

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (“BHIC” OR “COMPANY”)

- (I) PROPOSED DISPOSAL OF 27,000,001 ORDINARY SHARES IN LUMUT NAVAL SHIPYARD SDN. BHD. (FORMERLY KNOWN AS BOUSTEAD NAVAL SHIPYARD SDN. BHD.) (“LUNAS”) HELD BY PERSTIM INDUSTRIES SDN. BHD. (“PISB”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF BHIC, TO OCEAN SUNSHINE BERHAD (“OSB”) FOR A CASH CONSIDERATION OF RM1.00 AND THE WAIVER OF TRADE RECEIVABLES OWING BY LUNAS TO BHIC AND ITS RELEVANT SUBSIDIARIES OF THE AMOUNT OF APPROXIMATELY RM334.73 MILLION PURSUANT TO THE PROPOSED ITRSA (AS DEFINED HEREIN) (“PROPOSED DISPOSAL”); AND
- (II) PROPOSED INTERCOMPANY TRADE RECEIVABLES SETTLEMENT AGREEMENT (“ITRSA”) (“PROPOSED ITRSA”)

(COLLECTIVELY REFERRED TO AS “PROPOSALS”)

This announcement is dated 3 April 2024 (“Announcement”). The latest practicable date prior to the date of this Announcement is 8 March 2024 (“LPD”). Unless otherwise stated, the terms and definitions used herein shall have the same meaning as those defined in the announcement in relation to the Proposed Disposal dated 21 August 2023 (“Disposal Announcement”).

1. INTRODUCTION

On 29 May 2023, BHIC announced that the Board had acknowledged the receipt of a letter from the Minister of Finance Incorporated (“MOF Inc”) of its intention to acquire via OSB (its indirectly owned company), 20.8% of BHIC’s entire equity interest in LUNAS, held via PISB, where the terms of the proposed acquisition are subject to negotiations between the parties.

On 21 August 2023, the Board announced that PISB had on 18 August 2023, entered into the conditional Share Sale Agreement (“SSA”) in relation to the Proposed Disposal, which entails the proposed disposal of 27,000,001 ordinary shares, representing approximately 20.77%⁽¹⁾ of the equity interest in LUNAS held by PISB, for a cash consideration of RM1.00⁽²⁾ (“Disposal Consideration”).

- (1) *As at the LPD, PISB’s equity interest in LUNAS is 7.30%. PISB’s equity interest in LUNAS was diluted from 20.77% to 7.30% when LUNAS completed a share issuance of 240,000,000 shares to OSB at an issue price of RM1.00 per share for a cash consideration of RM240.0 million.*
- (2) *Subsequent to the SSA, on 15 December 2023, MOF Inc via LUNAS’ letter to BHIC, had made a final offer amounting to RM49.7 million as the full and final settlement amount of the net trade receivables amount due and owing by LUNAS to BHIC and its relevant subsidiaries of approximately RM384.43 million. Pursuant to the Proposed ITRSA which is a condition precedent to the SSA, the waiver of trade receivables of approximately RM334.73 million will be considered as part of the total value of the consideration for the Proposed Disposal.*

The Proposed Disposal is conditional on the Proposed ITRSA as one of the conditions precedents is the execution of the ITRSA to be entered into between BHIC (as authorised by its relevant subsidiaries) and LUNAS for the repayment of a sum of approximately RM383.94 million and/or such other sum due and owing by LUNAS to BHIC and its relevant subsidiaries which shall be mutually agreed by the parties in the ITRSA, being the total repayment sum owing by LUNAS to BHIC and its relevant subsidiaries. As at the LPD, the conditional period for the SSA has been extended up to 30 April 2024.

On behalf of the Board, Malacca Securities Sdn. Bhd. (“Malacca Securities”) wishes to announce that BHIC has on 3 April 2024 issued a letter of agreement (“LOA”) to LUNAS and LUNAS has accepted the LOA to enter into an ITRSA after BHIC has obtained its shareholders’ approval for the Proposed ITRSA, which is one of the conditions precedent to be fulfilled in the SSA.

The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”). Accordingly, Asia Equity Research Sdn Bhd (“**AER**”) has been appointed to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of BHIC on the fairness and the reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of BHIC.

