

## BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD ("BHIC" OR THE "COMPANY")

### PROPOSED DISPOSAL OF 27,000,001 ORDINARY SHARES IN BOUSTEAD NAVAL SHIPYARD SDN. BHD. ("BNS") HELD BY PERSTIM INDUSTRIES SDN. BHD. ("PISB" OR "VENDOR"), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF BHIC, FOR A CASH CONSIDERATION OF RM1.00 (HEREINAFTER REFERRED TO AS THE "PROPOSED DISPOSAL")

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#### 1. INTRODUCTION

Reference is made to the announcement dated 29 May 2023, the Board of Directors of BHIC ("**Board**") is pleased to announce that PISB, an indirect wholly-owned subsidiary of the Company had, on 18 August 2023, entered into a share sale agreement ("**SSA**") with Ocean Sunshine Berhad ("**OSB**" or "**Purchaser**") in respect of the proposed disposal of 27,000,001 ordinary shares, which represents approximately 20.77% of the equity interest in BNS held by PISB ("**Sale Shares**"), for a cash consideration of RM1.00 ("**Proposed Disposal**").

#### 2. DETAILS OF THE PROPOSED DISPOSAL

Subject to the terms and conditions of the SSA, PISB as the legal, registered and beneficial owner of the Sale Shares shall sell and OSB relying on the warranties and representations by the Vendor shall purchase the Sale Shares, free from any and all interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement ("**Encumbrances**") and together with all rights, benefits and entitlement now or hereafter attaching thereto including but not limited to all dividends and distributions declared, made or paid after the completion date of the SSA i.e. within 7 business days from the date when all the conditions precedent as set out in the SSA are fulfilled ("**Completion Date**").

Upon completion of the Proposed Disposal, the Vendor shall cease to hold any equity interest in BNS.

##### 2.1 Information on BNS

BNS was incorporated in Malaysia on 13 June 1990 under the Companies Act, 1965 and is deemed registered under the Companies Act, 2016 as a private limited company under the name of Naval Dockyard Sdn. Bhd. It changed its name to PSC-Naval Dockyard Sdn. Bhd. on 21 November 1997 and assumed its present name on 4 August 2006. As at the date of this announcement, the total issued share capital of BNS is RM130,000,003 comprising of 130,000,002 ordinary shares and 1 special share. BNS is an associate company of BHIC.

The principal activity of BNS involves construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding.

The shareholders of BNS as at the date of this announcement are as follow:-

Shareholders	Number of ordinary shares held	Shareholding proportion (%)
Boustead Holdings Bhd.	89,500,001	68.85
PISB	27,000,001	20.77
Lembaga Tabung Angkatan Tentera	13,500,000	10.38
Menteri Kewangan Malaysia	1*	-

**Note:**

\* *Special share with the right attached thereto pursuant to the privatisation agreement dated 11 December 1995.*

As at the date of this announcement, Laksamana Tan Sri Mohd Reza Bin Mohd Sany (Retired), Tan Sri Dato' Wira Aziah Binti Ali, Izaddeen Bin Daud, Dato' Ahmad Nazim Bin Abd Rahman, Laksamana Tan Sri Abdul Rahman Bin Ayob, Dato' Dr Amiruddin bin Muhamed, Datuk Rosli bin Yaakub, Laksamana Madya Datuk Haji Jamil bin Haji Osman (Retired) and Datuk Dr. Shahrazat Binti Haji Ahmad are the directors of BNS.

Based on the latest audited accounts of BNS for the financial year ended 31 December 2022, BNS recorded net liabilities of RM848,451,000.00 while the losses after tax of BNS ("LAT") recorded was RM150,116,000.00 with revenue of RM64,728,000.00.

## 2.2 Basis and justifications of determining the Disposal Consideration

The disposal consideration of RM1.00 in respect of the Proposed Disposal ("**Disposal Consideration**") is determined at a nominal amount of RM1.00 with due consideration to:-

- 2.2.1 the latest audited net liabilities position of BNS of RM848,451,000.00 as at 31 December 2022; and
- 2.2.2 the stated rationale for the Proposed Disposal as set out in Section 4 of this announcement.

## 2.3 Mode of settlement

The Disposal Consideration will be satisfied by the Purchaser entirely in cash on the Completion Date.

