THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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Boustead Heavy Industries Corporation Berhad

[Registration No.: 197101000758 (11106-V)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

PART A

I. PROPOSED DEBT SETTLEMENT WITH FINANCIERS; AND

II. PROPOSED DEBT SETTLEMENT WITH BOUSTEAD HOLDINGS BERHAD

(COLLECTIVELY REFERRED TO AS THE "PROPOSED DEBT SETTLEMENTS)

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF BHIC IN RELATION TO THE PROPOSED DEBT SETTLEMENTS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

AFFIN HWANG INVESTMENT BANK BERHAD
[Registration No.: 197301000792 (14389-U)]
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

MAINSTREET ADVISERS SDN BHD
[Registration No.: 200701032292 (790320-P)]

The Extraordinary General Meeting ("**EGM**") of the Company will be conducted virtually using the remote participation and voting ("**RPV**") facilities provided by the poll administrator via TIIH Online website at https://tiih.online or https://tiih.com.my and will be held on Friday, 29 December 2023 at 9.30 a.m. or any adjournment thereof. The Notice of the EGM of the Company for the Proposed Debt Settlements and the Proxy Form are enclosed together with this Circular and can also be downloaded from the Company's website at www.bhic.com.my.

As a shareholder, you are encouraged to go online, participate, and vote at the EGM using the RPV facilities. If you wish to appoint a proxy to participate and vote on your behalf, you may deposit your Proxy Form at the office of the poll administrator at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, Bangsar South, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, you may lodge your Proxy Form by electronic means via TIIH Online website at https://tiih.online, not less than 48 hours before the time set for holding the EGM as indicated below or any adjournment thereof. Details of the EGM are as follows:

Date and time of the EGM	:	Friday, 29 December 2023 at 9:30 a.m. or at any adjournment thereof
Last date and time for lodging the Form of Proxy	:	Wednesday, 27 December 2023 at 9:30 a.m.
Broadcast Venue	:	Amphitheatre, The Bousteador, Level 23, No. 10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya Selangor, Malaysia

This Circular is dated 14 December 2023

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

PART A

I. PROPOSED PARTIAL SETTLEMENT OF OUTSTANDING FINANCING FACILITIES GIVEN BY THE FINANCIERS TO BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD ("BHIC") VIA A COMBINATION OF CASH, ISSUANCE OF NEW ORDINARY SHARES IN BHIC ("BHIC SHARES" OR "SHARES"), REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS A") AND ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS-i A") ("PROPOSED DEBT SETTLEMENT WITH FINANCIERS") IN THE FOLLOWING MANNER:

FINANCIERS / ESTIMATED OUTSTANDING FINANCING FACILITIES AS AT 31 DECEMBER 2023	MODE OF SETTLEMENT
AFFIN BANK BERHAD / RM30,000,000	• RM1,666,667 RETAINED AS FINANCING FACILITIES; • RM7,366,771 IN CASH; • 13,157,895 NEW BHIC SHARES AT AN ISSUE PRICE OF RM0.57 EACH; AND • 23,625,548 RCPS A AT AN ISSUE PRICE OF RM0.57 EACH
MBSB BANK BERHAD / RM63,255,323	• RM3,514,184 RETAINED AS FINANCING FACILITIES; • RM15,532,916 IN CASH; • 27,743,563 NEW BHIC SHARES AT AN ISSUE PRICE OF RM0.57 EACH; AND • 49,814,722 RCPS-i A AT AN ISSUE PRICE OF RM0.57 EACH
AMBANK ISLAMIC BERHAD / RM90,000,000	• RM5,000,000 RETAINED AS FINANCING FACILITIES; • RM22,100,313 IN CASH; • 28,000,000 NEW BHIC SHARES AT AN ISSUE PRICE OF RM0.57 EACH; AND • 82,350,328 RCPS-i A AT AN ISSUE PRICE OF RM0.57 EACH

II. PROPOSED FULL SETTLEMENT OF AMOUNTS OWING TO BOUSTEAD HOLDINGS BERHAD ("BHB") BY BHIC AMOUNTING UP TO RM234,000,000 AS AT 31 DECEMBER 2023 VIA THE ISSUANCE OF 246,920,486 NEW BHIC SHARES AT AN ISSUE PRICE OF RM0.57 EACH, 84,658,462 REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS B IN BHIC AT AN ISSUE PRICE OF RM0.57 EACH AND 78,947,368 REDEEMABLE PREFERENCE SHARES – CLASS C IN BHIC AT AN ISSUE PRICE OF RM0.57 EACH ("PROPOSED DEBT SETTLEMENT WITH BHB")

(COLLECTIVELY REFERRED TO AS THE "PROPOSED DEBT SETTLEMENTS")

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF BHIC IN RELATION TO THE PROPOSED DEBT SETTLEMENTS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

Act	:	Companies Act, 2016
Affin Bank	:	Affin Bank Berhad [Registration No.: 197501003274 (25046-T)]
Affin Hwang IB	:	Affin Hwang Investment Bank Berhad [Registration No.: 197301000792 (14389-U)]
Affin Islamic	:	Affin Islamic Bank Berhad [Registration No.: 200501027372 (709506-V)]
AmIslamic	:	AmBank Islamic Berhad [Registration No.: 199401009897 (295576-U)]
Announcement	:	Announcement dated 6 December 2023 in relation to the Proposals
BHB	:	Boustead Holdings Berhad [Registration No.: 196001000193 (3871-H)]
BHB Settlement Agreement	:	Settlement agreement dated 13 December 2023 with BHB for the proposed settlement of the amounts owing to BHB by BHIC of up to RM234,000,000 as at the Cut-Off Date
BHIC or **Company**	:	Boustead Heavy Industries Berhad [Registration No.: 197101000758 (11106-V)]
BHIC Group or **Group**	:	BHIC and its subsidiary companies, collectively
BHIC Shares or **Shares**	:	Ordinary shares in BHIC
BNS	:	Boustead Naval Shipyard Sdn Bhd [Registration No.: 199001007732 (199302-K)]
Board	:	Board of Directors of BHIC
BPS	:	Boustead Penang Shipyard Sdn Bhd [Registration No.: 197201000156 (11795-W)]
Bursa Securities	:	Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)]
Circular	:	This circular to our shareholders dated 14 December 2023 in relation to the Proposed Debt Settlements
Constitution	:	Constitution of our Company
Conversion Shares	:	New BHIC Shares to be issued arising from the conversion of the RCPS A, RCPS-i A and RCPS B
Cut-Off Date	:	31 December 2023, being the cut-off date agreed between our Company, Financiers and BHB for the Proposed Debt Settlements

Director	:	Director of our Company which shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and Section 2 of the Act, and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Debt Settlements were agreed upon is: (i) a director of the listed issuer, its subsidiary or holding company; or (ii) a chief executive of the listed issuer, its subsidiary or holding company
DWT	:	Deadweight tonnage
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
Financiers	:	Collectively, Affin Bank, MBSB and AmIslamic
Financiers' Settlement Agreements	:	Collectively, the settlement agreements dated 13 December 2023 entered into by BHIC for the: (i) Proposed Affin Settlement; (ii) Proposed MBSB Settlement; and (iii) Proposed AmIslamic Settlement
FPE	:	Financial period ended/ending, as the case may be
FYE	:	Financial year ended/ending 31 December, as the case may be
IAL	:	Independent advice letter dated 14 December 2023 issued by the Independent Adviser in relation to the Proposed Debt Settlements as set out in Part B of this Circular
Independent Adviser or **MainStreet**	:	MainStreet Advisers Sdn Bhd [Registration No.: 200701032292 (790320-P)]
Interested Directors	:	Collectively, General (R) Tan Sri Dato' Seri Zamrose Mohd Zain, Dato' Ahmad Nazim Abd Rahman, Izaddeen Daud, Fahmy Ismail, Mohd Khairul Anuar Mohd Nor, Raja Iskandar Raja Abdullah and Irfan Hashim
Interested Major Shareholders	:	Collectively, BHB and LTAT
Interested Chief Executive	:	Feroz Razi Ramli
ITRRA	:	Conditional intercompany trade receivables reorganisation agreement
LBT	:	Loss before taxation
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities

LPD	:	30 November 2023, being the latest practicable date prior to the issuance of this Circular
LPS	:	Loss per Share
LTAT	:	Lembaga Tabung Angkatan Tentera, established under the Tabung Angkatan Tentera Act 1973 (Act 101)
Major Shareholder	:	A person, who has or had an interest or interests in 1 or more voting shares in our Company and the number or aggregate number of those shares, is: (i) 10% of more of the total number of voting shares in our Company; or (ii) 5% or more of the total number of voting shares in our Company where such person is the largest shareholder of our Company. Major Shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Debt Settlements were agreed upon, a major shareholder of our Company, its subsidiary or holding company. For the purpose of this definition, "interest" shall have the meaning as "interest in shares" given in Section 8 of the Act.
MBSB	:	MBSB Bank Berhad [Registration No.: 200501033981 (716122-P)]
MRO	:	Maintenance, repair and overhaul
NA	:	Net assets attributable to the owners of our Company
PBT	:	Profit before taxation
PN 17	:	Practice Note 17 of the Listing Requirements
PN 17 Issuer	:	A listed issuer triggering any prescribed criteria as defined under Paragraph 8.04 of the Listing Requirements
Proposals	:	Collectively, the Proposed Debt Settlements and Proposed Amendments
Proposed Affin Settlement	:	Debt settlement with Affin Bank for the proposed partial settlement of outstanding financing facilities under existing facilities given by Affin Bank to BHIC of up to RM30,000,000 as at the Cut-Off Date
Proposed Amendments	:	Proposed amendments to our Constitution to facilitate the proposed issuance of RCPS A and RCPS-i A to the Financiers and proposed issuance of RCPS B and RPS C to BHB
Proposed AmIslamic Settlement	:	Debt settlement with AmIslamic for the proposed partial settlement of outstanding financing facilities under existing facilities given by AmIslamic to BHIC of up to RM90,000,000 as at the Cut-Off Date
Proposed Debt Settlements	:	Collectively, the Proposed Debt Settlement with BHB and Proposed Debt Settlement with Financiers

Proposed Debt Settlement with BHB	:	Proposed settlement of the amounts owing by BHIC to BHB of up to RM234,000,000 via the issuance of up to 84,658,462 RCPS B, 78,947,368 RPS C and 246,920,486 BHIC Shares all at an issue price of RM0.57 each
Proposed Debt Settlement with Financiers	:	Proposed partial settlement of outstanding financing facilities by BHIC to the Financiers of up to RM183,255,323 via cash payment of up to RM45 million, the issuance of up to 23,625,548 RCPS A, 132,165,050 RCPS-i A and 68,901,458 BHIC Shares all at an issue price of RM0.57 each
Proposed Disposal of BNS	:	The proposed disposal of 27,000,001 ordinary shares in Boustead Naval Shipyard Sdn Bhd held by Perstim Industries Sdn Bhd, an indirect wholly-owned subsidiary of BHIC, for a cash consideration of RM1.00, details as announced by our Company on 21 August 2023
Proposed MBSB Settlement	:	Debt settlement with MBSB for the proposed partial settlement of outstanding financing facilities under existing facilities given by MBSB to BHIC of up to RM63,255,323 as at the Cut-Off Date
RCPS	:	RCPS A, RCPS-i A and RCPS B, collectively or any of them, generally
RCPS A	:	Redeemable convertible preference shares – Class A in BHIC
RCPS-i A	:	Islamic redeemable convertible preference shares – Class A in BHIC
RCPS B	:	Redeemable convertible preference shares – Class B in BHIC
Relevant Subsidiaries	:	Relevant subsidiaries of our Company as defined in Section 3.1, Part A of this Circular
RM and **sen**	:	Ringgit Malaysia and sen, respectively
RPS C	:	Redeemable preference shares – Class C in BHIC
Settlement Agreements	:	Collectively, the Financiers' Settlement Agreements and BHB Settlement Agreement
BNS SSA	:	Share sale agreement between our indirect wholly-owned subsidiary, Perstim Industries Sdn Bhd, and Ocean Sunshine Berhad in respect of the Proposed Disposal of BNS

References to "we", "us", "our" and "ourselves" are to our Company, and where the context otherwise requires, our subsidiary companies. All references to "you" are to our shareholders.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Any reference to persons shall include corporations, unless otherwise stated.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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PROXY FORM		**ENCLOSED**

THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION OF THE PROPOSED DEBT SETTLEMENTS. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH ITS APPENDICES WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY, AND THE CIRCULAR TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED AMENDMENTS DATED 7 DECEMBER 2023, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED DEBT SETTLEMENTS TO BE TABLED AT OUR FORTHCOMING EGM

<table>
<tr><th>Key Information</th><th>Summary</th><th>Reference to Circular</th></tr>
<tr><td>Details of the Proposed Debt Settlements</td><td>

Proposed Debt Settlement with Financiers

As at the Cut-Off Date, the total outstanding financing facilities owing by our Company to the Financiers will be:

Financiers	Facilities provided	Amount owing by BHIC RM
Affin Bank	Revolving credit	30,000,000
MBSB	Term Financing-i	63,255,323
AmIslamic	Revolving Credit-i	90,000,000
Total		**183,255,323**

The outstanding financing facilities owing by our Company to the Financiers as at the Cut-Off Date will be partially settled through a combination of cash, issuance of new BHIC Shares, and the issuance of RCPS A and RCPS-i A in the following manner:

Mode of settlement	Affin RM	MBSB RM	AmIslamic RM
To be retained as financing facilities	1,666,667	3,514,184	5,000,000
Cash	7,366,771	15,532,916	22,100,313
BHIC Shares	7,500,000	15,813,831	15,960,000
RCPS A and RCPS-i A	13,466,562	28,394,392	46,939,687
Total	**30,000,000**	**63,255,323**	**90,000,000**

The total number of new BHIC Shares to be issued upon conversion of the RCPS A and RCPS-i A is subject to a maximum number of 50% of the total number of issued BHIC Shares (excluding treasury shares, if any, and before the exercise of any convertible equity securities) at all times, in compliance with Paragraph 6.50 of the Listing Requirements.

</td><td>Section 2</td></tr>
</table>

<table>
<tr><th>Key Information</th><th>Summary</th><th>Reference to Circular</th></tr>
<tr><td></td><td><u>Proposed Debt Settlement with BHB</u>

As at the Cut-Off Date, the amounts owing to BHB by BHIC will be up to RM234,000,000.

The Proposed Debt Settlement with BHB will entail the issuance of new BHIC Shares, RCPS B and RPS C in the following manner:

<table><tr><th>Mode of settlement</th><th>RM</th></tr><tr><td>BHIC Shares</td><td>140,744,677</td></tr><tr><td>RCPS B</td><td>48,255,323</td></tr><tr><td>RPS C</td><td>45,000,000</td></tr><tr><td>Total</td><td>234,000,000</td></tr></table>
The total number of new BHIC Shares to be issued upon conversion of the RCPS B is subject to a maximum number of 50% of the total number of issued BHIC Shares (excluding treasury shares, if any, and before the exercise of any convertible equity securities) at all times, in compliance with Paragraph 6.50 of the Listing Requirements.</td><td></td></tr>
<tr><td>Rationale and benefits of the Proposed Debt Settlements</td><td>The Proposed Debt Settlements are intended to recapitalise the amounts owing by our Group to both the Financiers and BHB through the issuance of equity instruments as detailed in Section 2, Part A of this Circular.

The Proposed Debt Settlements will benefit our Group in the following ways:

(i) Our Group can partially settle the amounts owing to the Financiers and fully settle the amounts owing to BHB without exposing our Company to significant debt obligation/profit/interest expenses;

(ii) Our Group can reduce our debt without incurring significant cash outflow, which will allow cash flows to be channelled to the day-to-day operational needs of our Group;

(iii) Our Group can recapitalise its debt into equity through the issuance of the equity instruments to strengthen our equity base while reducing our Group's gearing ratio. The capitalisation is expected to further improve on our Group's overall financial position immediately after the Proposed Debt Settlements;

(iv) Any preferential dividend payments to be made under the RCPS A, RCPS-i A, RCPS B and RPS C will be at our discretion, which will give our Company control over our cash flow management. Further, any redemption of the RCPS A, RCPS-i A, RCPS B and RPS C is at the option of our Company; and

(v) The conversion of the RCPS A, RCPS-i A and RCPS B by the Financiers and BHB will be done over time and will minimise any immediate dilutive impact to our shareholders.</td><td>Section 3</td></tr>
</table>

Key Information	Summary	Reference to Circular
Risk factors in relation to the Proposed Debt Settlements	**Non-completion risk of the Proposed Debt Settlements** The completion of the Proposed Debt Settlements is subject to, amongst others, the fulfilment of the conditions precedent within such period as the parties may mutually agree as per the Financiers' Settlement Agreements and BHB Settlement Agreement, failing which these settlement agreements will be terminatepd. In such case, repayment/settlement of the outstanding financing facilities will revert to the repayment/settlement terms as stipulated in the respective existing facility agreements with the Financiers. **Risks relating to the Proposed Disposal of BNS and uncertainty in the repayment of RM383,939,549** Presently the Proposed Disposal of BNS is pending completion and is only expected to be completed within the 1st quarter of 2024. The completion is subject to the conditions precedent being satisfied and/or waived (as the case may be). One of the conditions precedent for the completion of the said BNS SSA is the execution of a conditional ITRRA to be entered into between BHIC and BNS for the repayment of a sum of RM383,939,549 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 to the ITRRA, being the total repayment sum owing by BNS to BHIC and its Relevant Subsidiaries. As the ITRRA is currently being negotiated, there is no certainty that the repayment sum of RM383,939,549 and/or such other sum due and owing by BNS to our Group can be repaid by BNS. Once the amount to be repaid is finalised, our Company will be required to write-off any difference between the finalised amount and the amount owing. Further, our Company is subject to certain contractual risks which are/to be given pursuant to the BNS SSA. Pending execution of the ITRRA, such amount may be subject to expected credit loss assessment. **Contractual risks and obligations pursuant to the preferential dividends payments and redemptions arising from the issuance of the RCPS A, RCPS-i A, RCPS B and RPS C** Pursuant to the terms and features of the RCPS A, RCPS-i A, RCPS B and RPS C under the Proposed Debt Settlements, our Company may declare a non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1.0% per annum until such RCPS A, RCPS-i A, RCPS B and RPS C are redeemed or converted, whichever is applicable. Further, our Company may redeem such RCPS A, RCPS-i A, RCPS B and RPS C in part or in its entirety based on the terms of the respective RCPS A, RCPS-i A, RCPS B and RPS C. There is a risk that our Company will be unable to declare the non-cumulative preferential dividend or redeem the RCPS A, RCPS-i A, RCPS B and RPS C, particularly if our Company's cashflow position is unable meet such obligations. Please refer to Section 5, Part A of this Circular for details.	Section 5

<table>
<tr><th>Key Information</th><th>Summary</th><th>Reference to Circular</th></tr>
<tr><td>Effects of the Proposed Debt Settlements</td><td>
(a) Issued share capital

Assuming the RCPS A, RCPS-i A and RCPS B are fully converted into new BHIC Shares, the pro forma effects of the Proposed Debt Settlements on our Company's share capital are as follows:

<table>
<tr><th></th><th>No. of BHIC Shares</th><th>RM</th></tr>
<tr><td>Issued share capital as at LPD</td><td>248,457,614</td><td>248,457,614</td></tr>
<tr><td>New BHIC Shares to be issued from the Proposed Debt Settlements:</td><td></td><td></td></tr>
<tr><td>– New issuance</td><td>315,821,944</td><td>180,018,508</td></tr>
<tr><td>– Assuming full conversion of RCPS A and RCPS-i A</td><td>155,790,598</td><td>88,800,641</td></tr>
<tr><td>– Assuming full conversion of RCPS B</td><td>84,658,462</td><td>48,255,323</td></tr>
<tr><td>Enlarged issued share capital</td><td>804,728,618</td><td>565,532,086</td></tr>
</table>
There will be no change to our Company's issued share capital if none of the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares.

The issuance of the RPS C will not have any effect on our Company's issued share capital as the RPS C are not convertible into new BHIC Shares.

(b) Substantial shareholders' shareholdings

The pro forma effects of the Proposed Debt Settlements on the substantial shareholders' shareholdings are set out in Section 6.2, Part A of this Circular.

The conversion of the RCPS A and RCPS-i A by each of the Financiers shall be capped to ensure that each of the Financiers' shareholdings in our Company resulting from the conversion will be less than 5% of our enlarged issued share capital at any point in time. Further, the conversion of the RCPS A and RCPS-i A by all the holders of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. The conversion will not be made if such conversion will result in non-compliance with the public shareholding spread requirement.

In view of the above, our Company expects to continue to comply with the public shareholding spread requirement under the Listing Requirements upon full conversion of the RCPS A, RCPS-i A and RCPS B.
</td><td></td></tr>
</table>

Key Information	Summary	Reference to Circular
Effects of the Proposed Debt Settlements	(c) NA, NA per Share and gearing Our Group's pro forma NA will increase from approximately RM60.67 million as at 31 December 2022 to RM420.24 million upon completion of the Proposed Debt Settlements. Our pro forma NA per Share will increase from RM0.24 per Share as at 31 December 2022 to RM0.74 per Share upon completion of the Proposed Debt Settlements. Our gearing ratio will improve from 4.06 times to 0.02 times upon completion of the Proposed Debt Settlements. Please refer to Section 6.3, Part A of this Circular for further details. (d) Earnings and EPS / LPS The Proposed Debt Settlements are not expected to have any material effect on the consolidated earnings and EPS/LPS of our Group for the FYE 2023. The Proposed Debt Settlements will result in profit/interest savings for our Group as we will only be required to service profit/interest payments on the remaining sum to be retained as financing facilities upon completion of the Proposed Debt Settlements (as set out in Section 2.1.1, Part A of this Circular). The profit/interest savings are expected to have a positive effect on our earnings in the next financial year. Further, any preferential dividend payable on the RCPS A, RCPS-I A, RCPS B and RPS C is at the sole and absolute discretion of our Board subject to our profitability and is non-cumulative. Upon completion of the Proposed Debt Settlements, the EPS/LPS is expected to be diluted when the new BHIC Shares are issued and may be further diluted as and when the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares. Notwithstanding the above, the Proposed Debt Settlements are expected to contribute positively to our Group's future earnings as per the benefits set out in Section 3, Part A of this Circular. Please refer to Section 6.4, Part A of this Circular for further details.	Section 6

Key Information	Summary	Reference to Circular
Approvals required and conditionality	The Proposed Debt Settlements are subject to the following approvals being obtained: (i) Bursa Securities for the listing of and quotation for the new BHIC Shares to be issued pursuant to the Proposed Debt Settlements and arising from the conversion of the RCPS A, RCPS-i A and RCPS B on the Main Market of Bursa Securities; (ii) issuance of a letter by the Shariah adviser, Affin Islamic Bank Berhad, in relation to the pronouncement that the RCPS-i A is in compliance with the principles of Shariah; (iii) our shareholders at an EGM to be convened for the Proposals; (iv) approvals from the Financiers for the execution of the Financiers' Settlement Agreements. The Financiers' Settlement Agreements were executed on 13 December 2023; (v) approval from the Board of Directors of BHB for the execution of the BHB Settlement Agreement. The BHB Settlement Agreement was executed on 13 December 2023; (vi) the execution of a stakeholder agreement in the form and substance to be agreed and entered into between BHIC, BHB, Financiers and Affin Hwang Trustee Berhad as stakeholder for the purpose of guaranteeing the issuance and crediting of the new BHIC Shares to the Financiers' securities accounts by 5 January 2024 and the issuance of RCPS A and RCPS-i A and the delivery of the original share certificates in respect thereof registered in the name of the Financiers by 31 January 2024 ("**Stakeholder Agreement**"); (vii) BHB's board approval for execution of the Stakeholder Agreement; (viii) endorsement from the Shariah Advisory Council of the Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A (if required); and (ix) any other relevant authorities and/or parties, if required. The Proposed Affin Settlement, Proposed MBSB Settlement and Proposed AmIslamic Settlement are all inter-conditional with each other. The Proposed Debt Settlement with Financiers and the Proposed Debt Settlement with BHB are inter-conditional. The Proposed Amendments are inter-conditional with the Proposed Debt Settlements.	Section 8
Audit Committee's statement	The Audit Committee of our Company, having considered all aspects of the Proposed Debt Settlements and after taking into consideration the views of the Independent Adviser, is of the opinion that the Proposed Debt Settlements are: (i) in the best interest of our Company; (ii) fair, reasonable and on normal commercial terms; and (iii) not detrimental to the interest of the non-interested shareholders of our Company.	Section 12

Key Information	Summary	Reference to Circular
Directors' statement and recommendation	Our Board, save for the Interested Directors, after taking into consideration all aspects of the Proposed Debt Settlements and after taking into consideration the views of the Independent Adviser, is of the opinion that the Proposed Debt Settlements are in the best interest of our Company. Accordingly, our Board, save for the Interested Directors, recommends that you **vote in favour** of the resolutions pertaining to the Proposed Debt Settlements to be tabled at our Company's forthcoming EGM.	Section 13
Independent Adviser	The IAL from MainStreet is set out in Part B of this Circular. You should read the contents of this Circular (including the IAL) carefully before voting on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our Company's forthcoming EGM.	Section 14
Estimated timeframe for completion	Barring any unforeseen circumstances and subject to all the required approvals being obtained, the Proposed Debt Settlements are expected to be completed within the 1st quarter of 2024.	Section 15

PART A
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DEBT SETTLEMENTS

Boustead Heavy Industries Corporation Berhad

[Registration No.: 197101000758 (11106-V)]
(Incorporated in Malaysia)

Registered Office:

17th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

14 December 2023

Board of Directors

Tan Sri Dato' Wira Aziah Ali	*(Independent Non-Executive Director)*
(Dr.) Salihin Abang	*(Independent Non-Executive Director)*
Hajah Saadatul Nafisah Bashir Ahmad	*(Independent Non-Executive Director)*
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	*(Independent Non-Executive Director)*
General (R) Tan Sri Dato' Seri Zamrose Mohd Zain	*(Non-Independent Non-Executive Director)*
Dato' Ahmad Nazim Abd Rahman	*(Non-Independent Non-Executive Director)*
Izaddeen Daud	*(Non-Independent Non-Executive Director)*
Fahmy Ismail	*(Non-Independent Non-Executive Director)*
Mohd Khairul Anuar Mohd Nor	*(Non-Independent Non-Executive Director)*
Raja Iskandar Raja Abdullah *(alternate to Dato' Ahmad Nazim Abd Rahman)*	*(Non-Independent Non-Executive Director)*

To: The shareholders of BHIC

Dear Sir/Madam,

PROPOSED DEBT SETTLEMENTS

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1. INTRODUCTION

On 6 December 2023, Affin Hwang IB had announced, on behalf of our Board, that our Company had issued letters of offer to the Financiers and BHB in relation to the Proposed Debt Settlements.

Subsequently, on 13 December 2023, the Financiers and BHB had entered into the following:

(a) Financiers' Settlement Agreements; and

(b) BHB Settlement Agreement.

The Proposed Debt Settlement with BHB and Proposed Debt Settlement with Financiers (considering that Affin Bank is one of the Financiers to BHIC pursuant to the Proposed Debt Settlements) are deemed to be related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements in view of the interests of the Interested Directors, Interested Major Shareholders and Interested Chief Executive as set out in Section 10, Part A of this Circular.

Accordingly, in compliance with Paragraph 10.08(2)(c) of the Listing Requirements, our Board (save for the Interested Directors), had on 20 November 2023, appointed MainStreet to act as the Independent Adviser to undertake the following:

(i) comment whether the Proposed Debt Settlements are:

(a) fair and reasonable in so far as our non-interested shareholders are concerned; and

(b) to the detriment of our non-interested shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion,

(ii) advise our non-interested shareholders on whether they should vote in favour of the resolutions pertaining to the Proposed Debt Settlements to be tabled at our Company's forthcoming EGM.

In conjunction with the Proposed Debt Settlements, our Company also proposes to undertake the Proposed Amendments, the details of which are contained in the circular to our shareholders dated 7 December 2023. The Proposed Amendments are not deemed as related party transactions pursuant to the Listing Requirements.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DEBT SETTLEMENTS, TO SET OUT OUR BOARD'S (SAVE FOR THE INTERESTED DIRECTORS) RECOMMENDATION ON THE PROPOSED DEBT SETTLEMENTS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED DEBT SETTLEMENTS TO BE TABLED AT OUR COMPANY'S FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH ITS APPENDICES, AND THE CIRCULAR TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED AMENDMENTS DATED 7 DECEMBER 2023, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED DEBT SETTLEMENTS.

2. DETAILS OF THE PROPOSED DEBT SETTLEMENTS

2.1 Proposed Debt Settlement with Financiers

2.1.1 Details of the Proposed Debt Settlement with Financiers

As at the Cut-Off Date, the total outstanding financing facilities owing by our Company to the Financiers will be:

Financiers	**Facilities provided**	**Amount owing by BHIC RM**
Affin Bank	Revolving credit	30,000,000
MBSB	Term Financing-i	63,255,323
AmIslamic	Revolving Credit-i	90,000,000
Total		**183,255,323**

Under the Proposed Debt Settlement with Financiers, the outstanding financing facilities owing by our Company to the Financiers as at the Cut-Off Date will be partially settled through a combination of cash, issuance of new BHIC Shares, and the issuance of RCPS A and RCPS-i A in the following manner:

Financiers	**Sum to be retained as financing facilities**	**Cash**	**New BHIC Shares [(1)]**		**RCPS A [(1)(2)]**		**RCPS-i A [(1)(2)]**		**Total**
	RM	**RM**	**Quantity**	**RM**	**Quantity**	**RM**	**Quantity**	**RM**	**RM**
Affin Bank	1,666,667	7,366,771	13,157,895	7,500,000	23,625,548	13,466,562	-	-	30,000,000
MBSB	3,514,184	15,532,916	27,743,563	15,813,831	-	-	49,814,722	28,394,392	63,255,323
AmIslamic	5,000,000	22,100,313	28,000,000	15,960,000	-	-	82,350,328	46,939,687	90,000,000
Total	**10,180,851**	**45,000,000**	**68,901,458**	**39,273,831**	**23,625,548**	**13,466,562**	**132,165,050**	**75,334,079**	**183,255,323**

Notes:

(1) The issue price, conversion and redemption prices for the new BHIC Shares, RCPS-i A and RCPS A have been fixed at RM0.57 based on the closing market price of the BHIC Shares on 22 November 2023, being the latest practicable market date prior to the Proposed Debt Settlements.

*(2) The salient terms of the RCPS A and RCPS-i A are set out in **Appendices II and III** of this Circular, respectively.*

The rationale to settle the outstanding financing facilities partially instead of the full amount owing is to accommodate the Financiers' request that part of the financing facilities are retained for them to continue as financiers to our Company. Further, Affin Bank will receive the RCPS A given that the existing financing given by Affin Bank is conventional in nature whilst the RCPS-i A will be issued to MBSB and AmIslamic given the existing Shariah-compliant financing provided by them. Despite being different instruments, both the RCPS A and RCPS-i A will have the same features (except for the compliance of the RCPS-i A with the principles of Shariah).

The total number of new BHIC Shares to be issued upon conversion of the RCPS A and RCPS-i A is subject to a maximum number of 50% of the total number of issued BHIC Shares (excluding treasury shares, if any, and before the exercise of any convertible equity securities) at all times, in compliance with Paragraph 6.50 of the Listing Requirements. Please refer to Section 6.1, Part A of this Circular for further details.

Details on the financing facilities taken with the respective Financiers are as follows:

(a) MBSB

The financing facility was taken in 2010 to fund the construction and sale of three units of 7,000 DWT chemical tankers ("**Chulan Tankers**") pursuant to shipbuilding contracts and due to the subsequent failure by BPS, a wholly-owned subsidiary of BHIC, to deliver the Chulan Tankers by the contractual delivery date, the buyer had rescinded the contracts. The financing facility was partially used to reimburse the buyer for the amounts paid by them and amounts due to them under the contracts.

Our Group subsequently took ownership of the Chulan Tankers for our Group's chartering business and eventually sold the Chulan Tankers. However, due to cost overruns in its construction, losses incurred in the course of its chartering business and the loss on disposal of the Chulan Tankers, BPS faced difficulties in repaying the financing facilities.

Our Group has been making fixed monthly payments totalling RM2.0 million since the previous restructuring of the facility in December 2022 with a profit rate that is based on the base financing rate.

(b) AmIslamic

The financing facility was taken in 2007 to partially fund the operating costs associated with the construction and sale of the Chulan Tankers and two units of 7,000 DWT oil carriers/chemical carriers ("**Sealink Tankers**") pursuant to a shipbuilding contract.

Due to BPS's failure to deliver the Sealink Tankers by the contractual delivery date, the buyer had rescinded the contract. The financing facility was also used to fund the settlement sum under a settlement agreement with the buyer. Due to cost overruns in the construction of the Sealink Tankers, BPS faced difficulties in repaying the financing facilities.

Our Group has been making fixed monthly principal payments of RM1.0 million since January 2023. The facility carries a profit rate of 1.75% in addition to the prevailing cost of funds.

(c) Affin Bank

The financing facility was taken in 2008 to fund the construction of two separate 111-meter accommodation work barges for an oil and gas project. The barges were delivered in 2013, however, due to cost overruns, the loan was unable to be repaid.

Our Group has been making fixed principal payments of RM5.0 million every 6 months since January 2021. The facility carries an interest rate of 1.50% in addition to the prevailing cost of funds.

Based on the amount outstanding as at the Cut-Off Date and the profit/interest rates as at the LPD, the profit/interest savings per annum for FYE 2024 is RM8.6 million.

2.1.2 Basis and justification of the issue price, conversion price and redemption price of the new BHIC Shares, RCPS A and RCPS-i A

The issue price of RM0.57 for the new BHIC Shares, RCPS A and RCPS-i A has been fixed and was agreed upon by our Company and the Financiers after taking into consideration the following:

(i) The historical share prices of our Company prior to the issuance of the letters of offer by BHIC to the Financiers;

(ii) Closing market price of our Company on 22 November 2023 of RM0.57 per BHIC Share (being the latest practicable market date prior to the Proposed Debt Settlements); and

(iii) The rationale as set out in Section 3, Part A of this Circular.

Each RCPS A and RCPS-i A can be converted into one new BHIC Share at a conversion price of RM0.57. For the avoidance of doubt, the conversion price is solely for the determination of the number of new BHIC Shares arising from the conversion of the RCPS A and RCPS-i A, and no consideration will be received by our Company upon conversion of the RCPS A and RCPS-i A.

Each RCPS A and RCPS-i A can be redeemed at a redemption price of RM0.57 per RCPS A and RCPS-i A. The basis of the conversion price and redemption price is the same as the issue price as stated above.

2.1.3 Salient terms of the Financiers' Settlement Agreements

The salient terms of the Financiers' Settlement Agreements are set out in **Appendices I(a) to I(c)** of this Circular.

2.1.4 Salient terms of the RCPS A and RCPS-i A

The salient terms of the RCPS A and RCPS-i A are set out in **Appendices II and III** of this Circular respectively.