The details on the Proposed Disposal were announced on 21 August 2023. However, subsequent to the Disposal Announcement and pursuant to the Proposed ITRSA, the Board wishes to provide further information and clarification on the Proposals as set out in Sections 6 to 16 of this Announcement.

2. DETAILS OF THE PROPOSED ITRSA

The Proposed ITRSA involves the settlement of RM384,433,009, being the net trade debts owing by LUNAS to BHIC and its subsidiaries (“**BHIC Group**” or “**Group**”) (“**Total Outstanding Sum**”) via a cash payment of RM49,700,000 by LUNAS to BHIC in accordance with the terms of the ITRSA.

Pursuant to the LOA, BHIC and LUNAS will enter into the ITRSA after BHIC obtains the approval of its shareholders on the Proposed ITRSA at an extra ordinary general meeting (“**EGM**”) to be convened.

Please refer to Sections 2.2 and 2.3 of this Announcement for the salient terms of the LOA and ITRSA respectively.

2.1. Information on LUNAS

LUNAS was incorporated in Malaysia on 13 June 1990 under the Companies Act, 1965 and is deemed registered under the Companies Act, 2016 as a private limited company under the name of Naval Dockyard Sdn. Bhd. It changed its name to PSC-Naval Dockyard Sdn. Bhd. on 21 November 1997 and subsequently to Boustead Naval Shipyard Sdn. Bhd. on 4 August 2006. It assumed its current name on 17 January 2024.

LUNAS is principally involved in construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding.

As at the LPD, the issued share capital of LUNAS is RM370,000,003 comprising 370,000,002 ordinary shares and 1 special share. The shareholders of LUNAS are as follows:

Name	Shareholding	
	No. of shares	%
MOF Inc	1 ⁽¹⁾	-*
OSB	343,000,001	92.70
PISB ⁽²⁾	27,000,001	7.30

Note:

* Negligible.

(1) Special share with the right attached thereto pursuant to the privatisation agreement dated 11 December 1995 executed by, among others, The Government of Malaysia, PISB, Lembaga Tabung Angkatan Tentera (“**LTAT**”), and Boustead Penang Shipyard Sdn. Bhd., Suria Barisan Sdn. Bhd. and Permodalan Perak Berhad

(2) PISB is an indirect wholly-owned subsidiary of BHIC. PISB had formerly held 20.77% equity interest in LUNAS. PISB’s equity interest in LUNAS was diluted from 20.77% to 7.30% when LUNAS completed a share issuance of 240,000,000 shares to OSB at an issue price of RM1.00 per share for a cash consideration of RM240.0 million.

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

Name	Designation
Datuk Dr. Shahrazat Haji Ahmad	Chairman/Director
Dato' Dr. Amiruddin Muhamed	Director
Datuk Rosli Yaakub	Director
Admiral Tan Sri Abdul Rahman Ayob	Director
Admiral Tan Sri Mohd Reza Mohd Sany (Retired)	Director
Dr. Mohd Bakhari Ismail	Director
Encik Mohammad Abiddin Abd Rahman	Alternate Director to Dr. Mohd Bakhari Ismail
Dato' Andri Aidham Dato' Ahmad Badri	Director

Based on the latest audited financial statements of LUNAS for the financial year ended (“FYE”) 31 December 2022, LUNAS recorded net liabilities of RM848.45 million while the losses after tax of LUNAS recorded was RM148.66 million with revenue of RM64.73 million.

2.2. Salient terms of the LOA

The salient terms of the LOA are as follows:

- (i) the LOA serves as a record of both BHIC’s and LUNAS’ agreement to execute the ITRSA within three days from date of the approval of shareholders of BHIC on the ITRSA at an EGM;
- (ii) in the event the said approval is not obtained, BHIC and LUNAS shall initiate and continue in good faith further negotiations towards the execution of a final ITRSA; and
- (iii) the LOA shall be governed by laws of Malaysia and shall be binding between BHIC and LUNAS.