## 2.4 Original cost of investment

The summary of BHIC's original cost of investment in BNS is as below:

Date of investment	Total no of shares	Total cost of investment (RM'000)
From 4 <sup>th</sup> April 1996 to 31 <sup>st</sup> December 2005	27,000,001	53,579

## 2.5 Expected gain arising from the Proposed Disposal

Upon the completion of the Proposed Disposal, BHIC Group expects to realise a net gain of RM1.00 arising from the Proposed Disposal as illustrated below:-

	RM'000
Unquoted shares, at cost	53,579
Cumulative share of post acquisition losses	(22,012)
Less: Accumulated impairment losses	<u>(31,567)</u>
	-

	RM
Disposal consideration	<u>1</u>
Gain on disposal	<u><u>1</u></u>

## 2.6 Liabilities to be assumed by BHIC

Save for the obligations and liabilities pursuant to the SSA, there are no other liabilities including contingent liabilities and/ or guarantees to be assumed by BHIC after the completion of the Proposed Disposal.

There are no guarantees given by BHIC to the Purchaser or BNS pursuant to the terms of the SSA.

## 2.7 Utilisation of proceeds

The Disposal Consideration is at a nominal price of RM1.00.

## 2.8 Information on the Purchaser

OSB was incorporated in Malaysia on 17 June 2022 under the Companies Act, 2016 as a public limited company. As at the date of this announcement, the issued share capital of OSB is RM1.00 comprising of 1 ordinary share.

The details of its directors and shareholders together with their respective direct and indirect shareholdings in OSB are as follows:-

Name	Designation	Nationality/ Place of Incorporation/ establishment	<---Direct--->	<--Indirect-->
			%	%
Mohd Nizam Bin Mohd Khir	Director	Malaysian	-	-
Iszad Jeffri Bin Ismail	Director	Malaysian	-	-
AES Solutions Sdn. Bhd.	Shareholder	Malaysia	100	-
Minister of Finance (Incorporated)	Shareholder	Malaysia	-	100*
Pesuruhjaya Tanah Persekutuan	Shareholder	Malaysia	-	100*

**Note:**

\* Deemed interest by virtue of its interest in AES Solutions Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

The principal activities of OSB are repair and maintenance of equipment and construction of ships and floating structures.

## 2.9 Information on PISB

PISB, an indirect wholly-owned subsidiary of the Company, was incorporated in Malaysia on 24 January 1995 under the Companies Act, 1965 and is deemed registered under the Companies Act, 2016 as a private limited company under the name of Perstima Industries Sdn. Bhd. PISB assumed its present name on 10 March 2001. As at the date of this announcement, the issued share capital of PISB is RM51,155,724.00 comprising of 51,155,724 ordinary shares.

As at the date of this announcement, the Director of PISB is Sharifuddin Bin Md. Zaini Al-Manaf.

The principal activity of PISB is investment holding.

### 3. SALIENT TERMS OF THE SSA

The salient terms of the SSA are summarised, among others, as follows:-

#### 3.1 Sale of Shares

Subject to the fulfilment of the conditions precedent (as set out in Section 3.3 hereof) ("**Conditions Precedent**") and other terms and conditions as set forth in the SSA, the Vendor shall sell, as legal, registered and beneficial owner and the Purchaser shall purchase the Sale Shares free from any and all Encumbrances and together with all rights, benefits and entitlement now or hereafter attaching thereto including but not limited to all dividends and distributions declared, made or paid after the Completion Date.

#### 3.2 Consideration

Subject always to fulfilment of all the Conditions Precedent and the Vendor first fully complying with all its obligations to deliver the Vendor's documents such as the original undated form of transfer of securities, directors' resolutions of BNS approving the sale and transfer of the Sale Shares, director's letter of resignation, Vendor's letter of undertaking and indemnity and etc. ("**Vendor's Documents**") pursuant to Clause 4.1.1 of the SSA to the Purchaser within 5 business days from the Unconditional Date: -

3.2.1 the consideration payable by the Purchaser to the Vendor for the purchase of the Sale Shares shall be a sum of RM1.00 only; and

3.2.2 the Purchaser shall on the Completion Date pay the Vendor the Disposal Consideration.

#### 3.3 Conditions Precedents

3.3.1 The obligations of the parties that are set out in the SSA are conditional upon the following Conditions Precedent being fulfilled or obtained within 30 business days from the date of the SSA ("**Conditional Period**") or a further period of 21 business days (or such longer period as the parties may agree) from the expiry of the Conditional Period ("**Extended Conditional Period**"):-

(a) the execution of a conditional intercompany trade receivables reorganisation agreement to be entered between BHIC (as authorised by its relevant subsidiaries) and BNS ("**ITRRA**") for the repayment of a sum of RM383,939,549.00 and/or such other sum due and owing by BNS to BHIC and its relevant subsidiaries which shall be subjected to verification in the due diligence review and to be mutually agreed thereto by the parties in the ITRRA, being the total repayment sum owing by BNS to BHIC and its relevant subsidiaries;

(b) the completion of the due diligence review and all remedial actions have been undertaken and completed to the satisfaction of the Purchaser or subject to the mutual agreement to attend such remedial actions following the completion thereon;

(c) the Vendor having delivered to the Purchaser a copy of the approval letter from each of BNS' lenders consenting to the sale and transfer of the Sale Shares to the Purchaser; and

(d) the Vendor having obtained, if required, the written consent from the financiers/ creditors of BHIC, its holding company for the disposal of the Sale Shares by the Vendor.