2.1.5 Utilisation of proceeds

No cash proceeds will be raised from the Proposed Debt Settlement with Financiers as it is undertaken to partially settle the outstanding financing facilities as at the Cut-Off Date owing by BHIC to the Financiers. Further, no proceeds will be raised by our Company upon conversion of the RCPS A and RCPS-i A into new BHIC Shares.

For avoidance of doubt, the Proposed MBSB Settlement, Proposed AmIslamic Settlement, and the issuance of the RCPS A-i to MBSB and AmIslamic shall be done in a Shariah-compliant manner.

2.2 Proposed Debt Settlement with BHB

2.2.1 Details of the Proposed Debt Settlement with BHB

As at the Cut-Off Date, the amounts owing to BHB by BHIC will be up to RM234,000,000, comprising RM189,000,000, which is the amount owed to BHB as at the Cut-Off Date, and the advance provided by BHB to our Company of RM45,000,000 as detailed below.

The Proposed Debt Settlement with BHB will entail the issuance of new BHIC Shares, RCPS B and RPS C in the following manner:

	New BHIC Shares [(1)]		**RCPS B [(1)(2)]**		**RPS C [(1)(2)]**		**Total**
	Quantity	**RM**	**Quantity**	**RM**	**Quantity**	**RM**	**RM**
BHB	246,920,486	140,744,677	84,658,462	48,255,323	78,947,368	45,000,000	234,000,000

Notes:

(1) The issue price, conversion and redemption prices for the new BHIC Shares, RCPS B and RPS C have been fixed at RM0.57 based on the closing market price of the BHIC Shares on 22 November 2023, being the latest practicable market date prior to the Proposed Debt Settlements.

*(2) The salient terms of the RCPS B and RPS C are set out in **Appendix V** of this Circular.*

The amount owing to BHB by our Company had accumulated over the years arising mainly from the repayment of the financing facilities taken by our Group. As part of the Proposed Debt Settlement with Financiers, the Financiers had requested for partial cash settlement to be incorporated as part of the settlement scheme. To meet this request, BHB has agreed to advance to our Company a further RM45 million, and in exchange, our Company will issue the RPS C to BHB to settle this amount owing of RM45 million.

The combination of new BHIC Shares, RCPS B and RPS C issued to BHB under the Proposed Debt Settlement with BHB was arrived at after negotiations between our Company and BHB, taking into consideration the combination of instruments under the Proposed Debt Settlement with Financiers and to comply with Paragraph 6.50 of the Listing Requirements at all times as elaborated below.

The total number of new BHIC Shares to be issued upon conversion of the RCPS B is subject to a maximum number of 50% of the total number of issued BHIC Shares (excluding treasury shares, if any, and before the exercise of any convertible equity securities) at all times, in compliance with Paragraph 6.50 of the Listing Requirements. Please refer to Section 6.1, Part A of this Circular for further details.

Based on the amount outstanding as at the Cut-Off Date and the interest rates as at the LPD, the interest savings per annum for FYE 2024 is RM15.2 million.

2.2.2 Information on BHB

BHB was incorporated in Malaysia on 25 July 1960 as a public company under the name of Boustead & Company (1960) Limited. BHB changed its name to Boustead Holdings Limited on 18 February 1966 and had on 15 April 1966 assumed its present name. BHB was recently delisted from the Main Market of Bursa Securities on 28 June 2023.

BHB is an investment holding company and is principally involved in the provision of management services to its subsidiaries and property investment. Through its subsidiaries, BHB Group is involved in the property and industrial, plantation, heavy industries, pharmaceutical, trading and finance businesses.

As at the LPD, BHB has an issued share capital of RM2,735,700,000 comprising 2,026,987,997 ordinary shares in BHB and is wholly-owned by LTAT.

As at the LPD, the directors of BHB are as follows:

Name	**Designation**
Dato' Ahmad Nazim Abd Rahman	Non-Independent Executive Chairman
Lieutenant General Dato' Fadzil Mokhtar	Independent Non-Executive Director
Dato' Seri Rosman Mohamed	Independent Non-Executive Director
Pauline Teh @ Pauline Teh Abdullah	Independent Non-Executive Director
Muhammad Fitri Othman	Non-Independent Non-Executive Director
Dayana Rogayah Omar	Non-Independent Non-Executive Director *(Alternate to Muhammad Fitri Othman)*

2.2.3 Basis and justification of the issue price, conversion price and redemption price of the RCPS B and RPS C

The issue price of RM0.57 for the new BHIC Shares, RCPS B and RPS C has been fixed and was agreed upon by our Company and BHB after taking into consideration the following:

(i) The historical share prices of our Company prior to the issuance of the Letter of Offer by BHIC to BHB;

(ii) Closing market price of our Company on 22 November 2023 of RM0.57 per BHIC Share (being the latest practicable market date prior to the Proposed Debt Settlements); and

(iii) The rationale as set out in Section 3, Part A of this Circular.

Each RCPS B can be converted into one new BHIC Share at a conversion price of RM0.57. For the avoidance of doubt, the conversion price is solely for the determination of the number of Conversion Shares arising from the conversion of the RCPS B, and no consideration will be received by our Company upon conversion of the RCPS B.

Each RCPS B and RPS C can be redeemed at a redemption price of RM0.57 per RCPS B or RPS C. The basis of the conversion price and redemption price is the same as the issue price as stated above.

2.2.4 Salient terms of the BHB Settlement Agreement

The salient terms of the BHB Settlement Agreement are set out in **Appendix IV** of this Circular.

2.2.5 Salient terms of RCPS B and RPS C

The salient terms of the RCPS B and RPS C are set out in **Appendix V** of this Circular.

2.2.6 Utilisation of proceeds

As part of the Proposed Debt Settlement with Financiers, the Financiers had requested for partial cash settlement to be incorporated as part of the settlement scheme. To meet this request, BHB has agreed to advance to our Company a further RM45 million, and in exchange, our Company will issue the RPS C to BHB to settle this amount owing of RM45 million.

No cash proceeds will be raised from the issuance of RCPS B to BHB as it is undertaken to fully settle the amounts owing to BHB by BHIC. Further, no proceeds will be raised by our Company upon conversion of the RCPS B into new BHIC Shares.

2.3 Ranking of the equity instruments to be issued

2.3.1 New BHIC Shares

The new BHIC Shares shall rank equally with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance and allotment of such BHIC Shares to the Financiers and BHB.

2.3.2 Preference shares

Subject to the Special Redemption Condition (as defined below), the RCPS A and RCPS-i A shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares, RCPS B, RPS C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS A and RCPS-i A.

The RCPS A and RCPS-i A are ranked ahead in point of priority to all BHIC Shares, RCPS B, RPS C and all other classes of shares of BHIC at the request of the Financiers to ensure that the Financiers rank ahead in terms of their rights and features of the instruments, such as receipt of non-cumulative dividend, as compared to other classes of shares of BHIC.

Subject to the Special Redemption Condition (as defined below), the RCPS B shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares, RPS C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS B. The RCPS B shall rank subordinated to the RCPS A and RCPS-i A.

RPS C shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RPS C. The RPS C shall rank subordinated to the RCPS A, RCPS-i A and RCPS B.

Additionally, the RPS C will be ahead in priority in terms of redemption to the RCPS A and RCPS-i A and RCPS B ("**Special Redemption Condition**"). The Special Redemption Condition allows our Company to redeem RPS C first before other classes of preference shares in view that the RPS C was issued to settle the amounts advanced by BHB to our Company to facilitate the cash repayment to the Financiers as part settlement of the Proposed Debt Settlement to Financiers as stated in Section 2.2.1, Part A of this Circular.

The holders of RCPS A, RCPS-i A and RCPS B shall not be entitled to participate in any distributions (including profits) beyond such rights as expressly stated in the Financiers' Settlement Agreements and BHB Settlement Agreement, and/or offer of further securities in BHIC by way of rights until and unless the RCPS A, RCPS-i A and RCPS B have been converted into new BHIC Shares and the entitlement date is subsequent to the date of allotment and issuance of such Conversion Shares.

In the event of any liquidation, winding up or other return of capital of our Company (including a merger or consolidation and a sale, lease, transfer, exclusive licence or other disposition of all or substantially all of the assets of BHIC):

- the holders of RCPS A and RCPS-i A shall be paid in priority over the holders of RCPS B, RPS C and the BHIC Shares and other classes of shares;

- the holders of RCPS B shall be paid in priority over the holders of RPS C and the BHIC Shares and other classes of shares, but subordinated to RCPS A and RCPS-i A; and

- the holders of RPS C shall be paid in priority over the holders of BHIC Shares and other classes of shares, but subordinated to RCPS A, RCPS-i A and RCPS B,

with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the holders of RCPS A, RCPS-i A, RCPS B and RPS C.

Further, each RCPS A, RCPS-i A, RCPS B and RPS C shall be conferred the right to receive, in such priority ranking, the cash repayment in full of the total issue price of the issued and allotted RCPS A, RCPS-i A, RCPS B and RPS C that are at the time still unredeemed and/or unconverted, and all dividends and interest/profits accrued thereon provided that the holders of RCPS A, RCPS-i A, RCPS B and RPS C shall have no further right to participate in the surplus assets or profits of BHIC in respect of the RCPS A, RCPS-i A, RCPS B and/or RPS C.

The RCPS A, RCPS-i A, RCPS B and RPS C shall be subordinated to all creditors of BHIC, whether secured or unsecured.

Our Company shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS A, RCPS-i A, RCPS B and/or RPS C, save with the requisite prior approval of the holders of RCPS A, RCPS-i A, RCPS B and/or RPS C by way of an ordinary resolution of such holders of 51% or more of the aggregate principal amount of RCPS A, RCPS-i A, RCPS B and/or RPS C then outstanding.

2.4 Listing of and quotation for the equity instruments

The RCPS A, RCPS-i A, RCPS B and RPS C will not be listed on Bursa Securities.

We will make an application to Bursa Securities for the listing of and quotation for the new BHIC Shares (including the Conversion Shares) which will be issued pursuant to the Proposed Debt Settlements, on the Main Market of Bursa Securities. We will make the necessary announcements once we have obtained Bursa Securities' approval for our application.

3. RATIONALE AND BENEFITS

3.1 Background of the Proposed Disposal of BNS

We had on 21 August 2023, announced that our indirect wholly-owned subsidiary, Perstim Industries Sdn Bhd had entered into the BNS SSA with Ocean Sunshine Berhad in respect of the proposed disposal of 27,000,001 ordinary shares representing approximately 20.77% of the equity interest in BNS. BNS is also our associated company. The BNS SSA is expected to be completed within the 1st quarter of 2024. One of the conditions precedent for the completion of BNS SSA is the execution of the ITRRA to be entered into between BHIC (as authorised by its relevant subsidiaries to enter into the ITRRA on their behalf) and BNS for the repayment of a sum of RM383,939,549 and/or such other sum due and owing by BNS to BHIC and its relevant subsidiaries (as detailed below) which shall be subjected to verification in the due diligence review and to be mutually agreed thereto by the parties to the ITRRA, being the total repayment sum owing by BNS to BHIC and its relevant subsidiaries.

As at the LPD, the repayment sum of RM383,939,549 under the ITRRA are owed by BNS to our Company and the following relevant subsidiaries ("**Relevant Subsidiaries**"):

- BPS;
- BHIC Electronic and Technologies Sdn Bhd;
- BHIC Allied Defence Technology Sdn Bhd;
- BHIC Defence Techservices Sdn Bhd;
- BHIC Submarine Engineering Services Sdn Bhd;
- BHIC Navaltech Sdn Bhd; and
- BHIC Marine Technology Academy Sdn Bhd.

Any delay in the Proposed Disposal of BNS will not result in any material impact to our Group as we have already fully impaired our Company's cost of investment in BNS and BNS's carrying value in our Group is nil due to equity accounting of BNS's losses in previous years. The gain on disposal will be RM1.00 once completed. Further, if the Proposed Disposal of BNS is terminated, BNS will remain as our Group's associate company.

The amount to be repaid by BNS under the ITRRA to our Group is uncertain as our Company is still in negotiations with both BNS and Ocean Sunshine Berhad. Once the amount to be repaid is finalised, our Company will be required to write-off any difference between the finalised amount and the amount owing. Pending execution of the ITRRA, such amount owing may be subject to expected credit loss assessment in our Group's financial statements. Notwithstanding the above, our Company has the right to legal recourse against BNS to recover the amount owing. Our Company will utilise any amounts received from BNS under the ITRRA for the redemption of the preference shares and business operations.

In relation to whether the Proposed Disposal of BNS will trigger PN 17, our Company will assess our position following the completion of the Proposed Disposal of BNS and the agreed outcome of the ITRRA. For avoidance of doubt, the Proposed Debt Settlements will not result in our Company becoming a PN 17 Issuer.

In the past, BHIC was able to benefit from the sales and cash flows generated from trade activities related to BNS's business operations. However, since commencement of discussions on the Proposed Disposal of BNS, these trade activities have ceased.

3.2 Rationale and Benefits of the Proposed Debt Settlements

In order to provide a solid platform for the future sustainability of BHIC and given the uncertainty of the amount repayable from BNS, there is a pressing need to strengthen the financial position of BHIC while ensuring its cashflow position is optimised.

As at the LPD, our Company has financing facilities of RM187.6 million which were taken mainly for working capital purposes. The amounts owing to BHB by BHIC of RM166.1 million as at the LPD were mainly used for the repayment of the financing facilities, and such amounts owing will increase up to RM234.0 million by 31 December 2023. As such, it is paramount for our Group to undertake a restructuring of its debts to ensure the sustainability of its earnings, cashflow and future capital expenditure requirements moving forward.

Based on the unaudited consolidated financial results of BHIC for the financial period ended 30 September 2023, BHIC has shareholders' funds of RM53.5 million after taking into account its accumulated losses of RM195.0 million. BHIC recorded a net cash and cash equivalents position of negative RM16.1 million.

Accordingly, the Proposed Debt Settlements are intended to avoid any worsening of the financial position of BHIC. The Proposed Debt Settlements are intended to recapitalise the amounts owing by our Group to both the Financiers and BHB through the issuance of equity instruments as detailed in Section 2, Part A of this Circular.

The Proposed Debt Settlements will benefit our Group in the following ways:

(i) Our Group can partially settle the amounts owing to the Financiers and fully settle the amount owing to BHB without exposing our Company to significant debt obligation/profit/interest expenses;

(ii) Our Group can reduce our debt without incurring significant cash outflow, which will allow cash flows to be channelled to the day-to-day operational needs of our Group;

(iii) Our Group can recapitalise its debt into equity through the issuance of the equity instruments to strengthen our Company's equity base while reducing our Group's gearing ratio. The capitalisation is expected to further improve on our Group's overall financial position immediately after the Proposed Debt Settlements;

(iv) Any preferential dividend payments to be made under the RCPS A, RCPS-i A, RCPS B and RPS C will be at our discretion, which will give our Company control over our cash flow management. Further, any redemption of the RCPS A, RCPS-i A, RCPS B and RPS C is at the option of our Company; and

(v) The conversion of the RCPS A, RCPS-i A and RCPS B by the Financiers and BHB will be done over time and will minimise any immediate dilutive impact to our shareholders.

3.3 Additional Information

(a) Our Group's financial performance for the last 3 financial years and the latest quarterly results together with its commentary

	Audited			**Unaudited 9-months FPE 30 September**	
	FYE 2020	**FYE 2021**	**FYE 2022**	**2022**	**2023**
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**
Revenue	145,200	149,186	141,760	103,204	77,670
(LBT)/PBT	(32,773)	18,275	(7,677)	10,785	(796)
(Loss)/Profit for the year	(50,579)	15,192	(19,924)	6,556	(7,163)
Basic/diluted EPS/(LPS) (sen)	(20.36)	6.11	(8.02)	2.64	(2.88)

	Audited as at 31 December			**Unaudited as at 30 September 2023**
	2020	**2021**	**2022**	
	RM '000	**RM '000**	**RM '000**	**RM '000**
Paid-up capital	248,458	248,458	248,458	248,458
Shareholders' funds / NA	65,400	80,592	60,668	53,505
NA per Share (RM)	0.26	0.32	0.24	0.22
Current ratio (times)	0.97	0.41	0.31	0.31
Total borrowings	291,066	287,446	246,025	193,084
Gearing ratio (times)	4.45	3.57	4.06	3.61

Commentary on past financial performance

FYE 2020 vs FYE 2021

Our Group's revenue increased by approximately RM4.0 million or 2.8% from RM145.2 million in FYE 2020 to RM149.2 million in FYE 2021 mainly due to increase in revenue from submarine contracts and other defence-related MRO projects.

Our Group's PBT increased by RM51.1 million or 155.8% from a LBT of RM32.8 million in FYE 2020 to a PBT of RM18.3 million in FYE 2021. This was mainly due to higher MRO activities and lower operating costs.

FYE 2021 vs FYE 2022

Our Group's revenue decreased by approximately RM7.4 million or 5.0% from RM149.2 million in FYE 2021 to RM141.8 million in FYE 2022 mainly due to lower revenue from submarine contracts and other defence-related MRO projects.

Our Group's PBT decreased by RM26.0 million or 142.0% from RM18.3 million in FYE 2021 to a loss of RM7.7 million in FYE 2022. This was mainly due to higher allowance for expected credit loss and increase in finance costs.

9-months FPE 30 September 2022 vs FPE 30 September 2023

Our Group's revenue decreased by approximately RM25.5 million or 24.7% from RM103.2 million in FPE 30 September 2022 to RM77.7 million in FPE 30 September 2023 mainly due to variations in the milestones achieved for submarine contracts.

Our Group's PBT decreased by RM11.6 million or 107.4% from RM10.8 million in FPE 30 September 2022 to a loss of RM0.8 million in FPE 30 September 2023. This was mainly contributed by lower contribution from submarine projects and other defence-related MRO projects, higher profit/interest expenses and higher negative contribution from joint venture companies (which was mainly due to lower demand from customers and higher operating expenses).

(b) Impact of the Proposed Debt Settlements on BHIC and its shareholders

The Proposed Debt Settlements are intended to recapitalise the amounts owing by our Group to both the Financiers and BHB through the issuance of equity instruments as detailed in Section 2, Part A of this Circular. Through the Proposed Debt Settlements, our Group can partially settle the amounts owing to the Financiers and fully settle the amounts owing to BHB without exposing our Company to significant debt obligation/profit/interest expenses. Consequentially, we can reduce our Group's debt without incurring significant cash outflow. This will allow any future cash flows to be channelled to the business operations of our Group.

(c) How the Proposed Debt Settlements will create value to BHIC and its shareholders

With the Proposed Debt Settlements, our equity base will be strengthened whilst our gearing ratio will be reduced. For illustration purposes only, based on BHIC's audited consolidated statement of financial position as at 31 December 2022 and assuming that the Proposed Debt Settlements had been effected on that date, the pro forma effects of the Proposed Debt Settlements on the NA, NA per BHIC Share and gearing of the BHIC Group are as follows:

	As at 31 December 2022	**(I) Proposed issuance of BHIC Shares, RCPS A, RCPS-i A, RCPS B and RPS C**
	RM '000	**RM '000**
Shareholders' funds / NA	**60,668**	**(1) 420,243**
NA per BHIC Share	0.24	0.74
Gearing (times)	4.06	0.02

Note:

(1) Includes additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements) and after deducting estimated expenses of RM2.5 million in relation to the Proposals.

(d) Adequacy of the Proposed Debt Settlements in addressing the BHIC's financial concerns

The Proposed Debt Settlements are adequate to address BHIC's financial concerns as the Proposed Debt Settlements entail a restructuring of its debts to ensure the sustainability of its earnings, cashflow and future capital expenditure requirements moving forward.

Moving forward, BHIC intends to expand its footprint in the marine, aerospace, and weapons and combat systems and to boost the number of high-value projects in its portfolio, details as set out in Section 4.3, Part A of this Circular. Further, the Proposed Debt Settlements are expected to contribute positively to our Group's future earnings as per the benefits set out in Section 3, Part A of this Circular.

(e) Dilution to the minority shareholders' shareholdings in BHIC

The Proposed Debt Settlements will result in a dilution to the minority shareholders' shareholdings as the Proposed Debt Settlements entail the issuance of new BHIC Shares and RCPS A, RCPS-i A and RCPS B which can be converted into new BHIC Shares. Hence, the conversion of the RCPS A, RCPS-i A and RCPS B will be done over time to minimise any immediate dilutive impact to our shareholders.

Notwithstanding the above, the Proposed Debt Settlements are expected to provide a platform for the future sustainability of our Company which is, in turn, expected to contribute positively to our Group's future earnings as per the benefits set out in Section 3, Part A of this Circular.

4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS OF OUR GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economic growth has demonstrated remarkable steadfastness and resilience, registering an 8.7% increase in 2022. This momentum has continued in 2023 albeit at a slower pace, recording a moderate growth of 4.2% in the first half due to sluggish global economic and trade growth. Domestic spending continues to drive the momentum, underpinned by strong economic fundamentals.

(Source: Fiscal Outlook and Federal Government Revenue Estimates 2024, Ministry of Finance)

Malaysia's economy remains resilient. The Gross Domestic Product ("**GDP**") is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government of Malaysia ("**Government**") acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), and the Mid-Term Review of the Twelfth Malaysia Plan (MTR of the Twelfth Plan).

Domestic demand continues to drive growth in an environment of increasing external uncertainties. In the first half of 2023, domestic demand registered a growth of 4.5% contributed by strong private and public expenditures. Domestic demand is expected to expand by 4.9% for the whole year, contributing 4.5 percentage point to GDP growth.

Public consumption registered a marginal growth of 0.8% in the first half of 2023 and is anticipated to record 1% for the whole year, supported by continued spending on emoluments. This is aligned with the continuous efforts by the Government to rationalise and optimise expenditure while upholding the quality of public service delivery. Furthermore, the Government continues to enhance value for money in the procurement of supplies and services, reflecting prudent spending.

The Consumer Price Index (CPI) grew by 2.8% from January to August 2023, attributed to moderating trend in global commodity prices; easing supply-related disruptions; existing price controls and provision of subsidies for selected items; as well as the lagged impact from the normalisation of overnight policy rate (OPR). Inflation is expected to moderate in the remaining months, while core inflation is expected to remain elevated relative to the long-term average. For the year, inflation is estimated to range between 2.5% to 3%.

As an open economy, Malaysia is not spared from external developments. Thus, the GDP is expected to moderate in 2023. Nonetheless, the economy is expected to strengthen in 2024 supported by expansion in all sectors and better prospect in global trade.

(Source: Economic Outlook 2024, Ministry of Finance)

4.2 Overview and outlook of the defence and security sectors in Malaysia

The Government recognises the aerospace and defence industry as a strategic industry with vast potential in the country's industrialisation and technological development programs. Malaysia remains embroiled in several territorial disputes with China and its neighbouring countries. The Government also faces trafficking, piracy, and militants operating in the broader region. Protecting its maritime security is critical for Malaysia as a country that depends heavily on sea trade and holds offshore economic assets.

(Source: Malaysia – Country Commercial Guide, International Trade Administration, U.S. Department of Commerce)

The Government total expenditure for 2023 has been revised upwards to RM397.1 billion, equivalent to 21.5% of GDP, from the budget allocation of RM386.1 billion or 20.4% of GDP. In terms of total allocation by sector, the social sector received the highest allocation, amounting to RM133.7 billion or 33.7% of total expenditure, followed by the economic (RM76.5 billion; 19.3%), security (RM37.7 billion; 9.5%) and general administration (RM16.8 billion; 4.2%). Of the total allocation, operating expenditure constitutes 75.6% or RM300.1 billion, while development expenditure ("**DE**") accounts for 24.4% or RM97 billion.

The security sector, which comprises defence and internal security subsectors, receives an allocation of RM11.5 billion or 11.9% of DE. The allocation aims to further strengthen national security, with RM6.4 billion allocated to the defence subsector, while the remaining RM5.1 billion is for the internal security subsector.

For 2024, the Government places a significant emphasis on preserving national security and safeguarding public safety. The security sector is allocated RM12.5 billion, with RM7.4 billion and RM5.1 billion being channelled for the defence and internal security subsectors, respectively. These allocations are for development projects, including the acquisition of new assets, upgrading of existing military and security equipment as well as construction and refurbishment of police stations, military camps and quarters for security personnel.

(Source: Fiscal Outlook and Federal Government Revenue Estimates 2024, Ministry of Finance)

The Malaysian government hopes to strengthen domestic manufacturing capabilities of defence product collaborations and technology transfers, thus reducing its reliance on defence imports. Therefore, it has enforced an offset policy under the Industrial Collaboration Program and Protégé Program for tenders above a particular threshold value to enhance the participation of its local industries. In almost all cases, the foreign company must take on a local partner before their bids are considered. Procurement often goes through intermediaries rather than being conducted directly by the government.

With the ongoing defence modernisation programs, opportunities exist across the entire security and defence industry. Procurement spending will focus increasingly on strengthening Malaysia's ability to protect its coasts, territorial waters, offshore economic interests, and airspace, as well as developing its intelligence, surveillance, and reconnaissance capability. The Malaysian government is considering a mix of crewed and crewless aerial platforms to fulfill the country's maritime patrol requirements. A priority will be replacing equipment used by the MAF's special operations forces, including parachutes, underwater breathing gears, and boats.

(Source: Malaysia – Country Commercial Guide, International Trade Administration, U.S. Department of Commerce)

4.3 Prospects of our Group

Our Company has established our presence in the submarine, aerospace, weapons, and combat systems sectors, delivering MRO services to high-profile clients such as the Royal Malaysian Air Force (RMAF), Royal Malaysian Navy ("**RMN**") and the Malaysian Armed Forces.

We intend to focus on ensuring the timely delivery of projects within cost expectations for the existing contracts awarded by Ministry of Defence for the Interim In-Service Support (MRO services) to the RMN submarines as well as for its Submarine Facilities Upkeep (maintenance of the naval shipyard) which are expected to contribute positively to our Group's earnings in FYE 2023.

Further, being a strategic investee company of LTAT and in line with its Strategic Plan 2023-2025 (MAMPAN25), we will endeavour to secure other defence/government contracts and explore viable opportunities to expand its services into the private sector in-line with our areas of technical expertise to further strengthen our prospects. This will be supported by our established facilities which include an aeroservices centre, coupled with our experienced personnel in maintenance. These strategic plans are to propel our Company towards becoming a high-performing and sustainable organisation.

Our Company is also actively seeking reliable and reputable partners to expand its footprint in the marine, aerospace, and weapons and combat systems sectors and to boost the number of high-value projects in our portfolio.

5. RISK FACTORS RELATING TO THE PROPOSED DEBT SETTLEMENTS

5.1 Non-completion risk of the Proposed Debt Settlements

The completion of the Proposed Debt Settlements is subject to, amongst others, the fulfilment of the conditions precedent within such period as the parties may mutually agree as per the Financiers' Settlement Agreements and BHB Settlement Agreement, failing which these settlement agreements will be terminated. In such case, repayment/settlement of the outstanding financing facilities will revert to the repayment/settlement terms as stipulated in the respective existing facility agreements with the Financiers.

In the event that our Company is unable to complete the Proposed Debt Settlements in a timely manner, there is a risk that our Company will be classified as a PN 17 Issuer if our Group defaults in our payment to the Financiers.

As such, it is imperative that the Proposed Debt Settlements are completed and our Company will take all reasonable steps that are within our control to ensure the completion of the Proposed Debt Settlements including, but not limited to, closely monitoring the progress of the Proposed Debt Settlements and ensuring the timely fulfilment of the conditions precedent within the agreed period.

5.2 Risks relating to the Proposed Disposal of BNS and uncertainty in the repayment of RM383,939,549

Presently the Proposed Disposal of BNS is pending completion and is only expected to be completed within the 1st quarter of 2024. The completion is subject to the conditions precedent being satisfied and/or waived (as the case may be). One of the conditions precedent for the completion of the said BNS SSA is the execution of a conditional ITRRA to be entered into between BHIC and BNS for the repayment of a sum of RM383,939,549 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 to the ITRRA, being the total repayment sum owing by BNS to BHIC and its Relevant Subsidiaries.

As the ITRRA is currently being negotiated, there is no certainty that the repayment sum of RM383,939,549 and/or such other sum due and owing by BNS to our Group can be repaid by BNS. Once the amount to be repaid is finalised, our Company will be required to write-off any difference between the finalised amount and the amount owing. Pending execution of the ITRRA, such amount owing may be subject to expected credit loss assessment in our Group's financial statements. Nonetheless, our Company will take all reasonable steps that are within our control to negotiate the best outcome for our Company under the conditional ITRRA to be entered into between BHIC and BNS. Further, our Company is subject to certain contractual risks which are/to be given pursuant to the BNS SSA.

5.3 Contractual risks and obligations pursuant to the preferential dividends payments and redemptions arising from the issuance of the RCPS A, RCPS-i A, RCPS B and RPS C

Pursuant to the terms and features of the RCPS A, RCPS-i A, RCPS B and RPS C under the Proposed Debt Settlements, our Company may declare a non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1.0% per annum until such RCPS A, RCPS-i A, RCPS B and RPS C are redeemed or converted, whichever is applicable. Further, our Company may redeem such RCPS A, RCPS-i A, RCPS B and RPS C in part or in its entirety based on the terms of the respective RCPS A, RCPS-i A, RCPS B and RPS C. There is a risk that our Company will be unable to declare the non-cumulative preferential dividend or redeem the RCPS A, RCPS-i A, RCPS B and RPS C, particularly if our Company's cashflow position is unable to meet such obligations.

In mitigating such risks, the declaration of the non-cumulative preferential dividend to the holders of RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of our Board and is subject to the availability of distributable profits and fulfilment of a solvency test under the Act. Likewise, the redemption of RCPS A, RCPS-i A, RCPS B and RPS C is at the sole option and discretion of BHIC, subject to the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof.

6. EFFECTS OF THE PROPOSED DEBT SETTLEMENTS

The pro forma effects of the Proposed Debt Settlements are as follows:

6.1 Issued share capital

Assuming the RCPS A, RCPS-i A and RCPS B are fully converted into new BHIC Shares, the pro forma effects of the Proposed Debt Settlements on our Company's share capital are as follows:

	No. of BHIC Shares	**RM**
Issued share capital as at LPD	248,457,614	248,457,614
New BHIC Shares to be issued from the Proposed Debt Settlements:		
– New issuance	315,821,944	180,018,508
	564,279,558	(1) 428,476,122
– Assuming full conversion of RCPS A and RCPS-i A	155,790,598	88,800,641
– Assuming full conversion of RCPS B	84,658,462	48,255,323
Enlarged issued share capital	**804,728,618**	**565,532,086**

Note:

(1) Excludes estimated expenses in relation to the Proposals that is attributable to the share capital.

There will be no change to our Company's issued share capital if none of the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares.

The issuance of the RPS C will not have any effect on our Company's issued share capital as the RPS C are not convertible into new BHIC Shares.

The total number of new BHIC Shares to be issued upon conversion of the RCPS A, RCPS-i A and RCPS B collectively represent 42.61% of the total number of issued BHIC Shares immediately preceding the conversion, which is in compliance with Paragraph 6.50 of the Listing Requirements.

6.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Debt Settlements on the substantial shareholders' shareholdings in our Company are as follows:

Name	As at the LPD				Proforma I Subsequent to the LPD [2]			
	Direct		Indirect		Direct		Indirect	
	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%
BHB	161,497,448	65.00	-	-	161,497,448	65.00	-	-
LTAT	20,266,800	8.16	[1] 161,497,448	65.00	-	-	[1] 161,497,448	65.00
Affin Bank	-	-	-	-	-	-	-	-
MBSB	-	-	-	-	-	-	-	-
AmIslamic	-	-	-	-	-	-	-	-

Name	Proforma II After Proforma I and upon issuance of new BHIC Shares				Proforma III [3] After Proforma II and assuming full conversion of RCPS A, RCPS-i A and RCPS B into new BHIC Shares			
	Direct		Indirect		Direct		Indirect	
	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%
BHB	408,417,934	72.38	-	-	493,076,395	61.27	-	-
LTAT	-	-	[1] 408,417,934	72.38	-	-	[1] 493,076,395	61.27
Affin Bank	13,157,895	2.33	-	-	36,783,443	4.57	-	-
MBSB	27,743,563	4.92	-	-	77,558,285	9.64	-	-
AmIslamic	28,000,000	4.96	-	-	110,350,328	13.71	-	-

Notes:

(1) Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.
(2) LTAT had on 13 December 2023 disposed of its entire shareholdings in BHIC to 3 investors (who are considered public shareholders) as a pro-active step to assist BHIC in meeting the public shareholding spread requirement after the issuance of new BHIC Shares to the Financiers and BHB under the Proposed Debt Settlements.
(3) This is prepared for illustration purposes only.

We wish to highlight that Proforma III is prepared for illustration purposes only, which illustrates the full dilution scenario based on the assumption that all the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares at the same time. Such a scenario is not likely due to the following:

(a) the terms of conversion of RCPS A, RCPS-i A and RCPS B include the compliance with all the applicable requirements, laws and regulations, which includes the public shareholding spread requirement imposed by Bursa Securities. The RCPS A, RCPS-i A and RCPS B will only be converted if these requirements are met;

(b) we are not required to convert any RCPS A, RCPS-i A and RCPS B where the conversion is contrary to the applicable requirements, laws and regulations of Malaysia;

(c) the extent of conversion of RCPS A and RCPS-i A shall be capped such that the resultant ordinary shareholding of each of the Financiers in BHIC shall be less than 5% of our enlarged issued share capital at any point in time following a conversion; or

(d) the conversion of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. From the 4th year, the holders of the RCPS A, RCPS-i A and RCPS B may convert up to 100% of their holdings subject to other terms and conditions of conversion.

The above have been included in the Settlement Agreements.

In addition, BHB, our major shareholder, had via its undertaking letter dated 14 December 2023:

(i) confirmed that they are mindful of the minimum public shareholding spread requirement of 25% in BHIC, as stated in the Listing Requirements. In this regard, BHB will engage with our Board on the necessary steps required to ensure BHIC's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times;

(ii) irrevocably and unconditionally undertake to, from time to time:

- observe and monitor their dealings in BHIC Shares;
- ensure that the conversion of RCPS A, RCPS-i A and/or RCPS B will not result in BHIC being in breach of the public shareholding spread requirement by ensuring that BHIC implements the following procedures;

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  - when BHIC receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, BHIC's Company Secretary will check on the impact of the conversion on BHIC's public shareholding spread; and
  - if the conversion will result in a breach of BHIC's public shareholding spread and items (a) to (d) above (which are set out in the Settlement Agreements), such conversion will be disallowed and the holder will be notified accordingly.

Similarly, we had, via our undertaking letter dated 14 December 2023:

(i) confirmed that we are mindful of the minimum public shareholding spread requirement of 25%, as stated in the Listing Requirements. In this regard, our Board will engage with BHB on the necessary steps required to ensure our Company's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times;

(ii) irrevocably and unconditionally undertake to, from time to time:

- observe and monitor the public shareholding spread in our Company; and
- ensure that completion of the Proposals and the conversion of RCPS-A, RCPS-i A and RCPS B will not result in our Company being in breach of the public shareholding spread requirement by implementing the following procedures:
  - when our Company receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, our Company Secretary will check on the impact of the conversion on our Company's public shareholding spread; and
  - if the conversion will result in a breach of our Company's public shareholding spread and items (a) to (d) above (which are set out in the Settlement Agreements), such conversion will be disallowed and the holder will be notified accordingly.