2.3. Salient terms of the ITRSA

The salient terms of the ITRSA are as follows:

Effective Date	:	Date of the ITRSA																														
Total Outstanding Sum	:	LUNAS owes to BHIC and its relevant subsidiaries the Total Outstanding Sum as at the Cut-Off Date, details on the breakdown of which are set out as follows: <table border="1" data-bbox="545 1391 1398 1697"> <thead> <tr> <th>No.</th> <th>BHIC Group</th> <th>Outstanding sum (RM)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>BHIC</td> <td>976,391</td> </tr> <tr> <td>2.</td> <td>Boustead Penang Shipyard Sdn. Bhd.</td> <td>351,033,198</td> </tr> <tr> <td>3.</td> <td>BHIC Electronics and Technologies Sdn. Bhd.</td> <td>20,479,165</td> </tr> <tr> <td>4.</td> <td>BHIC Allied Defence Technology Sdn. Bhd.</td> <td>1,094,244</td> </tr> <tr> <td>5.</td> <td>BHIC Defence Techservices Sdn. Bhd.</td> <td>7,364,975</td> </tr> <tr> <td>6.</td> <td>BHIC Navaltech Sdn. Bhd.</td> <td>3,216,582</td> </tr> <tr> <td>7.</td> <td>BHIC Marine Technology Academy Sdn. Bhd.</td> <td>385,461</td> </tr> <tr> <td>8.</td> <td>BHIC Submarine Engineering Services Sdn. Bhd.</td> <td>(117,007)</td> </tr> <tr> <td colspan="2">Total Outstanding Sum</td> <td>384,433,009</td> </tr> </tbody> </table>	No.	BHIC Group	Outstanding sum (RM)	1.	BHIC	976,391	2.	Boustead Penang Shipyard Sdn. Bhd.	351,033,198	3.	BHIC Electronics and Technologies Sdn. Bhd.	20,479,165	4.	BHIC Allied Defence Technology Sdn. Bhd.	1,094,244	5.	BHIC Defence Techservices Sdn. Bhd.	7,364,975	6.	BHIC Navaltech Sdn. Bhd.	3,216,582	7.	BHIC Marine Technology Academy Sdn. Bhd.	385,461	8.	BHIC Submarine Engineering Services Sdn. Bhd.	(117,007)	Total Outstanding Sum		384,433,009
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Consideration	:	LUNAS shall pay a sum of Ringgit Malaysia Forty-Nine Million Seven Hundred Thousand (RM49,700,000.00) (“ Repayment Sum ”) to BHIC as the full and final satisfaction of the Total Outstanding Sum owing by LUNAS to BHIC Group. LUNAS is not relieved from any liabilities with respect to the Total Outstanding Sum until and unless the entire Repayment Sum is fully and finally paid to BHIC in accordance with the ITRSA.																														

Payment of the Repayment Sum	<p>: LUNAS shall pay the Repayment Sum in one (1) lumpsum to BHIC within thirty (30) days from the date of the ITRSA ("Payment Due Date").</p> <p>In the event that LUNAS fails to pay any parts of the Repayment Sum on or before the Payment Due Date, then BHIC shall be entitled to the following:</p> <p>(a) to charge a late payment interest at the rate of six per centum (6%) per annum on the outstanding amount of the Total Outstanding Sum (after deducting the actual sum paid), calculated on daily basis from the Payment Due Date up to the date of actual payment of Repayment Sum ("Late Payment Interest"). Charge and/or receipt of Late Payment Interest by BHIC shall not operate as or shall be deemed to be waiver of any of BHIC's right to exercise its rights to terminate the ITRSA and/or to require strict performance by LUNAS of the terms and conditions in the ITRSA; and/or</p> <p>(b) to terminate the ITRSA .</p>
Events of Default and Termination	<p>: Either party shall be entitled to terminate the ITRSA upon occurrence of an event of default as set forth below whereby BHIC or LUNAS, as the case may be, has not agreed in writing to waive such breach:</p> <p>(a) if LUNAS fails to pay the Repayment Sum or any part thereof in accordance with the provisions hereof; or</p> <p>(b) if either party commits any breach of or fails to observe and/or perform any of its covenants and obligations under the ITRSA that is incapable of remedy or if capable of remedy, is not remedied within thirty (30) days of it being given notice to do so; or</p> <p>(c) if either party is being served with any other petition for winding-up and such petition is not set aside within sixty (60) days from the date of the petition being served or an order is made for the winding-up of BHIC and/or LUNAS, as the case may be; or</p> <p>(d) an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the party; or</p> <p>(e) the party becomes insolvent or is unable to pay its debts or admits in writing its ability to pay its debts as and when they fall due or enter into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or</p> <p>(f) the party ceases or threatens to cease or carry on the whole or any substantial part of its business (except for the purposes of a bona fide reconstruction or amalgamation which would not result or cause any failure or inability to duly perform or fulfil any obligation under the ITRSA); or</p> <p>(g) any representation, warranty or other statement (financial or otherwise) made or furnished by or on behalf of one party to the other party, or as an inducement to that other party to enter into the ITRSA, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.</p>
Consequences of Events of Default	<p>: In the event that the ITRSA is terminated due to a breach or default by LUNAS, then BHIC shall be entitled to exercise its rights, including but not limited to:</p> <p>(a) make a demand on LUNAS in respect of all or any part of the Total Outstanding Sum remaining outstanding and such sum shall immediately become due and payable to BHIC and if applicable, the Late Payment Interest payable and any costs or expenses related thereof;</p> <p>(b) exercise any and all of its rights and remedies arising as a result of, or in connection with, any antecedent breaches of the ITRSA, which it may have against LUNAS;</p>