The parties hereby covenant to the other (as the case maybe) that they shall use their best endeavors to carry out all acts and things as may be necessary, to procure the fulfilment of the Conditions Precedent within the Conditional Period. To the extent that the satisfaction of a Conditions Precedent involves an approval or consent that requires the Vendor to prepare and submit an application to the relevant authority or body, the Vendor shall, at its own costs and expense submit such application within 7 business days from the date of the SSA. Where any application is required to be made by BNS, the Vendor shall bear the costs and expenses and procure BNS to submit such application within the above said period.

- 3.3.2 The SSA shall become unconditional on the date the last Conditions Precedent is satisfied in accordance with the provisions of the SSA within the Conditional Period and issuance of the letter by the Purchaser and acknowledged by the Vendor confirming the fulfilment of all the Conditions Precedent, hereinafter be referred to as the “**Unconditional Date**”.
- 3.3.3 The parties may (but shall not obliged to) modify, by written agreement signed by them, any of the Conditions Precedent which, by applicable laws, can be modified whereupon such Conditions Precedent shall be deemed to be (as applicable) modified as aforesaid.
- 3.3.4 In the event that any one of the Conditions Precedent is not or cannot be fulfilled or obtained during the Conditional Period, either party shall be entitled, by notice of termination to the other, to terminate the SSA and upon such notice being served on the other and, Section 3.4.2 of this announcement shall apply.

#### **3.4 Rescission or Termination**

- 3.4.1 The parties hereby agree that notwithstanding anything to the contrary contained in the SSA:
  - (a) if the Vendor shall fail or refuse to fulfill any of its obligations to deliver the Vendor’s Documents to the Purchaser on the Completion Date pursuant to Clause 4.1.1 of the SSA;
  - (b) if the Purchaser shall fail or refuse to fulfill any of its obligations to deliver the Purchaser’s board of directors’ resolution approving and authorizing the purchase of the Sale Shares from the Vendor (“**Purchaser’s Documents**”) within 5 business days from the Unconditional Date pursuant to Clause 4.1.2 of the SSA;
  - (c) if the Purchaser shall fail or refuse to pay the Purchase Price in accordance with the provisions of the SSA;
  - (d) if any representation or warranty of the Vendor or the Purchaser contained in the SSA should be found to be incorrect, misleading or untrue in any material manner; or
  - (e) if the Vendor or the Purchaser breaches, omits or fails to perform any of its obligations under or any of the terms of the SSA;

and the defaulting party fails to remedy or rectify such failure, omission or breach (if capable of remedy or rectification) to the non-defaulting party’s satisfaction within 7 business days of the defaulting party’s receipt of a notice thereof from the non-defaulting party requiring the defaulting party to remedy such failure, omission or breach, then the non-defaulting party shall be entitled to immediately terminate the SSA without any further notice to the defaulting party.

- 3.4.2 The parties further hereby agree that notwithstanding anything to the contrary contained in the SSA, in the event of a rescission or termination of the SSA by any party pursuant to Section 3.4.1 above:
- (a) the Purchaser shall immediately return to the Vendor all documents, if any, delivered to it by or on behalf of the Vendor with all rights and interests of the Vendor fully intact;
  - (b) the Vendor shall immediately return to the Purchaser all documents, if any, delivered to it by or on behalf of the Purchaser with all rights and interests of the Purchaser fully intact, refund to the Purchaser the Disposal Consideration; and
  - (c) thereafter, all rights and obligations of the parties shall immediately cease to have effect and no party shall have any further rights or obligations under the SSA against or to the other party, save that clauses which are expressed to survive the rescission, termination or expiry of the SSA or which from their nature or context it is contemplated that they are to survive a rescission, termination or expiry of the SSA shall continue in force following such rescission or termination of the SSA, and no party shall have or make any claims whatsoever against the other for breach losses, damages or otherwise save for antecedent breach occurred prior to the rescission and termination of the SSA.