In view of the above, our Company expects to continue to comply with the public shareholding spread under the Listing Requirements upon full conversion of the RCPS A, RCPS-i A and RCPS B.

The issuance of RPS C will not have any effect on BHIC's substantial shareholders' shareholdings as the RPS C are not convertible into new BHIC Shares.

6.3 NA, NA per Share and gearing

For illustration purposes only, based on our Company's audited consolidated statement of financial position as at 31 December 2022 and assuming that the Proposed Debt Settlements had been effected on that date, the pro forma effects of the Proposed Debt Settlements on our Group's NA, NA per BHIC Share and gearing are as follows:

	As at 31 December 2022	(I) Proposed issuance of BHIC Shares, RCPS A, RCPS-i A, RCPS B and RPS C	(II) After (I) and assuming full conversion of RCPS A, RCPS-i A and RCPS B	(III) After (II) and assuming full redemption of RPS C
	RM '000	RM '000	RM '000	RM'000
Share capital	248,458	[(1)] 427,234	563,344	563,344
Equity portion of:				
- RCPS-i A	-	[(1)] 74,814	-	-
- RCPS A	-	[(1)] 13,374	-	-
- RCPS B	-	[(1)] 47,922	-	-
- RPS C	-	[(1)] 44,689	44,689	-
Accumulated losses	(187,790)	(187,790)	(187,790)	(187,790)
Shareholders' funds / NA	**60,668**	**420,243**	**420,243**	**375,554**
No. of BHIC Shares in issue	248,458	564,280	804,729	804,729
NA per BHIC Share	0.24	0.74	0.52	0.47
Total financing	246,025	[(2)] 10,181	10,181	10,181
Gearing (times)	4.06	0.02	0.02	0.03

Notes:

(1) Includes additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements) and after deducting estimated expenses of RM2.5 million in relation to the Proposals.

(2) The total financing includes the repayment of financing of approximately RM52.6 million which has been repaid during FYE 2023 and additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements).

The pro forma effects of the Proposed Disposal of BNS on our Group's NA, NA per BHIC Share and gearing is not material as BNS is disposed for a cash consideration of RM1.00 and as the ITRRA is currently being negotiated, we are unable to quantify the effects arising from the ITRRA at this juncture.

6.4 Earnings and EPS/LPS

The Proposed Debt Settlements are not expected to have any material effect on the consolidated earnings and EPS/LPS of our Group for the FYE 2023. The Proposed Debt Settlements will result in profit/interest savings for our Group as we will only be required to service profit/interest payments on the remaining sum to be retained as financing facilities upon completion of the Proposed Debt Settlements (as set out in Section 2.1.1, Part A of this Circular). The profit/interest savings are expected to have a positive effect on our earnings in the next financial year.

Further, any preferential dividend payable on the RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of our Board subject to our Company's profitability and is non-cumulative. Upon completion of the Proposed Debt Settlements, our EPS/LPS is expected to be diluted when the new BHIC Shares are issued and may be further diluted as and when the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares.

For illustration purposes only, based on our Company's audited consolidated statement of comprehensive income for the FYE 2022, the pro forma effects on our earnings and EPS/LPS assuming that the Proposed Debt Settlements had been effected in the beginning of the FYE 2022 are as follows:

FYE 2022	**RM'000**
Audited consolidated loss for the year	(19,924)
Add:	
Gain from the Proposed Disposal of BNS	(1) -
Interest/profit savings arising from the Proposed Debt Settlement with Financiers	11,480
Interest savings arising from the Proposed Debt Settlement with BHB	2,967
Less: Estimated expenses to be incurred for the Proposals	(2,500)
Proforma loss for the year	**(7,977)**
Number of new BHIC Shares immediately upon the completion of the Proposed Debt Settlements ('000)	564,280
Proforma basic/diluted LPS (sen)	(1.41)

Note:

(1) The pro forma effects of the Proposed Disposal of BNS is not material as BNS is disposed for a cash consideration of RM1.00 and the ITRRA is currently being negotiated.

The effects of the Proposed Debt Settlement will be included in the FYE 2023 and FYE 2024 financial statements, while the effects of the Proposed Disposal of BNS will be accounted for in FYE 2024 as it is expected to be completed within the 1st quarter of 2024. The effects of the Proposed Disposal of BNS on our Group's financial results for the FYE 2024 will not be material as BNS will be disposed for a cash consideration of RM1.00. However, as the ITRRA is currently being negotiated, we are unable to quantify the effects arising from the ITRRA at this juncture.

The Proposed Debt Settlements are not expected to have a material effect on our Group's financial results for the FYE 2024 save for the profit/interest savings of RM23.7 million per annum (details as set out in Sections 2.1.1 and 2.2.1, Part A of this Circular) and estimated expenses to be incurred in relation to the Proposals.

Notwithstanding the above, the Proposed Debt Settlements are expected to contribute positively to our Group's future earnings as per the benefits set out in Section 3, Part A of this Circular.

6.5 Convertible securities

As at LPD, our Company does not have any convertible securities in issue.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of BHIC Shares as traded on Bursa Securities for the past 12 months up to November 2023 are as follows:

	High RM	**Low RM**
2022		
December	0.420	0.350
2023		
January	0.415	0.370
February	0.400	0.360
March	0.410	0.315
April	0.395	0.300
May	0.395	0.300
June	0.380	0.315
July	0.450	0.320
August	0.560	0.385
September	0.665	0.530
October	0.540	0.435
November	0.585	0.440

Last transacted price of BHIC Shares on 5 December 2023, being the last trading day prior to the announcement on the Proposals on 6 December 2023	0.550
Last transacted market price of BHIC Shares as at the LPD	0.555

(Source: Bloomberg)

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Debt Settlements are subject to the following approvals being obtained:

(i) Bursa Securities for the listing of and quotation for the new BHIC Shares to be issued pursuant to the Proposed Debt Settlements and arising from the conversion of the RCPS A, RCPS-i A and RCPS B on the Main Market of Bursa Securities;

(ii) issuance of a letter by the Shariah adviser, Affin Islamic Bank Berhad, in relation to the pronouncement that the RCPS-i A is in compliance with the principles of Shariah;

(iii) our shareholders at the forthcoming EGM for the Proposals;

(iv) approvals from the Financiers for the execution of the Financiers' Settlement Agreements. The Financiers' Settlement Agreements were executed on 13 December 2023;

(v) approval from the Board of Directors of BHB for the execution of the BHB Settlement Agreement. The BHB Settlement Agreement was executed on 13 December 2023;

(vi) the execution of a stakeholder agreement in the form and substance to be agreed and entered into between BHIC, BHB, Financiers and Affin Hwang Trustee Berhad as stakeholder for the purpose of guaranteeing the issuance and crediting of the new BHIC Shares to the Financiers' securities accounts by 5 January 2024 and the issuance of RCPS A and RCPS-i A and the delivery of the original share certificates in respect thereof registered in the name of the Financiers by 31 January 2024 ("**Stakeholder Agreement**");

(vii) BHB's board approval for execution of the Stakeholder Agreement;

(viii) endorsement from the Shariah Advisory Council of the Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A (if required); and

(ix) any other relevant authorities and/or parties, if required.

The Proposed Affin Settlement, Proposed MBSB Settlement and Proposed AmIslamic Settlement are all inter-conditional with each other.

The Proposed Debt Settlement with Financiers and the Proposed Debt Settlement with BHB are inter-conditional.

The Proposed Amendments are inter-conditional with the Proposed Debt Settlements.

The Proposals are not conditional upon any other corporate exercise/scheme.

9. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Debt Settlement with BHB pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 385.71%, calculated based on the total sum of the amounts owing to BHB by BHIC under the Proposed Debt Settlement with BHB as at the Cut-Off Date against the audited NA of BHIC Group as at 31 December 2022.

The highest percentage ratio applicable to the Proposed Affin Settlement pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 46.70%, calculated based on the outstanding sums under existing financing facilities given by Affin Bank to BHIC under the Proposed Affin Settlement as at the Cut-Off Date (excluding the sums to be retained as financing facilities) against the audited NA of BHIC Group as at 31 December 2022.

As the Proposed Debt Settlement with BHB and Proposed Affin Settlement involve the interests of the Interested Directors, Interested Major Shareholders and Interested Chief Executive, the highest aggregate percentage ratio pursuant to Paragraph 10.12 of the Listing Requirements is 432.41%, calculated based on the total sum of the amounts owing to BHB by BHIC under the Proposed Debt Settlement with BHB, and the outstanding sums under the existing financing facilities given by Affin Bank to BHIC under the Proposed Affin Settlement against the audited NA of BHIC Group as at 31 December 2022.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED WITH THEM

Save as disclosed below, none of our other Directors, major shareholders, chief executive and/or persons connected with them have any interest in the Proposed Debt Settlements:

Interested Major Shareholders

(i) BHB, being our major shareholder, is deemed interested in the Proposed Debt Settlement with BHB as a party to the Proposed Debt Settlement with BHB. BHB is also deemed interested in the Proposed Debt Settlement with Financiers as BHB is a major shareholder of Affin Bank, being a party to the Proposed Affin Settlement; and

(ii) LTAT being the sole shareholder of BHB, is deemed interested in the Proposed Debt Settlement with BHB and Proposed Affin Settlement by virtue of its shareholdings in BHB.

In view of this, the Interested Major Shareholders will abstain from voting in respect of their direct and indirect shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

The Interested Major Shareholders will also undertake to ensure that all persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

As at the LPD, the shareholdings of the Interested Major Shareholders are as follows:

	Direct		Indirect	
	No. of BHIC Shares	**%**	**No. of BHIC Shares**	**%**
BHB	161,497,448	65.00	-	-
LTAT	[(2)] 20,266,800	8.16	[(1)] 161,497,448	65.00

Notes:

(1) Deemed interested by virtue of its shareholdings in BHB in accordance with Section 8 of the Act.
(2) Subsequent to the LPD, LTAT had on 13 December 2023 disposed its entire shareholdings in BHIC.

Interested Directors

(i) General (R) Tan Sri Dato' Seri Zamrose Mohd Zain, being our Non-Independent Non-Executive Director and a nominee of LTAT, is deemed interested in the Proposed Debt Settlements in view of his directorship in our Company;

(ii) Dato' Ahmad Nazim Abd Rahman, being our Non-Independent Non-Executive Director, Non-Independent Executive Chairman of BHB, and the Chief Executive and ex-officio of LTAT, is deemed interested in the Proposed Debt Settlements in view of his directorships in our Company, BHB and ex-officio of LTAT;

(iii) Izaddeen Daud, being our Non-Independent Non-Executive Director, and the Group Chief Executive Officer of BHB, is deemed interested in the Proposed Debt Settlements in view of his directorship in our Company, as well as a key senior management of BHB;

(iv) Fahmy Ismail, being our Non-Independent Non-Executive Director, and the Group Chief Financial Officer of BHB, is deemed interested in the Proposed Debt Settlements in view of his directorship in our Company, as well as a key senior management of BHB;

(v) Mohd Khairul Anuar Mohd Nor, being our Non-Independent Non-Executive Director, and the Head of Defence and Strategic Business of LTAT, is deemed interested in the Proposed Debt Settlements in view of his directorship in our Company as well as a key senior management of LTAT;

(vi) Raja Iskandar Raja Abdullah, being our Non-Independent Non-Executive Director, alternate director to Dato' Ahmad Nazim Abd Rahman, is deemed interested in the Proposed Debt Settlements in view of his directorship in our Company; and

(vii) Irfan Hashim, who was our Non-Independent Non-Executive Director and alternate director to Dato' Ahmad Nazim Abd Rahman in the preceding 6 months of the date of the announcement of the Proposed Debt Settlements on 6 December 2023, is deemed interested in the Proposed Debt Settlements in view of his previous directorship in our Company.

The Interested Directors do not have any direct and/or indirect shareholding in our Company as at the LPD.

In view of this, the Interested Directors have and will continue to abstain from all Board deliberations and voting in respect of the Proposed Debt Settlements. The Interested Directors will also abstain from voting in respect of their direct and indirect shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

The Interested Directors will also undertake to ensure that all persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

Interested Chief Executive

Feroz Razi Ramli, our Chief Executive Officer, is deemed interested in the Proposed Debt Settlements by virtue of his role as a key senior management of our Company, who is a person connected to LTAT and BHB, and his shareholdings in our Company as at LPD of 0.01%, representing 19,000 BHIC Shares.

In view of this, he will abstain from voting in respect of his shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

He will also undertake to ensure that all persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolutions pertaining to the Proposed Debt Settlements to be tabled at our forthcoming EGM.

11. TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Including the Proposed Debt Settlement with BHB, the transactions entered into by BHIC Group with BHB during the 12 months preceding the LPD are set out in **Appendix VI** of this Circular.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company, after taking into consideration the views of the Independent Adviser, is of the opinion that the Proposed Debt Settlements are:

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested shareholders of our Company.

In forming its views, our Audit Committee has also taken into consideration, among others, the salient terms of the Financiers' Settlement Agreements and BHB Settlement Agreement, basis and justification of the issue price of the new BHIC Shares, issue price of the Conversion Shares, salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C, rationale and effects of the Proposed Debt Settlements.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, save for the Interested Directors, having considered all aspects of the Proposed Debt Settlements, including the salient terms of the Financiers' Settlement Agreements and BHB Settlement Agreement, basis and justification of the issue price of the new BHIC Shares, issue price of the Conversion Shares, salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C, rationale and effects of the Proposed Debt Settlements as well as the IAL of the Independent Adviser, is of the opinion that the Proposed Debt Settlements are:

(i) in the best interest of our Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested shareholders of BHIC.

Accordingly, our Board, save for the Interested Directors, recommends that you **vote in favour** of the resolutions pertaining to the Proposed Debt Settlements to be tabled at our Company's forthcoming EGM.

14. INDEPENDENT ADVISER

In view of the interests of the Interested Major Shareholders, Interested Directors and Interested Chief Executive as set out in Section 10, Part A of this Circular, the Proposed Debt Settlement with BHB and Proposed Debt Settlement with Financiers (considering that Affin Bank is one of the Financiers to BHIC pursuant to the Proposed Debt Settlements) are deemed to be related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements. Accordingly, in compliance with Paragraph 10.08(2)(c) of the Listing Requirements, our Board had, on 20 November 2023, appointed MainStreet to act as the Independent Adviser to undertake the following:

(i) comment as to whether the Proposed Debt Settlements are:

  (a) fair and reasonable in so far as our non-interested shareholders are concerned; and

  (b) to the detriment of our non-interested shareholders,

  and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise our non-interested shareholders on whether they should vote in favour of the resolutions pertaining to the Proposed Debt Settlements at our Company's forthcoming EGM; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

Please refer to the IAL as set out in Part B of this Circular.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the required approvals being obtained, the Proposed Debt Settlements are expected to be completed within the 1st quarter of 2024.

The estimated timeframe for the Proposed Debt Settlements is as follows:

Date	**Events**
29 December 2023	• EGM • Effective date of the Proposed Amendments • Confirmation that all conditions precedent of the Settlement Agreements are met • Cash settlement of RM45 million to the Financiers
Early January 2024	Issuance of new BHIC Shares
End January 2024	• Issuance of RCPS A, RCPS-i A, RCPS B and RPS C • Completion of the Proposed Debt Settlements

16. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save as disclosed below, the Proposed Debt Settlements and Proposed Amendments, our Company does not have any other corporate exercises which have been announced but are pending completion as at the LPD.

It was announced on 21 August 2023 that Perstim Industries Sdn Bhd ("**PISB**"), an indirect wholly-owned subsidiary of our Company had, on 18 August 2023, entered into a share sale agreement with Ocean Sunshine Berhad 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, for a cash consideration of RM1.00.

Pursuant to the BNS SSA, the conditions precedent for the Proposed Disposal of BNS shall be fulfilled within 30 business days from the date of the BNS SSA ("**Conditional Period**"). It was announced on 4 October 2023 that the parties to the BNS SSA have mutually agreed to extend the Conditional Period of the BNS SSA for a further period of 21 business days from the date of expiry of the Conditional Period, 3 October 2023 to 1 November 2023 ("**Extended Conditional Period**").

Subsequently, it was announced on 1 November 2023 that the parties to the BNS SSA have mutually agreed to extend the Extended Conditional Period of the BNS SSA for a further period up to 1 December 2023 ("**Second Conditional Period**"). On 1 December 2023, it was announced that the parties to the BNS SSA have mutually agreed to extend the Second Extended Conditional Period of the BNS SSA for a further period up to 31 December 2023.

17. EGM

Our Company's EGM will be conducted virtually using the remote participation and voting ("**RPV**") facilities to be provided by the poll administrator via TIIH Online website at https://tiih.online or https://tiih.com.my on Friday, 29 December 2023 at 9:30 a.m. for the purpose of considering, and if thought fit, passing the ordinary resolutions, with or without modifications, to give effect to the Proposed Debt Settlements as set out in the Notice of EGM and the Proxy Form which is enclosed in this Circular and are also available to be downloaded from our Company's website at www.bhic.com.my.

As a shareholder, you are encouraged to go online, participate and vote at the EGM using the RPV facilities. If you wish to appoint a proxy to participate and vote on your behalf, you may deposit your Proxy Form at the office of the poll administrator or alternatively, you may lodge your Proxy Form by electronic means via TIIH Online website at https://tiih.online not less than 48 hours before the time set for holding the EGM or any adjournment thereof.

18. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

(DR.) SALIHIN ABANG
Independent Non-Executive Director

PART B
IAL FROM MAINSTREET TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED DEBT SETTLEMENTS

EXECUTIVE SUMMARY

All the definitions used in this executive summary shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the context otherwise requires or where otherwise defined herein.

All references to "you" and "your" are to the shareholders of BHIC, whilst references to "we", "us" and "our" are to MainStreet, being the Independent Adviser for the Proposed Debt Settlements.

This executive summary highlights the salient information of the Proposed Debt Settlements. Shareholders of BHIC are advised to read and understand this IAL in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information, and are not to rely solely on the executive summary before forming an opinion on the Proposed Debt Settlements.

You are also advised to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposed Debt Settlements to be tabled at the forthcoming EGM of BHIC.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, investment adviser, accountant, solicitor or other professional advisers immediately.

1. INTRODUCTION

On 6 December 2023, Affin Hwang IB had, on behalf of the Board, announced the following proposals:

(i) Proposed Debt Settlement With Financiers;

(ii) Proposed Debt Settlement With BHB;

Collectively referred to as the "Proposed Debt Settlements"; and

(iii) Proposed Amendments.

Collectively referred to as the "Proposals".

The Proposed Debt Settlements entail the partial settlement of outstanding financing facilities given by the Financiers of RM183.26 million and full settlement of amounts owing to BHB by BHIC of RM234.00 million. In conjunction with the Proposed Debt Settlements, the Company also proposes to undertake the Proposed Amendments (the details of which are contained in the circular to the shareholders of BHIC dated 7 December 2023).

The Proposed Affin Settlement, Proposed MBSB Settlement and Proposed AmIslamic Settlement are all inter-conditional with each other. The Proposed Debt Settlement with Financiers and the Proposed Debt Settlement with BHB are inter-conditional.

The Proposed Amendments are inter-conditional with the Proposed Debt Settlements.

The Proposals are not conditional upon any other corporate exercise/scheme.

In view of the interests of the Interested Directors, Interested Major Shareholders and Interested Chief Executive as set out in Section 10 of Part A of the Circular, the Proposed Debt Settlement with BHB and the Proposed Debt Settlement with Financiers (considering that Affin Bank is one of the Financiers to BHIC pursuant to the Proposed Debt Settlements) are deemed as related party transactions pursuant to subparagraph 10.08(2) of the Listing Requirements.

Please refer to Section 2 of Part A of the Circular for details on the Proposed Debt Settlements.

2. OUR EVALUATION OF THE PROPOSED DEBT SETTLEMENTS

In evaluating the Proposed Debt Settlements holistically, we have taken into consideration the following factors:

Section in this IAL	Factors	Comments
Section 6.1	Rationale and benefits of the Proposed Debt Settlements	The Proposed Debt Settlements have been formulated to address the poor financial position of the Company and to improve profitability post-restructuring premised on the following considerations: (i) partial settlement of BHIC's debts owing to the Financiers and BHB without incurring additional debt obligation/ profit/interest expenses; (ii) strengthen BHIC Group's equity base and net assets while reducing gearing; (iii) minimise immediate dilution effect on the shareholders' shareholding; and (iv) provide the Company control over its cash flow management. Based on the above, we are of the view that the rationale and benefits of the Proposed Debt Settlements are **fair and reasonable** and **not detrimental** to the non-interested shareholders of BHIC.
Section 6.2	Evaluation of the salient terms of the Settlement Agreements	Financiers' Settlement Agreements We are of the view that the salient terms of the Financiers' Settlement Agreements are **reasonable** and **not detrimental** to the non-interested shareholders of BHIC. BHB Settlement Agreement We are of the view that the salient terms of the BHB Settlement Agreement are **reasonable** and **not detrimental** to the non-interested shareholders of BHIC.
Section 6.3	Evaluation of the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C	We are of the view that the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C are **reasonable** and **not detrimental** to the non-interested shareholders of BHIC.
Section 6.4	Evaluation of the Issue Price, Conversion Price and Redemption Price	Basis and justification of the Issue Price, Conversion Price and Redemption Price The basis and justification of: (i) the issue price for the new BHIC Shares, RCPS A, RCPS-i A, RCPS B and RPS C ("**Issue Price**"); (ii) the conversion price of the RCPS A, RCPS-i A and RCPS B ("**Conversion Price**"); and (iii) the redemption price of the RCPS A, RCPS-i A, RCPS B and RPS C ("**Redemption Price**"); are set out in Sections 2.1.2 and 2.2.3 of Part A of the Circular.

Section in this IAL	Factors	Comments
		For the avoidance of doubt, the Conversion Price is solely for the determination of the number of Conversion Shares arising from the conversion of the RCPS A, RCPS-i A and RCPS B, and no consideration will be received by the Company upon conversion of the RCPS A, RCPS-i A and RCPS B. Based on our evaluation, we noted that the Issue Price, Conversion Price and Redemption Price represent the following: (i) a **premium** of RM0.0200 (3.64%) over the last traded market price of BHIC Shares on 5 December 2023, being the latest trading date prior to the announcement of the Proposals on 6 December 2023 ("**Announcement**") ("**LTD**"); (ii) a **premium** of between RM0.0022 (0.39%) and RM0.0567 (11.05%) over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year volume-weighted average market prices ("**VWAMP**(**s**)") of BHIC Shares up to the LTD; and (iii) a **premium** of RM0.33 (137.50%) over the audited NA per BHIC Share of RM0.24 as at 31 December 2022 and a **premium** of RM0.35 (159.09%) over the unaudited NA per BHIC Share of RM0.22 as at 30 September 2023. Premised on the above, we are of the opinion that the Issue Price, Conversion Price and Redemption Price are **fair and reasonable** and **not detrimental** to the non-interested shareholders of BHIC.
Section 6.5	Effects of the Proposed Debt Settlements	Issued share capital Assuming the RCPS A, RCPS-i A and RCPS B are fully converted into new BHIC Shares, the Company's share capital will increase from 248.46 million as at the LPD to 720.07 million upon full conversion of RCPS A and RCPS-i A and to 804.73 million upon full conversion of RCPS B. The issuance of RPS C will not have any effect on the Company's issued share capital as RPS C is not convertible into new BHIC Shares. Substantial shareholders' shareholdings and public shareholding spread Upon completion of the Proposed Debt Settlements, with the assumption that the maximum conversion scenario does not happen: (i) the shareholdings of BHB are expected to increase from 65.00% as at the LPD to 72.38% upon issuance of new BHIC Shares; (ii) the collective shareholdings of the minority shareholders of BHIC are expected to be diluted upon issuance of new BHIC Shares from 26.84% as at the LPD to 15.41%%; and

Section in this IAL	Factors	Comments
		(iii) the shareholdings of the Financiers will increase from zero to 2.33% (Affin Bank), 4.92% (MBSB) and 4.96% (AmIslamic) upon issuance of new BHIC Shares. We are of the view that the abovementioned effects on the shareholdings in BHIC are not-detrimental to the non-interested shareholders of BHIC as the Company expects to continue to comply with the public shareholding spread requirement under the Listing Requirements at all times via undertaking letters by BHB and BHIC. We further note that the issuance of RPS C will not have any effect on BHIC's substantial shareholders' shareholdings as the RPS C are not convertible into new BHIC Shares. <u>NA, NA per BHIC Share and gearing</u> Upon completion of the Proposed Debt Settlements: (i) the pro forma NA of the BHIC Group as at 31 December 2022 will increase from RM60.67 million to RM420.24 million; (ii) the pro forma NA per BHIC Share will increase from RM0.24 to RM0.74; (iii) BHIC's borrowings as at 31 December 2022 will reduce from RM246.03 million to RM10.18 million (of which includes the repayment of financing of RM52.60 million and additional financing incurred during the FYE 2023); and (i) gearing of the BHIC Group will reduce from 4.06 times to 0.02 times. <u>Earnings/losses and EPS/LPS</u> The Proposed Debt Settlements are not expected to have material impact on the consolidated earnings/losses and EPS/LPS of the BHIC Group for the FYEs 2023 and 2024, save for the profit/interest savings for BHIC of RM23.70 million per annum in FYE 2024 (based on the amount outstanding of RM417.25 million as at the Cut-Off Date) and estimated expenses of RM2.50 million to be incurred in relation to the Proposals. For illustration purposes only, assuming that the Proposed Debt Settlements had been effected in the beginning of the 31 December 2022, BHIC is expected to incur interest/profit savings of approximately RM14.45 million. This translates to a reduction in pro forma losses and LPS from RM19.92 million to 7.98 million and from (RM0.04) to (RM0.01) respectively. Further, any preferential dividend payable on the RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of the Board subject to BHIC's profitability and is non-cumulative. Upon completion of the Proposed Debt Settlements, the EPS/LPS is expected to be diluted when the new BHIC Shares are issued and may be further diluted as and when the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares.

Section in this IAL	Factors	Comments
		Notwithstanding the above, the Proposed Debt Settlements are expected to contribute positively to the BHIC Group's future earnings as per the benefits set out in Section 3 of Part A of the Circular and Section 6.1 of this IAL. Based on the above, we are of the view that the overall financial effects of the Proposed Debt Settlements are **not detrimental** to the non-interested shareholders of BHIC.
Section 6.6	Risk factors of the Proposed Debt Settlements	<u>Non-completion risk of the Proposed Debt Settlements</u> If any conditions precedent in the Financiers' Settlement Agreements and BHB Settlement Agreement are not fulfilled, the Proposed Debt Settlements may be terminated. The non-completion of the Proposed Debt Settlements shall result in the outstanding financing facilities being reverted to the repayment/settlement terms as stipulated in the respective existing facility agreements with the Financiers. Hence, the potential benefits expected to arise from the Proposed Debt Settlements will not materialise. Further, in the event that the Company is unable to complete the Proposed Debt Settlements in a timely manner, there is a risk that BHIC will be classified as a PN 17 Issuer if the Group defaults payment to the Financiers, which might result in the fall in share price of BHIC Shares. However, non-interested shareholders of BHIC should note that the share price of BHIC Shares may also be subjected to various factors including market sentiments and market conditions. Hence, the share prices may not correlate directly with the PN 17 Issuer classification of the Company. <u>Risks relating to the Proposed Disposal of BNS and uncertainty in the repayment of RM383.94 million</u> The Proposed Disposal of BNS is only expected to be completed within the 1st quarter of 2024, subject to the conditions precedent being satisfied and/or waived (as the case may be). One of the conditions precedent for the completion of the said SSA is the execution of a conditional ITRRA to be entered into between BHIC and BNS for the repayment of a sum of RM383.94 million 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 to the ITRRA, being the total repayment sum owing by BNS to BHIC and its Relevant Subsidiaries. As the ITRRA is currently being negotiated, there is no certainty that the repayment sum of RM383.94 million and/or such other sum due and owing by BNS to the Group can be repaid by BNS. Once the amount to be repaid is finalised, the Company will be required to write-off any difference between the finalised amount and the amount owing. Pending execution of the ITRRA, such amount owing may be subject to expected credit loss assessment in the Group's financial statements. Nonetheless, the Company will take all reasonable steps that are within our control to negotiate the best outcome for the Company under the conditional ITRRA to be entered into between BHIC and BNS. Further, BHIC is subject to certain contractual risks which are/to be given pursuant to the BNS SSA.

Section in this IAL	Factors	Comments
		<u>Contractual risks and obligations pursuant to the preferential dividends payments and redemptions arising from the issuance of the RCPS A, RCPS-i A, RCPS B and RPS C</u> Pursuant to the terms and features of the RCPS A, RCPS-i A, RCPS B and RPS C under the Proposed Debt Settlements, the Company may declare a non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum until such RCPS A, RCPS-i A, RCPS B and RPS C are redeemed or converted, whichever is applicable. Further, the Company may redeem such RCPS A, RCPS-i A, RCPS B and RPS C in part or in its entirety based on the terms of the respective RCPS A, RCPS-i A, RCPS B and RPS C. We noted that there is a risk that the Company will be unable to declare the non-cumulative preferential dividend or redeem the RCPS A, RCPS-i A, RCPS B and RPS C, particularly if the Company's cashflow position is unable meet such obligations. In evaluating the Proposed Debt Settlements, you should carefully consider the said risk factors prior to voting on the resolutions pertaining to the Proposed Debt Settlements at the forthcoming EGM.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Debt Settlements and have set out our evaluation in Section 6 of this IAL. Shareholders of BHIC should carefully consider the merits and demerits of the Proposed Debt Settlements based on all relevant and pertinent factors including those set out above and other considerations as enumerated in this IAL, the Circular and the appendices.

Based on our assessment and evaluation, we are of the opinion that the Proposed Debt Settlements are in the best interest of the Company, **fair and reasonable** and **not detrimental** to the non-interested shareholders of BHIC. Accordingly, we recommend that shareholders of BHIC **vote in favour** of the resolutions pertaining to the Proposed Debt Settlements to be tabled at the forthcoming EGM of BHIC.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the shareholders of BHIC as a whole. We have not taken into consideration any specific investment objectives, financial situation, risk profile and particular need of any individual shareholder or any specific groups of shareholders of BHIC.

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14 December 2023

To: The Non-Interested Shareholders of BHIC

Dear Sir/Madam,

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD ("BHIC")

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF BHIC IN RELATION TO THE PROPOSED DEBT SETTLEMENTS

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*This IAL is prepared for the inclusion in the circular to the shareholders of BHIC dated 14 December 2023 ("**Circular**") in relation to the Proposed Debt Settlements. All the definitions used in this IAL shall have the same meanings and expressions as defined in the Definitions section of the Circular, except where the content otherwise requires or where otherwise defined herein.*

1. INTRODUCTION

On 6 December 2023, Affin Hwang IB had, on behalf of the Board, announced the following proposals:

(i) Proposed Debt Settlement With Financiers;

(ii) Proposed Debt Settlement With BHB;

Collectively referred to as the "Proposed Debt Settlements"; and

(iii) Proposed Amendments.

Collectively referred to as the "Proposals".

Subsequently, on 13 December 2023, the Financiers and BHB had entered into the following:

(a) Financiers' Settlement Agreements; and

(b) BHB Settlement Agreement.

The Proposed Debt Settlements entail the partial settlement of outstanding financing facilities given by the Financiers of RM183.26 million and full settlement of amounts owing to BHB by BHIC of RM234.00 million. In conjunction with the Proposed Debt Settlements, the Company also proposes to undertake the Proposed Amendments (the details of which are contained in the circular to the shareholders of BHIC dated 7 December 2023).

In view of the interests of the Interested Directors, Interested Major Shareholders and Interested Chief Executive as set out in Section 10 of Part A of the Circular, the Proposed Debt Settlement with BHB and the Proposed Debt Settlement with Financiers (considering that Affin Bank is one of the Financiers to BHIC pursuant to the Proposed Debt Settlements) are deemed as related party transactions pursuant to subparagraph 10.08(2) of the Listing Requirements.

Accordingly, in compliance with subparagraph 10.08(2)(c) of the Listing Requirements, the Board (save for the Interested Directors) had on 20 November 2023 appointed MainStreet as the Independent Adviser to undertake the following in relation to the Proposed Debt Settlements:

(i) comment as to whether the Proposed Debt Settlements are fair and reasonable and not detrimental in so far as the non-interested shareholders of BHIC are concerned, including the reasons for the key assumptions made and the factors taken into consideration in forming that opinion; and

(ii) advise the non-interested shareholders of BHIC whether they should vote in favour of the Proposed Debt Settlements at the Company's forthcoming EGM.

The Proposed Affin Settlement, Proposed MBSB Settlement and Proposed AmIslamic Settlement are all inter-conditional with each other. The Proposed Debt Settlement with Financiers and the Proposed Debt Settlement with BHB are inter-conditional. The Proposed Amendments are inter-conditional with the Proposed Debt Settlements. The Proposals are not conditional upon any other corporate exercise/scheme.

The purpose of this IAL is to provide the non-interested Directors and non-interested shareholders of BHIC with an independent evaluation on the Proposed Debt Settlements together with our comments, opinion and recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein, in relation to the Proposed Debt Settlements.

The non-interested shareholders of BHIC should nonetheless rely on their own evaluation of the merits and demerits of the Proposed Debt Settlements before making a decision on the course of action to be taken.

Other than for this intended purpose, this IAL should not be used or relied upon by any other parties for any other purpose whatsoever.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED DEBT SETTLEMENTS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED DEBT SETTLEMENTS

The full details of the Proposed Debt Settlements are set out in Section 2 of Part A of the Circular, which should be read in its entirety by the non-interested shareholders of BHIC.

3. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED DEBT SETTLEMENTS

We were not involved in the formulation of, deliberations, negotiations or discussion of the terms and conditions of the Proposed Debt Settlements nor were we involved in the deliberations leading up to the decision by the Board in respect of the Proposed Debt Settlements. The terms of reference of our appointment as the Independent Adviser to the non-interested shareholders of BHIC in relation to the Proposed Debt Settlements are in accordance with the requirements set out in Paragraph 10.08 of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Debt Settlements together with our recommendation on whether you should vote in favour of the resolutions pertaining to the Proposed Debt Settlements, based on the information and documents requested and provided to us or which are available to us, including the following:

(a) audited financial statements of BHIC for the FYEs 2018 to 2022 as well as the unaudited financial results for the nine (9)-month FPE ("**9M-FPE**") 30 September 2023;

(b) the Settlement Agreements;

(c) information contained in Part A of the Circular, and the appendices attached thereto;

(d) information furnished to us by the Board and management of BHIC; and

(e) other relevant publicly available information.