		<p>(c) institute or commence any claims, action or legal proceedings against LUNAS to recover any part of the Total Outstanding Sum, Late Payment Interest (if any) payable and any costs, expenses, fees or payment payable thereof without any prior notice to or concurrence on the part of LUNAS.</p> <p>Notwithstanding BHIC's right to terminate under the ITRSA, in the event of occurrence of an Event of Default due to a breach or default by LUNAS, BHIC is at liberty to elect to commence proceedings against LUNAS for specific performance hereof, at the cost and expense of LUNAS.</p> <p>In the event that the ITRSA is terminated due to a breach or default by the defaulting party, the non-defaulting party shall be entitled to exercise its right, including without limitation to exercise any and all of its rights and remedies which it may have against the defaulting party and LUNAS shall remain liable to pay the balance Total Outstanding Sum and the Late Payment Interest (if any).</p>
Amendment	:	The ITRSA may only be varied or replaced by a document duly executed by the parties.
Costs	:	Each party shall be responsible for its own costs and disbursements incidental to the ITRSA.
Governing Law and Jurisdiction	:	The ITRSA shall be governed by and construed in accordance with the laws of Malaysia and the parties shall submit to the exclusive jurisdiction of the courts of Malaysia.
Rights and Remedies	:	The rights and remedies provided in the ITRSA are cumulative and are not exclusive of any right or remedy of either party as provided by law, and no failure or delay in the exercise or the partial exercise of any such right or remedy or the exercise of any other right or remedy shall affect or impair any such right or remedy.

2.4. Basis and justification in arriving at the Repayment Sum

The Repayment Sum was arrived at after taking the following into consideration:

- (i) the Repayment Sum amounting to RM49.7 million is a final offer made by the MOF Inc via LUNAS and OSB as the full and final settlement amount for the Total Outstanding Sum. Considering the net liabilities position of LUNAS, non-acceptance of the Repayment Sum will result in zero payment from LUNAS; and
- (ii) the rationale and justification for the Proposed ITRSA as set out in Section 4 of this Announcement.

2.5. Estimated loss from the Proposed ITRSA

BHIC had been making provisions by way of recording allowance for expected credit losses ("AECL") for the net trade debts owing by LUNAS since FYE 31 December 2019. The amount of accumulated AECL recorded in the latest audited consolidated financial statements of BHIC for the FYE 31 December 2022 was RM73.38 million.

For the FYE 31 December 2023, BHIC had also made provisions for the net trade debts owing by LUNAS in its unaudited consolidated financial statements for the amount of RM261.36 million. Pursuant to the Proposed ITRSA, the provision for AECL of RM261.36 million made by BHIC for the FYE 31 December 2023 will be realised as a loss to the Group upon completion of the Proposed ITRSA.

Please refer to Section 6.3 of this Announcement for further information on the effects of the Proposed ITRSA on the earnings of BHIC.

2.6. Liabilities to be assumed

The Proposed Disposal is conditional on the Proposed ITRSA as the execution of the ITRSA is a condition precedent for the SSA. Pursuant to the Proposals, after taking into consideration the Total Outstanding Sum of approximately RM384.43 million and the Repayment Sum of RM49.70 million, the net trade receivables amount to be waived by BHIC will amount to approximately RM334.73 million.

Save as disclosed above, there are no other liabilities, including contingent liabilities, in relation to LUNAS which will remain with BHIC pursuant to the Proposals.

