,100 <sup>(2)</sup>	76,525 <sup>(3)</sup>	79,926 <sup>(4)</sup>	160,000	320,000
NA per Share (RM)	1.03	1.14	1.09	0.55	0.27
Total borrowings (RM'000)	898 <sup>(8)</sup>	-	-	-	-
Gearing (times)	0.01	-	-	-	-

Notes:

- (1) Including the proforma effect of resale of 4,350,000 treasury shares and 75,000 treasury shares on 3 October 2014 and 17 October 2014 in the market of Bursa Securities, respectively.
- (2) Excluding 7,900,000 treasury shares as at 30 June 2014.
- (3) Excluding 3,475,000 treasury shares as at the LPD.
- (4) Excluding 73,889 treasury shares after the Proposed Special Share Dividend.
- (5) Assuming the remaining 73,889 treasury shares held in the Company after the Proposed Special Share Dividend were resold in the market of Bursa Securities prior to the Bonus Entitlement Date.
- (6) After capitalization of up to RM41.82 million for the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares.
- (7) After deducting estimated expenses of RM150,000 for the Proposals.
- (8) Refers to the borrowings of a subsidiary company of BHS, namely BHS Resources Pte Ltd, whereby the said subsidiary company was subsequently disposed to Mr Heng Boon Seng and Ms Liew Sai Ying and was completed in July 2014.

### 5.4 Substantial shareholders' shareholdings

The Proposals will not have any effect on the percentage shareholdings of the substantial shareholders except for the proportionate increase in the number of BHS Shares pursuant to the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares as well as Subdivided Shares held pursuant to the Proposed Share Split.

## **5.5 Convertible securities**

As at the LPD, the Company does not have any outstanding convertible securities.

## **6. APPROVALS REQUIRED**

The Proposals are subject to and conditional upon the following approvals being obtained:

- (i) Bursa Securities, for the following:
  - (a) the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities
  - (b) Proposed Share Split and the listing of and quotation for the Subdivided Shares on the Main Market of Bursa Securities;
- (ii) Bursa Malaysia Depository Sdn Bhd for the transfer of the Special Share Dividend from the Company to Entitled Shareholders pursuant to the Proposed Special Share Dividend;
- (iii) the shareholders of BHS for the Proposed Bonus Issue of Shares and Proposed Share Split at an extraordinary general meeting to be convened; and
- (iv) any other relevant authorities, if required.

## **7. CONDITIONALITY OF THE PROPOSALS**

The Proposed Bonus Issue of Shares is conditional upon the Proposed Special Share Dividend. The Proposed Share Split is conditional upon the Proposed Special Share Dividend and Proposed Bonus Issue of Shares.

The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

## **8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and/or major shareholders of BHS and/or persons connected with them have any interest, either direct or indirect, in the Proposals save for their respective entitlements as shareholders of BHS under the Proposed Special Share Dividend and the Proposed Bonus Issue of Shares for which all other existing shareholders of the Company are also entitled to.

## **9. DIRECTORS' STATEMENT**

The Board, after having considered all aspects of the Proposals including its rationale and effects, is of the opinion that the Proposals are in the best interest of the Company.

**10. ADVISER**

TA Securities has been appointed as the Adviser in relation to the Proposed Bonus Issue of Shares and the Proposed Share Split.

**11. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Board expects the Proposals to be completed in the first (1<sup>st</sup>) quarter of 2015.

**12. APPLICATIONS TO THE RELEVANT AUTHORITIES**

Applications to the relevant authorities in respect of the Proposals are expected to be submitted within one (1) month from the date of this announcement.

This announcement is dated 21 October 2014.