We have relied on the Board and management of BHIC to exercise due care and undertaken reasonable checks and where possible, we corroborated the information provided by BHIC with independent sources to ensure that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposed Debt Settlements are complete, reasonable, reliable and accurate and there is no omission of any material facts. After making all reasonable enquiries and to the best of our knowledge, we are satisfied that sufficient information has been obtained are reasonable and free from material omission and we have no reason to believe that the aforesaid information provided to us or which are available to us is unreliable, incomplete, misleading and/or inaccurate.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the views and recommendation of MainStreet) and confirms that, after having made all reasonable enquiries and to the best of their knowledge, there are no omissions of any material facts which would make any statement in this IAL false or misleading.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and importance to you for a holistic assessment of the Proposed Debt Settlements and, therefore, are of general concern to you. Notwithstanding the following:

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposed Debt Settlements; and

(ii) we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder or any specific groups of shareholders. We recommend that any of you who require specific advice in relation to the Proposed Debt Settlements in the context of your individual investment objectives, financial situation, risk profile or particular needs should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the equity capital market, economic, industry, regulatory and other prevailing conditions and the information/documents made available to us.

After the despatch of this IAL, MainStreet will immediately notify the non-interested shareholders of BHIC if, we become aware of the following:

(i) significant change affecting the information contained in this IAL;

(ii) there is reasonable ground to believe that the statements in this IAL are misleading or deceptive; or

(iii) there is a material omission in this IAL.

4. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

We are a corporate finance advisory firm licensed by the SC to carry out the regulated activity of advising on corporate finance under the Capital Market and Services Act 2007. We have in the past assumed the role as an Independent Adviser for other corporate exercises involving related party transaction(s), which included the following transactions for the past two (2) years:

(i) Proposed disposal of 100% equity interest in Seng Yip Furnitures Sdn Bhd, a wholly-owned subsidiary of SYF Resources Berhad ("**SYF**") to Mieco Chipboard Berhad for a total cash consideration of RM50.0 million, proposed disposal of two (2) parcels of freehold land to Juta Development Sdn Bhd for a total cash consideration of RM21.2 million, proposed acquisition of the entire equity interest and redeemable convertible preference shares in M&A Securities Sdn Bhd by SYF from Insas Berhad ("**Insas**") for a purchase consideration of RM222.0 million ("**Proposed Acquisition of M & A Securities**") and proposed exemption under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisition ("**Rules**") for Insas and the persons acting in concert with it from the obligation to undertake a mandatory offer to acquire the remaining shares in SYF not already owned by them upon completion of the Proposed Acquisition of M & A Securities, as per our independent advice letter dated 28 December 2022;

(ii) Proposed Debt Settlements of three (3) industrial properties by RHB Trustees Berhad, being the trustee of AME Real Estate Investment Trust, from the subsidiaries of AME Elite Consortium Berhad for a total cash consideration of RM69,250,000, as per our independent advice letter dated 10 February 2023;

(iii) Proposed private placement of 240,405,370 new ordinary shares in LFE Corporation Berhad ("**LFE**"), representing approximately 30.0% of the total number of issued shares in LFE; and proposed acquisition of 367,500 ordinary shares in Cosmo Property Management Sdn Bhd ("**CPBMSB**"), representing the remaining 49.0% equity interest in CPMSB from Resolute Accomplishment Sdn Bhd for a purchase consideration of RM29,400,000 to be satisfied via a combination of cash and the issuance of new shares in LFE, as per our independent advice letter dated 12 April 2023;

(iv) Proposed acquisition of 100% equity interest by Maxim Global Berhad in Zapland Property Sdn Bhd from Gan Lee Ha and Lee Cheh Hian for a purchase consideration of RM39,034,668.65; proposed acquisition of 100% equity interest in Asiatic Network Sdn Bhd from Chai Chang Guan and Chai Seong Min for a purchase consideration of RM32,196,845.87; proposed acquisition of 100% equity interest in Brogan Maxim Sdn Bhd from Tan Sri Gan Seong Lam and Gan Kuok Chyuan for a purchase consideration of RM21,411,281.71; proposed acquisition of 100% equity interest in Maxim Realty Sdn Bhd from Tan Sri Gan Seong Liam and Puan Sri Loh Foong Ping for a purchase consideration

of RM10,757,108.81; and proposed acquisition of 13.11% equity interest in Maxim Holdings Sdn Bhd from Sanlens Sdn Bhd for a purchase consideration of RM15,600,094.96, as per our independent advice letter dated 20 July 2023;

(v) Proposed disposal by Eurospan Holdings Berhad ("**EHB**") of 2,600,000 ordinary shares in Dynaspan Furniture Sdn Bhd ("**DFSB**") and 15,000,000 non-cumulative redeemable convertible preference shares in DFSB, representing the entire equity interest in DFSB for a total disposal consideration of RM38.90 million to be fully satisfied via cash; proposed disposal by Eurospan Furniture Sdn Bhd ("**EFSB**"), a wholly-owned subsidiary of EHB, of two (2) parcels of freehold industrial land in mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang, together with the buildings erected thereon (collectively, "**EFSB Properties**") to DFSB for a total disposal consideration of RM15.65 million to be fully satisfied via cash ("**Proposed Disposal of EFSB Properties**"); and proposed tenancy between DFSB as landlord, and EFSB as tenant, in respect of EFSB Properties upon completion of the Proposed Disposal of EFSB Properties, as per our independent advice letter dated 20 November 2023; and

(vi) Proposed acquisition of the entire equity interest in Goldenluck Development Sdn Bhd from Dato Seri Tan Kean Tet ("**DS Tan**") and Tan Seok Ying for a cash consideration of RM39.80 million; proposed renounceable rights issue of up to 1,124,706,544 new ordinary shares in Iconic Worldwide Berhad ("**Iconic**"); and proposed exemption under paragraphs 4.08(1)(b) and 4.08(1)(c) of the Rules to DS Tan and any persons acting in concert with him from the obligation to undertake a mandatory take-over offer on the remaining ordinary shares in Iconic not already owned by them pursuant to the undertaking to subscribe for the rights shares (including excess rights shares) and exercise of warrants by DS Tan and his person acting in concert, as per our independent advice letter dated 7 December 2023.

MainStreet confirms that it is not aware of any circumstances which exist or likely to give rise to a possible conflict of interest situation for MainStreet to carry out the role as the Independent Adviser in connection with the Proposed Debt Settlements. MainStreet also confirms that it has not had any professional relationship with the Company, and their related parties in the past two (2) years.

Premised on the foregoing, we confirm that we are capable and competent to carry out the role and responsibilities as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of BHIC in relation to the Proposed Debt Settlements.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Directors, Major Shareholders, chief executive and/or persons connected with them are disclosed in Section 10 of Part A of the Circular. Save for those disclosed in Section 10 of Part A of the Circular, none of the other Directors, Major Shareholders, chief executive and/or persons connected with them have any interests in the Proposed Debt Settlements.

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6. OUR EVALUATION OF THE PROPOSED DEBT SETTLEMENTS

In evaluating the Proposed Debt Settlements, we have taken into consideration the following factors:

No.	Factors	Details in this IAL
(1)	Rationale and benefits of the Proposed Debt Settlements	Section 6.1
(2)	Evaluation of the salient terms of the Settlement Agreements	Section 6.2
(3)	Evaluation of the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C	Section 6.3
(4)	Evaluation of the Issue Price, Conversion Price and Redemption Price	Section 6.4
(5)	Effects of the Proposed Debt Settlements	Section 6.5
(6)	Risk factors relating to the Proposed Debt Settlements	Section 6.6

6.1 Rationale and benefits of the Proposed Debt Settlements

We take note of the rationale and benefits of the Proposed Debt Settlements as set out in Section 3 of Part A of the Circular and our comments are set out below.

A summary of the historical financial performance of BHIC Group for the past five (5) years up to FYE 2022 as well as latest unaudited financial results for the 9M-FPE 30 September 2023 is set out below:

	Audited FYE					Unaudited 9M-FPE 30 September
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	169,113	168,920	145,200	149,186	141,760	77,670
Operating (loss)/profit	(30,207)	(48,310)	(2,764)	36,040	5,863	18,501
(LBT)/PBT	(104,615)	(113,514)	(32,773)	18,275	(7,677)	(796)
(Loss)/Profit after tax	(108,326)	(116,636)	(50,579)	15,192	(19,924)	(7,163)
Total current assets	312,885	288,843	282,268	115,858	108,420	118,603
Total assets	581,254	468,970	421,498	455,259	484,891	488,648
Total loans and borrowings	273,591	301,186	291,066	287,446	246,025	193,084
Total liabilities	348,639	352,991	356,098	374,667	424,223	435,143
Shareholders' funds / NA	232,615	115,979	65,400	80,592	60,668	53,505
Net cash (used in)/from						
- operating activities	(52,677)	(19,728)	(17,661)	4,523	(34,532)	(12,076)
- investing activities	(9,838)	2,605	3,753	437	22,353	238
- financing activities	36,860	27,589	(10,903)	(4,306)	34,378	(4,272)
Net (decrease)/increase in cash and cash equivalents	(25,655)	10,466	(24,811)	654	22,199	(16,110)
Basic (LPS)/EPS (sen)	(43.60)	(46.94)	(20.36)	6.11	(8.02)	(2.88)
NA per Share (RM)	0.94	0.47	0.26	0.32	0.24	0.22
Current ratio (times)	0.91	1.06	0.96	0.41	0.31	0.31
Gearing (times)	1.18	2.60	4.45	3.57	4.06	3.61

As at 30 September 2023 (unaudited), BHIC Group is in a net current liabilities position, whereby its current liabilities of RM380.81 million exceed its current assets of RM118.60 million. BHIC has shareholders' funds of RM53.51 million after taking into account its accumulated losses of RM194.95 million. Furthermore, BHIC recorded a net decrease in cash and cash equivalents of RM16.11 million. Hence, this indicates that the BHIC Group is currently facing cash constraints, and its financial position may further deteriorate in the future due to the uncertainty in respect of the repayment of amount due from BNS, an associate company of BHB, amounting to RM383.94 million as the ITRRA is currently being negotiated.

For the past five (5) financial years, BHIC Group's financial performance has been on a declining trend (save for the FYE 2021), recording revenue of RM169.11 million in FYE 2018 to RM141.76 million in FYE 2022. During the historical financial years, BHIC Group secured fewer submarine projects and defence-related MRO projects as many firms postponed their fleet expansion or ship maintenance and negative contributions from its associates and joint venture companies. In addition, higher allowances for expected credit losses, higher operating expenses and higher finance cost resulted in BHIC Group recording losses after tax during the FYEs 2018 – 2022 (save for the FYE 2021).

As at the LPD, the Group has drawn down financing facilities of RM187.6 million mainly for its working capital purposes. The amounts owing to BHB by BHIC stood at RM166.1 million as at the LPD were mainly used for the repayment of the financing facilities and such amounts owing will increase to RM234.00 million by 31 December 2023, mainly due to the cash settlement to the Financiers of RM45.00 million (as requested by the Financiers as part of the debt settlement scheme). As a result, this could cause further financial pressure to the Group given the uncertainty of the amount repayable from BNS as mentioned above. Hence, it is imperative for the Group to undertake a debt restructuring exercise to ensure the sustainability of its earnings, cashflow and future capital expenditure requirements moving forward. For avoidance of doubt, the Proposed Debt Settlements will not result in the Company becoming a PN 17 Issuer.

The Proposed Debt Settlements have been formulated to address the poor financial position of the Company and to improve profitability post-restructuring premised on the following considerations:

(i) Partial settlement of BHIC Group's debts owing to the Financiers and BHB without incurring additional debt obligation/profit/interest expenses

The Proposed Debt Settlements are intended to capitalise the amounts owing by the Group to both the Financiers and BHB through the issuance of equity instruments as detailed in Section 2, Part A of the Circular. The Proposed Debt Settlements are to restructure BHIC Group's debt obligations to reduce the financial strain of the debt repayments to both the Financiers and BHB to a more manageable level without incurring additional debt obligation/profit/interest expenses.

As at 30 September 2023 (unaudited), the total borrowings of the BHIC Group was approximately RM193.08 million. Based on the foregoing, the BHIC Group would need to incur substantial finance costs of approximately RM11.78 million per annum (based on weighted average interest rate as at 30 September 2023 of 6.10%), and its inability to meet the debt obligations when they fall due will attract additional finance costs such as late penalty charges.

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(ii) Strengthen BHIC Group's equity base and net assets while reducing gearing

The Proposed Debt Settlements are expected to strengthen the capital base as the Proposed Debt Settlements will increase the shareholders' funds which in turn will result in a higher equity attributable to the shareholders of BHIC. Further, with a reduction in BHIC Group's borrowings and gearing, the Proposed Debt Settlements are expected to enhance the overall financial position of BHIC. This will in turn provide BHIC Group with greater financial flexibility in the event the Group needs to source for additional funds and/or gear up to fund its intended business expansion and/or any potential investment opportunities in the future.

The pro forma effects of the Proposed Debt Settlements on the NA, NA per BHIC Share and gearing of the BHIC Group are as follows:

	As at 31 December 2022 RM '000	Proposed issuance of BHIC Shares, RCPS A, RCPS-i A, RCPS B and RPS C RM '000
Shareholders' funds / NA	60,668	[(1)] 420,243
NA per BHIC Share	0.24	0.74
Total loans and borrowings	246,025	10,181
Gearing (times)	4.06	0.02

Note:

(1) Includes additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements) and after deducting estimated expenses of RM2.50 million in relation to the Proposals.

Further details on the effects of the Proposed Debt Settlements on the NA, NA per BHIC Share and gearing of the BHIC Group are set out in Section 6.5 of this IAL and Section 6.3 of Part A of the Circular.

(iii) Minimise immediate dilution effect on the shareholders' shareholding

The conversion of the RCPS A and RCPS-i A held by the Financiers and RCPS B held by BHB will be done over time and will minimise any immediate dilutive impact to the existing shareholders' shareholding. Furthermore, the extent of conversion of RCPS A and RCPS-i A shall be capped such that the resultant ordinary shareholding of the Financiers shall not exceed 5% of the Company's enlarged issued share capital at any point in time following a conversion and the conversion of the RCPS A and RCPS-i A by all holders of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. We further note that the conversion of the RCPS B shall be capped and subject to compliance with the public shareholding spread requirement under the Listing Requirements.

(iv) Provide the Company control over its cash flow management

The Company is expected to have control over its cash flow management as a result of the Proposed Debt Settlements. The preferential dividend payments to be made under the RCPS A, RCPS-i A, RCPS B and RPS C will be at the discretion of BHIC, subject to the Company's profitability and are non-cumulative. Further, any redemption of the RCPS A, RCPS-i A, RCPS B and RPS C is at the option of the Company. In return, BHIC Group would be able to preserve its cash flow position such as to facilitate its current operations in the business of defence / security and marine, thus improving its business performance which is expected to create value for the shareholders of BHIC.

Premised on the above, we are of the view that the rationale and benefits of the Proposed Debt Settlements are **fair and reasonable** and **not detrimental** to the non-interested shareholders of BHIC.

6.2 Evaluation of the salient terms of the Settlement Agreements

6.2.1 Financiers' Settlement Agreements

We have reviewed the salient terms of the Financiers' Settlement Agreements as set out in Appendices I(a) to I(c) of the Circular and our comments on the salient terms are set out below:

No.	Salient terms	MainStreet's comments
(1)	**Issuer** BHIC	These terms are reasonable as they state the parties entering into the Financiers' Settlement Agreements.
(2)	**Financiers** Affin Bank MBSB AmIslamic	
(3)	**Cash settlement amount** RM7,366,771 (Affin Bank) RM15,532,916 (MBSB) RM22,100,313 (AmIslamic)	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with Financiers.
(4)	**New BHIC Shares** <u>Ordinary Shares in BHIC</u> The BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such BHIC Shares to the Financiers.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with Financiers. Furthermore, the new BHIC Shares shall rank *pari passu* with the existing BHIC Shares.
(5)	**RCPS A** <u>Redeemable Convertible Preference Shares – Class A</u> The rights of the RCPS A are as described in Appendix II of the Circular.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with Financiers. For more details on our evaluation of the terms of RCPS A, please refer to Section 6.3 of this IAL.

No.	Salient terms	MainStreet's comments
(6)	**RCPS i-A** Islamic Redeemable Convertible Preference Shares – Class A The rights of the RCPS-i A are as described in Appendix III of the Circular.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with Financiers. For more details on our evaluation of the terms of RCPS i-A, please refer to Section 6.3 of this IAL.
(7)	**Number of new BHIC Shares to be issued to each Financier** Up to 13,157,895 new BHIC Shares (Affin Bank) Up to 27,743,563 new BHIC Shares (MBSB) Up to 28,000,000 new BHIC Shares (AmIslamic)	These terms are reasonable as they state the mode of settlement of the Proposed Debt Settlement with Financiers.
(8)	**Number of RCPS A to be issued to Affin Bank** Up to 23,625,548 RCPS A	
(9)	**Number of RCPS-i A to be issued to MBSB and AmIslamic** Up to 49,814,722 RCPS-i A (MBSB) Up to 82,350,328 RCPS-i A (AmIslamic)	
(10)	**Issue price per New BHIC Share** RM0.57 per new BHIC Share	These terms are reasonable as they state the mode of settlement of the Proposed Debt Settlement with Financiers. For more details on our evaluation on the Issue Price, please refer to Section 6.4 of this IAL.
(11)	**Issue price per RCPS A** RM0.57 per RCPS A	
(12)	**Issue price per RCPS-i A** RM0.57 per RCPS-i A	

No.	Salient terms	MainStreet's comments
(13)	**Purpose of issuance of RCPS-i A and new BHIC Shares to MBSB and AmIslamic** To settle the sums owing under the existing facilities by BHIC to MBSB and AmIslamic amounting up to RM107,107,910 as at 31 December 2023 ("**Debt owing to MBSB and AmIslamic**") by way of: (a) new BHIC Shares; and (b) RCPS-i A, subject to the terms and conditions of the Financiers' Settlement Agreements.	These terms are reasonable as they state the obligation of BHIC in relation to the mode of settlement of the Proposed Debt Settlement with Financiers.
(14)	**Purpose of issuance of RCPS A and new BHIC Shares to Affin Bank** To settle the sums owing under the existing facilities by BHIC to Affin Bank amounting up to RM20,966,562 as at 31 December 2023 ("**Debt owing to Affin Bank**") by way of: (i) new BHIC Shares and (ii) RCPS A, subject to the terms and conditions of the Financiers' Settlement Agreements towards the full discharge and repayment of the said sums.	
(15)	**Date of payment of settlement cash and issue date of new BHIC Shares, RCPS A and RCPS-i A** To be determined by the Board.	This term is reasonable and favourable to BHIC as the date of payment is to be determined by the Board.
(16)	**Shariah Compliance** BHIC shall appoint a Shariah Adviser to pronounce that the RCPS-i A is in compliance with the principles of Shariah and may, if required, submit an application for endorsement from the Shariah Advisory Council of the Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A.	This term is reasonable as it states the obligation of BHIC in order to facilitate the issuance of RCPS i-A.

No.	Salient terms	MainStreet's comments
(17)	**Conditions precedent** **The Financiers' Settlement Agreements involving the cash settlement and issuance of the RCPS A, RCPS-i A and new BHIC Shares is conditional upon the fulfilment of the following conditions:**	
	(i) Each Financier having obtained the required approvals, (if applicable), for the cash settlement and issuance of the new BHIC Shares, RCPS A and RCPS-i A by BHIC.	This condition is reasonable and not detrimental to the non-interested shareholders of BHIC as the Financiers have to obtain the required approvals to facilitate the implementation of the Proposed Debt Settlements.
	(ii) BHIC having obtained the approval from its Board and shareholders, as the case may be, in relation to, among others, the following: (a) the partial settlement of RM45 million of existing facilities by BHIC to the Financiers proportionately in the form of cash by BHIC; (b) the creation, issuance and allotment of the new BHIC Shares, RCPS A and RCPS-i A by BHIC in favour of the Financiers upon the terms of the Financiers' Settlement Agreements; (c) the entry into the Financiers' Settlement Agreements and any other documents in relation to the issuance of the new BHIC Shares, RCPS-i A and RCPS A; (d) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution of BHIC to reflect the features of RCPS A and RCPS-i A; (e) the issuance and allotment of the Conversion Shares.	This condition is reasonable and not detrimental to the non-interested shareholders of BHIC as the approvals from its Board and shareholders are required in order to be in compliance with the Listing Requirements and the Act.
	(iii) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the new BHIC Shares and Conversion Shares to be issued arising from the conversion of the RCPS-i A and RCPS A.	Conditions (iii) to (v) are reasonable and not detrimental to the non-interested shareholders of BHIC as the approvals from the relevant parties are required to facilitate the implementation of the Proposed Debt Settlements.

No.	Salient terms	MainStreet's comments
	(iv) Issuance of a letter by the Shariah Adviser in relation to the pronouncement that the RCPS-i A is in compliance with the principles of Shariah. (v) Such other approvals required to be obtained by BHIC in relation to the Proposed Debt Settlements.	↓
(18)	**Discharge of Debt** Upon fulfilment of the conditions precedent, BHIC shall be entirely discharged from the Debt and the Debt owing to MBSB and AmIslamic and Debt owing to Affin Bank, and the Debt owing to MBSB and AmIslamic and Debt owing to Affin Bank shall be considered as fully repaid by BHIC ("**Discharge of Debt**"). The Financiers acknowledge and agree that the issuance and allotment of the new BHIC Shares, RCPS A and RCPS-i A after fulfilment of conditions precedent are an administrative procedure to which the parties agree that such procedure shall be completed as soon as practicable after satisfaction of the conditions precedent. BHIC agrees that 50% of the remaining outstanding financing facilities of RM10 million owing collectively to the Financiers shall be repaid in the following amount and time: (i) RM2 million by March 2024; and (ii) RM3 million by June 2024, proportionately among the Financiers based on the same terms and conditions of the existing facilities granted by each of the Financiers to BHIC. Prior to the date of the Discharge of Debt, the Financiers shall issue a supplemental letter of offer to BHIC reflecting the above rescheduling of the repayment of the existing facilities.	This term is reasonable as BHIC will be discharged from the outstanding financing facilities given by the Financiers of RM183.26 million upon the satisfaction of the conditions precedent. We note that BHIC will only be required to service interest payments on the remaining sum of financing facilities of RM10.18 million upon completion of the Proposed Debt Settlements as set out in Section 2.1.1 of Part A of the Circular. We further note that the remaining sum of financing facilities will be reduced to approximately RM5.18 million by June 2024, arising from the repayment by BHIC to the Financiers (proportionately based on the terms and conditions of the existing facilities). According to the management of BHIC, the repayment of RM5.0 million to the Financiers (which is 50% of the remaining outstanding financing facilities of RM10.18 million) will be paid out of the Company's internally generated funds.
(19)	**Completion date** Upon cash settlement, and allotment and issuance of the new BHIC Shares, RCPS A and RCPS-i A which are targeted to fall within the first quarter of 2024.	This term is reasonable as it states the conditions in order to complete the Proposed Debt Settlement with Financiers.

No.	Salient terms	MainStreet's comments
(20)	**Representations and warranties** Each party represents and warrants to each other that all action will have been taken so that the execution and delivery of, and the performance by it of its obligations under the Financiers' Settlement Agreements shall not: (a) conflict with or result in a breach of its constitution; (b) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; (c) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; Each party further warrants to each other that it has full legal right, power and authority to execute, deliver and perform its obligations under the Financiers' Settlement Agreements and all such other agreements, documents and instruments as are specified or referred to in the Financiers' Settlement Agreements.	This term is reasonable which sets out the representations and warranties by all parties in order to protect their interests pursuant to the Financiers' Settlement Agreements.
(21)	**Event of Default** An event of default shall be deemed to have occurred if: (i) any representation or warranty of any party made in connection with the execution and delivery of the Financiers' Settlement Agreements or in any respect thereof shall be found to have been incorrect or misleading in any material respect; and (ii) any party fails to perform its respective obligations under the Financiers' Settlement Agreements. Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing without being rectified for a period of sixty (60) days, the non-defaulting party shall be at liberty to give notice to the defaulting party to terminate the Financiers' Settlement Agreements and no party shall be liable or further obligated under the Financiers' Settlement Agreements except in respect of any antecedent breach.	This term is reasonable, wherein the events of default are set out to enable all parties to protect their interests pursuant to the Financiers' Settlement Agreements.

No.	Salient terms	MainStreet's comments
(22)	**Notices** Any notice, request or demand required to be served by each party to the others under the provisions of the Financiers' Settlement Agreements shall be in writing.	This term is reasonable and common for transactions of such nature.
(23)	**Agreement survives completion** All provisions of the Financiers' Settlement Agreements shall, so far as they are capable of being performed and observed, continue in full force and effect notwithstanding the completion of payment of cash settlement and issuance of the new BHIC Shares, RCPS A and RCPS-i A, except in respect of those matters then already performed.	This term is reasonable as it states the obligations of both parties in order to complete the Proposed Debt Settlement with Financiers.
(24)	**Governing Law** The Financiers' Settlement Agreements shall be governed by and construed in accordance with the laws of Malaysia.	This term is reasonable and common for transactions of such nature.

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6.2.2 BHB Settlement Agreement

We have reviewed the salient terms of the BHB Settlement Agreement as set out in Appendix IV of the Circular and our comments on the salient terms are set out below:

No.	Salient terms	MainStreet's comments
(1)	**Issuer** BHIC	These terms are reasonable as they state the parties entering into the BHB Settlement Agreement.
(2)	**Holders of new BHIC Shares, RCPS B and RPS C** BHB	
(3)	**New BHIC Shares** Ordinary Shares in BHIC BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such BHIC Shares to BHB.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with BHB. Furthermore, the new BHIC Shares shall rank *pari passu* with the existing BHIC Shares.
(4)	**RCPS B** Redeemable Convertible Preference Shares - Class B The rights of the RCPS B are as described in Appendix V of the Circular.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with BHB. For more details on our evaluation of the terms of RCPS B, please refer to Section 6.3 of this IAL.
(5)	**RPS C** Redeemable Preference Shares - Class C The rights of the RPS C are as described in Appendix V of the Circular.	This term is reasonable as it states the mode of settlement of the Proposed Debt Settlement with BHB. For more details on our evaluation of the terms of RPS C, please refer to Section 6.3 of this IAL.
(6)	**Number of new BHIC Shares** Up to 246,920,486 new BHIC Shares	These terms are reasonable as they state the mode of settlement of the Proposed Debt Settlement with BHB.

No.	Salient terms	MainStreet's comments
(7)	**Number of RCPS B** Up to 84,658,462 RCPS B	
(8)	**Number of RPS C** Up to 78,947,368 RPS C	
(9)	**Issue price per new BHIC Share** RM0.57 per new BHIC Share	These terms are reasonable as they state the mode of settlement of the Proposed Debt Settlement with BHB. For more details on our evaluation on the Issue Price, please refer to Section 6.4 of this IAL.
(10)	**Issue price per RCPS B** RM0.57 per RCPS B	
(11)	**Issue price per RPS C** RM0.57 per RPS C	
(12)	**Purpose of issuance of RCPS B, new BHIC Shares and RPS C to BHB** To settle the sums owing by BHIC to BHB amounting up to RM234,000,000 as at 31 December 2023 ("**Debt**") into new BHIC Shares, RCPS B and RPS C subject to the terms and conditions of the BHB Settlement Agreement.	This term is reasonable as it states the obligation of BHIC in relation to the mode of settlement of the Proposed Debt Settlement with BHB.
(13)	**Issue date of new BHIC Shares, RCPS B and RPS C** To be determined by the Board.	This term is reasonable and favourable to BHIC as the date of payment is to be determined by the Board.
(14)	**Conditions precedent** The BHB Settlement Agreement involving the issuance of new BHIC Shares, RCPS B and RPS C is conditional upon the fulfilment of the following conditions: (i) BHB having obtained the required approvals, (if applicable), for the issuance of the new BHIC Shares, RCPS B and RPS C by BHIC.	This condition is reasonable and not detrimental to the non-interested shareholders of BHIC as BHB has to obtain the required approvals to facilitate implementation of the Proposed Debt Settlements.

No.	Salient terms	MainStreet's comments
	(ii) BHIC having obtained the approval from its Board and shareholders, as the case may be, in relation to, among others, the following: (a) the creation, issuance and allotment of the new BHIC Shares, RCPS B and RPS C by BHIC in favour of BHB upon the terms of the BHB Settlement Agreement; (b) the entry into the BHB Settlement Agreement and any other documents in relation to the issuance of the new BHIC Shares, RCPS B and RPS C; (c) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution to reflect the features of RCPS B and RPS C; and (d) the issuance and allotment of the Conversion Shares. (iii) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the Conversion Shares to be issued arising from the conversion of the RCPS B. (iv) Such other approvals required to be obtained by BHIC in relation to the issuance of the Settlement BHIC Shares, RCPS B and RPS C.	This condition is reasonable and not detrimental to the non-interested shareholders of BHIC as the approvals from its Board and shareholders are required in order to be in compliance with the Listing Requirements and the Act. Condition (iii) and (iv) are reasonable and not detrimental to the non-interested shareholders of BHIC as the approvals from the relevant parties are required to facilitate the implementation of the Proposed Debt Settlements.
(15)	**Discharge of Debt** Upon fulfilment of the conditions precedent, BHIC shall be entirely discharged from the Debt and the Debt shall be considered as fully repaid by BHIC. BHB acknowledges and agrees that the issuance and allotment of the new BHIC Shares, RCPS B and RPS C after fulfilment of conditions precedent are an administrative procedure to which the parties agree that such procedure shall be completed as soon as practicable after satisfaction of the conditions precedent.	This term is reasonable as BHIC will be discharged from the amounts owing to BHB of RM234.00 million upon the satisfaction of the conditions precedent.
(16)	**Completion date** Upon issuance of the new BHIC Shares, RCPS B and RPS C which is targeted to fall within the first quarter of 2024.	This term is reasonable as it states the conditions in order to complete the Proposed Debt Settlement with BHB.

No.	Salient terms	MainStreet's comments
(17)	**Representations and warranties** Each party represents and warrants to each other that all action will have been taken so that the execution and delivery of, and the performance by it of its obligations under the BHB Settlement Agreement shall not: (a) conflict with or result in a breach of its constitution; (b) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; (c) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; Each party further warrants to each other that it has full legal right, power and authority to execute, deliver and perform its obligations under the BHB Settlement Agreement and all such other agreements, documents and instruments as are specified or referred to in the BHB Settlement Agreement.	This term is reasonable which sets out the representations and warranties by all parties in order to protect their interests pursuant to the BHB Settlement Agreement.
(18)	**Event of Default** An event of default shall be deemed to have occurred if: (i) any representation or warranty of any party made in connection with the execution and delivery of the BHB Settlement Agreement or in any respect thereof shall be found to have been incorrect or misleading in any material respect; and (ii) any party fails to perform its respective obligations under the BHB Settlement Agreement. Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing without being rectified for a period of sixty (60) days, the non-defaulting party shall be at liberty to give notice to the defaulting party to terminate the BHB Settlement Agreement and no party shall be liable or further obligated under the BHB Settlement Agreement except in respect of any antecedent breach.	This term is reasonable, wherein the events of default are set out to enable all parties to protect their interests pursuant to the BHB Settlement Agreement.

No.	Salient terms	MainStreet's comments
(19)	**Notices** Any notice, request or demand required to be served by each party to the others under the provisions of the BHB Settlement Agreement shall be in writing.	This term is reasonable and common for transactions of such nature.
(20)	**Agreement survives completion** All provisions of the BHB Settlement Agreement shall so far as they are capable of being performed and observed, continue in full force and effect notwithstanding the completion of issuance of the new Settlement Shares, RCPS B and RPS C, except in respect of those matters then already performed.	This term is reasonable as it states the obligations of both parties in order to complete the Proposed Debt Settlement with BHB.
(21)	**Governing Law** The BHB Settlement Agreement shall be governed by and construed in accordance with the laws of Malaysia.	This term is reasonable and common for transactions of such nature.

Based on our evaluation of the salient terms of the Settlement Agreements above, we are of the view that the salient terms of the Settlement Agreements are **reasonable** and **not detrimental** to the non-interested shareholders of BHIC**.**

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6.3 Evaluation of the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C

We have reviewed the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C as set out in Appendices II, III and V of the Circular and our comments on the salient terms are set out below:

<table>
<tr><th>No.</th><th>Salient terms</th><th>MainStreet's comments</th></tr>
<tr><td>(1)</td><td>Issue Price, Conversion Price and Redemption Price

RM0.57 per unit</td><td>The Issue Price, Conversion Price and Redemption Price have been assessed and evaluated as fair and reasonable and not detrimental to the non-interested shareholders of the Company as set out in Section 6.4 of this IAL.</td></tr>
<tr><td>(2)</td><td>Tenure

The tenure for the RCPS A, RCPS-i A, RCPS B and RPS C shall be perpetual commencing from the date of the issue of the RCPS A, RCPS-i A, RCPS B and RPS C. For as long as the holders of the RCPS A, RCPS-i A, RCPS B and RPS C ("RCPS A, RCPS-i A, RCPS B and RPS C Holders") continue to hold RCPS A, RCPS-i A, RCPS B and RPS C in BHIC, the rights attached to the RCPS A, RCPS-i A, RCPS B and RPS C shall continue to subsist and shall not lapse until such time the RCPS A, RCPS-i A, RCPS B and RPS C held by RCPS A, RCPS-i A, RCPS B and RPS C Holders are either redeemed or converted in accordance with the provisions of the Financiers' Settlement Agreements.</td><td>This term is reasonable and not detrimental to the non-interested shareholders of BHIC as the Company has no obligations to fully redeem RCPS A, RCPS-i A, RCPS B and RPS C within a stipulated timeframe and will give the Company more control over its cash flow management going forward.</td></tr>
<tr><td>(3)</td><td>Dividend

A non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum ("Preferential Dividend") may be declared and approved at the sole and absolute discretion of the Board until the RCPS A, RCPS-i A, RCPS B and RPS C are redeemed or converted. The Preferential Dividend will be payable as follows:

<table>
<tr><th>Year</th><th>Preferential Dividend Rate</th></tr>
<tr><td>1</td><td>0.5%</td></tr>
<tr><td>2</td><td>1.0%</td></tr>
<tr><td>3</td><td>1.5%</td></tr>
<tr><td>4</td><td>2.5%</td></tr>
<tr><td>5</td><td>3.5%</td></tr>
</table>
<table>
<tr><th>Year</th><th>Preferential Dividend Rate</th></tr>
<tr><td>6</td><td>4.5%</td></tr>
<tr><td>7</td><td>5.5%</td></tr>
<tr><td>8 to 11</td><td>6.5%</td></tr>
<tr><td>12 and onwards</td><td>7.5%</td></tr>
</table>
</td><td>This term is reasonable and favourable to the Company as the non-cumulative step-up preferential dividend rates of 0.5% per annum in year one (1) up to a maximum of 7.5% per annum from year 12 onwards is generally lower than the weighted average interest rate to the Financiers (6.10%) as at 30 September 2023 and BHB (6.50%). Furthermore, any preferential dividend payable on the RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of the Board subject to BHIC's profitability and is non-cumulative.</td></tr>
</table>

No.	Salient terms	MainStreet's comments
	The RCPS A Holders and RCPS-i A Holders shall be entitled to receive such non-cumulative Preferential Dividend in priority to the holders of the RPS C, RCPS B and BHIC Shares but shall rank equally in all respects with the holders of RCPS A and RCPS-i A Holders. The RCPS B Holders shall be entitled to receive such non-cumulative Preferential Dividend in priority to the holders of BHIC Shares and RPS C but shall be subordinated to the RCPS-i A and RCPS A Holders. The RPS C Holders shall be entitled to receive such non-cumulative RPS C Preferential Dividend in priority to the holders of BHIC Shares but shall be subordinated to the RCPS-i A, RCPS A and RCPS B Holders. The Preferential Dividend (if declared) shall be paid to the RCPS A, RCPS-i A, RCPS B and RPS C Holders whose names appear in the register of RCPS A, RCPS-i A, RCPS B and RPS C Holders as at the close of business at 5:00 p.m. on the relevant entitlement date(s). Subject to the provisions contained in the Constitution and the Act, the availability of distributable profits and fulfilment of a solvency test under the Act, the Board may, at its sole and absolute discretion, distribute the funds which are lawfully available for distribution as RCPS A, RCPS-i A, RCPS B and RPS C Preferential Dividend. The RCPS A, RCPS-i A, RCPS B and RPS C Preferential Dividend, if declared, shall be paid in cash and on an annual basis.	
(4)	**Redemption terms** BHIC may, at any time after the Issue Date, redeem the RCPS A, RCPS-i A, RCPS B and RPS C in part or in its entirety on a pro-rata basis (among RCPS A, RCPS-i A, RCPS B and RPS C Holder), at the option of BHIC at the Redemption Price, but always subject to: (1) the full redemption of RCPS A, RCPS-i A, RCPS B and RPS C ("**Special Redemption Condition**");	This term is reasonable as the redemption of the RCPS A, RCPS-i A, RCPS B and RPS C is at the sole discretion of BHIC, which provides the Company control over its cashflow management.