3. UTILISATION OF PROCEEDS

The Company intends to utilise the proceeds from the Proposals in the following manner:

Utilisation	Notes	Amount* (RM'000)	Estimated utilisation timeframe from receipt of proceeds
Redemption of redeemable preference shares	(1)	45,000	Within 12 months
Working capital	(2)	3,700	Within 12 months
Estimated expenses relating to the Proposals	(3)	1,000	Immediate
Total		49,700	

Notes:

* Includes the Disposal Consideration of RM1.00.

(1) BHIC intends to allocate RM45.0 million for the full redemption of redeemable preference shares C (“RPS C”) that were issued to Boustead Holdings Berhad (“BHB”), the major shareholder of BHIC, pursuant to the debt settlement, which was approved by the shareholders of BHIC in an EGM convened on 29 December 2023 (“Debt Settlement”). The amount owing to BHB by BHIC had accumulated over the years arising mainly from the repayment of the financing facilities taken by the Group. As part of the Debt Settlement, the financiers of BHIC had requested for partial cash settlement to be incorporated as part of the settlement scheme. Pursuant thereto, BHB had agreed to advance to BHIC a further RM45.0 million, and in exchange, BHIC has issued the RPS C to BHB for this amount of RM45.0 million. A total of 78,947,368 RPS C were issued to BHB at an issue price of RM0.57 per RPS C.

The RPS C is ahead in priority in terms of redemption to the other preference shares (i.e. redeemable convertible preference shares (“RCPS”) A, Islamic RCPS A and RCPS B issued to the financiers and BHB pursuant to the Debt Settlement. Please refer to the circular to shareholders of BHIC dated 14 December 2023 for further details on the Debt Settlement.

(2) The Group intends to allocate RM3.7 million for working capital purposes specifically for staff cost such as staff salaries, statutory contributions and staff benefits. The actual proceeds to be used for working capital may differ subject to the Group’s operating requirements at the time of the utilisation of the allocated proceeds.

(3) Mainly comprising professional fees, fees payable to relevant authorities and other ancillary expenses in relation to the Proposals. Any surplus or shortfall to the amount allocated for the estimated expenses for the Proposals, will be used for or funded from the working capital of the Group.

Pending utilisation of the proceeds from the Proposals, the money will be placed in interest-bearing deposits with financial institutions and/or short-term money market instruments as the Board (save for the Interested Directors) may deem fit. The interests derived from the deposits with financial institutions and/or any gain arising from the short-term money market instruments will be used for the Group’s working capital requirements.

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4. RATIONALE AND JUSTIFICATION FOR THE PROPOSED ITRSA

The Proposed Disposal serves to facilitate the decision of the Government of Malaysia to ensure the completion of the Littoral Combat Ship (“LCS”) project. Through the MOF Inc’s letter to the Company dated 25 May 2023, the Company was informed by MOF Inc that MOF Inc intends to acquire 100% of the shares in LUNAS. It is also part of the Company’s operational and organisational restructuring to streamline and re-align entities within the Company and its relevant subsidiaries, while ensuring that LUNAS is able to complete the construction and delivery of the LCS to the Royal Malaysian Navy within the stipulated timeframe pursuant to the LCS contract. Further, the introduction of a new strategic shareholder into LUNAS namely OSB, is in consonance with LUNAS’ plans to strengthen its business and operations in relation to the construction, repair and maintenance of naval ships and commercial shipbuilding.

The Proposed Disposal is conditional on the Proposed ITRSA as one of the conditions precedents is the execution of the ITRSA to be entered into between BHIC (as authorised by its relevant subsidiaries) and LUNAS for the repayment of a sum of approximately RM383.94 million and/or such other sum due and owing by LUNAS to BHIC and its relevant subsidiaries which shall be mutually agreed by the parties in the ITRSA, being the total repayment sum owing by LUNAS to BHIC and its relevant subsidiaries.

On 15 December 2023, MOF Inc via LUNAS’ letter to BHIC, had made a final offer amounting to the Repayment Sum as the full and final settlement amount for the Total Outstanding Sum due and owing by LUNAS to the Group (“Offer”). On 16 February 2024, the solicitors of OSB reiterated the Offer, indicating that the Offer shall lapse unless the ITRSA is executed by 31 March 2024. On 1 March 2024, BHIC issued a letter to OSB informing that BHIC is committed to sign the ITRSA by 31 March 2024, subject to the terms contained therein.