### **3.5 Completion**

- 3.5.1 Completion of the sale and purchase of the Sale Shares shall take place on the Completion Date at the offices of the Purchaser or at such other place as may be mutually agreed between the parties.
- 3.5.2 Without prejudice to any other remedies available to the parties herein or at law, if in any respect the provisions of Section 3.2 herein, the completion obligation of the Vendor and the Purchaser pursuant to Clause 4.1.1 and 4.1.2 of the SSA is not complied with on the Completion Date by either party, the non-defaulting party may:
- (a) proceed to completion so far as practicable (without prejudice to its rights hereunder); or
  - (b) rescind the SSA (without the need for any prior notice or any remedial period unless the non-defaulting party should otherwise deem fit at the material time), in which event the provisions of Section 3.4.2 hereof shall be applicable.
- 3.5.3 The Purchaser hereby undertakes and agrees that it shall within 2 months from the Completion Date or any extended date as may be mutually agreed upon between the parties, do all acts and things necessary to effect the change of the company name of BNS and where applicable, its subsidiaries, to such company name(s) which does/do not include the word 'Boustead' or any similar association with the Boustead Group of Companies.

## **4. RATIONALE FOR THE PROPOSED DISPOSAL**

The Proposed Disposal serves to facilitate the decision of the Government of Malaysia, through the Ministry of Finance's letter to the Company dated 25 May 2023, to acquire 100% of shares in BNS in order to ensure the completion of the Littoral Combat Ship ("**LCS**") project. It is also formed as part of the Company's operational and organizational restructuring to streamline and

re-align entities within the Company and its relevant subsidiaries, while ensuring that BNS is able to complete the construction and delivery of the LCS to the RMN within the stipulated timeframe pursuant to the LCS contract.

Further to the above, the introduction of a new strategic shareholder into BNS namely OSB, is in consonance with BNS' plans to strengthen its business and operations in relation to the construction, repair and maintenance of naval ships and commercial shipbuilding.

## **5. RISK FACTORS**

### **5.1. Completion risk**

The completion of the Proposed Disposal is subject to the Conditions Precedent as set forth in the SSA being satisfied and/or waived (as the case may be). The non-fulfilment of the Conditions Precedent may result in the SSA being terminated. There is no assurance that the Proposed Disposal can be completed within the time period stipulated under the SSA.

Should a delay or non-completion occur, PISB may lose the opportunity to dispose of the Sale Shares to OSB. Nevertheless, the Board will take reasonable steps to ensure that all the Conditions Precedent are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals, where relevant, for the Proposed Disposal.

### **5.2. Contractual risk**

BHIC is subject to certain contractual risks including, but not limited to, the representation, warranties and covenants which are given or to be given pursuant to the SSA. BHIC may be subject to contractual risks if the pre-completion and post-completion obligations under the SSA are not fulfilled and/or in the event of any breach of the terms and conditions as set out in the SSA.

BHIC shall endeavour to ensure full compliance in relation to the fulfilment of its obligations under SSA.

## **6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

### **6.1 Issued share capital and substantial shareholders' shareholdings**

The Proposed Disposal will not have any effect on the issued share capital of BHIC and the substantial shareholders' shareholdings in BHIC as the Proposed Disposal does not involve any issuance of new ordinary shares by BHIC.

### **6.2 Net assets and gearing**

The Proposed Disposal is not expected to have any material effect on the audited consolidated net assets, net assets per share and gearing of BHIC for the current financial year ending 31 December 2023.

### **6.3 Earnings and earnings per share**

The Proposed Disposal is not expected to have any material effects on the earnings and earnings per share of BHIC Group for the financial year ending 31 December 2023.

### **6.4 Convertible securities**

As at the date of this announcement, the Company does not have any convertible securities in issue.

## **7. APPROVALS REQUIRED**

The Proposed Disposal is conditional upon approvals being obtained from the following:

- (i) financiers/ creditors of BHIC for the disposal of the Sale Shares by the Vendor;
- (ii) financiers/ creditors of BNS for the sale and transfer of the Sale Shares to the Purchaser;  
and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Disposal is not conditional upon any other corporate exercise being undertaken by the Company, which has been announced but pending completion.

## **8. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 0.0000016%, calculated based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2022.

## **9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

None of the Directors, major shareholders of the Company and/ or persons connected to them, has any interest, whether direct or indirect, in the Proposed Disposal.

## **10. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Disposal, including the rationale for the Proposed Disposal and the risk factors as set out in Sections 4 and 5 of this announcement, respectively, is of the opinion that the Proposed Disposal is in the best interest of the Company and the terms and conditions of the SSA are fair and reasonable to the Company and is not to the detriment of the Company and its shareholders.

## **11. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by fourth quarter of 2023.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

The SSA will be made available for inspection at the registered office of BHIC at 17<sup>th</sup> Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan, Kuala Lumpur, Malaysia during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 21 August 2023**