No.	Salient terms	MainStreet's comments
	(2) the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof. Redemption of the RCPS A, RCPS-i A, RCPS B and RPS C are at the sole discretion of BHIC and shall be redeemed by way of cash. BHIC shall issue a notice of redemption containing, among others, the number of RCPS A, RCPS-i A, RCPS B and RPS C to be redeemed ("**Redemption Notice**") at least 30 days prior to the date of redemption (at the sole risk of RCPS A, RCPS-i A, RCPS B and RPS C Holders). The redemption of such RCPS A, RCPS-i A, RCPS B and RPS C shall commence on the 30th day from the date of the Redemption Notice or such other later date as may be specified in the said Redemption Notice. All RCPS A, RCPS-i A, RCPS B and RPS C which are redeemed by BHIC shall be cancelled immediately and cannot be resold.	
(5)	**Conversion terms** At any time after the Issue Date, the RCPS A, RCPS-i A and RCPS B Holders will have the option to convert all or part of its unredeemed and unconverted RCPS A, RCPS-i A and RCPS B (save for those RCPS A, RCPS-i A and RCPS B mentioned in the Redemption Notice(s)) into new BHIC Shares ("**Conversion Shares**") at the Conversion Price through the surrender of the RCPS A, RCPS-i A and RCPS B without payment of any consideration, subject to all Conversion Terms and the Conversion Cap. The RCPS A, RCPS-i A and RCPS B Holders shall exercise such conversion right by giving 15 market days prior written notice to BHIC ("**Conversion Notice**") of its intention to convert and specifying such number of RCPS A intended to be converted into new BHIC Shares. Subject to the acceptance in writing of BHIC of the Conversion Notice, compliance with the applicable requirements (i.e. including, but not limited to, the public shareholding spread requirement imposed by Bursa Securities) and all applicable laws and regulations, BHIC shall take such requisite steps to allot, issue and credit the new BHIC Shares into the RCPS A, RCPS-i A and RCPS B Holders' securities account. No physical share certificates will be issued to the RCPS A, RCPS-i A and RCPS B Holders in respect of the conversion.	These terms are reasonable as they state the conversion processes of RCPS A, RCPS-i A and RCPS B. The Conversion Ratio is reasonable as it serves to facilitate the Proposed Debt Settlements. In addition, there is a Conversion Cap in place to protect the interest of BHIC.

No.	Salient terms	MainStreet's comments
	BHIC shall not be required to convert any RCPS A, RCPS-i A and RCPS B where conversion of the RCPS A, RCPS-i A and RCPS B would be contrary to the laws of Malaysia. The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the RCPS A, RCPS-i A and RCPS B to be converted by the Conversion Price ("**Conversion Ratio**"). In the event of (a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or (b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or (c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital, then all outstanding RCPS A, RCPS-i A, RCPS B and RPS C shall be subject to arrangement or treatment effected via such takeover offer, compromise or arrangement and capital reduction.	
(6)	**Conversion Cap** <u>RCPS A and RCPS-i A</u> The extent of conversion of the RCPS A and RCPS-i A by each of the RCPS A, RCPS-i A and RCPS B Holders shall be capped such that its resultant ordinary shareholding in BHIC shall be less than 5% of the enlarged issued share capital of BHIC at any point in time following a conversion.	This term is reasonable as it protects the interest of non-interested shareholders of BHIC as it ensures that the Company complies with the public shareholding spread requirement of the Listing Requirements.

No.	Salient terms	MainStreet's comments
	The conversion of the RCPS A and RCPS-i A by all the RCPS A and RCPS-i A Holders shall be subject to a cumulative moratorium of 25% for each year. Further, each RCPS A or RCPS-i A Holder represents that it has no intention to influence the management or exercise control over BHIC and agrees that: (i) there will be no conversion of the RCPS A and RCPS-i A such that the RCPS A and RCPS-i A Holders shall become a controlling shareholder of BHIC within the ambit of Rules on Take-Overs, Mergers and Compulsory Acquisitions, and the Listing Requirements; and (ii) it collectively, or together with its person(s) connected, shall hold less than 5% equity interest in the issued share capital of BHIC, at any time and from time to time without the prior approval of BHIC. <u>RCPS B</u> The extent of conversion of the RCPS B by each of the RCPS B Holders shall be capped such that BHIC does not breach the public shareholding spread requirement.	
(7)	**Voting rights** RCPS A, RCPS-i A, RCPS B and RPS C Holders shall be entitled to the same rights as BHIC's ordinary shareholders with regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of BHIC, save and except in the following circumstances or in respect of any resolutions made: (i) on a proposal that directly or indirectly affect the rights and privileges of the RCPS A, RCPS-i A, RCPS B and RPS C Holders; (ii) on a proposal for the winding up of BHIC; (iii) during the winding up of BHIC;	This term is reasonable as it ensures that the rights of the RCPS A, RCPS-i A, RCPS B and RPS C Holders are confined to matters affecting their rights and privileges as a holder.

No.	Salient terms	MainStreet's comments
	(iv) on a proposal for capital reduction and/or capital repayment by BHIC (excluding any cancellation of capital which is lost or unrepresented by assets); (v) on a proposal for the disposal of the whole of BHIC's property, business and/or undertaking; (vi) on contractual or statutory voting rights of RCPS A, RCPS-i A, RCPS B and RPS C; and (vii) in any other circumstances provided for under the Malaysian laws. In any of the aforesaid circumstances, RCPS A, RCPS-i A, RCPS B and RPS C Holders shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, with the right to one (1) vote for each RCPS A, RCPS-i A, RCPS B and RPS C held.	
(8)	**Ranking** <u>RCPS A</u> Subject to Special Redemption Condition, the RCPS A shall, upon allotment and issue, be unsecured and rank equally in all respects with each other and RCPS-i A, but ahead in point of priority to all BHIC Shares, RCPS B, RPS C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS A. The RCPS A Holders shall not be entitled to participate in any distributions (including profits) beyond such rights as expressly stated in the Affin Bank Settlement Agreement and/or offer of further securities in BHIC by way of rights until and unless RCPS A have been converted into new BHIC Shares and the entitlement date is subsequent to the date of allotment and issuance of such Conversion Shares. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS A Holders shall be paid in priority over the holders of RCPS B, RPS C and BHIC Shares but in equal rank with RCPS-i A, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC	This term is reasonable as it ensures that the interests of BHB and Financiers are protected as the result of the Proposed Debt Settlements.

No.	Salient terms	MainStreet's comments
	after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS A Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS A, save with the requisite prior approval of the RCPS A Holders by way of an ordinary resolution of such holders of 51% or more of the aggregate principal amount of RCPS A then outstanding. <u>RCPS-i A</u> Subject to Special Redemption Condition, the RCPS-i A shall, upon allotment and issue, be unsecured and rank equally in all respects with each other and RCPS A, but ahead in point of priority to all BHIC Shares, RPS-C, RCPS-B and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS-i A. The RCPS-i A Holders shall not be entitled to participate in any distributions (including profits) beyond such rights as expressly stated in the Financiers' Settlement Agreements and/or offer of further securities in BHIC by way of rights until and unless RCPS-i A have been converted into new BHIC Shares and the entitlement date is subsequent to the date of allotment and issuance of such Conversion Shares. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS-i A Holders shall be paid in priority over the holders of RPS-C, RCPS-B and BHIC Shares but in equal rank with RCPS A, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS-i A Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS-i A, save with the requisite prior approval of the RCPS-i A Holders by way of an ordinary resolution of such holders of 51% or more of the aggregate principal amount of RCPS-i A then outstanding.	

No.	Salient terms	MainStreet's comments
	RCPS B Subject to Special Redemption Condition, the RCPS B shall, upon allotment and issue, be unsecured and rank equally in all respects with each other and RCPS A, but ahead in point of priority to all BHIC Shares, RPS-C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS-i A. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS B Holders shall be paid in priority over the holders of BHIC Shares and RPS C, but subordinated to RCPS-i A and RCPS A, with respect to any net proceeds from the liquidation, dissolution or windingup of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS B Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS B, save with the requisite prior approval of RCPS B Holder by way of an ordinary resolution of such holders. RPS C Subject to Special RPS C Redemption Condition, the RPS C shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS-i A, RCPS A and RCPS B. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RPS C Holders shall be paid in priority over the holders of BHIC Shares, but subordinated to RCPS-i A, RCPS A and RCPS B, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RPS C Holders.	

No.	Salient terms	MainStreet's comments
	BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RPS C, save with the requisite prior approval of RPS C Holder by way of an ordinary resolution of such holders.	
(9)	**Ranking of the Conversion Shares** The Conversion Shares will, upon allotment and issue, rank equally in all respects with the then existing issued BHIC Shares. However, such Conversion Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the date of allotment and issuance of the Conversion Shares.	This term is reasonable and not detrimental to the non-interested shareholders of the Company as the shares are rank *pari passu* with existing BHIC Shares.

Based on our evaluation of the salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C, we are of the view that the salient terms are **reasonable** and **not detrimental** to the non-interested shareholders of BHIC.

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6.4 Evaluation of the Issue Price, Conversion Price and Redemption Price

The basis and justification of arriving at the Issue Price, Conversion Price and Redemption Price are set out in Sections 2.1.2 and 2.2.3 of Part A of the Circular. The Issue Price, Conversion Price and Redemption Price were determined after taking into consideration the following:

(i) The historical share prices of the Company prior to the issuance of the Letters of Offer by BHIC to the Financiers and BHB;

(ii) Closing market price of the Company on 22 November 2023 of RM0.57 per BHIC Share; and

(iii) The rationale of the Proposed Debt Settlements as set out in Section 3 of Part A of the Circular.

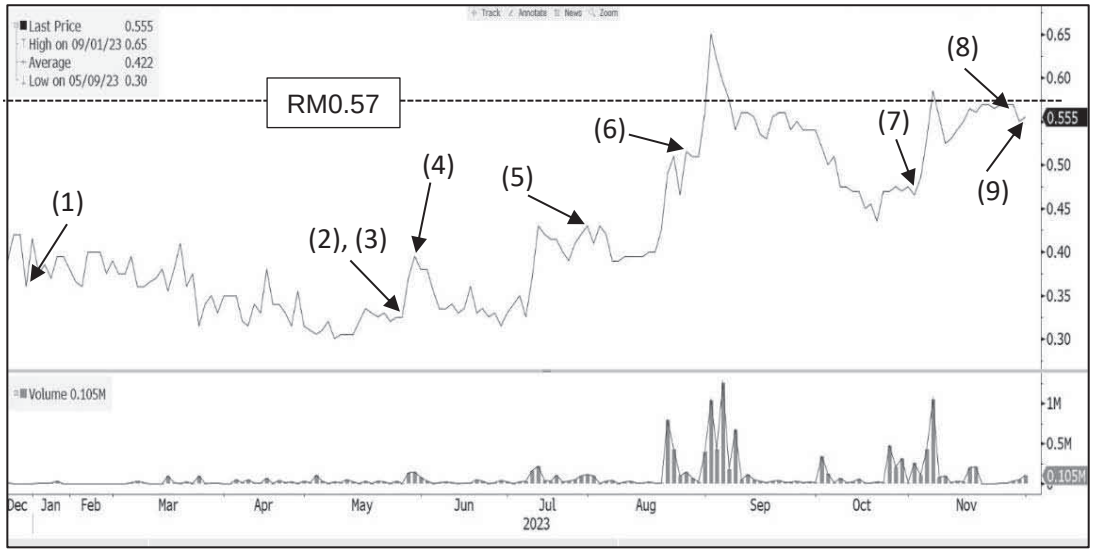
Each RCPS A, RCPS-i A and RCPS B can be converted into one new BHIC Share at a conversion price of RM0.57. For the avoidance of doubt, the Conversion Price is solely for the determination of the number of Conversion Shares arising from the conversion of the RCPS A, RCPS-i A and RCPS B, and no consideration will be received by the Company upon conversion of the RCPS A, RCPS-i A and RCPS B.

Each RCPS A, RCPS-i A, RCPS B and RPS C can be redeemed at a redemption price of RM0.57 per RCPS A, RCPS-i A, RCPS B or RPS C.

In evaluating the Issue Price, Conversion Price and Redemption Price, we have considered the following:

(i) <u>Historical closing market price performance of the BHIC Shares</u>

The movements of the daily closing market prices of the BHIC Shares for the past 12 months prior to the Announcement up to the LTD are illustrated below:



(Source: Bloomberg)

Based on the graph above, the Issue Price, Conversion Price and Redemption Price are **<u>within</u>** the daily closing market prices of the BHIC Shares, which traded between a low of RM0.30 (9 May 2023) and a high of RM0.65 (1 September 2023) for the past 12 months prior to the Announcement and up to the LTD.

The principal activities of BHIC Group have remained unchanged for the past 12 months prior to the Announcement and up to the LTD. Save for the Announcement, the Annual Report 2022, unaudited quarterly financial results as well as the events as disclosed below, there is no significant event being announced for the past 12 months prior to the Announcement and up to the LTD which may have impacted the daily market prices of the BHIC Shares during the said period:

Annotation	Date of announcement	Announcement
(1)	27 December 2022	The Board announced that a land measuring 9.782 acres at Lot No. 6, Industrial Zone 7 Kota Kinabalu Industrial Park was disposed for a total disposal consideration of RM18.55 million to Jantoco Realty Sdn Bhd.
(2)	18 May 2023	The Board announced that BHIC Submarine Engineering Services Sdn Bhd ("**BSES**"), a wholly owned subsidiary of BHIC, had accepted the Letter of Award dated 5 May 2023 from the Ministry of Defence Malaysia ("**MOD**"), in relation to the Interim In-Service Support for the Royal Malaysian Navy Prime Minister's Class Submarines at a contract value of RM99.80 million for a period of 11 months from 15 March 2023 until 14 February 2024.
(3)	18 May 2023	The Board announced that BSES had accepted the Letter of Award dated 5 May 2023 from the MOD, in relation to the Submarine Facilities Upkeep contract for the Royal Malaysian Navy at a contract value of RM40.26 million for a period of 12 months from 1 January 2023 until 31 December 2023.
(4)	29 May 2023	The Board announced that the Company had received a letter from the Minister of Finance (Incorporated) of its intention to acquire 20.8% of BHIC's entire equity interest in Boustead Naval Shipyard Sdn Bhd, held via its wholly owned subsidiary, Perstim Industries Sdn Bhd.
(5)	14 July 2023	The Board announced that BHIC AeroServices Sdn Bhd, a joint venture between BHIC Defence Technologies Sdn Bhd (51%), a wholly owned subsidiary of the Company, Prestige Pillar Sdn Bhd (30%) and Airbus Helicopters Malaysia Sdn Bhd (19%) had accepted the Supplemental Letter of Award dated 4 July 2023 from MOD for an additional ceiling contract of RM115.3 million and extension of contract period from 1 April 2023 until 31 March 2024. The new total ceiling contract value is RM706.5 million.
(6)	21 August 2023	The Board announced 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**") 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, for a cash consideration of RM1.00.
(7)	1 November 2023	The Company and OSB have mutually agreed to extend the Extended Conditional Period of the SSA for a further period up to 1 December 2023 as the parties require additional time for the fulfilment of the conditions precedent.
(8)	1 December 2023	The Company and OSB have mutually agreed to extend the Second Extended Conditional Period of the SSA for a further period up to 31 December 2023 as the parties require additional time for the fulfilment of the conditions precedent.
(9)	6 December 2023	Announcement of the Proposals.

The Issue Price, Conversion Price and Redemption Price represent the following premium to the historical closing market price / VWAMP of BHIC Shares for the past 12 months prior to the Announcement up to the LTD:

	Closing market price / VWAMP	Premium over the historical closing market price and VWAMP	
	RM	RM	%
Last traded market price	0.5500	0.0200	3.64
Five (5)-day VWAMP	0.5599	0.0101	1.80
One (1)-month VWAMP	0.5678	0.0022	0.39
Three (3)-month VWAMP	0.5336	0.0364	6.82
Six (6)-month VWAMP	0.5320	0.0380	7.14
One (1)-year VWAMP	0.5133	0.0567	11.05

(Source: Bloomberg)

Based on the table above, we noted that the Issue Price, Conversion Price and Redemption Price represent the following:

(a) a **premium** of RM0.0200 (3.64%) over the last traded market price on the LTD; and

(b) a **premium** of between RM0.0022 (0.39%) and RM0.0567 (11.05%) over the five (5)-day, one (1)-month, three (3)-month, six (6)-month and one (1)-year VWAMPs of BHIC Shares up to the LTD.

(ii) NA per BHIC Share

The Issue Price, Conversion Price and Redemption Price represent the following premium to the audited NA per BHIC Share as at 31 December 2022 and unaudited NA per BHIC Share as at 30 September 2023:

	NA per BHIC Share	Premium	
	RM	RM	%
Audited as at 31 December 2022	0.24	0.33	137.50
Unaudited as at 30 September 2023	0.22	0.35	159.09

Based on our evaluation above, we noted that the Issue Price, Conversion Price and Redemption Price represent the following:

(i) a **premium** of RM0.0200 (3.64%) over the last traded market price on the LTD;

(ii) a **premium** of between RM0.0022 (0.39%) and RM0.0567 (11.05%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of BHIC Shares up to the LTD; and

(iii) a **premium** of RM0.33 (137.50%) over the audited NA per BHIC Share of RM0.24 as at 31 December 2022 and a **premium** of RM0.35 (159.09%) over the unaudited NA per BHIC Share of RM0.22 as at 30 September 2023.

Premised on the above, we are of the opinion that the Issue Price, Conversion Price and Redemption Price are **fair and reasonable** and **not detrimental** to the non-interested shareholders of BHIC.

6.5 Effects of the Proposed Debt Settlements

The effects of the Proposed Debt Settlements are set out in Section 6 of Part A of the Circular:

(i) Issued share capital

Assuming the RCPS A, RCPS-i A and RCPS B are fully converted into new BHIC Shares, the pro forma effects of the Proposed Debt Settlements on the Company's issued share capital are as follows:

	No. of BHIC Shares	RM
Issued share capital as at the LPD	248,457,614	248,457,614
New BHIC Shares to be issued pursuant to the Proposed Debt Settlements:		
– New issuance	315,821,944	180,018,508
	564,279,558	(1)428,476,122
– Assuming full conversion of RCPS A and RCPS-i A	155,790,598	88,800,641
	720,070,156	517,276,763
– Assuming full conversion of RCPS B	84,658,462	48,255,323
Enlarged issued share capital	**804,728,618**	**565,532,086**

Note:

(1) Excludes estimated expenses in relation to the Proposals that is attributable to the share capital.

However, there will be no change to the Company's issued share capital if none of the RCPS A, RCPS-i A and RCPS B are converted into BHIC Shares.

The issuance of RPS C will not have any effect on the Company's issued share capital as RPS C is not convertible into new BHIC Shares.

The total number of new BHIC Shares to be issued upon conversion of the RCPS A, RCPS-i A and RCPS B collectively represent 42.61% of the total number of issued BHIC Shares immediately preceding the conversion, which is in compliance with Paragraph 6.50 of the Listing Requirements.

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(ii) Substantial shareholders' shareholdings and public shareholding spread

The pro forma effects of the Proposed Debt Settlements on the substantial shareholders' shareholdings in BHIC as at the LPD are as follows:

Name	As at the LPD				Proforma I Subsequent to the LPD[2]			
	Direct		Indirect		Direct		Indirect	
	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%
BHB	161,497,448	65.00	-	-	161,497,448	65.00	-	-
LTAT	20,266,800	8.16	[1]161,497,448	65.00	-	-	[1]161,497,448	65.00
Affin Bank	-	-	-	-	-	-	-	-
MBSB	-	-	-	-	-	-	-	-
AmIslamic	-	-	-	-	-	-	-	-
Minority shareholders	66,693,366	26.84	-	-	86,960,166	35.00	-	-
Total shareholdings	**248,457,614**	**100.00**	**-**	**-**	**248,457,614**	**100.00**	**-**	**-**

Name	Proforma II After Proforma I and upon issuance of new BHIC Shares				Proforma III[3] After Proforma II and assuming full conversion of RCPS A, RCPS-i A and RCPS B into new BHIC Shares			
	Direct		Indirect		Direct		Indirect	
	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%	No. of BHIC Shares	%
BHB	408,417,934	72.38	-	-	493,076,396	61.27	-	-
LTAT	-	-	[1]408,417,934	72.38	-	-	[1]493,076,396	61.27
Affin Bank	13,157,895	2.33	-	-	36,783,443	4.57	-	-
MBSB	27,743,563	4.92	-	-	77,558,285	9.64	-	-
AmIslamic	28,000,000	4.96	-	-	110,350,328	13.71	-	-
Minority shareholders	86,960,166	15.41	-	-	86,960,166	10.81	-	-
Total shareholdings	**564,279,558**	**100.00**	**-**	**-**	**804,728,618**	**100.00**	**-**	-

Notes:

(1) Deemed interested by virtue of its shareholdings in BHB pursuant to Section 8 of the Act.

(2) LTAT had on 13 December 2023 disposed of its entire shareholdings in BHIC to three (3) investors (who are considered public shareholders) as a pro-active step to assist BHIC in meeting the public shareholding spread requirement after the issuance of new BHIC Shares to the Financiers and BHB under the Proposed Debt Settlements.

(3) This is prepared for illustration purposes only.

We note that Proforma III which illustrates the full dilution scenario based on the assumption that all the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares concurrently, is prepared for illustration purposes only. The maximum conversion scenario is unlikely to happen due to the following terms under the Settlement Agreements:

(a) the terms of conversion of RCPS A, RCPS-i A and RCPS B include the compliance with all the applicable requirements, laws and regulations, which includes the public shareholding spread requirement imposed by Bursa Securities. The RCPS A, RCPS-i A and RCPS B will only be converted if these requirements are met;

(b) BHIC is not required to convert any RCPS A, RCPS-i A and RCPS B where the conversion is contrary to the applicable requirements, laws and regulations of Malaysia;

(c) the extent of conversion of RCPS A and RCPS-i A shall be capped such that the resultant ordinary shareholding of each of the Financiers in BHIC shall be less than 5% of its enlarged issued share capital at any point in time following a conversion; or

(d) the conversion of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. From the 4th year, the holders of the RCPS A, RCPS-i A and RCPS B may convert up to 100% of their holdings subject to other terms and conditions of conversion.

Furthermore, both BHIC and BHB, the major shareholder of BHIC, have provided undertaking letters in respect of compliance with the public shareholding spread requirement of Bursa Securities at all times as follows:

(1) BHB, had via its undertaking letter dated 14 December 2023:

(a) confirmed that they are mindful of the minimum public shareholding spread requirement of 25%, as stated in the Listing Requirements. In this regard, BHB will engage with the Board on the necessary steps required to ensure BHIC's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times;

(b) irrevocably and unconditionally undertake to, from time to time:

- observe and monitor their dealings in BHIC Shares;

- ensure that the conversion of RCPS A, RCPS-i A and/or RCPS B will not result in BHIC being in breach of the public shareholding spread requirement by ensuring that BHIC implements the following procedures;

  - when BHIC receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, BHIC's Company Secretary will check on the impact of the conversion on BHIC's public shareholding spread; and

  - if the conversion will result in a breach of BHIC's public shareholding spread and items (a) to (d) above (which are set out in the Settlement Agreements), such conversion will be disallowed and the holder will be notified accordingly.

(2) BHIC had, via its undertaking letter dated 14 December 2023:

(a) confirmed that it is mindful of the minimum public shareholding spread requirement of 25%, as stated in the Listing Requirements. In this regard, the Board will engage with BHB on the necessary steps required to ensure the Company's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times;

(b) irrevocably and unconditionally undertake to, from time to time:

- observe and monitor the public shareholding spread in the Company; and

- ensure that completion of the Proposals and the conversion of RCPS-A, RCPS-i A and RCPS B will not result in the Company being in breach of the public shareholding spread requirement by implementing the following procedures:

  - when the Company receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, its Company Secretary will check on the impact of the conversion on the Company's public shareholding spread; and

  - if the conversion will result in a breach of the Company's public shareholding spread and items (a) to (d) above (which are set out in the Settlement Agreements), such conversion will be disallowed and the holder will be notified accordingly.

Premised on the above, upon completion of the Proposed Debt Settlements with the assumption that the maximum conversion scenario does not happen:

(i) the shareholdings of BHB are expected to increase from 65.00% as at LPD to 72.38% upon issuance of new BHIC Shares;

(ii) the collective shareholdings of the minority shareholders of BHIC are expected to be diluted upon issuance of new BHIC Shares from 26.84% as at the LPD to 15.41%%; and

(iii) the shareholdings of the Financiers will increase from zero to 2.33% (Affin Bank), 4.92% (MBSB) and 4.96% (AmIslamic) upon issuance of new BHIC Shares.

We are of the view that the abovementioned effects on the shareholdings in BHIC are not detrimental to the non-interested shareholders of BHIC as the Company expects to continue to comply with the public shareholding spread under the Listing Requirements at all times via undertaking letters by BHB and BHIC.

We further note that the issuance of RPS C will not have any effect on BHIC's substantial shareholders' shareholdings as the RPS C are not convertible into new BHIC Shares.

(iii) NA, NA per BHIC Share and gearing

For illustrative purposes, the pro forma effects of the Proposed Debt Settlements on the NA, NA per BHIC Share and gearing of the BHIC Group, based on the audited consolidated statement of financial position of BHIC as at 31 December 2022, are as follows:

	As at 31 December 2022 RM'000	(I) Proposed issuance of BHIC Shares, RCPS A, RCPS-i A, RCPS B and RPS C RM'000	(II) After (I) and assuming full conversion of RCPS A, RCPS-i A and RCPS B RM'000	(III) After (II) and assuming full redemption of RPS C RM'000
Share capital	248,458	[(1)]427,234	563,344	563,344
Equity portion of:				
- RCPS-i A	-	[(1)]74,814	-	-
- RCPS A	-	[(1)]13,374	-	-
- RCPS B	-	[(1)]47,922	-	-
- RPS C	-	[(1)]44,689	44,689	-
Accumulated losses	(187,790)	(187,790)	(187,790)	(187,790)
Shareholders' funds / NA	**60,668**	**420,243**	**420,243**	**375,554**
No. of BHIC Shares in issue	248,458	564,280	804,729	804,729
NA per BHIC Share	0.24	0.74	0.52	0.47
Total financing	246,025	[(2)]10,181	10,181	10,181
Gearing (times)	**4.06**	**0.02**	**0.02**	**0.03**

Notes:

(1) Includes additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements) and after deducting estimated expenses of RM2.5 million in relation to the Proposals.

(2) The total financing includes the repayment of financing of approximately RM52.60 million which has been repaid during FYE 2023 and additional financing incurred during FYE 2023 (which is also to be restructured under the Proposed Debt Settlements).

Based on the table above, upon completion of the Proposed Debt Settlements:

(i) the pro foma NA of the BHIC Group as at 31 December 2022 will increase from RM60.67 million to RM420.24 million;

(ii) the pro forma NA per BHIC Share will increase from RM0.24 to RM0.74;

(iii) BHIC's borrowings as at 31 December 2022 will reduce from RM246.03 million to RM10.18 million (of which includes the repayment of financing of RM52.60 million and additional financing incurred during the FYE 2023); and

(iv) gearing of the BHIC Group will reduce from 4.06 times to 0.02 times.

The pro forma effects of the Proposed Disposal of BNS on the Group's NA, NA per BHIC Share and gearing are not material as BNS is disposed for a cash consideration of RM1.00 and as the ITRRA is currently being negotiated, the Company is unable to quantify the effects arising from the ITRRA at this juncture.

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(iv) Earnings/losses and EPS/LPS

The Proposed Debt Settlements are not expected to have material impact on the consolidated losses and LPS of the BHIC Group for the FYE 2023.

The Proposed Debt Settlements are not expected to have material impact on the consolidated earnings/ losses and EPS/LPS of the BHIC Group for the FYE 2024, save for the following:

(1) profit/interest savings for BHIC of approximately RM23.70 million per annum (based on the amount outstanding of RM417.25 million as at the Cut-Off Date) as BHIC will only be required to service profit/interest payments on the remaining sum to be retained as financing facilities upon completion of the Proposed Debt Settlements (as set out in Section 2.1.1 of Part A of the Circular); and

(2) estimated expenses of RM2.50 million to be incurred in relation to the Proposals.

Further, any preferential dividend payable on the RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of the Board subject to BHIC's profitability and is non-cumulative. Upon completion of the Proposed Debt Settlements, the EPS/LPS is expected to be diluted when the new BHIC Shares are issued and may be further diluted as and when the RCPS A, RCPS-i A and RCPS B are converted into new BHIC Shares.

For illustration purposes only, based on the Company's audited consolidated statement of comprehensive income for the FYE 2022, the pro forma effects on the Group's earnings and EPS/LPS assuming that the Proposed Debt Settlements had been effected in the beginning of the 31 December 2022 are as follows:

FYE 2022	**RM'000**
Audited consolidated loss for the year	(19,924)
Add:	
Gain from the Proposed Disposal of BNS	(1) -
Interest/profit savings arising from the Proposed Debt Settlement with Financiers	11,480
Interest/profit savings arising from the Proposed Debt Settlement with BHB	2,967
Less:	
Estimated expenses to be incurred for the Proposals	(2,500)
Proforma loss for the year	**(7,977)**
Number of new BHIC Shares immediately upon the completion of the Proposed Debt Settlements ('000)	564,280
Proforma basic/diluted LPS (sen)	(1.41)

Note:

(1) The pro forma effects of the Proposed Disposal of BNS is not material as BNS is disposed for a cash consideration of RM1.00 and the ITRRA is currently being negotiated.

The effects of the Proposed Debt Settlements will be included in the FYE 2023 and FYE 2024 financial statements, while the effects of the Proposed Disposal of BNS will be accounted for in FYE 2024 as it is expected to be completed within the 1st quarter of 2024. The effects of the Proposed Disposal of BNS on the Group's financial results for the FYE 2024 is not material as BNS is disposed for a cash consideration of RM1.00 and it is expected to be completed on 31 December 2023. However, as the ITRRA is currently being negotiated, the Company is unable to quantify the effects arising from the ITRRA at this juncture.

Notwithstanding the above, the Proposed Debt Settlements are expected to contribute positively to the BHIC Group's future earnings as per the benefits set out in Section 3 of Part A of the Circular and Section 6.1 of this IAL.

(v) Convertible securities

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

Based on the above, we are of the view that the overall financial effects of the Proposed Debt Settlements are **not detrimental** to the non-interested of shareholders of BHIC.

6.6 Risk factors relating to the Proposed Debt Settlements

Section 5 of Part A of the Circular has set out the risk factors which may have an impact on BHIC in relation to the Proposed Debt Settlements.

We take cognisance of the risk factors pertaining to the Proposed Debt Settlements and we set out our views as follows:

6.6.1 Non-completion risk of the Proposed Debt Settlements

If any conditions precedent in the Financiers' Settlement Agreements and BHB Settlement Agreement are not fulfilled, the Proposed Debt Settlements may be terminated. The non-completion of the Proposed Debt Settlements shall result in the outstanding financing facilities reverted to the repayment/settlement terms as stipulated in the respective facility agreements with the Financiers. Hence, the potential benefits expected to arise from the Proposed Debt Settlements will not materialise.

In the event that the Company is unable to complete the Proposed Debt Settlements in a timely manner, there is a risk that BHIC will be classified as a PN 17 Issuer if the Group defaults in payment to the Financiers, which might result in the fall in share price of BHIC Shares. However, non-interested shareholders of BHIC should note that the share price of BHIC Shares may also be subjected to various factors including market sentiments and market conditions. Hence, the share prices may not correlate directly with the PN 17 Issuer classification of the Company.

6.6.2 Risks relating to the Proposed Disposal of BNS and uncertainty in the repayment of RM383.94 million

The Proposed Disposal of BNS is only expected to be completed within the 1st quarter of 2024. The completion is subject to the conditions precedent being satisfied and/or waived (as the case may be). One of the conditions precedent for the completion of the said SSA is the execution of a conditional ITRRA to be entered into between BHIC and BNS for the repayment of a sum of RM383.94 million 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 to the ITRRA, being the total repayment sum owing by BNS to BHIC and its Relevant Subsidiaries.

As the ITRRA is currently being negotiated, there is no certainty that the repayment sum of RM383.94 million and/or such other sum due and owing by BNS to the Group can be repaid by BNS. Once the amount to be repaid is finalised, the Company will be required to write-off any difference between the finalised amount and the amount owing. Pending execution of the ITRRA, such amount owing may be subject to expected credit loss assessment in the Group's financial statements. Nonetheless, the Company will take all reasonable steps that are within our control to negotiate the best outcome for the Company under the conditional ITRRA to be entered into between BHIC and BNS. Further, the Company is subject to certain contractual risks which are/to be given pursuant to the BNS SSA.

6.6.3 Contractual risks and obligations pursuant to the preferential dividends payments and redemptions arising from the issuance of the RCPS A, RCPS-i A, RCPS B and RPS C

Pursuant to the terms and features of the RCPS A, RCPS-i A, RCPS B and RPS C under the Proposed Debt Settlements, the Company may declare a non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum until such RCPS A, RCPS-i A, RCPS B and RPS C are redeemed or converted, whichever is applicable. Further, the Company may redeem such RCPS A, RCPS-i A, RCPS B and RPS C in part or in its entirety based on the terms of the respective RCPS A, RCPS-i A, RCPS B and RPS C. We note that there is a risk that the Company will be unable to declare the non-cumulative preferential dividend or redeem the RCPS A, RCPS-i A, RCPS B and RPS C, particularly if the Company's cashflow position is unable meet such obligations.

In mitigating such risks, the declaration of the non-cumulative preferential dividend to the holders of RCPS A, RCPS-i A, RCPS B and RPS C is at the sole and absolute discretion of the Board and is subject to the availability of distributable profits and fulfilment of a solvency test under the Act. Likewise, the redemption of RCPS A, RCPS-i A, RCPS B and RPS C is at the sole option and discretion of BHIC, subject to the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof.

We wish to highlight that although measures will be taken by the Board and the management of BHIC to limit or mitigate the risk highlighted herein, no assurance can be given that the abovementioned risk factors will not occur and give rise to material and adverse impact on the operation and business of BHIC, financial positions and/or BHIC's prospects thereon.

In evaluating the Proposed Debt Settlements, you should carefully consider the said risk factors and their respective mitigating factors prior to voting on the resolutions pertaining to the Proposed Debt Settlements at the forthcoming EGM. Non-interested shareholders of BHIC should also note that the risk factors mentioned therein are not meant to be exhaustive.

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7. OUR CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Debt Settlements after taking into consideration the relevant factors as discussed in Section 6 of this IAL. In arriving at our opinion on the fairness and reasonableness of the Proposed Debt Settlements, we have considered the following factors, which the non-interested shareholders of BHIC should consider in evaluating the Proposed Debt Settlements as summarised below:

(i) The rationale and benefits of the Proposed Debt Settlements are **fair and reasonable** and not detrimental to the non-interested shareholders of BHIC;

(ii) The Issue Price, Conversion Price and Redemption Price are **fair and reasonable** and not detrimental to the non-interested shareholders of BHIC;

(iii) The salient terms of the Settlement Agreements are **reasonable** and **not detrimental** to non-interested shareholders of BHIC;

(iv) The salient terms of the RCPS A, RCPS-i A, RCPS B and RPS C are **reasonable** and **not detrimental** to non-interested shareholders of BHIC;

(v) The financial effects of the Proposed Debt Settlements are **not detrimental** to the non-interested shareholders of BHIC; and

(vi) The risk factors relating to the Proposed Debt Settlements.

Premised on the factors discussed above and our evaluation of the Proposed Debt Settlements based on the information made available to us, we are of the view that the Proposed Debt Settlements are **FAIR and REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of BHIC.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolutions in respect of the Proposed Debt Settlements to be tabled at the forthcoming EGM.

We have not taken into consideration any specific investment objective, financial situation or particular need of any individual non-interested shareholders of BHIC. We recommend that any non-interested shareholders of BHIC who require specific advice in relation to the Proposed Debt Settlements in the context of their individual investment objectives, financial situation or particular needs, to consult their respective stockbrokers, investment advisers, accountants, solicitors or other professional advisers.

YOU ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED DEBT SETTLEMENTS TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
MAINSTREET ADVISERS SDN BHD

Lai Swee Sim
Managing Director

Nurul Ain binti Khirul Ashar
Director

Note: The terms expressly defined herein shall be strictly applicable to this Appendix I(A).

The salient terms of the Financiers' Settlement Agreement for Proposed Affin Settlement are as follows:

No.	Matter	Salient Terms
1.	Issuer	BHIC
2.	Financier/ Holder of new BHIC Shares for Proposed Affin Settlement ("**Settlement BHIC Shares**") and RCPS A	Affin Bank
3.	Cash settlement	RM7,366,771
4.	Settlement BHIC Shares	BHIC Shares The Settlement BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such Settlement BHIC Shares to Affin.
5.	RCPS A	Redeemable Convertible Preference Shares - Class A. The rights of the RCPS A are as described in Appendix II of the Circular.
6.	Number of Settlement BHIC Shares to be issued to Affin Bank	Up to 13,157,895 Settlement BHIC Shares
7.	Number of RCPS A to be issued to Affin Bank	Up to 23,625,548 RCPS A
8.	Issue price per Settlement BHIC Share	RM0.57 per Settlement BHIC Share
9.	Issue price per RCPS A	RM0.57 per RCPS A

10.	Purpose of the cash settlement, Issuance of RCPS A and Settlement BHIC Shares	To settle the sums owing under the existing facilities by BHIC to Affin Bank amounting up to RM28,333,333 as at 31 December 2023 ("**Debt**") by way of: (a) the cash settlement; (b) Settlement BHIC Shares; and (c) RCPS A, subject to the terms and conditions of the Financiers' Settlement Agreement for Proposed Affin Settlement ("**Settlement Agreement**") towards the full discharge and repayment of the Debt.
11.	Date of payment of cash settlement and issue date of Settlement BHIC Shares and RCPS A/ Date of completion	BHIC shall pay to Affin Bank a sum of RM7,366,771 (i.e. cash settlement) on the Unconditional Date (i.e. the date the conditions precedent are fulfilled). Issue Date of Settlement BHIC Shares shall be by 5 January 2023 and RCPS A shall be by 31 January 2024 (collectively "**Completion Date**").
12.	Settlement of the balance of the estimated outstanding indebtedness (aside from the Debt)	The balance of the estimated outstanding indebtedness owing by BHIC to Affin Bank as at 31 December 2023 amounting to RM1,666,667 shall be settled by cash payments as follows: (a) an sum of RM333,334 to be paid in cash on or before 31 March 2024; (b) a sum of RM500,000 to be paid in cash on or before 30 June 2024; and (c) the balance RM833,333 to be paid by in cash via instalments by 1 December 2025.
13.	Conditions precedent	The Settlement Agreement involving the cash settlement and issuance of the RCPS A and Settlement BHIC Shares is conditional upon the fulfilment of the following conditions: i) Each Financier having obtained the required approvals, (if applicable), for the Proposed Debt Settlement with Financiers. ii) BHIC having obtained the approval from its Board and shareholders, as the case may be, in relation to, among others, the following: a) the partial settlement of RM45 million of existing facilities by BHIC to the Financiers proportionately in the form of cash by BHIC; b) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS-i A by BHIC in favour of MBSB and AmIslamic upon the terms of the Financiers' Settlement Agreements for Proposed AmIslamic Settlement and Proposed MBSB Settlement ; c) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS A by BHIC in favour of Affin Bank upon the terms of the Settlement Agreement; d) the entry into the Financiers' Settlement Agreements and any other documents in relation to the issuance of the BHIC Shares, RCPS-i A and RCPS A in favour of Financiers;

		e) the entry into the BHB Settlement Agreement and any other documents in relation to the Proposed Debt Settlement with BHB; f) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution to reflect the features of RCPS-i A, RCPS A, RCPS B and RPS C; g) the issuance and allotment of the Conversion Shares to be issued arising from the conversion of the RCPS-i A, RCPS A and/or RCPS B; h) the execution, delivery and performance by BHIC of a first legal charge in favour of the Affin Bank over the debt service reserve account opened or to be opened and maintained by the Company with Affin Bank and all credit balances therein from time to time ("**DSRA Charge**"). iii) The Financiers' Settlement Agreement for Proposed MBSB Settlement and Proposed AmIslamic Settlement have been duly executed, are existing and not cancelled; iv) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the Settlement BHIC Shares and Conversion Shares to be issued arising from the conversion of the RCPS A. v) The execution of a stakeholder agreement in form and substance to be agreed and entered into between BHIC, BHB, Financiers and Affin-Hwang Trustee Berhad as stakeholder for the purpose of guaranteeing, among others, the issuance and crediting of Settlement BHIC Shares and RCPS A by the Completion Date ("**Stakeholder Agreement**') and the stakeholder sum shall be a sum of RM128,074,472 ("**Stakeholder Sum**"); vi) Provision of certified true copies of the latest Forms 24, 44 and 49 (or their equivalent stipulated under the Act) of BHIC; vii) Results of a search conducted on BHIC at the Companies Commission of Malaysia and the results are satisfactory to Affin Bank; viii) Results of a winding-up search on BHIC from the Department of Insolvency Malaysia confirming that BHIC has not been wound-up; ix) BHIC shall have paid all stamp duty, registration fees and other fees and charges including the Financiers' solicitors' fees and charges payable for or in connection with the Financiers' Settlement Agreements and the documentation contemplated therein; x) If applicable, such other approvals required to be obtained by BHIC in relation to the Proposed Debt Settlements and/or the Financiers' Settlement Agreements; xi) Fulfilment of conditions precedent under the Financiers' Settlement Agreements Proposed MBSB Settlement and Proposed AmIslamic Settlement.

14.	Discharge of Debt	In consideration of BHIC procuring BHB to provide the Stakeholder Sum to Affin Bank as security for its obligations under the Settlement Agreement, the parties mutually agree that on the Unconditional Date and subject to the cash settlement having been paid to and received in full by Affin Bank, BHIC shall be entirely discharged from the Debt and the Debt shall be considered as fully settled by BHIC via the Proposed Debt Settlement with Financiers.
15.	Representations and warranties	BHIC represents, warrants and undertakes to Affin Bank as follows: (a) it has full legal right, power and authority to execute, deliver and perform the terms and conditions of the Settlement Agreement and the DSRA Charge and all such other agreements, documents and instruments as are specified or referred to in the Settlement Agreement and it has and/or will have taken by the Unconditional Date, all necessary action to authorise the execution and delivery of, and the performance by it of its obligations under the Settlement Agreement; (b) the execution, delivery and performance of the Settlement Agreement and the DSRA Charge shall not: (i) conflict with or result in a breach of Constitution; (ii) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; (iii) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; (c) the Settlement Agreement constitutes the legal, valid and binding obligations of BHIC enforceable in accordance with its terms; (d) all information furnished by BHIC to Affin Bank in connection with the Proposed Debt Settlement with Financiers of the existing facilities are true and correct and do not omit to state any fact the omission of which makes any statements made therein in the light of the circumstances under which they are made, inaccurate or misleading, and all expressions of expectation, intention, belief and opinion and all projections contained therein were honestly made on reasonable grounds after due and careful inquiry by them; (e) no steps have been or are being taken or legal proceedings been started, pending or threatened against BHIC for its winding-up or dissolution or for the appointment of a liquidator, receiver and/or manager, judicial manager, trustee or other similar officer over it or any its assets, nor has BHIC sought any other relief under any applicable insolvency or bankruptcy law and no winding-up order has been made or granted against BHIC; (f) it has conducted its business and operations in compliance with all applicable anti-corruption laws (including without limitation, the Malaysian Anti-Corruption Commission Act 2009) and has instituted and maintained policies and procedures designed to promote and achieve compliance with all such laws; and

		(g) its business and operations are, and have been, conducted at all times in compliance with all applicable anti-money laundering and anti-terrorism laws and regulations (including without limitation, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001); no action, suit or proceeding by, or before any court, authority, body or agency or any arbitrator involving it with respect to any such laws or regulations is pending and, to the best of its knowledge, no such actions, suits or proceedings are threatened or contemplated; and all assets provided as security to Affin Bank and all monies now or hereafter or from time to time paid to Affin Bank come from lawful sources and do not breach any such applicable anti-money laundering and anti-terrorism laws. BHIC further represents, warrants and undertakes to Affin Bank that: (i) the RCPS A shall rank in priority to the RCPS B and the rights of the holders of RCPS B in respect of the redemption of RCPS A; and (ii) BHIC does not and shall not trigger any of the prescribed criteria as defined in the Listing Requirements pending completion of the Proposed Debt Settlement with Financiers.
16.	Event of default	The parties agree that the events of default set out in the Settlement Agreement shall be in addition to the events of default provided under the existing agreement/letter in relation to financing facilities given by Affin Bank to BHIC. An event of default shall be deemed to have occurred if: (i) any representation or warranty made or implied by BHIC pursuant to any of the provisions of the Settlement Agreement in connection with the execution and delivery of the Settlement Agreement or the documents or instruments contemplated thereby in any respect thereof shall be found to have been incorrect or misleading in any material respect as of the date at which it is made or deemed made; or (ii) BHIC commits any breach or fails to perform any of its obligations under the Settlement Agreement; or (iii) BHIC fails to pay any sum payable hereunder on the due date thereof or on demand, if so payable; or (iv) any event of default under the existing facilities agreement occurs.
17.	Consequences of event of default	Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing, Affin Bank shall be entitled by notice in writing to BHIC ("**EOD Notice**") to declare all monies payable hereunder to be immediately due and payable whereupon the same shall become immediately so due and payable and if the Debt has been discharged but the Settlement BHIC Shares and RCPS A or any part thereof are not issued by Completion Date, Affin Bank shall be entitled without further notice to BHIC, to forthwith demand the release of the relevant Stakeholder Sum in accordance with the terms of the Stakeholder Agreement.

		At any time after the EOD Notice is served on BHIC, Affin Bank shall be entitled forthwith without being required to give further notice to BHIC, to institute such proceedings, take such steps and exercise any other rights and remedies it may have against BHIC as it may deem fit under the existing facilities agreement or by civil suit concurrently or in any order as it deems fit to recover all amounts due and payable to it.
18.	Notices	Any notice, request or demand required to be served by each party to the others under the provisions of the Settlement Agreement shall be in writing.
19.	Governing Law	The Settlement Agreement shall be governed by and construed in accordance with the laws of Malaysia.

Note: The terms expressly defined herein shall be strictly applicable to this Appendix I(B)

The salient terms of the Financiers' Settlement Agreement for Proposed MBSB Settlement are as follows:

No.	Matter	Salient Terms
1.	Issuer	BHIC
2.	Financier/ Holder of new BHIC Shares for Proposed MBSB Settlement ("**Settlement BHIC Shares**") and RCPS-i A	MBSB
3.	Cash settlement	RM15,532,916
4.	Settlement BHIC Shares	BHIC Shares The Settlement BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such Settlement BHIC Shares to MBSB.
5.	RCPS-i A	Islamic Redeemable Convertible Preference Shares - Class A. The rights of the RCPS-i A are as described in Appendix III of this Circular.
6.	Number of Settlement BHIC Shares to be issued to MBSB	Up to 27,743,563 Settlement BHIC Shares
7.	Number of RCPS-i A to be issued to MBSB	Up to 49,814,722 RCPS-i A
8.	Issue price per Settlement BHIC Share	RM0.57 per Settlement BHIC Share
9.	Issue price per RCPS-i A	RM0.57 per RCPS-i A

10.	Purpose of the cash settlement, issuance of RCPS-i A and Settlement BHIC Shares	To settle the sums owing under the existing facilities by BHIC to MBSB amounting up to RM59,741,139 as at 31 December 2023 ("**Debt**") by way of: (a) the cash settlement; (b) Settlement BHIC Shares; and (c) RCPS-i A, subject to the terms and conditions of the Financiers' Settlement Agreement for Proposed MBSB Settlement ("**Settlement Agreement**") towards the full discharge and repayment of the Debt.
11.	Date of payment of cash settlement and issue date of Settlement BHIC Shares and RCPS-i A / Date of completion	BHIC shall pay to MBSB a sum of RM15,532,916 (i.e. cash settlement) on the Unconditional Date (i.e. the date the conditions precedent are fulfilled). Issue Date of Settlement BHIC Shares shall be by 5 January 2023 and RCPS-i A shall be by 31 January 2024 (collectively "**Completion Date**").
12.	Settlement of the balance of the estimated outstanding indebtedness (aside from the Debt)	The balance of the estimated outstanding indebtedness owing by BHIC to MBSB as at 31 December 2023 amounting to RM3,514,184 shall be settled by cash payments as follows: (a) an sum of RM690,400 to be paid in cash on or before 31 March 2024; (b) a sum of RM1,035,400 to be paid in cash on or before 30 June 2024; and (c) the balance RM1,788,384 to be paid by in cash via instalments by 1 November 2026.
13.	Shariah compliance	BHIC has appointed Shariah adviser, Affin Islamic to pronounce that the RCPS-i A is in compliance with the principles of Shariah and may, if required, submit an application for endorsement from the Shariah Advisory Council of the Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A.
14.	Conditions precedent	The Settlement Agreement involving the cash settlement and issuance of the RCPS-i A and Settlement BHIC Shares is conditional upon the fulfilment of the following conditions: i) Each Financier having obtained the required approvals, (if applicable), for the Proposed Debt Settlement with Financiers. ii) BHIC having obtained the approval from its Board and shareholders, as the case may be, in relation to, among others, the following: a) the partial settlement of RM45 million of existing facilities by BHIC to the Financiers proportionately in the form of cash by BHIC; b) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS-i A by BHIC in favour of MBSB and AmIslamic upon the terms of the Settlement Agreement and Financiers' Settlement Agreement for Proposed AmIslamic Settlement;

		c) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS A by BHIC in favour of Affin Bank upon the terms of the Financiers' Settlement Agreement for Proposed Affin Settlement; d) the entry into the Financiers' Settlement Agreements and any other documents in relation to the issuance of the BHIC Shares, RCPS-i A and RCPS A in favour of Financiers; e) the entry into the BHB Settlement Agreement and any other documents in relation to the Proposed Debt Settlement with BHB; f) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution to reflect the features of RCPS-i A, RCPS A, RCPS B and RPS C; g) the issuance and allotment of the Conversion Shares; h) the execution, delivery and performance by BHIC of a first legal charge in favour of the respective Financiers over the Shariah compliant account designated as a finance service reserve account opened or to be opened and maintained by the Company with the respective Financiers and all credit balances therein from time to time ("**FSRA Charge**"). iii) The Financiers' Settlement Agreements for Proposed Affin Settlement and Proposed AmIslamic Settlement have been duly executed, are existing and not cancelled; iv) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the Settlement BHIC Shares and Conversion Shares to be issued arising from the conversion of the RCPS-i A. v) Issuance of a letter by the Shariah adviser in relation to the pronouncement that the RCPS-i A is, among others, in compliance with the principles of Shariah. vi) The execution of a stakeholder agreement in form and substance to be agreed and entered into between BHIC, BHB, Financiers and Affin-Hwang Trustee Berhad as stakeholder for the purpose of guaranteeing, among others, the issuance and crediting of Settlement BHIC Shares and RCPS-i A by the Completion Date ("**Stakeholder Agreement**') and the stakeholder sum shall be a sum of RM128,074,472 ("**Stakeholder Sum**"): vii) Provision of certified true copies of the latest Forms 24, 44 and 49 (or their equivalent stipulated under the Act) of BHIC; viii) Results of a search conducted on BHIC at the Companies Commission of Malaysia and the results are satisfactory to MBSB; ix) Results of a winding-up search on BHIC from the Department of Insolvency Malaysia confirming that BHIC has not been wound-up; x) BHIC shall have paid all stamp duty, registration fees and other fees and charges including the Financiers' solicitors' fees and charges payable for or in connection with the Financiers' Settlement Agreements and the documentation contemplated therein;

		xi) If applicable, such other approvals required to be obtained by BHIC in relation to the Proposed Debt Settlements and/or the Financiers' Settlement Agreements; xii) Fulfilment of conditions precedent under the Financiers' Settlement Agreement for Proposed Affin Settlement and Proposed AmIslamic Settlement.
15.	Conditions subsequent	(1) BHIC shall, if required, obtain endorsement from Shariah Advisory Council of Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A. (2) BHIC to execute and deliver to MBSB the FSRA Charge.
16.	Discharge of Debt	In consideration of BHIC procuring BHB to provide the Stakeholder Sum to MBSB as security for its obligations under the Settlement Agreement, the parties mutually agree that on the Unconditional Date and subject to the cash settlement having been paid to and received in full by MBSB, BHIC shall be entirely discharged from the Debt and the Debt shall be considered as fully settled by BHIC via the Proposed Debt Settlement with Financiers.
17.	Representations and warranties	BHIC represents, warrants and undertakes to MBSB as follows: (a) it has full legal right, power and authority to execute, deliver and perform the terms and conditions of the Settlement Agreement and the FSRA Charge and all such other agreements, documents and instruments as are specified or referred to in the Settlement Agreement and it has and/or will have taken by the Unconditional Date, all necessary action to authorise the execution and delivery of, and the performance by it of its obligations under the Settlement Agreement; (b) the execution, delivery and performance of the Settlement Agreement and the FSRA Charge shall not: (i) conflict with or result in a breach of the Constitution; (ii) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; (iii) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; (c) the Settlement Agreement constitutes the legal, valid and binding obligations of BHIC enforceable in accordance with its terms;

		(d) all information furnished by BHIC to MBSB in connection with the Proposed Debt Settlement with Financiers of the existing facilities are true and correct and do not omit to state any fact the omission of which makes any statements made therein in the light of the circumstances under which they are made, inaccurate or misleading, and all expressions of expectation, intention, belief and opinion and all projections contained therein were honestly made on reasonable grounds after due and careful inquiry by them; (e) no steps have been or are being taken or legal proceedings been started, pending or threatened against BHIC for its winding-up or dissolution or for the appointment of a liquidator, receiver and/or manager, judicial manager, trustee or other similar officer over it or any its assets, nor has BHIC sought any other relief under any applicable insolvency or bankruptcy law and no winding-up order has been made or granted against BHIC; (f) it has conducted its business and operations in compliance with all applicable anti-corruption laws (including without limitation, the Malaysian Anti-Corruption Commission Act 2009) and has instituted and maintained policies and procedures designed to promote and achieve compliance with all such laws; and (g) its business and operations are, and have been, conducted at all times in compliance with all applicable anti-money laundering and anti-terrorism laws and regulations (including without limitation, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001); no action, suit or proceeding by, or before any court, authority, body or agency or any arbitrator involving it with respect to any such laws or regulations is pending and, to the best of its knowledge, no such actions, suits or proceedings are threatened or contemplated; and all assets provided as security to MBSB and all monies now or hereafter or from time to time paid to MBSB come from lawful sources and do not breach any such applicable anti-money laundering and anti-terrorism laws. BHIC further represents, warrants and undertakes to MBSB that: (i) the RCPS-i A shall rank in priority to the RCPS B and the rights of the holders of RCPS B in respect of the redemption of RCPS-i A; and (ii) BHIC does not and shall not trigger any of the prescribed criteria as defined in the Listing Requirements pending completion of the Proposed Debt Settlement with Financiers.
18.	Event of default	The parties agree that the events of default set out in the Settlement Agreement shall be in addition to the events of default provided under the existing agreement/letter in relation to financing facilities given by MBSB to BHIC. An event of default shall be deemed to have occurred if: (i) any representation or warranty made or implied by BHIC pursuant to any of the provisions of the Settlement Agreement in connection with the execution and delivery of the Settlement Agreement or the documents or instruments contemplated thereby in any respect thereof shall be found to have been incorrect or misleading in any material respect as of the date at which it is made or deemed made; or

		(ii) BHIC commits any breach or fails to perform any of its obligations under the Settlement Agreement; or (iii) BHIC fails to pay any sum payable hereunder on the due date thereof or on demand, if so payable; or (iv) any event of default under the existing facilities agreement occurs.
19.	Consequences of event of default	Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing, MBSB shall be entitled by notice in writing to BHIC ("**EOD Notice**") to declare all monies payable under the Settlement Agreement to be immediately due and payable whereupon the same shall become immediately so due and payable and if the Debt has been discharged but the Settlement BHIC Shares and RCPS-i A or any part thereof are not issued by Completion Date, MBSB shall be entitled without further notice to BHIC, to forthwith demand the release of the relevant Stakeholder Sum in accordance with the terms of the Stakeholder Agreement. At any time after the EOD Notice is served on BHIC, MBSB shall be entitled forthwith without being required to give further notice to BHIC, to institute such proceedings, take such steps and exercise any other rights and remedies it may have against BHIC as it may deem fit under the existing facilities agreement or by civil suit concurrently or in any order as it deems fit to recover all amounts due and payable to it.
20.	Notices	Any notice, request or demand required to be served by each party to the others under the provisions of the Settlement Agreement shall be in writing.
21.	Governing law	The Settlement Agreement shall be governed by and construed in accordance with the laws of Malaysia.

Note: The terms expressly defined herein shall be strictly applicable to this Appendix I(C)

The salient terms of the Financiers' Settlement Agreement for Proposed AmIslamic Settlement are as follows:

No.	Matter	Salient Terms
1.	Issuer	BHIC
2.	Financier/ Holder of new BHIC Shares for Proposed AmIslamic Settlement ("**Settlement BHIC Shares**") and RCPS-i A	AmIslamic
3.	Cash settlement	RM22,100,313
4.	Settlement BHIC Shares	BHIC Shares The Settlement BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such Settlement BHIC Shares to AmIslamic.
5.	RCPS-i A	Islamic Redeemable Convertible Preference Shares - Class A. The rights of the RCPS-i A are as described in Appendix III of this Circular.
6.	Number of Settlement BHIC Shares to be issued to AmIslamic	Up to 28,000,000 Settlement BHIC Shares
7.	Number of RCPS-i A to be issued to AmIslamic	Up to 82,350,328 RCPS-i A
8.	Issue price per Settlement BHIC Share	RM0.57 per Settlement BHIC Share
9.	Issue price per RCPS-i A	RM0.57 per RCPS-i A

10.	Purpose of the cash settlement, issuance of RCPS-i A and Settlement BHIC Shares	To settle the sums owing under the existing facilities by BHIC to AmIslamic amounting up to RM85,000,000 as at 31 December 2023 ("**Debt**") by way of: (a) the cash settlement; (b) Settlement BHIC Shares; and (c) RCPS-i A, subject to the terms and conditions of the Financiers' Settlement Agreement for Proposed AmIslamic Settlement ("**Settlement Agreement**") towards the full discharge and repayment of the Debt.
11.	Date of payment of cash settlement and issue date of Settlement BHIC Shares and RCPS-i A/ Date of completion	BHIC shall pay to AmIslamic a sum of RM22,100,313 (i.e. cash settlement) on the Unconditional Date (i.e. the date the conditions precedent are fulfilled). Issue Date of Settlement BHIC Shares shall be by 5 January 2023 and RCPS-i A shall be by 31 January 2024 (collectively "**Completion Date**").
12.	Settlement of the balance of the estimated outstanding indebtedness (aside from the Debt)	The balance of the estimated outstanding indebtedness owing by BHIC to AmIslamic as at 31 December 2023 amounting to RM5,000,000 shall be settled by cash payments as follows: (a) an sum of RM1,000,000 to be paid in cash on or before 31 March 2024; (b) a sum of RM1,500,000 to be paid in cash on or before 30 June 2024; and (c) the balance RM2,500,000 to be paid by in cash via instalments by 30 June 2028.
13.	Shariah compliance	BHIC has appointed Shariah adviser, Affin Islamic to pronounce that the RCPS-i A is in compliance with the principles of Shariah and may, if required, submit an application for endorsement from the Shariah Advisory Council of the Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A.
14.	Conditions precedent	The Settlement Agreement involving the cash settlement and issuance of the RCPS-i A and Settlement BHIC Shares is conditional upon the fulfilment of the following conditions: i) Each Financier having obtained the required approvals, (if applicable), for the Proposed Debt Settlement with Financiers. ii) BHIC having obtained the approval from its Board and shareholders, as the case may be, in relation to, among others, the following: a) the partial settlement of RM45 million of existing facilities by BHIC to the Financiers proportionately in the form of cash by BHIC; b) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS-i A by BHIC in favour of MBSB and AmIslamic upon the terms of the Settlement Agreement and Financiers' Settlement Agreement for Proposed AmIslamic Settlement;

		c) the creation, issuance and allotment of the Settlement BHIC Shares and RCPS A by BHIC in favour of Affin Bank upon the terms of the Financiers' Settlement Agreement for Proposed Affin Settlement; d) the entry into the Financiers' Settlement Agreements and any other documents in relation to the issuance of the BHIC Shares, RCPS-i A and RCPS A in favour of Financiers; e) the entry into the BHB Settlement Agreement and any other documents in relation to the Proposed Debt Settlement with BHB; f) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution to reflect the features of RCPS-i A, RCPS A, RCPS B and RPS C; g) the issuance and allotment of the Conversion Shares to be issued arising from the conversion of the RCPS-i A, RCPS A and/or RCPS B; h) the execution, delivery and performance by BHIC of a first legal charge in favour of the respective Financiers over the Shariah compliant account designated as a finance service reserve account opened or to be opened and maintained by the Company with the respective Financiers and all credit balances therein from time to time ("**FSRA Charge**"). iii) The Financiers' Settlement Agreement for Proposed Affin Settlement and Proposed MBSB Settlement have been duly executed, are existing and not cancelled; iv) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the Settlement BHIC Shares and Conversion Shares to be issued arising from the conversion of the RCPS-i A. v) Issuance of a letter by the Shariah adviser in relation to the pronouncement that the RCPS-i A is, among others, in compliance with the principles of Shariah. vi) The execution of a stakeholder agreement in form and substance to be agreed and entered into between BHIC, BHB, Financiers and Affin-Hwang Trustee Berhad as stakeholder for the purpose of guaranteeing, among others, the issuance and crediting of Settlement BHIC Shares and RCPS-i A by the Completion Date ("**Stakeholder Agreement**") and the stakeholder sum shall be a sum of RM128,074,472 ("**Stakeholder Sum**"); vii) Provision of certified true copies of the latest Forms 24, 44 and 49 (or their equivalent stipulated under the Act) of BHIC; viii) Results of a search conducted on BHIC at the Companies Commission of Malaysia and the results are satisfactory to AmIslamic; ix) Results of a winding-up search on BHIC from the Department of Insolvency Malaysia confirming that BHIC has not been wound-up; x) BHIC shall have paid all stamp duty, registration fees and other fees and charges including the Financiers' solicitors' fees and charges payable for or in connection with the Financiers' Settlement Agreements and the documentation contemplated therein;

		xi) If applicable, such other approvals required to be obtained by BHIC in relation to the Proposed Debt Settlements and/or the Financiers' Settlement Agreement; xii) Fulfilment of conditions precedent under the Financiers' Settlement Agreement for Proposed Affin Settlement and Proposed MBSB Settlement.
15.	Conditions subsequent	(1) BHIC shall, if required, obtain endorsement from Shariah Advisory Council of Securities Commission Malaysia on the Shariah-compliant status of the RCPS-i A. (2) BHIC to execute and deliver to AmIslamic the FSRA Charge.
16.	Discharge of Debt	In consideration of BHIC procuring BHB to provide the Stakeholder Sum to AmIslamic as security for its obligations under the Settlement Agreement, the parties mutually agree that on the Unconditional Date and subject to the cash settlement having been paid to and received in full by AmIslamic, BHIC shall be entirely discharged from the Debt and the Debt shall be considered as fully settled by BHIC via the Proposed Debt Settlement with Financiers.
17.	Representations and warranties	BHIC represents, warrants and undertakes to AmIslamic as follows: (a) it has full legal right, power and authority to execute, deliver and perform the terms and conditions of the Settlement Agreement and the FSRA Charge and all such other agreements, documents and instruments as are specified or referred to in the Settlement Agreement and it has and/or will have taken by the Unconditional Date, all necessary action to authorise the execution and delivery of, and the performance by it of its obligations under the Settlement Agreement; (b) the execution, delivery and performance of the Settlement Agreement and the FSRA Charge shall not: (i) conflict with or result in a breach of the Constitution; (ii) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; (iii) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; (c) the Settlement Agreement constitutes the legal, valid and binding obligations of BHIC enforceable in accordance with its terms; (d) all information furnished by BHIC to AmIslamic in connection with the Proposed Debt Settlement with Financiers of the existing facilities are true and correct and do not omit to state any fact the omission of which makes any statements made therein in the light of the circumstances under which they are made, inaccurate or misleading, and all expressions of expectation, intention, belief and opinion and all projections contained therein were honestly made on reasonable grounds after due and careful inquiry by them;

		(e) no steps have been or are being taken or legal proceedings been started, pending or threatened against BHIC for its winding-up or dissolution or for the appointment of a liquidator, receiver and/or manager, judicial manager, trustee or other similar officer over it or any its assets, nor has BHIC sought any other relief under any applicable insolvency or bankruptcy law and no winding-up order has been made or granted against BHIC; (f) it has conducted its business and operations in compliance with all applicable anti-corruption laws (including without limitation, the Malaysian Anti-Corruption Commission Act 2009) and has instituted and maintained policies and procedures designed to promote and achieve compliance with all such laws; and (g) its business and operations are, and have been, conducted at all times in compliance with all applicable anti-money laundering and anti-terrorism laws and regulations (including without limitation, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001); no action, suit or proceeding by, or before any court, authority, body or agency or any arbitrator involving it with respect to any such laws or regulations is pending and, to the best of its knowledge, no such actions, suits or proceedings are threatened or contemplated; and all assets provided as security to AmIslamic and all monies now or hereafter or from time to time paid to AmIslamic come from lawful sources and do not breach any such applicable anti-money laundering and anti-terrorism laws. BHIC further represents, warrants and undertakes to AmIslamic that: (i) the RCPS-i A shall rank in priority to the RCPS B and the rights of the holders of RCPS B in respect of the redemption of RCPS-i A; and (ii) BHIC does not and shall not trigger any of the prescribed criteria as defined in the Listing Requirements pending completion of the Proposed Debt Settlement with Financiers.
18.	Event of default	The parties agree that the events of default set out in the Settlement Agreement shall be in addition to the events of default provided under the existing agreement/letter in relation to financing facilities given by AmIslamic to BHIC. An event of default shall be deemed to have occurred if: (i) any representation or warranty made or implied by BHIC pursuant to any of the provisions of the Settlement Agreement in connection with the execution and delivery of the Settlement Agreement or the documents or instruments contemplated thereby in any respect thereof shall be found to have been incorrect or misleading in any material respect as of the date at which it is made or deemed made; or (ii) BHIC commits any breach or fails to perform any of its obligations under the Settlement Agreement; or (iii) BHIC fails to pay any sum payable hereunder on the due date thereof or on demand, if so payable; or (iv) any event of default under the existing facilities agreement occurs.

19.	Consequences of event of default	Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing, AmIslamic shall be entitled by notice in writing to BHIC ("**EOD Notice**") to declare all monies payable hereunder to be immediately due and payable whereupon the same shall become immediately so due and payable and if the Debt has been discharged but the Settlement BHIC Shares and RCPS-i A or any part thereof are not issued by Completion Date, AmIslamic shall be entitled without further notice to BHIC, to forthwith demand the release of the relevant Stakeholder Sum in accordance with the terms of the Stakeholder Agreement. At any time after the EOD Notice is served on BHIC, AmIslamic shall be entitled forthwith without being required to give further notice to BHIC, to institute such proceedings, take such steps and exercise any other rights and remedies it may have against BHIC as it may deem fit under the existing facilities agreement or by civil suit concurrently or in any order as it deems fit to recover all amounts due and payable to it.
20.	Notices	Any notice, request or demand required to be served by each party to the others under the provisions of the Settlement Agreement shall be in writing.
21.	Governing law	The Settlement Agreement shall be governed by and construed in accordance with the laws of Malaysia.

Note: The terms expressly defined herein shall be strictly applicable to this Appendix II

The RCPS A shall collectively have the following features:

Issue Price	:	RM0.57 per unit of RCPS A
Tenure	:	The tenure for the RCPS A shall be perpetual commencing from the date of the issue of the RCPS A. For as long as the holders of the RCPS A ("**RCPS A Holders**") continue to hold RCPS A in BHIC, the rights attached to the RCPS A shall continue to subsist and shall not lapse until such time the RCPS A held by RCPS A Holders is either redeemed or converted in accordance with the provisions of the Financiers' Settlement Agreements.
Dividend	:	A non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum ("**Preferential Dividend**") may be declared and approved at the sole and absolute discretion of the Board until the RCPS A is redeemed or converted.

The Preferential Dividend will be payable as follows:

Year	Preferential Dividend Rate
1	0.5%
2	1.0%
3	1.5%
4	2.5%
5	3.5%
6	4.5%
7	5.5%
8 to 11	6.5%
12 and onwards	7.5%

The RCPS A Holders shall be entitled to receive such non-cumulative Preferential Dividend in priority to the holders of the RCPS B, RPS C and BHIC Shares, but shall rank equally in all respects with the holders of RCPS-i A.

The Preferential Dividend (if declared) shall be paid to the RCPS A Holders whose names appear in the register of RCPS A Holders as at the close of business at 5:00 p.m. on the relevant entitlement date(s).

Subject to the provisions contained in the Constitution and the Act, the availability of distributable profits and fulfilment of a solvency test under the Act, the Board may, at its sole and absolute discretion, distribute the funds which are lawfully available for distribution as Preferential Dividend.

The Preferential Dividend, if declared, shall be paid in cash and on an annual basis.

Redemption Terms	:	BHIC may, at any time after the date of issuance of RCPS A ("**Issue Date**"), redeem the RCPS A in part or in its entirety on a pro-rata basis (among all RCPS A Holder and RCPS-i A holders), at the option of BHIC at the Redemption Price, but subject always to: (1) the full redemption of RPS C ("**Special Redemption Condition**"); (2) the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof. Redemption of the RCPS A is at the sole discretion of BHIC and shall be redeemed by way of cash. BHIC shall issue a notice of redemption containing, among others, the number of RCPS A to be redeemed ("**Redemption Notice**") at least 30 days prior to the date of redemption (at the sole risk of RCPS A Holders). The redemption of such RCPS A shall commence on the 30th day from the date of the Redemption Notice or such other later date as may be specified in the said Redemption Notice. All RCPS A which are redeemed by BHIC shall be cancelled immediately and cannot be resold.
Redemption Price	:	RM0.57 per unit of RCPS A
Conversion Terms	:	At any time after the Issue Date, the RCPS A Holders will have the option to convert all or part of its unredeemed and unconverted RCPS A (save for those RCPS A mentioned in the Redemption Notice(s)) into new BHIC Shares ("**Conversion Shares**") at the Conversion Price through the surrender of the RCPS A without payment of any consideration, subject to all Conversion Terms and the Conversion Cap. The RCPS A Holders shall exercise such conversion right by giving 15 market days prior written notice to BHIC ("**Conversion Notice**") of its intention to convert and specifying such number of RCPS A intended to be converted into new BHIC Shares. Subject to the acceptance in writing of BHIC of the Conversion Notice, compliance with the applicable requirements (i.e. including, but not limited to, the public shareholding spread requirement imposed by Bursa Securities) and all applicable laws and regulations, BHIC shall take such requisite steps to allot, issue and credit the new BHIC Shares into the RCPS A Holders' securities account. No physical share certificates will be issued to the RCPS A Holders in respect of the conversion. BHIC shall not be required to convert any RCPS A where conversion of the RCPS A would be contrary to the laws of Malaysia. The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the RCPS A to be converted by the Conversion Price ("**Conversion Ratio**"). Any fractional BHIC Share arising from the conversion of the RCPS A shall be rounded down to the nearest whole number of BHIC Shares and no adjustment or cash payment will be made in respect thereof.

All RCPS A which are converted will be cancelled by BHIC, shall not be reissued or resold, and shall also cease to be valid for any purpose.

In the event of:

(a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or

(b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or

(c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital,

then the RCPS A Holders shall be entitled to convert the RCPS A into new BHIC Shares based on the Conversion Ratio.

Conversion Cap : The extent of conversion of the RCPS A by each of the RCPS A Holders shall be capped such that its resultant ordinary shareholding in BHIC shall be less than 5% of the enlarged issued share capital of BHIC at any point in time following a conversion.

The conversion of the RCPS A by all the RCPS A Holders shall be subject to a cumulative moratorium of 25% for each year.

Further, each RCPS A Holder represents that it has no intention to influence the management or exercise control over BHIC and agrees that:

(i) there will be no conversion of the RCPS A such that the RCPS A Holders shall become a controlling shareholder of BHIC within the ambit of Rules on Take-Overs, Mergers and Compulsory Acquisitions, and the Listing Requirements; and

(ii) it collectively, or together with its person(s) connected, shall hold less than 5% equity interest in the issued share capital of BHIC, at any time and from time to time without the prior approval of BHIC.

Conversion Price : The conversion price of each unit of the RCPS A is RM0.57.

The Conversion Price shall be subject to the applicable adjustments as set out in the Financiers' Settlement Agreements in the event of any alteration to BHIC's share capital, whether by way of rights issue, capitalisation issue (including any prior conversions of the RCPS A), consolidation or subdivision of shares or reduction of capital howsoever being effected. Such adjustments will be determined by the Board in consultation with the approved advisers and as certified by the auditors of BHIC.

Transferability	:	The RCPS A are transferable, subject however to the applicable laws, regulations and rules that would apply to the securities of BHIC.
Board representation	:	No right to Board representation
Voting rights	:	RCPS A Holders shall be entitled to the same rights as BHIC's ordinary shareholders with regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of BHIC, save and except in the following circumstances or in respect of any resolutions made: (i) on a proposal that directly or indirectly affect the rights and privileges of the RCPS A Holder; (ii) on a proposal for the winding up of BHIC; (iii) during the winding up of BHIC; (iv) on a proposal for capital reduction and/or capital repayment by BHIC (excluding any cancellation of capital which is lost or unrepresented by assets); (v) on a proposal for the disposal of the whole of BHIC's property, business and/or undertaking; (vi) on contractual or statutory voting rights of RCPS A; and (vii) in any other circumstances provided for under the Malaysian laws. In any of the aforesaid circumstances, RCPS A Holders shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, with the right to one (1) vote for each RCPS A held.
Consent of RCPS A Holders	:	All new bank borrowings to be incurred by BHIC after the Issue Date shall be subject to consent of the RCPS A Holders.
Rights of RCPS A Holder(s) in the event of winding up or liquidation	:	Each RCPS A shall on liquidation, dissolution or winding-up of BHIC or upon a reduction of capital or other return capital (including upon a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC) rank equally with RCPS-i A but in priority to the BHIC Shares, RCPS B, RPS C, and other classes of shares and the RCPS A Holders shall be conferred the right to receive, in priority to the holders of any other class of shares in the capital of BHIC (save for RCPS-i A), the cash repayment in full of the total issue price of the issued and allotted RCPS A that are at the time still unredeemed and unconverted, and all dividends, interests accrued thereon provided that the RCPS A Holders shall have no further right to participate in the surplus assets or profits of BHIC in respect of the RCPS A. The RCPS A shall be subordinated to all creditors of BHIC, whether secured or unsecured.

Ranking of the RCPS A	:	Subject to Special Redemption Condition, the RCPS A shall, upon allotment and issue, be unsecured and rank equally in all respects with each other and RCPS-i A, but ahead in point of priority to all BHIC Shares, RCPS B, RPS C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS A. The RCPS A Holders shall not be entitled to participate in any distributions (including profits) beyond such rights as expressly stated in the Financiers' Settlement Agreements and/or offer of further securities in BHIC by way of rights until and unless RCPS A have been converted into new BHIC Shares and the entitlement date is subsequent to the date of allotment and issuance of such Conversion Shares. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS A Holders shall be paid in priority over the holders of RCPS B, RPS C and BHIC Shares but in equal rank with RCPS-i A, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS A Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS A, save with the requisite prior approval of the RCPS A Holders by way of an ordinary resolution of such holders of 51% or more of the aggregate principal amount of RCPS A then outstanding.
Ranking of the Conversion Shares	:	The Conversion Shares will, upon allotment and issue, rank equally in all respects with the then existing issued BHIC Shares. However, such Conversion Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the date of allotment and issuance of the Conversion Shares.
Modification and waiver	:	Any modification by BHIC of the RCPS A (including its terms and conditions) or any waiver or authorisation of any breach or proposed breach by BHIC of the RCPS A requires the written approval of RCPS A Holders holding 51% or more of the aggregate principal amount of RCPS A then outstanding.
Form and constitution	:	The RCPS A will be issued in registered form and constituted by BHIC's Constitution.
Rating	:	RCPS A will not be rated.
Listing	:	The RCPS A will not be listed on Bursa Securities. The Conversion Shares shall, upon allotment and issuance, be listed on the Main Market of Bursa Securities.
Governing Law	:	Laws of Malaysia

Note: The terms expressly defined herein shall be strictly applicable to this Appendix III

The RCPS-i A shall collectively have the following features:

Issue Price	:	RM0.57 per unit of RCPS-i A
Tenure	:	The tenure for the RCPS-i A shall be perpetual commencing from the date of the issue of the RCPS-i A. For as long as the holders of the RCPS-i A ("**RCPS-i A Holders**") continue to hold RCPS-i A in BHIC, the rights attached to the RCPS-i A shall continue to subsist and shall not lapse until such time the RCPS-i A held by RCPS-i A Holders is either redeemed or converted in accordance with the provisions of the Financiers' Settlement Agreement.
Dividend	:	A non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum ("**Preferential Dividend**") may be declared and approved at the sole and absolute discretion of the Board until the RCPS-i A is redeemed or converted.

The Preferential Dividend will be payable as follows:

Year	Preferential Dividend Rate
1	0.5%
2	1.0%
3	1.5%
4	2.5%
5	3.5%
6	4.5%
7	5.5%
8 to 11	6.5%
12 and onwards	7.5%

The RCPS-i A Holders shall be entitled to receive such non-cumulative Preferential Dividend in priority to the holders of the RPS-C, RCPS-B and BHIC Shares but shall rank equally in all respects with the holders of RCPS A.

The Preferential Dividend (if declared) shall be paid to the RCPS-i A Holders whose names appear in the register of RCPS-i A Holders as at the close of business at 5:00 p.m. on the relevant entitlement date(s).

Subject to the provisions contained in the Constitution and the Act, the availability of distributable profits and fulfilment of a solvency test under the Act, the Board may, at its sole and absolute discretion, distribute the funds which are lawfully available for distribution as Preferential Dividend.

The Preferential Dividend, if declared, shall be paid in cash and on an annual basis.

Redemption Terms	:	BHIC may, at any time after the date of issuance of RCPS-i A ("**Issue Date**"), redeem the RCPS-i A in part or in its entirety on a pro-rata basis among all RCPS-i A Holders and RCPS A holder at the option of BHIC at the Redemption Price, but subject always to: (1) the full redemption of RPS-C ("**Special Redemption Condition**"); (2) the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof. Redemption of the RCPS-i A is at the sole discretion of BHIC and shall be redeemed by way of cash. BHIC shall issue a notice of redemption containing, among others, the number of RCPS-i A to be redeemed ("**Redemption Notice**") at least 30 days prior to the date of redemption (at the sole risk of RCPS-i A Holders). The redemption of such RCPS-i A shall commence on the 30th day from the date of the Redemption Notice or such other later date as may be specified in the said Redemption Notice. All RCPS-i A which are redeemed by BHIC shall be cancelled immediately and cannot be resold.
Redemption Price	:	RM0.57 per unit of RCPS-i A
Conversion Terms	:	At any time after the Issue Date, the RCPS-i A Holders will have the option to convert all or part of its unredeemed and unconverted RCPS-i A (save for those RCPS-i A mentioned in the Redemption Notice(s)) into new BHIC Shares ("**Conversion Shares**") at the Conversion Price through the surrender of the RCPS-i A without payment of any consideration, subject to all Conversion Terms and the Conversion Cap. The RCPS-i A Holders shall exercise such conversion right by giving 15 market days prior written notice to BHIC ("**Conversion Notice**") of its intention to convert and specifying such number of RCPS-i A intended to be converted into new BHIC Shares. Subject to the acceptance in writing of BHIC of the Conversion Notice, compliance with the applicable requirements (i.e. including, but not limited to, the public shareholding spread requirement imposed by Bursa Securities) and all applicable laws and regulations, BHIC shall take such requisite steps to allot, issue and credit the new BHIC Shares into the RCPS-i A Holders' securities account. No physical share certificates will be issued to the RCPS-i A Holders in respect of the conversion. BHIC shall not be required to convert any RCPS-i A where conversion of the RCPS-i A would be contrary to the laws of Malaysia. The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the RCPS-i A to be converted by the Conversion Price ("**Conversion Ratio**"). Any fractional BHIC Share arising from the conversion of the RCPS-i A shall be rounded down to the nearest whole number of BHIC Shares and no adjustment or cash payment will be made in respect thereof.

All RCPS-i A which are converted will be cancelled by BHIC, shall not be reissued or resold, and shall also cease to be valid for any purpose.

In the event of:

(a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or

(b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or

(c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital,

then the RCPS-i A Holders shall be entitled to convert the RCPS-i A into new BHIC Shares based on the Conversion Ratio.

Conversion Cap : The extent of conversion of the RCPS-i A by each of the RCPS-i A Holders shall be capped such that its resultant ordinary shareholding in BHIC shall be less than 5% of the enlarged issued share capital of BHIC at any point in time following a conversion.

The conversion of the RCPS-i A by all the RCPS-i A Holders shall be subject to a cumulative moratorium of 25% for each year.

Further, each RCPS-i A Holder represents that it has no intention to influence the management or exercise control over BHIC and agrees that:

(i) there will be no conversion of the RCPS-i A such that the RCPS-i A Holders shall become a controlling shareholder of BHIC within the ambit of Rules on Take-Overs, Mergers and Compulsory Acquisitions, and the Listing Requirements; and

(ii) it collectively, or together with its person(s) connected, shall hold less than 5% equity interest in the issued share capital of BHIC, at any time and from time to time without the prior approval of BHIC.

Conversion Price : The conversion price of each unit of the RCPS-i A is RM0.57.

The Conversion Price shall be subject to the applicable adjustments as set out in the Financiers' Settlement Agreement in the event of any alteration to BHIC's share capital, whether by way of rights issue, capitalisation issue (including any prior conversions of the RCPS-i A), consolidation or subdivision of shares or reduction of capital howsoever being effected. Such adjustments will be determined by the Board in consultation with the approved advisers and as certified by the auditors of BHIC.

Transferability	:	The RCPS-i A are transferable, subject however to the applicable laws, regulations and rules that would apply to the securities of BHIC.
Board representation	:	No right to Board representation
Voting rights	:	RCPS-i A Holders shall be entitled to the same rights as BHIC's ordinary shareholders with regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of BHIC, save and except in the following circumstances or in respect of any resolutions made: (i) on a proposal that directly or indirectly affect the rights and privileges of the RCPS-i A Holder; (ii) on a proposal for the winding up of BHIC; (iii) during the winding up of BHIC; (iv) on a proposal for capital reduction and/or capital repayment by BHIC (excluding any cancellation of capital which is lost or unrepresented by assets); (v) on a proposal for the disposal of the whole of BHIC's property, business and/or undertaking; (vi) on contractual or statutory voting rights of RCPS-i A; and (vii) in any other circumstances provided for under the Malaysian laws. In any of the aforesaid circumstances, RCPS-i A Holders shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, with the right to one (1) vote for each RCPS-i A held.
Consent of RCPS-i A Holders	:	All new bank borrowings to be incurred by BHIC after the Issue Date shall be subject to consent of the RCPS-i A Holders.
Rights of RCPS-i A Holder(s) in the event of winding up or liquidation	:	Each RCPS-i A shall on liquidation, dissolution or winding-up of BHIC or upon a reduction of capital or other return capital (including upon a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC) rank equally with RCPS-i A but in priority to the BHIC Shares, RPS-C, RCPS- B and other classes of shares and the RCPS-i A Holders shall be conferred the right to receive, in priority to the holders of any other class of shares in the capital of BHIC (save for RCPS A), the cash repayment in full of the total issue price of the issued and allotted RCPS-i A that are at the time still unredeemed and unconverted, and all dividends, interests accrued thereon provided that the RCPS-i A Holders shall have no further right to participate in the surplus assets or profits of BHIC in respect of the RCPS-i A. The RCPS-i A shall be subordinated to all creditors of BHIC, whether secured or unsecured.

Ranking of the RCPS-i A	:	Subject to Special Redemption Condition, the RCPS-i A shall, upon allotment and issue, be unsecured and rank equally in all respects with each other and RCPS A, but ahead in point of priority to all BHIC Shares, RPS-C, RCPS-B and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS-i A. The RCPS-i A Holders shall not be entitled to participate in any distributions (including profits) beyond such rights as expressly stated in the Financiers' Settlement Agreement and/or offer of further securities in BHIC by way of rights until and unless RCPS-i A have been converted into new BHIC Shares and the entitlement date is subsequent to the date of allotment and issuance of such Conversion Shares. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS-i A Holders shall be paid in priority over the holders of RPS-C, RCPS-B and BHIC Shares but in equal rank with RCPS A, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS-i A Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS-i A, save with the requisite prior approval of the RCPS-i A Holders by way of an ordinary resolution of such holders of 51% or more of the aggregate principal amount of RCPS-i A then outstanding.
Ranking of the Conversion Shares	:	The Conversion Shares will, upon allotment and issue, rank equally in all respects with the then existing issued BHIC Shares. However, such Conversion Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the date of allotment and issuance of the Conversion Shares.
Modification and waiver	:	Any modification by BHIC of the RCPS-i A (including its terms and conditions) or any waiver or authorisation of any breach or proposed breach by BHIC of the RCPS-i A requires the written approval of RCPS-i A Holders holding 51% or more of the aggregate principal amount of RCPS-i A then outstanding.
Form and constitution	:	The RCPS-i A will be issued in registered form and constituted by BHIC's Constitution.
Rating	:	RCPS-i A will not be rated.
Listing	:	The RCPS-i A will not be listed on Bursa Securities. The Conversion Shares shall, upon allotment and issuance, be listed on the Main Market of Bursa Securities.
Governing Law	:	Laws of Malaysia

Note: The terms expressly defined herein shall be strictly applicable to this Appendix IV.

The salient terms for the BHB Settlement Agreement are as follows:

	Matter	**Salient Terms**
1.	Issuer	BHIC
2.	Holders of new BHIC Shares for the Proposed Debt Settlement with BHB ("**Settlement BHIC Shares**"), RCPS B and RPS C	BHB
3.	Settlement BHIC Shares	BHIC Shares The Settlement BHIC Shares shall rank *pari passu* with the existing BHIC Shares save for the rights, distributions and/or entitlements of the existing BHIC Shares which are made or declared prior to the date of issuance of such Settlement BHIC Shares to BHB.
4.	RCPS B	Redeemable Convertible Preference Shares - Class B. The rights of the RCPS B are as described in Appendix V of the Circular.
5.	RPS C	Redeemable Preference Shares - Class C. The rights of the RPS C are as described in Appendix V of the Circular.
6.	Number of Settlement BHIC Shares	Up to 246,920,486 Settlement BHIC Shares
7.	Number of RCPS B	Up to 84,658,462 RCPS B
8.	Number of RPS C	Up to 78,947,368 RPS C
9.	Issue Price per Settlement BHIC Share	RM0.57 per Settlement BHIC Share
10.	Issue price per RCPS B	RM0.57 per RCPS B
11.	Issue price per RPS C	RM0.57 per RPS C

12.	Purpose of issuance of RCPS B, Settlement BHIC Shares and RPS C	To settle the sums owing by BHIC to BHB amounting up to RM234,000,000 as at 31 December 2023 ("**Debt**") by way of: (a) Settlement BHIC Shares, (b) RCPS B and (c) RPS C subject to the terms and conditions of the BHB Settlement Agreement the full discharge and settlement of the Debt.
13.	Issue date of Settlement BHIC Shares, RCPS B and RPS C/ Date of completion	Issue Date of Settlement BHIC Shares shall be by 5 January 2024, and of RCPS B and RPS C shall be by 31 January 2024.
14.	Conditions precedent	The BHB Settlement Agreement involving the issuance of Settlement BHIC Shares, RCPS B and RPS C is conditional upon the fulfilment of the following conditions: i) BHB and the Financiers having obtained the required approvals, (if applicable), for the Proposed Debt Settlements. ii) BHIC having obtained the approval from its Board and shareholders in relation to, among others, the following: a) the creation, issuance and allotment of the Settlement BHIC Shares, RCPS B and RPS C by BHIC in favour of BHB upon the terms of the BHB Settlement Agreement; b) the creation, issuance and allotment of BHIC Shares, RCPS A and RCPS-i A by BHIC in favour of the Financiers upon the terms of Financiers' Settlement Agreements; c) the entry into the BHB Settlement Agreement and any other documents in relation to the issuance of the Settlement BHIC Shares, RCPS B and RPS C; d) the entry into the Financiers' Settlement Agreements. and any other documents in relation to the issuance of the BHIC Shares, RCPS A and RCPS-i A by BHIC in favour of the Financiers; e) by way of special resolution at the general meeting of the shareholders of BHIC for the alteration/amendment of the Constitution to reflect the features of RCPS A, RCPS-i A, RCPS B and RPS C; and f) the issuance and allotment of the Conversion Shares to be issued arising from the conversion of the RCPS A, RCPS-i A and RCPS B. iii) BHIC having obtained the approval from Bursa Securities for the listing of and quotation for the Conversion Shares to be issued arising from the conversion of the RCPS B.
15.	Discharge of Debt	Upon fulfilment of the conditions precedent, BHIC shall be entirely discharged from the Debt and the Debt shall be considered as fully repaid by BHIC via the Proposed Debt Settlement with BHB. BHB acknowledges and agrees that the issuance and allotment of the Settlement BHIC Shares, RCPS B and RPC C after fulfilment of said conditions precedent are an administrative procedure to which the parties agree that such procedure shall be completed as soon as practicable after satisfaction of the said conditions precedent.

16.	Representations and warranties	Each party represents and warrants that all action will have been taken so that the execution and delivery of, and the performance by it of its obligations under the BHB Settlement Agreement shall not: a) conflict with or result in a breach of its Constitution; b) infringe, or constitute a default under any instrument, contract, document or agreement to which it is a party or by which its assets are bound; c) result in a breach of law, rule, regulation, ordinance, order, judgment or decree of or undertaking to any court, government body, statutory authority or regulatory, administrative or supervisory body (including without limitation, any relevant stock exchange or securities council) to which it is a party or by which its assets are bound, whether in Malaysia or elsewhere; Each party further warrants to each other that it has full legal right, power and authority to execute, deliver and perform its obligations under the BHB Settlement Agreement and all such other agreements, documents and instruments as are specified or referred to in the BHB Settlement Agreement. BHIC further represents, warrants that BHIC does not and shall not trigger any of the prescribed criteria as defined in Listing Requirements pending completion of the Proposed Debt Settlements.
17.	Event of default	An event of default shall be deemed to have occurred if: (i) any representation or warranty of any party made in connection with the execution and delivery of the BHB Settlement Agreement or in any respect thereof shall be found to have been incorrect or misleading in any material respect; and (ii) any party fails to perform its respective obligations under the BHB Settlement Agreement.
18.	Consequences of event of default	Upon occurrence of an event of default or at any time thereafter and while such event of default is continuing without being rectified after being notified by the non-defaulting party for a period of sixty (60) days, the non-defaulting party shall be at liberty to give notice to the defaulting party to terminate the BHB Settlement Agreement forthwith and no party shall be liable or further obligated under the BHB Settlement Agreement except in respect of any antecedent breach.
19.	Notices	Any notice, request or demand required to be served by each party to the others under the provisions of the BHB Settlement Agreement shall be in writing.
20.	Agreement survives completion	All provisions of the BHB Settlement Agreement shall so far as they are capable of being performed and observed continue in full force and effect notwithstanding the completion of issuance of the Settlement BHIC Shares, RCPS B and RPS C except in respect of those matters then already performed.
21.	Governing Law	The BHB Settlement Agreement shall be governed by and construed in accordance with the laws of Malaysia.

Note: The terms expressly defined herein shall be strictly applicable to this Appendix V. The RCPS B shall collectively have the following features:

Issue Price	:	RM0.57 per unit of RCPS B
Tenure	:	The tenure for the RCPS B shall be perpetual commencing from the date of the issue of the RCPS B. For as long as the holders of the RCPS B ("**RCPS B Holders**") continue to hold RCPS B in BHIC, the rights attached to the RCPS B shall continue to subsist and shall not lapse until such time the RCPS B held by RCPS B Holder is either redeemed or converted in accordance with the provisions of the BHB Settlement Agreement.
Dividend	:	A non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum ("**Preferential Dividend**") may be declared and approved at the sole and absolute discretion of the Board until the RCPS B is redeemed or converted.

The Preferential Dividend will be payable as follows:

Year	Preferential Dividend Rate
1	0.5%
2	1.0%
3	1.5%
4	2.5%
5	3.5%
6	4.5%
7	5.5%
8 to 11	6.5%
12 and onwards	7.5%

The RCPS B Holders shall be entitled to receive such non-cumulative Preferential Dividend in priority to the holders of BHIC Shares and RPS C but shall be subordinated to the RCPS-i A and RCPS A holders.

The Preferential Dividend (if declared) shall be paid to the RCPS B Holders whose names appear in the register of RCPS B Holders as at the close of business at 5:00 p.m. on the relevant entitlement date(s).

Subject to the provisions contained in the Constitution and the Act, the availability of distributable profits and fulfilment of a solvency test under the Act, the Board may at its sole and absolute discretion distribute the funds which are lawfully available for distribution as Preferential Dividend.

The Preferential Dividend, if declared, shall be paid in cash and on an annual basis.

Redemption Terms	:	BHIC may, at any time after the date of issuance of RCPS B ("**Issue Date**"), redeem the RCPS B in part or in its entirety on a pro-rata basis at the option of BHIC at the Redemption Price (as defined below), at any time after the Issue Date but always subject to: (i) full redemption of RPS C, RCPS A and RCPS-i A ("**Special Redemption Condition**"); and (ii) the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof. Redemption of the RCPS B is at the sole discretion of BHIC and RCPS B shall be redeemed by way of cash. BHIC shall issue a notice of redemption containing, among others, the number of RCPS B to be redeemed ("**Redemption Notice**") at least 30 days prior to the date of redemption (at the sole risk of RCPS B Holders). The redemption of such RCPS B shall commence on the 30th day from the date of the Redemption Notice or such other later date as may be specified in the said Redemption Notice. All RCPS B which are redeemed by BHIC shall be cancelled immediately and cannot be resold. In the event of (a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or (b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or (c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital, then all outstanding RCPS B shall be subject to arrangement or treatment effected via such takeover offer, compromise or arrangement and capital reduction.
Redemption Price	:	RM0.57 per unit of RCPS B

Conversion Terms	:	At any time after the Issue Date, the RCPS B Holders will have the option to collectively and proportionately convert all or part of its unredeemed and unconverted RCPS B (save for those RCPS B mentioned in the Redemption Notice(s)) into new BHIC Shares ("**Conversion Shares**") at the Conversion Price through the surrender of the RCPS B without payment of any consideration, subject to all Conversion Terms and the Conversion Cap. The RCPS B Holders shall exercise such conversion right by giving 30 days prior written notice to BHIC ("**Conversion Notice**") of its intention to convert and specifying such number of RCPS B intended to be converted into new BHIC Shares. Subject to the acceptance in writing of BHIC of the Conversion Notice, compliance with the applicable requirements (i.e. including, but not limited to, the public shareholding spread requirement imposed by Bursa Securities) and all applicable laws and regulations, BHIC shall take such requisite steps to allot, issue and credit the new BHIC Shares into the RCPS B Holders' securities account. No physical share certificates will be issued to the RCPS B Holders in respect of the conversion. BHIC shall not be required to convert any RCPS B where conversion of the RCPS B would be contrary to the laws of Malaysia. The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the RCPS B to be converted by the Conversion Price ("**Conversion Ratio**"). Any fractional BHIC Share arising from the conversion of the RCPS B shall be rounded down to the nearest whole number of BHIC Shares and no adjustment or cash payment will be made in respect thereof. All RCPS B which are converted will be cancelled by BHIC, shall not be reissued or resold, and shall also cease to be valid for any purpose. In the event of: (a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or (b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or (c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital, then the RCPS B Holders shall be entitled to convert the RCPS B into new BHIC Shares based on the Conversion Ratio.
Conversion Cap	:	The extent of conversion of the RCPS B by each of the RCPS B Holders shall be capped such that BHIC does not breach the public shareholding spread requirement.

Conversion Price	:	The conversion price of each unit of the RCPS B is RM0.57. The Conversion Price shall be subject to the applicable adjustments as set out in the BHB Settlement Agreement in the event of any alteration to BHIC's share capital, whether by way of rights issue, capitalisation issue (including any prior conversions of the RCPS B), consolidation or subdivision of shares or reduction of capital howsoever being effected. Such adjustments will be determined by the Board in consultation with the approved advisers and as certified by the auditors of BHIC.
Transferability	:	The RCPS B are transferable to related entities of BHB, being RCPS B Holder, and LTAT's group of companies, subject however to the applicable laws, regulations and rules that would apply to the securities of BHIC.
Board representation	:	No right to Board representation
Voting rights	:	The RCPS B Holder shall be entitled to the same rights as BHIC's ordinary shareholders with regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of BHIC, save and except in the following circumstances or in respect of any resolutions made: (i) on a proposal that directly or indirectly affects its rights and privileges attached to the RCPS B Holder; (ii) on a proposal for the winding up of BHIC; (iii) during the winding up of BHIC; (iv) on a proposal for capital reduction and/or capital repayment by BHIC (excluding any cancellation of capital which is lost or unrepresented by assets); (v) on a proposal for the disposal of the whole of BHIC's property, business and/or undertaking; (vi) on contractual or statutory voting rights of RCPS B; and (vii) in any other circumstances provided for under the Malaysian laws. In any of the aforesaid circumstances, the RCPS B Holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, with the right to one (1) vote for each RCPS B held.

Rights of RCPS B Holder in the event of winding up or liquidation	:	Each RCPS B shall on liquidation, dissolution or winding-up of BHIC or upon a reduction of capital or other return capital (including upon a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC) rank in priority to the BHIC Shares and RPS C but are subordinated to the holders of RCPS-i A and RCPS A, and the RCPS B Holders shall be conferred the right to receive, in priority to the holders of any other class of shares in the capital of BHIC (save for holders of RCPS-i A and RCPS A), the cash repayment in full of the total issue price of the issued and allotted RCPS B that are at the time still unredeemed, and all dividends, interests accrued thereon provided that the RCPS B Holders shall have no further right to participate in the surplus assets or profits of BHIC in respect of the RCPS B. RCPS B shall be subordinated to all creditors of BHIC, whether secured or unsecured.
Ranking of the RCPS B	:	Subject to Special Redemption Condition, the RCPS B shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares, RPS C and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS B. The RCPS B shall rank subordinated to the RCPS-i A and RCPS A. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RCPS B Holders shall be paid in priority over the holders of BHIC Shares and RPS C, but subordinated to RCPS-i A and RCPS A, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RCPS B Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RCPS B, save with the requisite prior approval of RCPS B Holder by way of an ordinary resolution of such holders.
Modification and waiver	:	Any modification by BHIC (including its terms and conditions) or any waiver or authorisation of any breach or proposed breach by BHIC requires the written approval of the RCPS B Holders of 51% or more of the aggregate principal amount of RCPS B then outstanding.
Form and constitution	:	The RCPS B will be issued in registered form and constituted by BHIC's Constitution.
Listing	:	The RCPS B will not be listed on Main Market of Bursa Securities. The Conversion Shares shall, upon allotment and issuance, be listed on the Main Market of Bursa Securities.
Rating	:	The RCPS B will not be rated.
Governing Law	:	Laws of Malaysia

The RPS C shall collectively have the following features:

Issue Price	:	RM0.57 per unit of RPS C
Tenure	:	The tenure for the RPS C shall be perpetual commencing from the date of the issue of the RPS C. For as long as the holders of the RPS C ("**RPS C Holders**") continue to hold RPS C in BHIC, the rights attached to the RPS C shall continue to subsist and shall not lapse until such time the RPS C held by RPS C Holder is redeemed in accordance with the provisions of the BHB Settlement Agreement.
Dividend	:	A non-cumulative preferential dividend with a step-up rate ranging between 0.5% to 1% per annum ("**RPS C Preferential Dividend**") may be declared and approved at the sole and absolute discretion of the Board until the RPS C is redeemed.

The RPS C Preferential Dividend will be payable as follows:

Year	**RPS C Preferential Dividend Rate**
1	0.5%
2	1.0%
3	1.5%
4	2.5%
5	3.5%
6	4.5%
7	5.5%
8 to 11	6.5%
12 and onwards	7.5%

The RPS C Holders shall be entitled to receive such non-cumulative RPS C Preferential Dividend in priority to the holders of BHIC Shares but shall be subordinated to the RCPS-i A, RCPS A and RCPS B holders.

The RPS C Preferential Dividend (if declared) shall be paid to the RPS C Holders whose names appear in the register of RPS C Holders as at the close of business at 5:00 p.m. on the relevant entitlement date(s).

Subject to the provisions contained in the Constitution and the Act, the availability of distributable profits and fulfilment of a solvency test under the Act, the Board may at its sole and absolute discretion distribute the funds which are lawfully available for distribution as RPS C Preferential Dividend.

The RPS C Preferential Dividend, if declared, shall be paid in cash and on an annual basis.

Redemption Terms	:	BHIC may, at any time after the date of issuance of RPS C ("**RPS C Issue Date**"), redeem the RPS C in part or in its entirety on a pro-rata basis at the option of BHIC at the RPS C Redemption Price (as defined below), at any time after RPS C Issue Date but always subject to the requirement of Section 72 of the Act and any other applicable laws and regulations currently in force and as may be amended from time to time and any re-enactment thereof. Redemption of the RPS C shall be in priority to the redemption of RCPS-i A, RCPS A and RCPS B ("**Special RPS C Redemption Condition**"). Redemption of the RPS C is at the sole discretion of BHIC and RPS C shall be redeemed by way of cash. BHIC shall issue a notice of redemption containing, among others, the number of RPS C to be redeemed ("**RPS C Redemption Notice**") at least 30 days prior to the date of redemption (at the sole risk of RPS C Holders). The redemption of such RPS C shall commence on the 30th day from the date of the RPS C Redemption Notice or such other later date as may be specified in the said RPS C Redemption Notice. All RPS C which are redeemed by BHIC shall be cancelled immediately and cannot be resold. In the event of (a) a takeover offer being made for BHIC through a general offer to acquire the whole of BHIC's issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer or any persons acting in concert with such offeror); or (b) the court sanctioning a compromise or arrangement between BHIC and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of BHIC under Subdivision 2 of Division 7 of Part III of the Act or its amalgamation with any other company or companies under the Act; or (c) a capital reduction being undertaken by BHIC under Subdivision 4 of Division 1 of Part III of the Act to cancel BHIC's entire issued share capital or such part of the issued share capital, then all outstanding RPS C shall be subject to arrangement or treatment effected via such takeover offer, compromise or arrangement and capital reduction.
RPS C Redemption Price	:	RM0.57 per unit of RPS C
Conversion	:	The RPS C cannot be converted into BHIC Shares.

Transferability	:	The RPS C are transferable to related entities of BHB, being RPS C Holder, and LTAT's group of companies, subject however to the applicable laws, regulations and rules that would apply to the securities of BHIC.
Board representation	:	No right to Board representation
Voting rights	:	The RPS C Holder shall be entitled to the same rights as BHIC's ordinary shareholders with regard to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of BHIC, save and except in the following circumstances or in respect of any resolutions made: (i) on a proposal that directly or indirectly affects its rights and privileges attached to the RPS C Holder; (ii) on a proposal for the winding up of BHIC; (iii) during the winding up of BHIC; (iv) on a proposal for capital reduction and/or capital repayment by BHIC (excluding any cancellation of capital which is lost or unrepresented by assets); (v) on a proposal for the disposal of the whole of BHIC's property, business and/or undertaking; (vi) on contractual or statutory voting rights of RPS C; and (vii) in any other circumstances provided for under the Malaysian laws. In any of the aforesaid circumstances, the RPS C Holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings, with the right to one (1) vote for each RPS C held.
Rights of RPS C Holder in the event of winding up or liquidation	:	Each RPS C shall on liquidation, dissolution or winding-up of BHIC or upon a reduction of capital or other return capital (including upon a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC) rank in priority to the BHIC Shares but are subordinated to the holders of RCPS-i A, RCPS A and RCPS B, and the RPS C Holders shall be conferred the right to receive, in priority to the holders of any other class of shares in the capital of BHIC (save for holders of RCPS-i A, RCPS A and RCPS B), the cash repayment in full of the total issue price of the issued and allotted RPS C that are at the time still unredeemed, and all dividends, interests accrued thereon provided that the RPS C Holders shall have no further right to participate in the surplus assets or profits of BHIC in respect of the RPS C. RPS C shall be subordinated to all creditors of BHIC, whether secured or unsecured.

Ranking of the RPS C	:	Subject to Special RPS C Redemption Condition, the RPS C shall, upon allotment and issue, be unsecured and rank equally in all respects with each other, but ahead in point of priority to all BHIC Shares and all other classes of shares of BHIC (if any) which by its terms rank subordinated to the RCPS-i A, RCPS A and RCPS B. In the event of any liquidation, winding up or other return of capital of BHIC (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of BHIC), the RPS C Holders shall be paid in priority over the holders of BHIC Shares, but subordinated to RCPS-i A, RCPS A and RCPS B, with respect to any net proceeds from the liquidation, dissolution or winding-up of BHIC after payments to all the creditors of BHIC, whether secured or unsecured, provided always that the Board approves such payment out of the assets of BHIC on this basis and further affirms the priority of payment to the RPS C Holders. BHIC shall have the right to create and issue further preference shares that rank equally in all respects with, but not in priority to, the RPS C, save with the requisite prior approval of RPS C Holder by way of an ordinary resolution of such holders.
Modification and waiver	:	Any modification by BHIC (including its terms and conditions) or any waiver or authorisation of any breach or proposed breach by BHIC requires the written approval of the RPS C Holders of 51% or more of the aggregate principal amount of RPS C then outstanding.
Form and constitution	:	The RPS C will be issued in registered form and constituted by BHIC's Constitution.
Listing	:	The RPS C will not be listed on Main Market of Bursa Securities.
Rating	:	The RPS C will not be rated.
Governing Law	:	Laws of Malaysia

Including the Proposed Debt Settlement with BHB, the following are transactions entered into by BHIC Group with BHB during the 12 months preceding the LPD:

Transacting Parties	**Nature of transaction**	**Total amount transacted in the preceding 12 months up to the LPD** **RM'000**
BHIC and BHB	Provision of training, management and related services to BHIC	(555)
BHIC and Boustead Realty Sdn Bhd ("**BRSB**")	Tenancy agreement dated 1 January 2023 for the rental of the premise located at the 17th and 25th Floor Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur, at a monthly rental of RM58,670.00 for a tenure commencing from 1 January 2023 to 31 December 2025	(645)
BHIC Submarine Engineering Services Sdn Bhd ("**BSES**") and BRSB	(i) Tenancy agreement for the rental of the premise located at the 19th Floor Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur, at a monthly rental of RM9,705.00 for a tenure commencing from 1 January 2023 to 31 December 2025; and (ii) Tenancy agreement for the rental of the premise located at the 19th Floor Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur, at a monthly rental of RM11,725.00 for a tenure commencing from 1 October 2023 to 31 December 2025	(143)
BSES and Boustead Travels Sdn Bhd	Provision of transport and travel related services	(431)
BPS and	Provision of shipbuilding, ship repair works and provision of related services	4,534
BHIC Defence Techservices Sdn Bhd ("**BDT**") and BNS	Provision of ship repair works and related services	1,847
BHIC MTA Sdn Bhd ("**BMTA**") and BNS	Provision of training services	-
BPS and BNS	Rental of the premise located at the 17th Floor Menara Boustead, No. 69 Jalan Raja Chulan, 50200 Kuala Lumpur, at a monthly rental of RM91,019.00 for a tenure commencing from 1 January 2019 to 31 December 2022. ** no tenancy agreement between BNS-BPS. Backcharge only*	(91)

Transacting Parties	**Nature of transaction**	**Total amount transacted in the preceding 12 months up to the LPD** **RM'000**
BDT and BNS	Tenancy agreement dated 1 March 2021 for the rental of the premise located at the RMN Naval Base, 32100, Lumut, Perak Darul Ridzuan, at a monthly rental of RM23,640.00 for a tenure commencing from 1 January 2021 to 31 December 2023	(288)
BMTA and BNS	Tenancy agreement dated 14 April 2022 for the rental of the premise located at the RMN Naval Base, 32100, Lumut, Perak Darul Ridzuan, at a monthly rental of RM633.00 for a tenure commencing from 1 January 2022 to 31 December 2023	(8)
Total		**4,221**

Boustead Heavy Industries Corporation Berhad 197101000758 (11106-V)

(A member of Boustead Group)

PRIVATE & CONFIDENTIAL

Our Reference:

Date: 14 December 2023

BURSA MALAYSIA SECURITIES BERHAD
9th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

Dear Sir/ Madam,

LETTER OF UNDERTAKING IN RELATION TO:

I. PROPOSED PARTIAL SETTLEMENT OF OUTSTANDING FINANCING FACILITIES GIVEN BY AFFIN BANK BERHAD ("AFFIN BANK"), MBSB BANK BERHAD ("MBSB"), AMBANK ISLAMIC BERHAD ("AMISLAMIC") ("FINANCIERS") TO BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD ("BHIC" OR "COMPANY") VIA A COMBINATION OF CASH, ISSUANCE OF NEW ORDINARY SHARES IN BHIC ("BHIC SHARES" OR "SHARES"), REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS A") AND ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS-i A") ("PROPOSED DEBT SETTLEMENT WITH FINANCIERS");

II. PROPOSED FULL SETTLEMENT OF AMOUNTS OWING TO BOUSTEAD HOLDINGS BERHAD ("BHB") BY BHIC VIA ISSUANCE OF NEW BHIC SHARES, REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS B IN BHIC ("RCPS B") AND REDEEMABLE PREFERENCE SHARES – CLASS C IN BHIC ("RPS C") ("PROPOSED DEBT SETTLEMENT WITH BHB"); AND

(PROPOSED DEBT SETTLEMENT WITH FINANCIERS AND PROPOSED DEBT SETTLEMENT WITH BHB ARE COLLECTIVELY REFERRED TO AS THE "PROPOSED DEBT SETTLEMENTS")

III. PROPOSED AMENDMENTS TO THE CONSTITUTION OF BHIC TO FACILITATE THE PROPOSED ISSUANCE OF RCPS-i A TO MBSB AND AMISLAMIC, RCPS A TO AFFIN BANK AND PROPOSED ISSUANCE OF RCPS B AND RPS C TO BHB ("PROPOSED AMENDMENTS")

(PROPOSED DEBT SETTLEMENTS AND PROPOSED AMENDMENTS ARE COLLECTIVELY REFERRED TO AS "PROPOSALS")

1. Introduction

The Company proposes to undertake the Proposals.

2. Background

We refer to the letter of undertaking dated 14 December 2023 issued by Boustead Holdings Berhad ("**BHB**") to the Company in relation to BHB's undertaking to, among others, observe and monitor BHB's dealings in BHIC Shares and ensure that the conversion of BHB's RCPS B will not result in the Company being in breach of the public shareholding spread requirement ("**BHB's Letter of Undertaking**"), a copy of which is enclosed as Appendix 1 for your record.

As at 30 November 2023, the public shareholding spread of the Company is in compliance with the minimum public shareholding spread of 25% requirement imposed on the Company pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**").

3. Undertakings

In connection with the Proposals, we confirm that we are mindful of the public shareholding spread requirement of 25%, as stated in the Listing Requirements. Our Board of Directors will engage with BHB on the necessary steps required to ensure the Company's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times.

We acknowledge that the Settlement Agreements in relation to the Proposed Debt Settlements provide that:

(a) the terms of conversion of RCPS A, RCPS-i A and RCPS B include the compliance with all the applicable requirements, laws and regulations, which includes the public shareholding spread requirement imposed by Bursa Securities. The RCPS A, RCPS-i A and RCPS B will only be converted if these requirements are met;

(b) we are not required to convert any RCPS A, RCPS-i A and RCPS B where the conversion is contrary to the applicable requirements, laws and regulations of Malaysia;

(c) the extent of conversion of RCPS A and RCPS-i A shall be capped such that the resultant ordinary shareholding of each of the Financiers in BHIC shall be less than 5% of our enlarged issued share capital at any point in time following a conversion; or

(d) the conversion of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. From the 4th year, the holders of the RCPS A, RCPS-i A and RCPS B may convert up to 100% of their holdings subject to other terms and conditions of conversion.

We, hereby irrevocably and unconditionally undertake to, from time to time:

(a) observe and monitor the public shareholding spread of our Company; and

(b) ensure that completion of the Proposals and conversion of the RPCS-i A, RCPS A and RCPS B will not result in the Company being in breach of the said public shareholding spread requirement by implementing the following procedures:

- when our Company receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, the Company Secretary will check on the impact of the conversion on our Company's public shareholding spread; and

- if the conversion will result in a breach of our Company's public shareholding spread and items (a) to (d) above, such conversion will be disallowed and the holder will be notified accordingly.

4. General Provision

We hereby consent to the references to, and disclosure of, the contents of this letter of undertaking to the public (including shareholders of BHIC), Bursa Securities and/ or to any other relevant authorities, in announcements, circular to shareholders, notices and any other documents in relation to the Proposals.

This letter of undertaking shall be governed by the laws of Malaysia and shall be effective from the date hereof.

The undersigned execute this letter of undertaking as Director of Boustead Heavy Industries Corporation Bhd pursuant to the authority granted via a resolution of Boustead Heavy Industries Corporation Bhd's Board of Directors dated 6 December 2023.

Yours faithfully,
for and on behalf of
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

(DR.) SALIHIN ABANG

Director

APPENDIX 1
BHB's Letter of Undertaking

Boustead Holdings Berhad

PRIVATE & CONFIDENTIAL

Date: 14 December 2023

The Board of Directors
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD ("BHIC" or "Company")
17th Floor, Menara Boustead,
69 Jalan Raja Chulan,
50200 Kuala Lumpur,
Wilayah Persekutuan

Dear Sirs,

LETTER OF UNDERTAKING IN RELATION TO:

I. PROPOSED PARTIAL SETTLEMENT OF OUTSTANDING FINANCING FACILITIES GIVEN BY AFFIN BANK BERHAD ("AFFIN BANK"), MBSB BANK BERHAD ("MBSB"), AMBANK ISLAMIC BERHAD ("AMISLAMIC") ("FINANCIERS") TO BHIC VIA A COMBINATION OF CASH, ISSUANCE OF NEW ORDINARY SHARES IN BHIC ("BHIC SHARES" OR "SHARES"), REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS A") AND ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A IN BHIC ("RCPS-i A") ("PROPOSED DEBT SETTLEMENT WITH FINANCIERS");

II. PROPOSED FULL SETTLEMENT OF AMOUNTS OWING TO BOUSTEAD HOLDINGS BERHAD ("BHB") BY BHIC VIA ISSUANCE OF NEW BHIC SHARES, REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS B IN BHIC ("RCPS B") AND REDEEMABLE PREFERENCE SHARES – CLASS C IN BHIC ("RPS C") ("PROPOSED DEBT SETTLEMENT WITH BHB"); AND

(PROPOSED DEBT SETTLEMENT WITH FINANCIERS AND PROPOSED DEBT SETTLEMENT WITH BHB ARE COLLECTIVELY REFERRED TO AS THE "PROPOSED DEBT SETTLEMENTS")

III. PROPOSED AMENDMENTS TO THE CONSTITUTION OF BHIC TO FACILITATE THE PROPOSED ISSUANCE OF RCPS-i A TO MBSB AND AMISLAMIC, RCPS A TO AFFIN BANK AND PROPOSED ISSUANCE OF RCPS B AND RPS C TO BHB ("PROPOSED AMENDMENTS")

(PROPOSED DEBT SETTLEMENTS AND PROPOSED AMENDMENTS ARE COLLECTIVELY REFERRED TO AS "PROPOSALS")

1. Introduction

The Company proposes to undertake the Proposals.

Boustead Holdings Berhad

2. Background

As at the date of this letter of undertaking, BHB is the registered and beneficial owner of 161,497,448 BHIC Shares, representing approximately 65.00% of the share capital of BHIC, and we understand that up to 246,920,486 BHIC Shares, 84,658,462 RCPS B and 78,947,368 RPS C will be allotted and issued to us pursuant to the Proposed Debt Settlement With BHB.

3. Undertakings

In connection with the Proposed Debt Settlement With BHB, we confirm that we are mindful of the minimum public shareholding spread of 25% requirement imposed on the Company pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). In this regard, we will engage with the Board of Directors of BHIC on the necessary steps required to ensure the Company's continuing compliance with the Listing Requirements arising from the conversion of the RCPS A, RCPS-i A and/or RCPS B at all times.

We acknowledge that the Settlement Agreements in relation to the Proposed Debt Settlements provide that:

(a) the terms of conversion of RCPS A, RCPS-i A and RCPS B include the compliance with all the applicable requirements, laws and regulations, which includes the public shareholding spread requirement imposed by Bursa Securities. The RCPS A, RCPS-i A and RCPS B will only be converted if these requirements are met;

(b) BHIC is not required to convert any RCPS A, RCPS-i A and RCPS B where the conversion is contrary to the applicable requirements, laws and regulations of Malaysia;

(c) the extent of conversion of RCPS A and RCPS-i A shall be capped such that the resultant ordinary shareholding of each of the Financiers in BHIC shall be less than 5% of BHIC's enlarged issued share capital at any point in time following a conversion; or

(d) the conversion of RCPS A and RCPS-i A shall be subject to a cumulative moratorium of 25% for each year. From the 4th year, the holders of the RCPS A, RCPS-i A and RCPS B may convert up to 100% of their holdings subject to other terms and conditions of conversion.

We, therefore hereby irrevocably and unconditionally undertake to, from time to time:

(a) observe and monitor our dealings in BHIC Shares; and

(b) ensure that the conversion of the RCPS A, RCPS-i A and RCPS B will not result in the Company being in breach of the said public shareholding spread requirement by ensuring that BHIC implements the following procedures:

i. when BHIC receives a notice of conversion of the RCPS A, RCPS-i A and/or RCPS B from any holder of the RCPS A, RCPS-i A and/or RCPS B, BHIC's Company

Boustead Holdings Berhad

Secretary will check on the impact of the conversion on BHIC's public shareholding spread; and

ii. if the conversion will result in a breach of BHIC's public shareholding spread and items (a) to (d) above, such conversion will be disallowed and the holder will be notified accordingly.

4. General Provision

Our undertakings and obligations hereunder are subject to and conditional upon all regulatory and other required approvals having been obtained by the Company for the Proposals.

We hereby consent to the references to, and disclosure of, the contents of this letter of undertaking to the public (including shareholders of BHIC), Bursa Malaysia Securities Berhad ("**Bursa Securities**") and/ or to any other relevant authorities, in announcements, circular to shareholders, notices and any other documents in relation to the Proposals.

Until the relevant announcement(s) is(are) released or the information has otherwise become generally available to the public, we agree not to disclose to any third party the Proposals, existence or subject matter of this letter of undertaking or of any of the arrangements or proposed arrangements to which it relates unless such disclosure is required by law or regulatory requirements in which case we shall only make such disclosure following consultation with the Company and its adviser(s).

This letter of undertaking shall be governed by the laws of Malaysia and shall be effective from the date hereof.

The undersigned execute this letter of undertaking as Director of Boustead Holdings Berhad pursuant to the authority granted via a resolution of Boustead Holdings Berhad's board of directors dated 7 December 2023.

Yours faithfully,
for and on behalf of
BOUSTEAD HOLDINGS BERHAD

MUHAMMAD FITRI OTHMAN
Director

1. RESPONSIBILITY STATEMENT

Our Board has seen and approved the contents of this Circular, and the Directors collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular. They confirm that, after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

2.1 Affin Hwang IB

Affin Hwang IB, being the Principal Adviser for the Proposed Debt Settlements, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Affin Hwang IB is a wholly-owned subsidiary of Affin Bank. As such, Affin Hwang IB and Affin Bank are related parties and hence, Affin Hwang IB is deemed to be conflicted in their role as Principal Adviser for the Proposed Debt Settlement with Financiers considering that Affin Bank is one of the Financiers to BHIC pursuant to the Proposed Debt Settlements.

Despite the above, it should be noted that this deemed conflict of interest is mitigated in view of the following:

(i) Affin Hwang IB is a licensed investment bank and its appointment as Principal Adviser to our Company for the Proposed Debt Settlements is in its ordinary course of business (being amongst others, the provision of corporate advisory services);

(ii) the conduct of Affin Hwang IB is strictly regulated by the Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and its own internal policies;

(iii) the Affin Banking Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its banking and advisory business, which require, among others, the corporate advisory business of Affin Hwang IB to be segregated from Affin Banking Group's other businesses and implementation of Chinese wall between different business divisions; and

(iv) MainStreet has been appointed as the Independent Adviser to advise our non-interested directors and non-interested shareholders on the Proposed Debt Settlements. This is in view of the inter-conditionality of the Proposed Debt Settlement with the Financiers and the Proposed Debt Settlement with BHB.

Our Board has confirmed that it has been informed and is aware of the situations as described above and is agreeable to the role of Affin Hwang IB as the Principal Adviser to BHIC in respect of the Proposed Debt Settlements.

2.2 Independent Adviser

MainStreet, being the Independent Adviser to our non-interested shareholders in relation to the Proposed Debt Settlements, has given and has not subsequently withdrawn its written consent to the inclusion of its name, IAL and all references thereto in the form and context in which they appear in this Circular.

MainStreet is not aware of any conflict of interest that exists or is likely to exist in its capacity as the Independent Adviser to our non-interested shareholders for the Proposed Debt Settlements.

2.3 Shariah Adviser

Affin Islamic, being the Shariah Adviser for the Proposed Debt Settlements, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Affin Islamic is a licensed Islamic bank and its appointment as the Shariah Adviser for the Proposed Debt Settlements is in its ordinary course of business. Affin Islamic is not aware of any conflict of interest that exists or is likely to exist in its capacity as the Shariah Adviser for the Proposed Debt Settlements.

3. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, our Group is not engaged in any other material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened, against our Group, or of any facts likely to give rise to any such proceedings which might materially or adversely affect our Group's business or financial position:

(i) Writ of Summons and Statement of Claim by Contraves Advanced Devices Sdn Bhd ("CAD") and Contraves Electrodynamics Sdn Bhd ("CED")

On 27 September 2022, CAD and CED ("**Plaintiffs**") filed a Writ of Summons and Statement of Claim against BHIC, BHIC Defence Technologies Sdn Bhd ("**BHICDT**") and BNS and two BHICDT's nominee directors in CAD. The Plaintiffs seek several reliefs, including a declaration that the 12 letters of award to CAD from BNS are still valid and subsisting, payment of outstanding amounts, damages and injunctions to restrain the defendants from various actions.

The litigation timeline includes several defences and subsequently BHIC as well as other defendants had filed an application to strike out the claims, with a case management held on 30 November 2022.

The striking out applications were heard on 5 April 2023, and the Court had fixed the subsequent hearing to be on 3 May 2023, which was later adjourned by the Court to another date to be decided, where the decision will be delivered on the application, and fixed 3 July 2023 for case management.

Based on the case management dated 3 July 2023, the Plaintiffs have requested for an extension to finalise the settlement. Hence, the court fixed another date for case management on 16 August 2023, for parties to update the court on the settlement.

In the case management on 16 August 2023, the Plaintiffs and BNS have requested for an extension of time to finalise the settlement. The court fixed the next case management on 18 September 2023.

During case management on 18 September 2023, BNS and the Plaintiffs updated the court that the settlement has not been finalised. The court then decided that it will allow both parties more time to settle and fixed the new case management on 30 October 2023.

On 30 October 2023, the Plaintiffs updated the court that the settlement has not been finalised and the court fixed 30 November 2023 for final case management which was later shifted to 12 December 2023. In the case management of 12 December 2023, the High Court has fixed the decision of the Striking Out Applications on 8 February 2024.

BHIC, upon consultation with the solicitors, is of the view that there is an even chance of success in BNS', BHIC's and BHICDT's striking out applications and a more than even chance of success in defending against the Plaintiff's claim against BNS, BHIC and BHICDT.

(ii) Writ of Summons and Statement of Claim by CAD

On 25 September 2022, CAD ("**Plaintiff**") filed a Writ of Summons and Statement of Claim against BNS. The Plaintiff is seeking several reliefs, including a claim sum of RM1,570,308.

The Plaintiff had on 13 June 2022 filed its application for summary judgement for the dispute concerning the non-payment of rental and late payment interest charges which were disputed by BNS.

The High Court had on 9 September 2022 granted an order in favour of the Plaintiff to enter summary judgement against BNS. Later in 8 December 2022, BNS filed its notice of appeal to appeal against the High Court's decision to the Court of Appeal.

On 7 February 2023, BNS had since filed the record of appeal to the Court of Appeal. BNS had also filed written submissions for the appeal on 17 November 2023.

However, on 24 November 2023, BNS had instructed to withdraw the appeal. The hearing date for the withdrawal is set for 11 December 2023. BNS had successfully withdrew the appeal on 11 December 2023. The appeal was hence struck out by the Court of Appeal and costs of RM4,000.00 was awarded to Contraves Sdn Bhd.

(iii) Writ of Summons and Statement of Claim by Sime Darby Industrial Sdn Bhd

Sime Darby Industrial Sdn Bhd ("**Plaintiff**") had commenced an action against BNS and one Zairi Bin Zainal Hasnan in the Ipoh High Court, claiming for sums of RM5,401,590 and interests, being the price and interests of goods and services purportedly supplied to BNS.

Memorandum of appearance has been filed on behalf of BNS on 28 November 2023 and the case management is currently fixed on 26 December 2023.

(iv) Writ of Summons and Statement of Claim by Ahmad Nordin bin Mohammad

Ahmad Nordin bin Mohammad ("**Plaintiff**") has commenced an action against Boustead Holdings Berhad ("**1st Defendant**") and BHIC ("**2nd Defendant**") (collectively referred to as "**Defendants**") for the wrongful dismissal by the Defendants on the grounds of constructive dismissal.

The reliefs sought by him include, among others, a sum of RM3,072,157 being the salary that the Plaintiff would have earned from 17 October 2019 to his retirement, and the respective statutory contributions.

On the other hand, the Defendants contended that the Plaintiff had abandoned his employment. The 1st Defendant filed a counterclaim seeking RM103,857 from the Plaintiff as payment of 3 months' salary in lieu of notice.

The Defendants, upon consultation with the solicitors, have a good defence on the merits of the case. Further, under common law, the Plaintiff may only claim for salary equivalent to the notice period if he is wrongfully dismissed.

The decision date is fixed on 5 January 2024.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Material commitments

Save as disclosed below, as at 30 September 2023 (being the latest publicly available unaudited results), our Board is not aware of any other material commitments incurred or known to be incurred by our Group, which upon becoming enforceable may have a material effect on our Group's business or financial position:

Material Commitments	**RM'000**
Approved and not contracted for:-	
Property, plant and equipment	3,861
Approved and contracted for:-	
Property, plant and equipment	530
Total	**4,391**

(b) Contingent liabilities

Save as disclosed below, as at 30 September 2023 (being the latest publicly available unaudited results), our Board is not aware of any other contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable which, may have a material impact on the net profits or NA of our Group:

(i) <u>In-Service Support ("ISS") Contract</u>

On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd ("**BDNC**") received a letter from the Ministry of Defence Malaysia ("**MINDEF**") claiming for Liquidated Ascertained Damages ("**LAD**") amounting to RM53.2 million and EUR19.3 million for the ISS for the RMN SCORPENE Submarine Contract.

(ii) <u>Refit Contract</u>

On 27 May 2020, BDNC received a letter from MINDEF claiming for LAD amounting to RM9.5 million and EUR3.8 million for the refit works on RMN Submarine after several mitigation claims were approved by MINDEF.

(iii) <u>Extended In-Service Support ("EISS") Contract</u>

On 29 May 2020, BDNC received a letter from MINDEF claiming for LAD amounting to RM11.6 million and EUR6.5 million for the EISS Contract.

On 13 April 2021, MINDEF had issued a notice to BDNC to settle the LAD claims in full against the future progress billing issued by BDNC to MINDEF. Our Company had made full provision for the LAD claims based on the above. The total provisions for the LAD as at 30 June 2023, after offsetting against billings issued, is RM60.0 million.

BDNC had made adequate provision for the LAD claim to the extent that it is deemed to be sufficient for this Refit Contract and EISS Contract and an appeal has been submitted to MINDEF for consideration.

Our Group is of the opinion that the above provisions for the LAD are sufficient and no further losses are expected to be incurred after taking into consideration appropriate justifications and supporting documents which had been submitted to MINDEF for their consideration.

Our Group has recognised its share of losses of interest in BDNC when applying the equity method up to our interest in the joint venture since the previous financial year.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Company's registered office at 17th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia during normal office hours on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

(i) our Company's Constitution;

(ii) our Group's audited consolidated financial statements for the past 2 FYEs 31 December 2021 and 2022 as well as our Group's latest unaudited consolidated quarterly results for the 9-month financial period ended 30 September 2023;

(iii) Financiers' Settlement Agreements;

(iv) BHB Settlement Agreement;

(v) Undertaking letters from BHIC and BHB dated 14 December 2023 as stated in Section 6.2, Part A of this Circular and enclosed as Appendix VII of this Circular;

(vi) the relevant cause papers on the material litigation referred to in Section 3 above; and

(vii) letters of consent and declarations of conflict of interest referred to in Section 2 above.

Boustead Heavy Industries Corporation Berhad
(Registration No.: 197101000758 (11106-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of Boustead Heavy Industries Corporation Berhad ("**BHIC**" or "**Company**") will be conducted virtually through live streaming from the broadcast venue at Amphitheatre, The Bousteador, Level 23, No. 10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya Selangor, Malaysia on Friday, 29 December 2023, at 9:30 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions:

ORDINARY RESOLUTION 1

PROPOSED SETTLEMENT OF OUTSTANDING BANK FINANCING WITH AFFIN BANK BERHAD ("PROPOSED SETTLEMENT WITH AFFIN")

"**THAT** subject to the approvals being obtained for Special Resolution 1 in the Notice of EGM which was sent out together with its Circular to Shareholders of the Company dated 7 December 2023 ("**Special Resolution 1**"), Ordinary Resolutions 2 and 3 (as set out in this Notice), approval be and is hereby given to the Company for the partial settlement of outstanding financing facilities with Affin Bank Berhad by way of:

(a) cash settlement as detailed in Section 2.1.1, Part A of the Circular to Shareholders of the Company dated 15 December 2023 ("**Circular**");

(b) allotment and issuance of Redeemable Convertible Preference Shares – Class A in the Company ("**RCPS A**") to Affin Bank Berhad based on the terms of RCPS A as detailed in Appendix II of the Circular; and

(c) allotment and issuance of new ordinary shares in the Company ("**BHIC Shares**") to Affin Bank Berhad as detailed in Section 2.1.1, Part A of the Circular.

AND THAT the Board of Directors of the Company ("**Board**") be and are hereby authorised to do all acts, deeds and things, and execute all documents as they may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Settlement with Affin with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Settlement with Affin or as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Settlement with Affin."

ORDINARY RESOLUTION 2

PROPOSED SETTLEMENT OF AMOUNTS OWING TO BOUSTEAD HOLDINGS BERHAD ("BHB") ("PROPOSED SETTLEMENT WITH BHB")

"**THAT** subject to the approvals being obtained for Special Resolution 1 and Ordinary Resolutions 1 and 3 (as set out in this Notice), approval be and is hereby given to the Company for the settlement of amounts owing to BHB by way of:

(a) allotment and issuance of Redeemable Convertible Preference Shares – Class B ("**RCPS B**") and Redeemable Preference Shares – Class C ("**RPS C**") in the Company to BHB based on the terms of RCPS B and RPS C as detailed in Appendix V of the Circular; and

(b) allotment and issuance of new BHIC Shares to BHB as detailed in Section 2.2.1, Part A of the Circular.

AND THAT the Board be and are hereby authorised to do all acts, deeds and things, and execute all documents as they may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Settlement with BHB with full powers to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Settlement with BHB or as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Settlement with BHB."

ORDINARY RESOLUTION 3

PROPOSED ALLOTMENT AND ISSUANCE OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A ("RCPS A"), ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS A ("RCPS-i A"), REDEEMABLE CONVERTIBLE PREFERENCE SHARES – CLASS B ("RCPS B"), REDEEMABLE PREFERENCE SHARES – CLASS C ("RPS C") AND NEW BHIC SHARES IN THE COMPANY AT AN ISSUE PRICE OF RM0.57 EACH ("PROPOSED ISSUANCE OF SHARES")

"**THAT** subject to the approvals being obtained for Special Resolution 1 and Ordinary Resolutions 1 and 2 (as set out above), approval be and is hereby given to the Company to:

(a) allot and issue RCPS A to Affin Bank Berhad based on the terms of the RCPS A as detailed in Appendix II of the Circular;

(b) allot and issue RCPS-i A to MBSB Bank Berhad and AmBank Islamic Berhad based on the terms of the RCPS-i A as detailed in Appendix III of the Circular;

(c) allot and issue RCPS B and RPS C to BHB based on the terms of RCPS B and RPS C as detailed in Appendix V of the Circular;

(d) allot and issue new BHIC Shares to Affin Bank Berhad, MBSB Bank Berhad, AmBank Islamic Berhad and BHB as detailed in Sections 2.1.1 and 2.2.1, Part A of the Circular; and

(e) allot and issue new BHIC Shares arising from the conversion of the RCPS A, RCPS-i A, and RCPS B by the holders of RCPS A, RCPS-i A, and RCPS B as detailed in Sections 2.1.1 and 2.2.1, Part A of the Circular.

THAT the Board be and is hereby empowered and authorised to:

(a) allot and issue the RCPS A, RCPS-i A, RCPS B, RPS C and new BHIC Shares at the issue price of RM0.57 each;

(b) allot and issue such number of new BHIC Shares, credited as fully paid-up, to the holders of the RCPS A, RCPS-i A, and RCPS B arising from the conversion of the RCPS A, RCPS-i A, and RCPS B by the holders of RCPS A, RCPS-i A and RCPS B, from time to time, in accordance with the provisions of BHIC's Constitution; and

(c) redeem RCPS A, RCPS-i A, RCPS B and RPS C in accordance with the provisions of BHIC's Constitution.

THAT pursuant to Section 85(1) of the Companies Act 2016 to be read together with Clause 56 of the Constitution of the Company, should the resolution on Proposed Issuance of Shares be passed by the shareholders of the Company, such resolution shall have the effect that the shareholders of the Company having agreed to irrevocably waive their pre-emptive rights to be offered in proportion to their shareholdings in the Company the new BHIC Shares and convertible securities to be allotted and issued by the Company pursuant to Proposed Issuance of Shares and pursuant to the conversion of RCPS A, RCPS-i A and RCPS B.

AND THAT the Board be and is hereby authorised to take all such steps and to enter into all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties and to do all acts and things, as the Board may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Issuance of Shares with full powers to sign and execute all documents, make applications to authorities and regulatory bodies for any approvals and consents required and assent to any conditions, modifications, revaluations, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things in any manner as they may deem necessary or expedient and/or appropriate to implement, finalise and give full effect to the Proposed Issuance of Shares."

BY ORDER OF THE BOARD

ROZANA ISMAIL (LS 0008847) (SSM PC No: 201908003365)
Company Secretary

14 December 2023

Notes:

(i) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy or attorney or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(ii) Subject to (iii) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

*(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

(v) Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.

(vi) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

(vii) Only a depositor whose name appears on the Record of Depositors as at 21 December 2023 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(viii) Pursuant to subparagraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by way of poll.

Boustead Heavy Industries Corporation Berhad

(Registration No.: 197101000758 (11106-V))
(Incorporated in Malaysia)

PROXY FORM

*I/*We…….. NRIC/Company No: ……
(Full Name in Block Letters)

of ……
(Full Address)

being a member of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD** hereby appoint:

1) Name of proxy: …… NRIC No: ……
(Full Name in Block Letters)

Address: …….. No. of shares represented: …….
(Full Address)

2) Name of proxy: …… NRIC No: ……
(Full Name in Block Letters)

Address: …….. No. of shares represented: …….
(Full Address)

or failing him/her, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted virtually through live streaming from the broadcast venue at Amphitheatre, The Bousteador, Level 23, No. 10, Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya Selangor, Malaysia on Friday, 29 December 2023, at 9:30 a.m. or any adjournment thereof, to vote as indicated below:

No.	ORDINARY RESOLUTION	FOR	AGAINST
1.	Proposed Settlement with Affin		
2.	Proposed Settlement with BHB		
3.	Proposed Issuance of Shares		

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

Number of shares held	
CDS Account No.	

Dated this _____ day of _____ 2023

Signature / Seal of Shareholders: _____
[* Delete if not applicable]

Notes:

(ix) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy or attorney or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(x) Subject to (iii) below, where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportion of his shareholding to be represented by each proxy.

(xi) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

*(xii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

(xiii) Where the Form of Proxy is executed by a corporation, it must be executed under its seal or under the hand of its attorney.

(xiv) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must, to be valid, be deposited at the office of the Company's Registrars, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof.

(xv) Only a depositor whose name appears on the Record of Depositors as at 21 December 2023 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(xvi) Pursuant to subparagraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in this Notice will be put to vote by way of poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

To:

The Share Registrar
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD
Registration No.: 197101000758 (11106-V)

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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