Notwithstanding the above, BHIC had, via a letter issued to OSB dated 14 March 2024, requested for a further extension of the conditional period for the SSA. Subsequently, the solicitors of OSB had, via a letter issued to BHIC dated 29 March 2024, agreed to grant a further extension of the conditional period for the SSA until 30 April 2024. In addition, the solicitors of OSB reiterated the Offer, indicating that the Offer shall lapse unless the ITRSA is executed by 30 April 2024. As such, BHIC has issued and LUNAS has accepted the LOA to facilitate the Proposed ITRSA.

The following factors were also taken into consideration by the Board when deliberating the Proposed ITRSA:

- (i) the Repayment Sum is a final offer made by the MOF Inc via LUNAS and OSB as the full and final settlement amount for the Total Outstanding Sum. Considering the net liabilities position of LUNAS, non-acceptance of the Repayment Sum will result in zero payment from LUNAS;
- (ii) the Proposed ITRSA will facilitate the Government of Malaysia’s aspirations to complete the LCS project by taking over LUNAS so as to have complete control and oversight of the LCS project;
- (iii) to protect and preserve BHIC’s existing contracts with the Government of Malaysia and/or Ministry of Defence Malaysia which are due to be renewed in the coming years; and
- (iv) to preserve BHIC’s reputation and ability to secure future contracts from the Government of Malaysia, Ministry of Defence Malaysia and/or Ministry of Home Affairs of Malaysia.

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Moving forward, the Group aims to maximise its shareholders value following the completion of the Proposals. BHIC will be able to utilise the proceeds from the Proposals in the manner as set out in Section 3 of this Announcement and improve the Group's immediate cash flow. BHIC intends to redeem the RPS C as the RM45 million that was advanced by BHB to BHIC in exchange for RPS C was utilised to meet a request for cash settlement from BHIC's financiers and therefore was given priority in redemption. Furthermore, part of the proceeds from the Proposals have been allocated to fund the working capital requirements of the Group's remaining businesses, specifically for staff cost such as staff salaries, statutory contributions and staff benefits, as stated in Section 3 of this Announcement.

5. RISK FACTORS OF THE PROPOSED ITRSA

5.1. Completion risk

The completion of the Proposed ITRSA is conditional upon the terms and conditions as set out in the LOA and ITRSA. In the event that any of the parties commit a breach or fails to observe and/or perform any of its covenants and obligations under the LOA and ITRSA, the Proposed ITRSA may be delayed or terminated.

There can be no assurance that all of the terms and conditions are able to be observed and/or performed under the LOA and ITRSA. Nevertheless, the Group anticipates that such risk can be mitigated by proactively engaging with the relevant authorities/parties to obtain all the necessary approvals and documents required for the completion of the LOA and ITRSA.

5.2. Contractual risk

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

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

6. EFFECTS OF THE PROPOSALS

6.1. Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued share capital and the substantial shareholders' shareholding in the Company as the Proposals do not involve the issuance of any new shares in the Company.

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6.2. Net assets (“NA”) per share and gearing

The pro forma effects of the Proposals on the NA and gearing of the Group based on the latest audited consolidated financial statements of the Group as at 31 December 2022 are as follows:

	Audited as at 31 December 2022	(I) After adjusting for subsequent events ⁽¹⁾	(II) After (I) and the Proposed ITRSA	(III) After (II) and the Proposed Disposal
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	248,458	427,211	427,211	427,211
RCPS-A	-	13,372	13,372	13,372
RCPS-i A	-	74,804	74,804	74,804
RCPS B	-	47,916	47,916	47,916
RPS C	-	44,684	-(²)	-
Accumulated losses	(187,790)	(194,539)	(457,211) ⁽³⁾	(457,211) ⁽⁴⁾
Shareholders' funds	60,668	413,448	106,092	106,092
No. of BHIC Shares ('000)	248,458	564,280	564,280	564,280
NA per Share (RM)	0.24	0.73	0.19	0.19
Borrowings	246,025	32,006	32,006	32,006
Gearing (times)	4.06	0.08	0.30	0.30

Notes:

- (1) After taking into consideration the implementation of the Debt Settlement.
- (2) After taking into consideration the full redemption of the RPS C pursuant to the utilisation of proceeds of the Proposed ITRSA.
- (3) After taking into account the estimated loss in relation to the Proposed ITRSA amounting to approximately RM261.36 million, deducting estimated expenses in relation to the Proposals of RM1.0 million and the transfer of share issuance cost to accumulated losses amounting to approximately RM0.32 million.
- (4) After taking into consideration the net gain on disposal pursuant to the Proposed Disposal of RM1.00.

6.3. Earnings per share

The Proposals are expected to be completed in the 2nd quarter of 2024. For illustration purposes, based on the audited consolidated statements of comprehensive income for the FYE 31 December 2022 and assuming the Proposals had been completed on 1 January 2022, the pro forma effects to the earnings and EPS of the Group are as follows:

	(RM'000)
Loss after tax as at 31 December 2022	(19,924)
Add:	
Net gain on disposal pursuant to the Proposed Disposal	-(⁽¹⁾)
Less:	
Expected loss in relation to the Proposed ITRSA	(261,356)
Estimated expenses for the Proposals	(1,000)
Pro forma loss after tax	(282,280)
No. of BHIC shares as at 31 December 2022 ('000)	248,458
Loss per share before the Proposals (sen)	(8.02)
Loss per share after the Proposals (sen)	(113.61)
No. of BHIC shares as at the LPD ('000)	564,280
Loss per share before the Proposals (sen)	(3.53)
Loss per share after the Proposals (sen)	(50.02)

Note:

(1) Net gain on disposal pursuant to the Proposed Disposal is illustrated as follows:

	<i>(RM'000)</i>
<i>Unquoted shares, at cost</i>	<i>53,580</i>
<i>Cumulative share of post-acquisition losses</i>	<i>(20,752)</i>
<i>Less: accumulated impairment losses</i>	<i>(32,828)</i>
	<i>-</i>

	<i>(RM)</i>
<i>Disposal Consideration</i>	<i>1</i>
<i>Net gain on disposal</i>	<i>1</i>

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (i) the shareholders of BHIC at an EGM to be convened; and
- (ii) any other relevant authority or party.

The Proposed Disposal is conditional on the Proposed ITRSA as the execution of the ITRSA is a condition precedent for the SSA.

The Proposals are not conditional upon any other corporate exercise of the Company.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 551.75% computed based on approximately RM334.73 million representing the aggregate of the Disposal Consideration of RM1.00 and the net trade receivables amount to be waived by the Group of approximately RM334.73 million pursuant to the Proposed ITRSA over the NA of BHIC for the FYE 31 December 2022 of approximately RM60.69 million.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the directors, major shareholders and/or persons connected with them have any interests, direct and/or indirect, in the Proposals:

Interested Major Shareholders

- (i) BHB is the major shareholder of BHIC. BHB was also the major shareholder of LUNAS on the date the SSA was entered into; and
- (ii) LTAT is the sole shareholder of BHB which is a major shareholder of BHIC. LTAT was also a major shareholder of LUNAS on the date the SSA was entered into.

As at the LPD, both BHB and LTAT are no longer shareholders of LUNAS.

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

	Direct		Indirect	
	No. of BHIC shares	%	No. of BHIC shares	%
BHB	408,417,934	72.38	-	-
LTAT	-	-	408,417,934 ⁽¹⁾	72.38

Note:

- (1) *Deemed interested by virtue of its shareholdings in BHB in accordance with Section 8 of the Companies Act 2016.*

In view of the above, the Interested Major Shareholders will abstain from voting in respect of their direct and indirect shareholdings in BHIC on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of BHIC. 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 BHIC on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of BHIC.

Interested Directors

- (i) General Tan Sri Dato' Seri Zamrose Mohd Zain (Retired) being our Non-Independent Non-Executive Director of BHIC and a nominee of LTAT is deemed interested in the Proposals in view of his directorship in the Company;
- (ii) Izaddeen Daud being our Non-Independent Non-Executive Director of BHIC and the Group Chief Executive Officer of BHB is deemed interested in the Proposals in view of his directorship in our Company as well as being a key senior management of BHB. He was a director of LUNAS on the date the SSA was entered into;
- (iii) Fahmy Ismail being our Non-Independent Non-Executive Director of BHIC and the Group Chief Financial Officer of BHB is deemed interested in the Proposals in view of his directorship in our Company as well as being a key senior management of BHB; and
- (iv) Mohd Khairul Anuar Mohd Nor being our Non-Independent Non-Executive Director of BHIC and a nominee of LTAT and the Head of Defence and Strategic Business of LTAT is deemed interested in the Proposals in view of his directorship in our Company as well as being a key senior management of LTAT.

As at the LPD, the Interested Directors do not have any direct and/or indirect shareholdings in the Company.

In view of the above, the Interested Directors have abstained and shall continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposals. The Interested Directors will abstain from voting in respect of their direct and indirect shareholdings in BHIC, if any, on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of BHIC. 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 BHIC on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of BHIC.

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

Save for the Proposals and as disclosed below, there were no other transactions entered into by the Group with LUNAS, BHB, LTAT and their respective subsidiaries for the preceding 12 months from the date of this Announcement:

Transacting parties	Nature of transaction	Amount (RM'000)
BHB as service provider and BHIC as service recipient	Provision of training, management and related services	590
BHIC as tenant and Boustead Realty Sdn Bhd (" BRSB ") as landlord	Tenancy agreement dated 1 January 2023 for the rental of premises located at the 17 th and 25 th 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	856

Transacting parties	Nature of transaction	Amount (RM'000)
BHIC Submarine Engineering Services Sdn Bhd ("BSES") as tenant and BRSB as landlord	(i) Tenancy agreement for the rental of the premises located at the 19 th 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 (ii) Tenancy agreement for the rental of the premises located at the 19 th 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	189
BSES as service recipient and Boustead Travel Sdn Bhd ("BTS") as service provider	Provision of transport and related services	505
BHIC as service recipient and BTS as service provider	Provision of transport and related services	10
BHIC Defence Techservices Sdn Bhd ("BDT") as service recipient and LUNAS as service provider	Provision of ship repair works and related services	60
BDT as tenant and LUNAS as registered leaseholder	Master agreement dated 1 March 2021 for the rental of office facilities in the premises located at the RMN Naval Base, 32100 Lumut, Perak Darul Ridzuan, at a monthly rental of RM24,678.00 for a tenure commencing from 1 January 2021 to 31 December 2023	237
BHIC Marine Technology Academy Sdn Bhd as tenant and LUNAS as registered leaseholder	Agreement for the provision of facilities dated 14 April 2022 for the rental of the premises 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	6
Total		2,453

11. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company acknowledges that the Proposals are not on normal commercial terms, however, after taking into consideration that the Repayment Sum is a final offer made by the MOF Inc via LUNAS and OSB and considering the net liabilities position of LUNAS, the non-acceptance of the Repayment Sum will result in zero payment from LUNAS. Therefore, the Audit Committee, after having considered all aspects of the Proposals (including but not limited to the rationale, risks and effects of the Proposals as well as the preliminary evaluation and opinion by AER, being the Independent Adviser for the Proposals), is of the opinion that the Proposals are:

- (i) in the best interest of the Group;
- (ii) fair and reasonable; and
- (iii) not detrimental to the interest of the non-interested shareholders of the Company.

12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors), after having considered all aspects of the Proposals (including but not limited to the rationale, risks and effects of the Proposals as well as preliminary evaluation and opinion by AER, being the Independent Adviser for the Proposals), is of the opinion that the Proposals are in the best interest of the Group.

13. ADVISERS

Malacca Securities has been appointed to act as the Principal Adviser for the Proposals.

In view of the interests of the Interested Directors and Interested Shareholders as disclosed in Section 9 of this Announcement, the Proposals are regarded as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, the Board (save for the Interested Directors) has appointed AER to act as the Independent Adviser to comment on the following:

- (i) whether the Proposals are fair and reasonable insofar as the non-interested shareholders of the Company are concerned;
- (ii) whether the Proposals are to the detriment of the non-interested shareholders of the Company; and
- (iii) whether non-interested shareholders of the Company should vote in favour of the Proposals.

14. SUBMISSION TO THE AUTHORITIES

Barring any unforeseen circumstances, the submission to the relevant authorities in relation to the Proposals is expected to be made within a period of 1 month from the date of this Announcement.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the 2nd quarter of 2024.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SSA and LOA will be made available for inspection at the Registered Office of the Company at 17th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement.