

THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 23 MARCH 2023 ISSUED BY UOB KAY HIAN SECURITIES (M) SDN BHD ON BEHALF OF LEMBAGA TABUNG ANGKATAN TENTERA WHICH HAS BEEN SENT TO YOU.

You should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately if you have any doubt about the Offer (as defined herein).

If you have sold or transferred all your Offer Shares (as defined herein), you should hand this IAC immediately to the person through whom you have effected the sale or transfer for transmission to the purchaser or transferee.

Pursuant to Rule 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Securities Commission Malaysia (“SC”) has notified that it has no further comments on the content of this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.



BOUSTEAD HOLDINGS BERHAD
(Registration No. 196001000193 (3871-H))
(Incorporated in Malaysia)

**INDEPENDENT ADVICE CIRCULAR
IN RELATION TO THE
CONDITIONAL VOLUNTARY TAKE-OVER OFFER**

BY

LEMBAGA TABUNG ANGKATAN TENTERA (“OFFEROR”)
(Established under the Tabung Angkatan Tentera Act 1973 (Act 101))

THROUGH

UOB KAY HIAN SECURITIES (M) SDN BHD
(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

TO ACQUIRE

**ALL THE REMAINING ORDINARY SHARES IN BOUSTEAD HOLDINGS BERHAD NOT
ALREADY HELD BY THE OFFEROR (“OFFER SHARE(S)”) FOR A CASH OFFER PRICE OF
RM0.855 PER OFFER SHARE (“OFFER”)**

Independent Adviser

kenanga

KENANGA INVESTMENT BANK BERHAD
(Registration No. 197301002193 (15678-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Independent Advice Circular is dated 17 April 2023

DEFINITIONS

The following definitions shall apply throughout this IAC, unless the context requires otherwise:

Accepting Holder	:	Holder who accepts the Offer in accordance with the terms and conditions as set out in the Offer Document
Act	:	Companies Act, 2016
BHB or Offeree or Company	:	Boustead Holdings Berhad (Registration No. 196001000193 (3871-H))
BHB Dividend	:	An interim dividend of 1.50 sen per share in respect of FYE 2022 declared by BHB on 29 December 2022
BHB Group or Offeree Group or Group	:	BHB and its subsidiaries, associates and joint ventures, collectively
BHB Share(s) or Share(s)	:	Ordinary share(s) in BHB
BNM	:	Bank Negara Malaysia
BNM Conditions	:	Collectively, the following: <ul style="list-style-type: none">(i) MoF's approval upon BNM's recommendation and BNM's approval under Section 87 of the FSA and Section 99 of the IFSA to allow the Offeror to acquire up to 100% equity interest in BHB which entail consequential changes to the effective equity interest of the Offeror in ABB Group, AXA Affin Life Insurance Berhad and AXA Affin General Insurance Berhad; and(ii) waiver from BNM from complying with Section 110 of the FSA and Section 122 of the IFSA in relation to the requirement for LTAT and/or its nominated company to be approved as a financial holding company of ABB Group
Board	:	The Board of Directors of BHB
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Closing Date	:	(i) First Closing Date; or <ul style="list-style-type: none">(ii) in the event the Offer is revised or extended in accordance with the Rules and the terms and conditions of the Offer Document, such other revised or extended closing date as the Offeror may decide and as may be announced by BHB or UOBKH, on behalf of the Offeror, no later than 2 days before the closing date
CMSA	:	Capital Markets and Services Act 2007
DCF	:	Discounted cash flow
Director(s)	:	Director(s) of BHB

DEFINITIONS (*cont'd*)

Dissenting Holder(s)	: Any Holder who does not accept the Offer and/or any Holder who has failed or refused to transfer the Offer Shares to the Offeror in accordance with the terms and conditions as set out in the Offer Document
Distribution(s)	: Any dividends and/or other distributions of any nature whatsoever declared, made and/or paid by BHB to its respective shareholders
EBITDA	: Earnings before interest, tax, depreciation and amortisation
EV	: Enterprise value
EV/EBITDA	: Enterprise value-to-earnings before interest, tax, depreciation and amortisation ratio
FCFE	: Free cash flow to equity
First Closing Date	: 5.00 p.m. (Malaysian time) on 22 May 2023, being 60 days from the Posting Date
Form of Acceptance and Transfer	: Form of acceptance and transfer for the Offer Shares, as enclosed with the Offer Document
FPE	: Financial period ended
FSA	: Financial Services Act 2013
FYE	: Financial year ended 31 December
Holder(s)	: Holder(s) of the Offer Shares
IAC	: This independent advice circular in relation to the Offer, dated 17 April 2023 comprising the letter from the Board (as set out in Part A of this IAC), the IAL (as set out in Part B of this IAC) and the accompanying appendices
IAL	: The independent advice letter dated 17 April 2023 issued by Kenanga IB in relation to the Offer, which forms Part B of this IAC
IFSA	: Islamic Financial Services Act 2013
Interested Directors	: Collectively, YBhg. Dato' Ahmad Nazim Abd Rahman (and his alternate director, Irfan Hashim), and Muhammad Fitri Othman (and his alternate director, Dayana Rogayah Omar), whom by virtue of them being representatives of the Offeror, are deemed interested in the Offer. Accordingly, they have abstained and will continue to abstain from deliberation and making any recommendation in relation to the Offer
Kenanga IB or Independent Adviser	: Kenanga Investment Bank Berhad (Registration No. 197301002193 (15678-H))
LAT	: Loss after taxation
LBTZ	: Loss before taxation and zakat
LCS	: Littoral combat ship
LPD	: 11 April 2023, being the latest practicable date before the issuance date of this IAC

DEFINITIONS (*cont'd*)

LTAT or Offeror	: Lembaga Tabung Angkatan Tentera (Established under the Tabung Angkatan Tentera Act 1973 (Act 101))
LTD	: 1 March 2023, being the last trading day prior to the date of the Notice
Market Day(s)	: Any day between Mondays to Fridays (inclusive), excluding public holidays, whereby Bursa Securities is open for trading of securities
MFRS	: Malaysian Financial Reporting Standards
MMLR	: Main Market Listing Requirements of Bursa Securities
MoF	: Minister of Finance, Malaysia
MoH	: Ministry of Health, Malaysia
NA	: Net assets
NBV	: Net book value
Non-Interested Directors	: Collectively, Lieutenant General Dato' Fadzil Mokhtar (R), Dato' Seri Rosman Mohamed and Pauline Teh @ Pauline Teh Abdullah
Notice	: Notice of the Offer dated 2 March 2023 served on the Board by UOBKH on behalf of the Offeror
Notice to Dissenting Holders	: Notice in the manner prescribed under the Rules of the rights exercisable by the Dissenting Holders under subsection 223(1) of the CMSA
Offer	: The conditional voluntary take-over offer by the Offeror, through UOBKH, to acquire the Offer Shares at the Offer Price to be satisfied in cash in accordance with the terms and conditions as set out in the Offer Document and any revision thereof
Offer Document	: The offer document dated 23 March 2023, which sets out the details, terms and conditions of the Offer, together with the enclosed Form of Acceptance and Transfer
Offer Document LPD	: 17 March 2023, being the latest practicable date of the Offer Document
Offer Period	: Period commencing from 2 March 2023, being the date of the Notice, and ending on: (i) the Closing Date; or (ii) the date on which the Offer lapses, expires or is withdrawn with the written consent of the SC, whichever is earlier
Offer Price	: Cash offer price of RM0.855 per Offer Share, subject to any adjustment, where applicable, in the manner as set out in the Offer Document

DEFINITIONS (*cont'd*)

Offer Shares	: All the remaining BHB Shares not already held by the Offeror. For information purposes, as at the Offer Document LPD, the Offer Shares comprise 551,429,679 BHB Shares, representing approximately 27.20% of the total issued shares in BHB
Official List	: A list specifying all securities listed on the Main Market of Bursa Securities
PAC	: The person acting in concert with the Offeror in relation to the Offer in accordance with subsection 216(3) of the CMSA, that holds BHB Shares, namely Yayasan LTAT
PAT	: Profit after taxation
PBR	: Price-to-book ratio
PBTZ	: Profit before taxation and zakat
PER	: Price-to-earnings ratio
Posting Date	: 23 March 2023, being the date of posting of the Offer Document
Press Notice	: Press notice dated 13 April 2023 from UOBKH, on behalf of the Offeror, informing that the conditionality of the Offer upon the BNM Conditions shall be revised to the Revised BNM Condition
Public Spread Requirement	: The requirement under paragraph 8.02(1) of the MMLR whereby a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
Revised BNM Condition	: BNM's approval under Section 87(1) of the FSA and Section 99(1) of the IFSA to allow the Offeror to acquire up to 100% equity interest in BHB which entail consequential changes to the effective equity interest of the Offeror in ABB Group
RM and sen	: Ringgit Malaysia and sen, respectively
RNAV	: Realisable net asset value
RPGT	: Real property gains tax
Rules	: Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
SC	: Securities Commission Malaysia
SOPV	: Sum of parts valuation
sq. m.	: Square meter
UOBKH	: UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K)), being the Principal Adviser to the Offeror for the Offer
Valuers	: The independent valuers for the valuation of the selected properties as set out in Section 6 of Part B of this IAC
VWAMP	: Volume-weighted average market price

DEFINITIONS (*cont'd*)

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES OF BHB

ABB	:	Affin Bank Berhad (Registration No. 197501003274 (25046-T))
ABB Group	:	Collectively, ABB, Affin Hwang Investment Bank Berhad, and Affin Islamic Bank Berhad, in respect of the Revised BNM Condition
BHIC	:	Boustead Heavy Industries Corporation Berhad (Registration No. 197101000758 (11106-V))
BHICDT	:	BHIC Defence Technologies Sdn Bhd (Registration No. 199601019744 (392096-U))
BNS	:	Boustead Naval Shipyard Sdn Bhd (Registration No. 199001007732 (199302-K))
BPlant	:	Boustead Plantations Berhad (Registration No. 194601000012 (1245-M))
BPM	:	Boustead Petroleum Marketing Sdn Bhd (Registration No. 196401000488 (5783-T))
BProp	:	Boustead Properties Berhad (Registration No. 191101000004 (84-W))
Cadbury Malaysia	:	Cadbury Confectionery Malaysia Sdn Bhd (Registration No. 197401002323 (19442-T))
Mutiara Rini	:	Mutiara Rini Sdn Bhd (Registration No. 199401025616 (311297-H))
Pharmaniaga	:	Pharmaniaga Berhad (Registration No. 199801011581 (467709-M))
UAC	:	UAC Berhad (Registration No. 196301000271 (5149-H))
UNIM	:	The University of Nottingham in Malaysia Sdn Bhd (Registration No. 199801017391 (473520-K))

All references to “we”, “us” and “our” in this IAC are to Kenanga IB, being the Independent Adviser for the Offer.

All references to “you”, “your” or “Holder” in this IAC are to the holder of the Offer Shares, being the person to whom the Offer is being made.

If a period that is specified in this IAC ends on a day that is not a Market Day, the period shall be extended until the next Market Day.

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

Any reference in this IAC to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this IAC shall be a reference to Malaysian time, unless otherwise stated.

Certain amounts and percentage figures included in this IAC have been subject to rounding adjustments. Any discrepancy in the tables included in this IAC between the amount listed, actual figures and the totals are due to rounding.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE OFFER. YOU ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAC FOR FURTHER INFORMATION AND THE RECOMMENDATION FROM THE NON-INTERESTED DIRECTORS AND KENANGA IB, THE INDEPENDENT ADVISER IN RELATION TO THE OFFER. THIS IAC SHOULD ALSO BE READ IN CONJUNCTION WITH THE OFFER DOCUMENT.

1. INTRODUCTION

On 2 March 2023, UOBKH had, on behalf of the Offeror, served the Notice on the Board in accordance with subparagraph 9.10(1) of the Rules to inform them of the Offeror's intention to undertake a conditional voluntary take-over offer to acquire the Offer Shares at the Offer Price.

On the same day, i.e. 2 March 2023, BHB announced the receipt of the Notice. A copy of the Notice was despatched to the Holders on 9 March 2023.

On 15 March 2023, the Board announced that Kenanga IB has been appointed to act as the Independent Adviser to provide comments, opinions, information and recommendation to the Non-Interested Directors and the Holders in relation to the Offer.

Following thereto, Kenanga IB had, via its letter dated 17 March 2023, declared to the SC its independence from conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer, followed by a revised declaration letter provided to the SC on 21 March 2023.

On 17 March 2023, Kenanga IB had, on behalf of BHB, submitted an application to the SC to seek approval for:

- (i) an extension of time of 14 days from 22 March 2023 to 5 April 2023 to submit the IAC to the SC; and
- (ii) an extension of time of 14 days from 3 April 2023 to 17 April 2023 to issue the IAC to the Board and Holders.

The SC had, via its letter dated 21 March 2023, approved the application for the extension of time to submit the IAC to the SC and to issue the IAC to the Board and Holders.

On 13 April 2023, UOBKH had, on behalf of the Offeror, issued the Press Notice, informing that the conditionality of the Offer upon the BNM Conditions shall be revised to the Revised BNM Condition.

In addition to this IAC, you should have received a copy of the Offer Document dated 23 March 2023 which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer, together with the Form of Acceptance and Transfer.

Pursuant to Rule 11 of the Rules, the SC had, via its letter dated 15 April 2023 notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

As at the LPD, the Offeror directly holds 1,518,689,735 BHB Shares, representing approximately 74.92% equity interest in BHB. The Offeror does not have any indirect interest in BHB Shares.

As set out in the Offer Document, there is no ultimate offeror for the Offer. Pursuant to section 216 of the CMSA, the PAC that holds BHB Shares as at the Offer Document LPD is as follows:

Name	Description of relationship
Yayasan LTAT	A related trust of LTAT group of companies pursuant to subsection 216(3)(b) of the CMSA

EXECUTIVE SUMMARY (CONT'D)

As at the Offer Document LPD, the PAC directly holds 2,330,204 BHB Shares, representing approximately 0.11% equity interest in BHB. As at the LPD, the PAC does not hold any BHB Shares.

As at the Offer Document LPD, the Offeror and the PAC have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

THE PURPOSE OF THIS IAC IS TO HIGHLIGHT THE RELEVANT INFORMATION IN RELATION TO THE OFFER AND TO PROVIDE YOU WITH THE VIEWS AND RECOMMENDATION OF THE NON-INTERESTED DIRECTORS AND KENANGA IB ON THE OFFER.

2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out below.

2.1 Consideration for the Offer

Accepting Holders shall be paid **RM0.855** in cash for each Offer Share, in accordance with the terms set out in the Offer Document.

Notwithstanding the above, if BHB declares and/or pays any Distributions in favour of its shareholders whereby the entitlement date for such Distributions is on or after the date of the Notice but prior to the Closing Date and the Holder is entitled to retain such Distributions, the Offeror will reduce the amount of the Offer Price by the quantum of the Distributions per Offer Share that such Holder is entitled to retain. For avoidance of doubt, no adjustment shall be made to the Offer Price in the event that the entitlement date for the Distributions is after the Closing Date.

As at the Offer Document LPD, the Offeree has not announced any declaration or payment of Distribution subsequent to the date of the Notice but before the Posting Date. For Holders' information, BHB had on 29 December 2022 declared the BHB Dividend, whereby the entitlement date and payment date for the BHB Dividend are 28 February 2023 and 27 March 2023, respectively. For avoidance of doubt, no adjustment will apply to the Offer Price as a consequence of the BHB Dividend given that the said entitlement date precedes the date of the Notice.

Holders may accept the Offer in respect of all or part of their Offer Shares. Fractions of a sen will not be paid to the Accepting Holders and cash consideration payable in respect of the valid acceptance of the Offer will be rounded down to the nearest whole sen.

2.2 Condition of the Offer

The Offer is **not conditional** upon any minimum level of acceptances of the Offer Shares as the Offeror already holds more than 50% of the voting shares in BHB.

However, the Offer is **conditional** upon the Revised BNM Condition as referred to in the Press Notice. As stated in the Press Notice, save for the Revised BNM Condition, all other details, terms and conditions of the Offer Document remain unchanged.

If the Offer has become or declared unconditional prior to **Monday, 22 May 2023** being the First Closing Date, the Offeror will keep the Offer open for acceptances for not less than 14 days thereafter, which shall not be later than the 74th day from the Posting Date. In any event, the Offeror shall not close the Offer before the First Closing Date.

If the Offer remains conditional on the First Closing Date, the Revised BNM Condition must be fulfilled within 21 days after the First Closing Date i.e. by the 81st day from the Posting Date being **Monday, 12 June 2023**. However, if the Revised BNM Condition is not fulfilled by **Monday, 12 June 2023**, the Offer shall lapse and cease to be capable of acceptances. All earlier acceptances will be returned to the Accepting Holders immediately.

EXECUTIVE SUMMARY (CONT'D)

If the Revised BNM Condition is fulfilled after the First Closing Date, the Offer will remain open for acceptances until **Monday, 26 June 2023** being the 95th day from the Posting Date.

2.3 Duration of the Offer

(i) First Closing Date

The Offer will remain open for acceptances until **5.00 p.m. (Malaysian time) on Monday, 22 May 2023, being the First Closing Date**. However, the Offeror may extend the date and time for acceptance beyond the First Closing Date in accordance with the provision of the Rules. Any extension will be announced by UOBKH, on behalf of the Offeror, no later than 2 days before the Closing Date. Such announcement will state the next closing date of the Offer. Notices of such extensions will be posted to Holders accordingly.

(ii) Fulfilment of the Revised BNM Condition

If the Offer remains conditional on the First Closing Date, the Revised BNM Condition must be fulfilled within 21 days after the First Closing Date i.e. by the 81st day from the Posting Date being **5.00 p.m. (Malaysian time) on Monday, 12 June 2023**.

However, if the Revised BNM Condition is not fulfilled by 5.00 p.m. (Malaysian time) on Monday, 12 June 2023, the Offer shall lapse and cease to be capable of acceptances. All earlier acceptances will be returned to the Accepting Holders immediately.

(iii) Last Closing Date

If the Revised BNM Condition is fulfilled after the First Closing Date, the Offer will remain open for acceptances until **5.00 p.m. (Malaysian time) on Monday, 26 June 2023** being the 95th day from the Posting Date.

2.4 Method of settlement

The settlement of the consideration for the Offer Shares, in respect of valid acceptance, will be effected via:

- (i) remittance into the Accepting Holders' bank account, if the Accepting Holders have registered their bank account with Bursa Depository for the purposes of cash dividend/distribution; or
- (ii) otherwise, remittance in the form of cheque(s), banker's draft(s) and/or cashier's order(s) which will be posted by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their registered Malaysian addresses last maintained with Bursa Depository, at their own risk,

within 10 days from:

- (i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or

For example, if the Offer becomes unconditional on 12 June 2023 (being the last day for fulfilment of the Revised BNM Condition), the settlement will be made to you within 10 days from 12 June 2023 (being unconditional date) in respect of your valid acceptance which was received during the period when the Offer is still conditional up to 12 June 2023.

- (ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.

For example, assuming that the Offer has become unconditional on 12 June 2023 (being the last day for fulfilment of the Revised BNM Condition) and that you have tendered your valid acceptance after 12 June 2023, the settlement will be made to you within 10 days from the date of your valid acceptance is received up to 26 June 2023 (being the last Closing Date).

Holders are to note that in the event the Revised BNM Condition is not fulfilled by 5.00 p.m. (Malaysian time) on Monday, 12 June 2023, the Offer shall lapse and cease to be capable of further acceptance, and all acceptances received under the Offer must be returned to the Accepting Holders immediately.

2.5 Other terms and conditions and procedures for acceptance

Please refer to Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for details on the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and the person(s) acting in concert with the Offeror have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

Based on the Press Notice, the Offeror had received valid acceptances of 6,858,310 Offer Shares, representing 0.34% equity interest in BHB as at the LPD.

4. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with paragraphs 1 to 6 of Schedule 2: Part III of the Rules whereby:

- (i) the term “fair and reasonable” should generally be analysed as 2 distinct criteria i.e. whether the Offer is “fair” and whether the Offer is “reasonable”, rather than as a composite term;
- (ii) the Offer is considered “fair” if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price, but is lower than the value of the Offer Shares, the Offer is considered as “not fair”. In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of BHB is being acquired;
- (iii) pursuant to paragraph 4 of Schedule 2: Part III of the Rules, in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons for the Holders to accept the offer in the absence of a higher bid and such reasons should be clearly explained; and

EXECUTIVE SUMMARY (CONT'D)

- (iv) in the event that the independent adviser concludes that the Offer is “not fair but reasonable”, the independent adviser must clearly explain the following:
- (a) what is meant by “not fair but reasonable”;
 - (b) how has the independent adviser reached to this conclusion; and
 - (c) the course of action that the Holders are recommended to take pursuant to the conclusion.

4.1 Fairness of the Offer

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, the BHB Group is involved in the property and industrial, plantation, heavy industries, pharmaceutical, trading and finance businesses.

In view of the different business segments of the BHB Group, Kenanga IB has adopted the SOPV methodology as the most appropriate valuation methodology to arrive at the value of BHB Shares.

Based on the SOPV valuation, the Offer Price represents a **discount** of 45.30% to 51.17% to the estimated value of between RM1.563 and RM1.751 per BHB Share.

Based on the above, Kenanga IB is of the view that the Offer is **NOT FAIR**.

Please refer to **Section 6 of Part B** of this IAC for further details.

4.2 Reasonableness of the Offer

In assessing the reasonableness of the Offer, Kenanga IB has considered the following factors:

Considerations	Assessment
Historical market price analysis of BHB Shares	<p>The Offer Price represents:</p> <ul style="list-style-type: none">(i) a premium of RM0.2300 (36.80%) over the last traded market price of BHB Shares on the LTD of RM0.6250;(ii) a premium of between RM0.1564 (22.39%) and RM0.2363 (38.19%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of BHB Shares up to and including the LTD of between RM0.6187 and RM0.6986; and(iii) is equivalent to the last traded market price of BHB Shares on the LPD and 5-day VWAMP of BHB Shares up to the LPD.
Listing status of BHB	<p>The Offeror does not intend to maintain the listing status of BHB. As such, the Offeror will not be taking any steps to address any shortfall in the public shareholding spread of BHB in the event BHB does not meet the Public Spread Requirement after the Closing Date.</p> <p>As at the LPD, the Offeror directly holds 1,518,689,735 BHB Shares, representing 74.92% of the total issued shares in BHB. The PAC does not hold any BHB Shares as at the LPD.</p> <p>For the information of the Holders, the public shareholding spread of BHB as at the LPD is 25.08%.</p>

Considerations	Assessment
	<p>In the event that the Offeror receives valid acceptance resulting in 90% or more of the listed shares in BHB being held by the Offeror either individually or jointly with its associate(s), an immediate announcement will be made by BHB. Upon such announcement, Bursa Securities shall suspend the trading in the BHB Shares immediately upon the expiry of 5 Market Days from the Closing Date. Thereafter, the Offeror will procure BHB to take the requisite steps to withdraw its listing status from the Official List of Bursa Securities, in accordance with paragraph 16.07 of the MMLR.</p>
No competing/ alternative offer and level of control	<p>BHB confirms that, as at the LPD, save for the Offer, it had not received any competing offer or alternative offer for its securities or its business, assets and liabilities.</p> <p>In the absence of a competing/alternative offer, the Offer provides an opportunity to the Holders to realise their investments in BHB at the Offer Price.</p> <p>Further, as the Offeror holds approximately 74.92% voting shares in BHB as at the LPD, any alternative proposal will not be successful unless with their support. The Offeror is able to (through casting of their votes) approve or oppose any ordinary resolutions or oppose any special resolutions sought at shareholders' general meetings of the Company, unless they are required to abstain from voting.</p>

Based on the above, Kenanga IB is of the view that the Offer is **REASONABLE**.

Please refer to **Section 7 of Part B** of this IAC for further details.

5. RECOMMENDATION

5.1 By Kenanga IB

Premised on the evaluation of the Offer as set out above, Kenanga IB is of the view that the Offer is **NOT FAIR** but **REASONABLE**. Accordingly, Kenanga IB:

- (i) advises the Non-Interested Directors to recommend the Holders to **ACCEPT** the Offer; and
- (ii) recommends that the Holders **ACCEPT** the Offer.

However, the decision to be made would depend entirely on the risk appetite and specific investment requirements of the Holders. If the Holders so wish and if the trading liquidity permits, they may consider disposing of their Offer Shares in the open market if they are able to obtain a price higher than the Offer Price, net of transaction costs and assuming that there will not be any revision to the Offer Price.

Holders are advised to closely monitor the market share price, trading volume and any press releases and/or announcements made in relation to the Offer before making a decision on the course of action to be taken in respect of the Offer Shares.

Please refer to **Section 11 of Part B** of this IAC for further details.

EXECUTIVE SUMMARY (CONT'D)

5.2 By the Non-Interested Directors

The Interested Directors have abstained and will continue to abstain from deliberations and making any recommendation in relation to the Offer.

After careful examination and consideration of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation by Kenanga IB as set out in Part B of this IAC, the Non-Interested Directors **CONCUR** with the evaluation and recommendation of Kenanga IB that the Offer is **NOT FAIR** but **REASONABLE**.

Accordingly, the Non-Interested Directors recommend that the Holders **ACCEPT** the Offer.

6. IMPORTANT DATES AND EVENTS

The important dates pertaining to the Offer are as set out in the table below:

Events	Date
Notice served on the Board	Thursday, 2 March 2023
Posting of the Offer Document	Thursday, 23 March 2023
Issuance of the IAC	Monday, 17 April 2023
First Closing Date ⁽¹⁾	Monday, 22 May 2023
Fulfilment of the Revised BNM Condition ⁽²⁾	by Monday, 12 June 2023
Last Closing Date ⁽³⁾	Monday, 26 June 2023

Notes:

(1) Being the 60th day from the Posting Date

This is the maximum first closing date allowed under the Rules, however this may not be the final closing date if the Offer remains conditional on the First Closing Date.

If the Offer has become or declared unconditional prior to **Monday, 22 May 2023** being the First Closing Date, the Offeror will keep the Offer open for acceptances for not less than 14 days thereafter, which shall not be later than the 74th day from the Posting Date. In any event, the Offeror shall not close the Offer before the First Closing Date.

(2) Being the 81st day from the Posting Date

If the Offer remains conditional on the First Closing Date, the Revised BNM Condition must be fulfilled within 21 days after the First Closing Date i.e. by the 81st day from the Posting Date being **Monday, 12 June 2023**.

However, if the Revised BNM Condition is not fulfilled by Monday, 12 June 2023, the Offer shall lapse and cease to be capable of acceptances. All earlier acceptances will be returned to the Accepting Holders immediately.

(3) Being the 95th day from the Posting Date

If the Revised BNM Condition is fulfilled after the First Closing Date, the Offer will remain open for acceptances until **Monday, 26 June 2023** being the 95th day from the Posting Date.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THIS IAC, TOGETHER WITH THE OFFER DOCUMENT AND NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE OFFER AND MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

PART A

LETTER FROM THE BOARD



BOUSTEAD HOLDINGS BERHAD
(Registration No. 196001000193 (3871-H))
(Incorporated in Malaysia)

Registered Office:

Boustead Holdings Berhad
Level 23, The Bousteador
No. 10, Jalan PJU 7/6
Mutiara Damansara
47800 Petaling Jaya
Selangor

17 April 2023

Board of Directors:

Dato' Ahmad Nazim Abd Rahman	<i>(Non-Independent Non-Executive Chairman)</i>
Lieutenant General Dato' Fadzil Mokhtar (R)	<i>(Independent Non-Executive Director)</i>
Dato' Seri Rosman Mohamed	<i>(Independent Non-Executive Director)</i>
Pauline Teh @ Pauline Teh Abdullah	<i>(Independent Non-Executive Director)</i>
Muhammad Fitri Othman	<i>(Non-Independent Non-Executive Director)</i>

Alternate Directors:

Irfan Hashim	<i>(Alternate to Dato' Ahmad Nazim Abd Rahman)</i>
Dayana Rogayah Omar	<i>(Alternate to Muhammad Fitri Othman)</i>

To: The Holders

Dear Sir / Madam,

CONDITIONAL VOLUNTARY TAKE-OVER OFFER BY THE OFFEROR THROUGH UOBKH TO ACQUIRE THE OFFER SHARES FOR A CASH OFFER PRICE OF RM0.855 PER OFFER SHARE

1. INTRODUCTION

On 2 March 2023, UOBKH had, on behalf of the Offeror, served the Notice on the Board, to notify them of the Offeror's intention to undertake a conditional voluntary take-over offer to acquire all the remaining 822,510,779 BHB Shares, representing 40.58% of the total issued shares of BHB not already held by the Offeror for a cash offer price of RM0.855 per Offer Share.

On the same day, i.e. 2 March 2023, BHB announced the receipt of the Notice. A copy of the Notice was despatched to the Holders on 9 March 2023.

On 15 March 2023, the Board announced that Kenanga IB has been appointed to act as the Independent Adviser to provide comments, opinions, information and recommendation to the Non-Interested Directors and the Holders in relation to the Offer. Following thereto, Kenanga IB had declared to the SC its independence from conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer.

On 17 March 2023, Kenanga IB had, on behalf of BHB, submitted an application to the SC to seek approval for:

- (i) an extension of time of 14 days from 22 March 2023 to 5 April 2023 to submit the IAC to the SC; and
- (ii) an extension of time of 14 days from 3 April 2023 to 17 April 2023 to issue the IAC to the Board and Holders.

The SC had, via its letter dated 21 March 2023, approved the application for the extension of time to submit the IAC to the SC and issue the IAC to the Board and Holders.

On 23 March 2023, a copy of the Offer Document, which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer was despatched to you.

On 13 April 2023, UOBKH had, on behalf of the Offeror, issued the Press Notice, informing that the conditionality of the Offer upon the BNM Conditions shall be revised to the Revised BNM Condition.

Pursuant to Rule 11 of the Rules, the SC had, via its letter dated 15 April 2023 notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendation contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

As set out in the Offer Document, there is no ultimate offeror for the Offer. Pursuant to section 216 of the CMSA, the PAC that holds BHB Shares as at the Offer Document LPD is as follows:

<u>Name</u>	<u>Description of relationship</u>
Yayasan LTAT	A related trust of LTAT group of companies pursuant to subsection 216(3)(b) of the CMSA

As at the LPD, the PAC does not hold any BHB Shares.

From the date of the Notice and up to the Offer Document LPD, the Offeror had acquired a total of 271,081,100 BHB Shares (representing 13.37% of the total issued shares in BHB) from the open market.

The shareholdings of the Offeror and the PAC in BHB as at the LPD are as follows:

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>%⁽¹⁾</u>	<u>No. of Shares</u>	<u>%⁽¹⁾</u>
<u>Offeror</u>				
LTAT	1,518,689,735	74.92	-	-
<u>PAC</u>				
Yayasan LTAT	-	-	-	-
Total shareholdings	1,518,689,735	74.92	-	-

Note:

- (1) Computed based on 2,026,987,997 BHB Shares in issue as at the LPD.

The Offer will not result in a mandatory offer by the Offeror to acquire all the remaining voting shares in ABB, BPlant, BHIC and Pharmaniaga that are not held by the Offeror, whether direct or indirect, in view that the Offeror already has statutory control over the Offeree.

As at the Offer Document LPD, the Offeror and the PAC have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

THE PURPOSE OF THIS IAC IS TO HIGHLIGHT THE RELEVANT INFORMATION IN RELATION TO THE OFFER AND TO PROVIDE YOU WITH THE VIEWS AND RECOMMENDATION OF THE NON-INTERESTED DIRECTORS AND KENANGA IB ON THE OFFER.

YOU ARE ADVISED TO READ THIS IAC, TOGETHER WITH THE OFFER DOCUMENTS AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE TAKING ANY ACTION.

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are set out in **Section 2 of the executive summary and Section 2, Part B** of this IAC. Please refer to **Section 2** of the Offer Document, Appendix I of the Offer Document and the Press Notice for further information on the other terms and conditions of the Offer and Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and the person(s) acting in concert with the Offeror have not received any irrevocable undertaking from any Holders to accept or reject the Offer.

Based on the Press Notice, the Offeror had received valid acceptances of 6,858,310 Offer Shares, representing 0.34% equity interest in BHB as at the LPD.

4. NON-INTERESTED DIRECTORS' COMMENTS

4.1 Rationale for the Offer

The Non-Interested Directors take note of the rationale for the Offer as set out in **Section 3** of the Offer Document, as set out below:

(i) Greater flexibility for the Offeror to implement turnaround plan for the Offeree

Throughout the past 5 FYEs, BHB had registered losses and volatile earnings mainly dragged by the performance of its businesses in heavy industries, plantation and pharmaceutical, as well as high gearing level ranging from 1.28 times to 1.48 times between FYE 2019 and FYE 2022 which to an extent indicate BHB's dependency on external borrowings to finance its operations and investment.

Therefore, the Offer represents an initiative by the Offeror to take BHB private and obtain full control of BHB, which will provide LTAT greater liberty in deciding on the strategic direction of BHB and the flexibility for BHB's group structure and business to be restructured, reorganised, and rationalised should the need arise.

As envisaged at this juncture, the Offeror's priority is focused on rationalising the debt of BHB Group. The other following priority is to implement value creation for BHB Group which may be implemented through merger and acquisition activities as well as strengthening the structural, organisational and operational efficiency of BHB Group of companies, as and when deemed fit. The Offer thus allows the Offeror to privatise BHB and in turn accelerate its aforesaid turnaround plan for BHB as an unlisted entity in an expedient manner, which may otherwise be relatively costly and time-consuming if BHB remains listed.

(ii) **Opportunity for the Holders to exit and realise their investment**

The Offer also provides an opportunity for the Holders of BHB who wish to realise their investments in BHB Shares on a wholesale basis immediately at the Offer Price. The Offer Price also represents a premium ranging from 22.39% to 38.19% over the closing price of BHB Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAP of BHB Shares up to the LTD.

Having considered this, the Non-Interested Directors take cognisance that:

(A) for the past 5 FYEs, the BHB Group had recorded the following financial results:

	Audited FYE				Unaudited FYE
	2018 RM'million	2019 RM'million	2020 RM'million	2021 RM'million	2022 RM'million
PAT/(LAT)	(554)	(1,386)	(501)	479	129
Total equity	7,804	5,688	5,119	5,465	5,298
Total borrowings	7,533	7,910	7,584	6,992	6,793
Gearing ratio (times) ⁽¹⁾	0.97	1.39	1.48	1.28	1.28

Note:

(1) Computed based on total borrowings over total equity.

Throughout the past 5 FYEs, BHB had registered losses and volatile earnings mainly dragged by the performance of its heavy industries, plantation, property and pharmaceutical divisions as follows:

BHB Group posted LAT of RM554 million for the FYE 2018 mainly due to impairments of goodwill, share of loss from a joint venture company due to provisions of liquidated ascertained damages and revision in the LCS's project cost due to variation orders and increase in project finance cost all within its heavy industry division. Further, its plantation division also incurred losses due to lower average selling prices of crude palm oil ("CPO") of RM2,261 per metric tonne ("MT") (FYE 2017: RM2,810 per MT).

For the FYE 2019, BHB Group incurred a higher LAT of RM1,386 million mainly due to impairments at the heavy industries and plantation divisions, amounting to RM844 million and RM176 million respectively. This was compounded by the RM47 million impairment recorded by the property division due to assessment of the market condition and prospect of its hotel business. Its pharmaceutical division also faced with a one-off accelerated amortisation of useful life of rights to supply of RM247 million.

The Group registered a lower LAT of RM501 million for the FYE 2020 due to impairment of property, plant and equipment and fair value loss of investment properties under its property division exacerbated by negative effects of the COVID-19 pandemic and movement control order.

The improvement in the profitability to approximately RM479 million for the FYE 2021 was a culmination of external factors which benefited the BHB Group, such as:

(i) Higher CPO prices

The plantation division recorded a PAT of RM242.5 million (FYE 2020: RM34.4 million) due to higher CPO prices on average (FYE 2021:RM4,341 per MT vs FYE 2020:RM2,811 per MT), despite the CPO production decreasing from 243,080 MT (FYE 2020) to 220,773 MT (FYE 2021); and

(ii) The COVID-19 pandemic

The pharmaceutical division recorded a significantly higher PAT of RM172.2 million (FYE 2020: RM26.3 million) driven largely by the sales of COVID-19 vaccines.

The BHB Group's unaudited PAT for the FYE 2022 declined to RM129 million, mainly due to the write-down of the slow-moving COVID-19 vaccines of RM552.3 million by the Group's pharmaceutical division, Pharmaniaga. The write-down of the COVID-19 vaccines resulted in Pharmaniaga recorded an unaudited shareholders' deficit of RM247.4 million as at 31 December 2022 and triggered the prescribed criteria pursuant to paragraph 8.04 of the MMLR and paragraph 2.1(a) of Practice Note 17 ("PN17") of MMLR, resulting in Pharmaniaga becoming an affected listed issuer.

For further details on the performance of the various divisions under the BHB Group for the FYE 2022, please refer to **Section 6.1 of Part B** of this IAC.

- (B) As described in **Section 4.1(A)** above, the aggregate LAT of BHB Group of RM2,441 million for the FYE 2018 to FYE 2020 was mainly due to, amongst others, provisions and impairment of property, plant and equipment, right-of-use-assets and goodwill; and accelerated amortisation of rights to supply and fair value losses which cumulatively amounted to about RM1,890 million made during these financial years.

Correspondingly, the total equity of BHB Group has declined to RM5,119 million as at 31 December 2020 mainly contributed by these provisions, impairment, amortisation and fair value losses as well as the redemption of perpetual sukuk amounting to RM593 million in FYE 2019. As a result, this led to the higher level of gearing up to 1.48 times as at 31 December 2020.

- (C) The Non-Interested Directors wish to highlight that BHB had formulated a transformation plan during the FYE 2020 which included various strategies, amongst others, the divestment or sale of certain assets and/or property inventories and the identification of new businesses which would provide the BHB Group with a new revenue stream.

The divestment or sale saw certain assets of the Group such as Royale Chulan Bukit Bintang Hotel, Boustead Cruise Centre Sdn Bhd, property inventories and plantation lands being sold. The divestments have provided the BHB Group with the additional cashflows which were partly used to pare down its debts between FYE 2020 to FYE 2022. As a result, the total borrowings of the BHB Group have been on a reducing trend from approximately RM7,910 million as at 31 December 2019 to approximately RM6,793 million as at 31 December 2022.

- (D) BHB's new subsidiaries, Boustead Technology Sdn Bhd, a technology and solution provider, and Boustead Digital Services Sdn Bhd, a company which offers digital products and services, are not expected to be profitable in the immediate future due to the nature of the businesses.

- (E) Further, the Company had in the FYE 2017 issued RM2.0 billion worth of Islamic Medium Term Notes (“iMTN”), out of which RM1.6 billion is due for repayment in FYE 2024. Apart from BHB Group’s debt, the outstanding perpetual sukuk of RM607 million as at 31 December 2022 carries a high profit rate ranging from 9.75% to 11.6% per annum with a step-up rate of 1% per annum, subject to maximum of 15% per annum.

In view of BHB Group’s volatile earnings, coupled with the potentially time-consuming divestment process, obtaining support from financial institutions to refinance its existing debts and redemption of the perpetual sukuk could be challenging.

- (F) The Offer provides an opportunity for the Holders to realise their investments in BHB Shares at the Offer Price which is at a premium over the historical market prices of BHB Shares ranging from 22.39% to 38.19% as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of BHB Shares up to the LTD, prior to the serving of the Notice.

Nevertheless, the Non-Interested Directors take cognisance of the Offeror’s rationale that a privatisation of BHB may accord the Offeror with greater flexibility and expediency to implement its turnaround plan as well as to rationalise the debts of BHB as an unlisted entity, and provide an opportunity for the Holders to realise their investments in BHB Shares on a wholesale basis immediately at the Offer Price, which represents a premium over the historical share prices as highlighted in **Section 4.1(F)** above.

4.2 Listing status of BHB

The Non-Interested Directors note that the Offeror **does not intend to maintain the listing status of BHB**. As such, the Offeror will not be taking any steps to address any shortfall in the public shareholding spread of BHB in the event BHB does not meet the Public Spread Requirement after the Closing Date.

Further, it is noted that if the Offeror receives valid acceptance resulting in 90% or more of the BHB Shares being held by the Offeror either individually or jointly with its associate(s), an immediate announcement will be made by BHB. Upon such announcement, Bursa Securities shall suspend the trading of BHB Shares immediately upon the expiry of 5 Market Days from the Closing Date. Thereafter, the Offeror will procure BHB to take the requisite steps to withdraw its listing status from the Official List of Bursa Securities, in accordance with paragraph 16.07 of the MMLR. Accordingly, if BHB is delisted from the Official List of Bursa Securities as a consequence of 90% or more of BHB Shares being held by the Offeror either individually or jointly with its associate(s), the BHB Shares will no longer be traded on the Main Market of Bursa Securities.

Please refer to **Section 7.2 of Part B** of this IAC for further details.

4.3 Compulsory acquisition and rights of Dissenting Holders

(i) Compulsory acquisition

The Non-Interested Directors take note that the Offeror **intends to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any remaining offer shares from the Dissenting Holders in the event that the Offeror receives valid acceptances of not less than 9/10 of the nominal value⁽¹⁾ of the offer shares (excluding BHB Shares already held by the Offeror and the person(s) acting with concert with it as at the date of the Offer) on or before the Closing Date. Under such circumstance, all the Holders of these offer shares will be paid in cash for the offer shares compulsorily acquired. The consideration for the offer shares under this compulsory acquisition will, subject to subsection 224(1) of the CMSA, be equivalent to the Offer Price and on the same terms set out in the Offer Document.

Note:

- (1) Section 74 of the Act stipulates that all shares issued before or upon the commencement of the Act shall have no par or nominal value. Accordingly, the "nominal value" in this context shall refer to the number of shares instead.

(ii) Rights of Dissenting Holders

Subject to section 224 of the CMSA, section 223 of the CMSA provides that if the Offeror receives valid acceptance resulting in the Offeror and person(s) acting in concert with it holding not less than 9/10 in the value of all the Shares on or before the Closing Date, a Dissenting Holder may exercise his/her rights under subsection 223(1) of the CMSA, by serving a notice on the Offeror to require the Offeror to acquire his/her shares on the same terms set out in the Offer Document or such terms as may be agreed between the Offeror and such Dissenting Holder.

If a Dissenting Holder invokes the provisions of subsection 223(1) of the CMSA, the Offeror shall acquire such Offer Shares in accordance with the provisions of the CMSA, subject to the provisions of section 224 of the CMSA. In accordance with subsection 224(3) of the CMSA, when a Dissenting Holder exercises his/her rights under subsection 223(1) of the CMSA, the court may, on an application made by such Dissenting Holder or by the Offeror, order that the terms on which the Offeror shall acquire such Offer Shares shall be as the court thinks fit.

Subsection 223(2) of the CMSA requires the Offeror to give the Dissenting Holders a Notice to Dissenting Holders, within 1 month of the time the Offeror and person(s) acting in concert with it having acquired not less than nine-tenths (9/10) in the value of all the shares in BHB. A Notice to Dissenting Holders under subsection 223(2) of the CMSA may specify the period for the exercise of the rights of the Dissenting Holders and in any event, such period shall not be less than 3 months after the Closing Date.

Please refer to **Section 8 of Part B** of this IAC for further details.

4.4 Future plans for the BHB Group and its employees

The Non-Interested Directors note from **Section 8** of the Offer Document on the intention of the Offeror with respect to the future plans for the BHB Group and its employees as follows:

(i) Continuation of the BHB Group's business

As stated in the Offer Document, the Offeror intends to continue with the existing business and operations of the BHB Group. If the need arises, the Offeror may from time to time undertake a review of the BHB Group's business and operations to formulate future plans and strategies for the BHB Group, and/or to streamline and improve the efficiency of the business and operations of the BHB Group. In relation thereto, the Offeror retains the flexibility at any time to consider any opportunities, which may include the consolidation and streamlining of BHB and the Offeror's investments and businesses within the Offeror's group structure, and debt rationalisation exercise.

However, as at the Offer Document LPD, the Offeror does not have any definitive plans in respect of the above and will undertake a review and evaluation of the BHB Group's business and operations prior to developing or implementing any future plans or strategies for the BHB Group.

(ii) Major changes to the BHB Group's business

As stated in the Offer Document, the Offeror presently does not have any immediate plan to sell the major assets or undertake major redeployment of the fixed assets of the BHB Group, liquidate any of the companies within the BHB Group (save for dormant/inactive companies or companies with discontinued operations) or introduce major changes to the BHB Group's business. If the need arises, the Offeror may from time to time explore potential opportunities as the Offeror considers suitable, in accordance with the future direction of the BHB Group. These may include, but not limited to, strategic investment and acquisitions, monetisation of assets, reorganisation and/or integration of business operations of the BHB Group. As part of its turnaround plan for the BHB Group, the Offeror may consider the rationalising of BHB's debt, and/or that LTAT may pursue value creation through merger and acquisition activities involving the BHB Group or assets, as and when the need arises.

As at the Offer Document LPD, the Offeror has no knowledge of, and has not entered into any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in the BHB Group's business, assets or the Company's shareholding structure.

(iii) Employees

As stated in the Offer Document, the Offeror presently does not have any plan to dismiss or make redundant any of the employees of the BHB Group as a direct consequence of the Offer. However, changes in employees' employment and redeployment of employees may take place as a result of the Offeror's subsequent review to streamline and/or improve efficiency of the operations of the BHB Group. Nevertheless, such changes will be carried out in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

Notwithstanding the transformation plan undertaken by BHB since FYE 2020 to address, amongst others, its borrowings as stated in **Section 4.1(C)** above, the Non-Interested Directors wish to highlight to the Holders that the Offeror retains the flexibility at any time to consider any available options to carry out any of the above future plans to the best interest of the BHB Group and ultimately to the Offeror upon completion of the Offer.

5. INDEPENDENT ADVICE LETTER

You are advised to read and consider the comments, opinion, information and recommendation of Kenanga IB, the Independent Adviser appointed by BHB to advise the Non-Interested Directors and the Holders in relation to the Offer. The IAL is included in Part B of this IAC.

6. DISCLOSURE OF DIRECTORS' INTERESTS

As at the LPD, none of the Directors of BHB have any interest, whether direct or indirect, in BHB Shares.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC and they collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAC. The Board confirms the following after making all reasonable enquiries and to the best of their knowledge and belief:

- (i) no statement and/or information relating to the BHB Group in this IAC is false or misleading or incomplete;
- (ii) there are no other facts and/or information, the omission of which would render any statement or information provided relating to the BHB Group herein false or misleading or incomplete;
- (iii) all material facts and/or information in relation to the Offer, including those required under the Rules, have been accurately and completely disclosed in this IAC; and
- (iv) opinions expressed by the Non-Interested Directors in this IAC have been arrived at after due deliberation and careful consideration.

Further, the responsibility of the Board in respect of:

- (i) the information relating to the Offeror and the PAC (as extracted from the Offer Document) is limited to ensuring that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by Kenanga IB in relation to the Offer as set out in Part B of this IAC, is to ensure that accurate information in relation to the BHB Group was provided to Kenanga IB for its evaluation of the Offer and that all information in relation to the BHB Group that is relevant to Kenanga IB's evaluation of the Offer has been accurately and completely disclosed to Kenanga IB and that there is no material fact, the omission of which would make any information provided to Kenanga IB false or misleading.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

The Interested Directors have abstained and will continue to abstain from deliberations and making any recommendation in relation to the Offer.

After careful examination and consideration of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation by Kenanga IB as set out in Part B of this IAC, the Non-Interested Directors **CONCUR** with the evaluation and recommendation of Kenanga IB that the Offer is **NOT FAIR** but **REASONABLE**.

Accordingly, the Non-Interested Directors recommend that the Holders **ACCEPT** the Offer.

YOU ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

THE NON-INTERESTED DIRECTORS HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVE, FINANCIAL SITUATION OR RISK PROFILE OR PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS.

THE NON-INTERESTED DIRECTORS RECOMMEND THAT ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS WHO REQUIRES ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INDIVIDUAL INVESTMENT OBJECTIVES, RISK PROFILES, FINANCIAL AND TAX SITUATION OR PARTICULAR NEEDS, TO CONSULT THEIR RESPECTIVE STOCKBROKERS, BANK MANAGERS, ACCOUNTANTS, SOLICITORS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Yours faithfully,
For and on behalf of the Board of
BOUSTEAD HOLDINGS BERHAD

DATO' SERI ROSMAN MOHAMED
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM KENANGA IB

Registered Office:

Level 17, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur

17 April 2023

To: The Non-Interested Directors and Holders

Dear Sir / Madam,

CONDITIONAL VOLUNTARY TAKE-OVER OFFER BY LTAT THROUGH UOBKH TO ACQUIRE ALL THE OFFER SHARES AT A CASH CONSIDERATION OF RM0.855 PER OFFER SHARE

1. INTRODUCTION

Please refer to **Section 1 of Part A** of this IAC for the chronological events in relation to the Offer.

The purpose of this IAL is to provide our independent evaluation of the Offer together with our recommendation thereon, subject to the scope of our role and limitations specified herein.

YOU ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAC INCLUDING THIS IAL TOGETHER WITH THE OFFER DOCUMENT BEFORE MAKING A DECISION AS TO THE COURSE OF ACTION TO BE TAKEN.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THIS IAL IS SOLELY FOR THE USE OF THE HOLDERS FOR THE PURPOSE OF CONSIDERING THE OFFER AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE.

Kenanga

2. TERMS AND CONDITIONS OF THE OFFER

The terms and conditions of the Offer are as follows:

2.1 Consideration for the Offer

Accepting Holders shall be paid **RM0.855** in cash for each Offer Share, in accordance with the terms set out in the Offer Document.

Notwithstanding the above, if BHB declares and/or pays any Distributions in favour of its shareholders whereby the entitlement date for such Distributions is on or after the date of the Notice but prior to the Closing Date and the Holder is entitled to retain such Distributions, the Offeror will reduce the amount of the Offer Price by the quantum of the Distributions per Offer Share that such Holder is entitled to retain. For avoidance of doubt, no adjustment shall be made to the Offer Price in the event that the entitlement date for the Distributions is after the Closing Date.

As at the Offer Document LPD, the Offeree has not announced any declaration or payment of Distribution subsequent to the date of the Notice but before the Posting Date. For Holders' information, BHB had on 29 December 2022 declared the BHB Dividend, whereby the entitlement date and payment date for the BHB Dividend are 28 February 2023 and 27 March 2023, respectively. For avoidance of doubt, no adjustment will apply to the Offer Price as a consequence of the BHB Dividend given that the said entitlement date precedes the date of the Notice.

Holders may accept the Offer in respect of all or part of their Offer Shares. Fractions of a sen will not be paid to the Accepting Holders and cash consideration payable in respect of the valid acceptance of the Offer will be rounded down to the nearest whole sen.

2.2 Condition of the Offer

The Offer is **not conditional** upon any minimum level of acceptances of the Offer Shares as the Offeror already holds more than 50% of the voting shares in the Offeree.

However, the Offer is **conditional** upon the Revised BNM Condition as referred to in the Press Notice. As stated in the Press Notice, save for the Revised BNM Condition, all other details, terms and conditions of the Offer Document remain unchanged.

If the Offer has become or declared unconditional prior to **Monday, 22 May 2023** being the First Closing Date, the Offeror will keep the Offer open for acceptances for not less than 14 days thereafter, which shall not be later than the 74th day from the Posting Date. In any event, the Offeror shall not close the Offer before the First Closing Date.

If the Offer remains conditional on the First Closing Date, the Revised BNM Condition must be fulfilled within 21 days after the First Closing Date i.e. by the 81st day from the Posting Date being **Monday, 12 June 2023**. However, if the Revised BNM Condition is not fulfilled by **Monday, 12 June 2023**, the Offer shall lapse and cease to be capable of acceptances. All earlier acceptances will be returned to the Accepting Holders immediately.

If the Revised BNM Condition is fulfilled after the First Closing Date, the Offer will remain open for acceptances until **Monday, 26 June 2023** being the 95th day from the Posting Date.

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2.3 Duration of the Offer

(i) First Closing Date

The Offer will remain open for acceptances until **5.00 p.m. (Malaysian time) on Monday, 22 May 2023, being the First Closing Date**. However, the Offeror may extend the date and time for acceptance beyond the First Closing Date in accordance with the provisions of the Rules. Any extension will be announced by UOBKH, on behalf of the Offeror, no later than 2 days before the Closing Date. Such announcement will state the next closing date of the Offer. Notices of such extensions will be posted to Holders accordingly.

(ii) Fulfilment of the Revised BNM Condition

If the Offer remains conditional on the First Closing Date, the Revised BNM Condition must be fulfilled within 21 days after the First Closing Date i.e. by the 81st day from the Posting Date being **5.00 p.m. (Malaysian time) on Monday, 12 June 2023**.

However, if the Revised BNM Condition is not fulfilled by 5.00 p.m. (Malaysian time) on Monday, 12 June 2023, the Offer shall lapse and cease to be capable of acceptances. All earlier acceptances will be returned to the Accepting Holders immediately.

(iii) Last Closing Date

If the Revised BNM Condition is fulfilled after the First Closing Date, the Offer will remain open for acceptances until **5.00 p.m. (Malaysian time) on Monday, 26 June 2023** being the 95th day from the Posting Date.

2.4 Method of settlement

The settlement of the consideration for the Offer Shares, in respect of valid acceptance, will be effected via:

- (i) remittance into the Accepting Holders' bank account, if the Accepting Holders have registered their bank account with Bursa Depository for the purposes of cash dividend/distribution; or
- (ii) otherwise, remittance in the form of cheque(s), banker's draft(s) and/or cashier's order(s) which will be posted by ordinary mail to the Accepting Holders (or their designated agents, as they may direct) at their registered Malaysian addresses last maintained with Bursa Depository, at their own risk,

within 10 days from:-

- (i) the date the Offer becomes or is declared wholly unconditional, if the valid acceptances are received during the period when the Offer is still conditional; or

For example, if the Offer becomes unconditional on 12 June 2023 (being the last day for fulfilment of the Revised BNM Condition), the settlement will be made to you within 10 days from 12 June 2023 (being unconditional date) in respect of your valid acceptance which was received during the period when the Offer is still conditional up to 12 June 2023.

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- (ii) the date of the valid acceptances, if the valid acceptances are received during the period after the Offer is or has become or has been declared wholly unconditional.

For example, assuming that the Offer has become unconditional on 12 June 2023 (being the last day for fulfilment of the Revised BNM Condition) and that you have tendered your valid acceptance after 12 June 2023, the settlement will be made to you within 10 days from the date of your valid acceptance is received up to 26 June 2023 (being the last Closing Date).

2.5 Other terms and conditions and procedures for acceptance

Please refer to Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for details on the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and the person(s) acting in concert with the Offeror have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

Based on the Press Notice, the Offeror had received valid acceptances of 6,858,310 Offer Shares, representing 0.34% equity interest in BHB as at the LPD.

4. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE OFFER

We have evaluated the Offer and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Offer and would be of general concern to the Holders.

Kenanga IB was not involved in the formulation, deliberations, negotiations or discussions pertaining to the terms and conditions of the Offer. Kenanga IB's terms of reference as an independent adviser is limited to expressing an independent opinion on the Offer as to whether the Offer is fair and reasonable insofar as the Holders are concerned based on information and documents provided to us or which are available to us and after making enquiries as were reasonable in the circumstances. Sources of information include the following:

- (i) the information contained in the Notice, the Offer Document and the accompanying appendices, and the Press Notice;
- (ii) audited financial statements of the BHB Group for the past 5 FYEs from FYE 2017 to FYE 2021 as well as the unaudited financial statements of the BHB Group for the FYE 2022;
- (iii) valuation reports/letters on valuation updates by the Valuers for selected properties;
- (iv) other relevant information, confirmations and documents furnished to us by the Board and/or management of the BHB Group;
- (v) discussions and consultation with the Board and/or management of the BHB Group; and
- (vi) other publicly available information which we consider relevant for our evaluation.

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We have relied on the Board and management of the BHB Group to take due care to ensure that all information, documents and representations provided by them to facilitate our evaluation of the Offer are accurate, valid and complete in all material respects and they have accepted full responsibility for the accuracy and completeness of the information provided to us.

We have obtained written confirmation from the Board that the contents of this IAL have been reviewed, considered and approved by the Board, and they collectively and individually accept full responsibility for the accuracy, completeness and validity of the information given to us. Nonetheless, we have made enquiries as were reasonable in the circumstances, and we are satisfied that the information provided to us or which is available to us is sufficient and we have no reason to believe that the information provided to us or available to us is unreliable, incomplete, misleading and/or inaccurate.

In rendering our advice, we had taken note of significant factors which we believe are of general importance to an assessment of the fairness and reasonableness of the Offer and therefore of concern to the Holders as a whole. As such:

- (i) in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual Holder or any specific group of Holders; and
- (ii) we recommend that any individual Holder or group of Holders who is/are in doubt as to the action to be taken or require advice in relation to the Offer in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, consult their respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Our advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, amongst others, based on prevailing economic, market, regulatory and other conditions, and the information and/or documents available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time. Accordingly, our evaluation and opinion expressed herein do not take into account information, events or conditions arising after the LPD.

Kenanga IB will immediately disclose to the SC and notify the Holders by way of announcement(s) if, after despatching this IAC, as guided by subparagraph 11.07(1) of the Rules, we become aware that the information provided in the IAC:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

Pursuant to subparagraph 11.07(3) of the Rules, the disclosure and announcement referred to in subparagraph 11.07(1) of the Rules shall be made before 9 a.m. on the next Market Day.

If circumstances require, a supplementary IAC will be sent to the Holders in accordance with subparagraph 11.07(2) of the Rules.

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5. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with paragraphs 1 to 6 of Schedule 2: Part III of the Rules whereby:

- (i) the term “fair and reasonable” should generally be analysed as 2 distinct criteria i.e. whether the Offer is “fair” and whether the Offer is “reasonable”, rather than as a composite term;
- (ii) the Offer is considered “fair” if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price, but is lower than the value of the Offer Shares, the Offer is considered as “not fair”. In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of the Offeree is being acquired;
- (iii) pursuant to paragraph 4 of Schedule 2: Part III of the Rules, in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained; and
- (iv) in the event that the independent adviser concludes that the Offer is “not fair but reasonable”, the independent adviser must clearly explain the following:
 - (a) what is meant by “not fair but reasonable”;
 - (b) how has the independent adviser reached to this conclusion; and
 - (c) the course of action that the Holders are recommended to take pursuant to the conclusion.

In evaluating the Offer, we have taken into consideration the following factors in forming our opinion of the Offer:

Fairness of the Offer

- (i) Valuation of BHB Shares

Section in this IAL

Section 6

Reasonableness of the Offer

- (i) Historical market price analysis of BHB Shares
- (ii) Listing status of BHB
- (iii) No competing/alternative offer and level of control

Section in this IAL

Section 7.1

Section 7.2

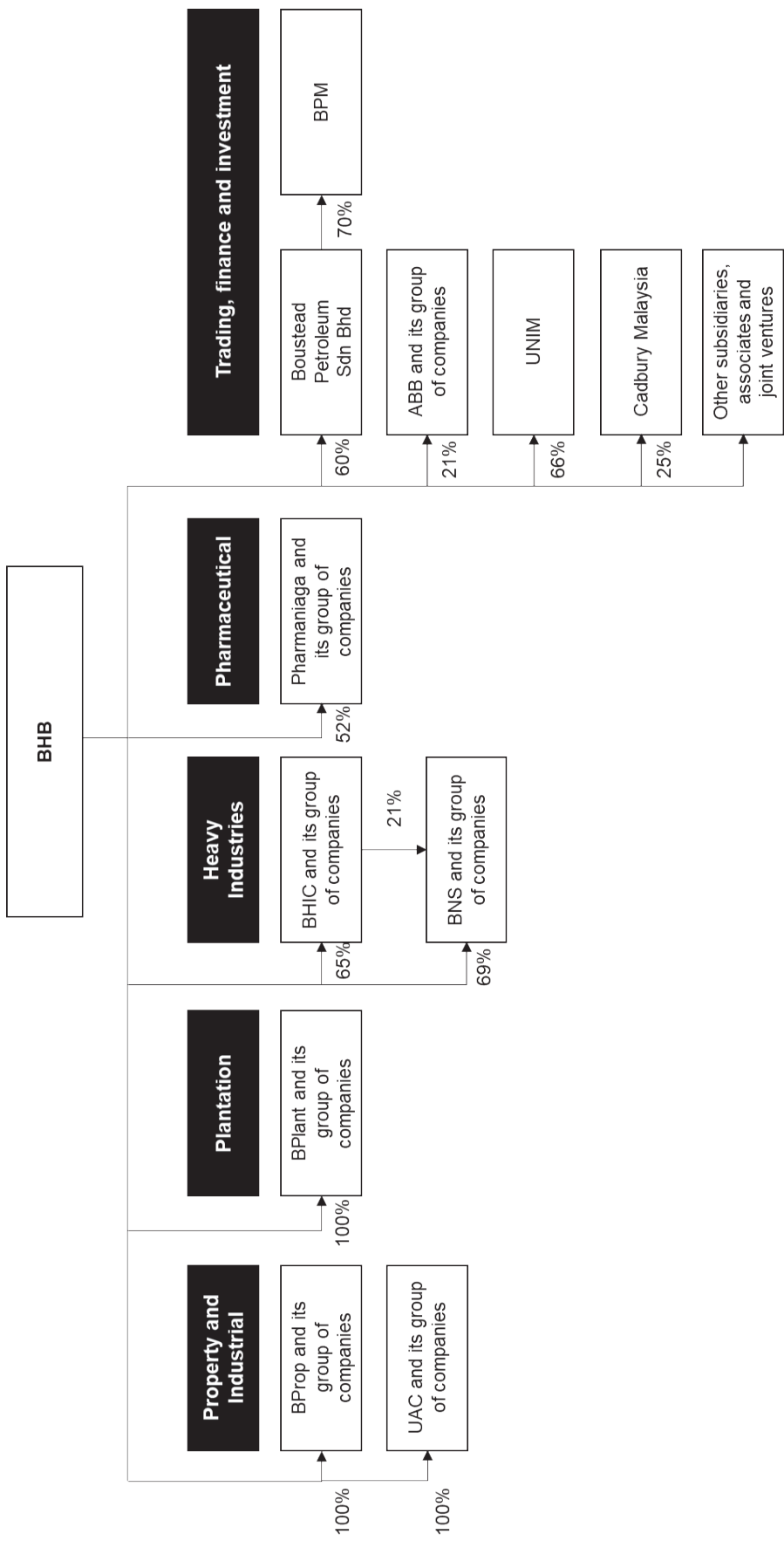
Section 7.3

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6. FAIRNESS OF THE OFFER

6.1 Valuation of BHB Shares

BHB is an investment holding company and is principally involved in the provision of management services to its subsidiaries and property investment. The group structure of the BHB Group based on the business divisions of the Group is set out as below:



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Through its subsidiaries, associates and joint ventures, the BHB Group is involved in the following businesses:

No.	Division	Description
1.	Property and industrial	<p>The property and industrial division entails the Group's involvement in property development, property investment, manufacturing and trading of building materials, constructing and leasing out of commercial and retail properties as well as owning and operating hotels.</p> <p>The Group is involved in the property and industrial businesses through its subsidiaries, being BProp and UAC.</p>
2.	Plantation	<p>The plantation division entails the Group's involvement in cultivation of oil palm, production and sale of fresh fruit bunches, crude palm oil and palm kernel, plantation management and engineering consultancy.</p> <p>The Group is involved in the plantation business through its subsidiary, being BPlant, which is listed on the Main Market of Bursa Securities.</p>
3.	Heavy industries	<p>The heavy industries division entails the Group's involvement in shipbuilding as well as the restoration and maintenance of vessels and defence related products.</p> <p>The Group is involved in the heavy industries business through its subsidiaries, being BHIC (which is listed on the Main Market of Bursa Securities) as well as BNS.</p>
4.	Pharmaceutical	<p>The pharmaceutical division entails the Group's involvement in manufacturing, trading and marketing of pharmaceutical products, research and development of pharmaceutical products and the supply of medical and hospital equipment.</p> <p>The Group is involved in the pharmaceutical business through its subsidiary, being Pharmaniaga, which is listed on the Main Market of Bursa Securities.</p>
5.	Trading, finance and investment	<p>The trading, finance and investment division entails the Group's involvement in amongst others, owning and operating of the BHPetrol brand of retail petrol station network, investment in the commercial, Islamic and investment banking, stock broking, life and general insurance business, education, manufacturing of confectionery products, air transportation and flight services as well as other miscellaneous businesses.</p> <p>The Group is involved in the trading, finance and investment businesses through, amongst others, the following:</p> <ul style="list-style-type: none"> (i) BPM (which is principally involved in the sales and marketing of petroleum products); (ii) ABB (which is principally involved in banking and related financial services and listed on the Main Market of Bursa Securities); (iii) UNIM (which is principally involved in the operations of University of Nottingham Malaysia); and (iv) Cadbury Malaysia (which is principally involved in manufacturing and distribution of chocolates, sweets, confectionery and other related products).

The principal activities of BHB's subsidiaries, associates and joint ventures are stated in **Section 5, Appendix I** of this IAC.

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The contribution of the above business divisions to the BHB Group's revenue and PBTZ/(LBTZ) is as follows:

Divisions	Audited FYE 2021 ⁽¹⁾				Unaudited FYE 2022 ⁽¹⁾			
	Revenue		PBTZ/(LBTZ)		Revenue		PBTZ/(LBTZ)	
	RM'million	%	RM'million	%	RM'million	%	RM'million	%
Property and industrial								
- Property	390.9	3.4	(30.6)	(4.0)	1,015.0	6.7	28.0	6.3
- Industrial	234.3	2.1	23.5	3.1	276.3	1.9	6.6	1.5
Plantation	1,050.0	9.3	344.8	45.3	1,176.9	7.8	729.0	163.5
Heavy industries	373.7	3.3	(40.3)	(5.3)	138.6	0.9	(163.5)	(36.7)
Pharmaceutical	4,815.0	42.6	271.0	35.6	3,511.1	23.2	(582.5)	(130.6)
Trading, finance and investment	4,441.6	39.3	192.3	25.3	8,991.3	59.5	428.3	96.0
Total	11,305.5	100.0	760.7	100.0	15,109.2	100.0	445.9	100.0

Note:

(1) After inter-segment elimination.

Property and industrial

Property and industrial division's revenue increased from RM625.2 million for the FYE 2021 to RM1,291.3 million for FYE 2022, mainly attributable to:

- (i) sale of several plots of industrial land in Bukit Raja, Klang and land held for development in Kuala Lumpur;
- (ii) increase in sales price and higher export sales from UAC; and
- (iii) increase in room occupancy by 54.8% from FYE 2021 to FYE 2022, and average room rates increased by 31.6% from FYE 2021 to FYE 2022 attained by hotels owned by BProp and its group of companies ("**BProp Group**").

In tandem with the increase the revenue, this division recorded a PBTZ of RM34.6 million for FYE 2022 as compared to a LBTZ of RM7.1 million for the FYE 2021.

Plantation

Plantation division's revenue increased from RM1,050.0 million for the FYE 2021 to RM1,176.9 million for the FYE 2022 mainly attributable to higher palm product prices.

This division's PBTZ increased from RM344.8 million for the FYE 2021 to RM729.0 million for the FYE 2022 mainly due to gain on disposal of plantation lands. The disposals provided an opportunity for BPlant to realise the economic value of Kulai Young estate and part of Bukit Mertajam estate at a premium due to their development potential and accessibility and raised proceeds to, amongst others, to repay its borrowings.

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Heavy industries

Heavy industries division's revenue decreased from RM373.7 million for the FYE 2021 to RM138.6 million for the FYE 2022 primarily due to the variation in milestones for the Littoral Mission Ship ("LMS") project and lower maintenance, repair and overhaul activities for the submarine contracts. For information, the revenue for LMS project is recognised in accordance with the completion milestones of the project. During the FYE 2022, the heavy industries division completed milestones which carry lower recognition of revenue compared to those milestones completed in FYE 2021.

The division's LBTZ increased from RM40.3 million for the FYE 2021 to RM163.5 million for the FYE 2022 mainly due to lower contribution from both shipbuilding and ship repair activities, as well as increase in allowance for expected credit losses from RM9.6 million in FYE 2021 to RM32.2 million in FYE 2022. The increase in allowance for expected credit losses was mainly due to provisions made for bad debt for one of BHC's debtors.

Pharmaceutical

Pharmaceutical division's revenue decreased from RM4,815.0 million for the FYE 2021 to RM3,511.1 million for the FYE 2022 due to lower demand from Malaysian Government on the purchase of COVID-19 vaccines as Malaysia entered the endemic phase.

This division recorded a LBTZ of RM582.5 million for the FYE 2022, versus a PBTZ of RM271.0 million for the FYE 2021, due to the write down of slow-moving COVID-19 vaccine inventories as well as impairment of goodwill in FYE 2022.

Trading, finance and investment

Trading, finance and investment division's revenue increased from RM4,441.6 million for the FYE 2021 to RM8,991.3 million for the FYE 2022 mainly contributed by BPM, which achieved an increased revenue on the back of higher sales volume at higher average fuel prices.

This division's PBTZ increased from RM192.3 million for the FYE 2021 to RM428.3 million for the FYE 2022 mainly attributable to

- (i) contribution by BPM and ABB; and
- (ii) reversal of impairment of property, plant and equipment which relates to an aircraft owned by MHS Aviation Berhad, a subsidiary of BHB. The reversal was recorded due to an improvement in estimated service potential of the aircraft.

Our valuation approach

In view of the different business divisions of the BHB Group, we have adopted the SOPV methodology as the most appropriate valuation methodology to arrive at the value of BHB Shares.

The computation of the estimated value based on SOPV methodology of the BHB Group is based on the prevailing economic outlook, market sentiment and other conditions as well as publicly available information and information provided by the BHB Group up to the LPD. Events or circumstances occurring subsequent to the LPD may significantly change the bases and assumptions adopted which may then materially affect the valuation of the BHB Group, whether favourably or adversely.

In addition, there is no assurance that the real properties of the BHB Group can be realised at their estimated market values due to various factors such as the existence of ready and committed buyer(s) who is willing to pay the market value of each property as well as the payment of incidental costs related to such sale transactions.

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The SOPV methodology represents the aggregate valuation of the different business segments based on the most appropriate valuation methodologies as set out below:

Divisions	Valuation methodologies	Details and rationale
Property and industrial		Section 6.1.1
- Property	RNAV	Section 6.1.1.1
- Industrial	DCF and NBV	Section 6.1.1.2
Plantation	Market value	Section 6.1.2
Heavy industries	RNAV and NA	Section 6.1.3
Pharmaceutical	DCF	Section 6.1.4
Trading, finance and investment		Section 6.1.5
- Petroleum	DCF	Section 6.1.5.1
- Finance	PBR	Section 6.1.5.2
- Education	NA	Section 6.1.5.3
- Food and confectionery	PER	Section 6.1.5.4
- Other businesses	NA	Section 6.1.5.5

6.1.1 Property and industrial division

The property and industrial division entails the Group's involvement in the following:

- (i) property business which involves property development, property investment, constructing and leasing out of commercial and retail properties as well as owning and operating of hotels; and
- (ii) industrial business which involves manufacturing and trading of building materials.

The details of our valuation on the property and industrial division are set out in the ensuing sections.

6.1.1.1 Property business

The property business of the Group is entirely contributed by the BProp Group. Therefore, we have conducted valuation on the BProp Group to arrive at the estimated value of the property business of the BHB Group.

In arriving at the estimated value of the BProp Group, we have considered the RNAV valuation methodology as the most appropriate valuation methodology. The RNAV takes into consideration any surplus and/or deficit arising from the revaluation of the material assets of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on a willing buyer-willing seller basis. As at 31 December 2022, the unaudited consolidated NA of BProp Group is approximately RM1,092.8 million.

We have adopted the RNAV valuation methodology in view of the following:

- (i) the principal activities of the BProp Group are investment holding, property development, property investment, as well as ownership and operating of hotels. As such, the revenue of BProp Group is derived from the property assets that it owns and operates;

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- (ii) BProp Group has been loss making for the past 5 financial years as set out below:

	Audited				Unaudited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Revenue	533,239	506,597	370,183	396,296	993,871
LAT	(111,522)	(116,131)	(334,213)	(56,913)	(48,369)
Net cash generated from/(used in) operating activities	107,877	(5,493)	40,228	265,777	211,157

Based on the above, we did not adopt the earnings-based valuation methodology or DCF valuation methodology as the predictability of future cash flows of the BProp Group may be unreliable in the absence of a consistent earnings stream, as well as the BProp Group being in a loss-making position for the past 5 financial years;

- (iii) The unaudited NBV of BProp Group's total property assets constitutes approximately 77.7% of the BProp Group's unaudited total assets as at 31 December 2022. The composition of the total assets of BProp Group based on its unaudited statement of financial position as at 31 December 2022 is set out below:

	As at 31 December 2022	
	RM'000	%
Non-current assets		
Property, plant and equipment ⁽¹⁾	551,041	17.16
Investment properties ⁽²⁾	1,277,229	39.77
Right-of-use assets	7,308	0.23
Inventories ⁽³⁾	597,179	18.59
Joint venture	29,998	0.93
Deferred tax assets	24,155	0.75
Other receivables	338,403	10.53
Total non-current assets	2,825,313	87.96
Current assets		
Inventories ⁽³⁾	62,184	1.94
Contract cost assets ⁽⁴⁾	12,596	0.39
Trade and other receivables	112,320	3.50
Contract assets	114,434	3.56
Tax refundable	15,360	0.48
Deposits, cash and bank balances	69,546	2.17
Total current assets	386,440	12.04
Total assets	3,211,753	100.00

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Notes:

- (1) **Property, plant and equipment** - Comprises freehold properties, leasehold properties and plant and equipment. The carrying value of freehold properties and leasehold properties as at 31 December 2022 was approximately RM541.7 million. A majority of these properties with total carrying value of approximately RM467.1 million (86.2% of the total freehold and leasehold properties as at 31 December 2022) have been revalued, details of which are set out in the list of Selected Properties (as defined below in Page 37) under this section. Further, the carrying value of these properties also forms part of the property, plant and equipment within the announced unaudited consolidated financial statements of BHB for the FYE 2022. For the remaining properties that were not revalued, we are of the view that **any differences between the market value and carrying value of the said properties as at 31 December 2022 are not expected to be material** and has been disregarded in our valuation.

For your information, the properties that were not revalued are as follows:

No.	Properties	Tenure	Unaudited NBV as at 31 December 2022 RM'000
1.	Lot 106039 / Pahang Vacant commercial land measuring approximately 3,016 sq. m.	Freehold	1,067
2.	Mutiara Hills / Selangor Sales gallery	Freehold	8,227
3.	Royale Chulan Hyde Park Hotel / London A 3-star hotel consist of 53 rooms	Freehold	65,256
	Total		74,550

As for the carrying value of the remaining plant and equipment, it amounts to approximately RM9.4 million as at 31 December 2022. These plant and equipment are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Their carrying value are reviewed at the end of each reporting period for impairment testing. Further, the carrying value of these plant and equipment also forms part of the property, plant and equipment within the announced unaudited consolidated financial statements of BHB for the FYE 2022. Accordingly, we are of the view that the **carrying value of these plant and equipment as at 31 December 2022 are reasonably expected to approximate their fair value.**

- (2) **Investment Properties** - The investment properties held under the BProp Group ("**Investment Properties**") are initially measured at cost, including transaction costs. Subsequent to its initial recognition, the Investment Properties are measured at fair value which is determined by the directors of BProp by reference to the valuation performed by independent valuers.

The management of BProp Group has confirmed that the values of the Investment Properties arising from the valuations conducted by the appointed valuers have been reflected in the carrying value of the Investment Properties in the BProp Group's unaudited financial statements for the FYE 2022. Further, the carrying value of these properties also forms part of the investment properties within the announced unaudited consolidated financial statements of BHB for the FYE 2022. The Investment Properties have not been revalued for the purpose of the RNAV valuation as, in line with the accounting policy adopted by the BProp Group, the carrying values of the Investment Properties as at 31 December 2022 have already reflected the value ascribed in the latest valuation conducted by the independent valuers. Accordingly, we are of the view that the **carrying value of the Investment Properties as at 31 December 2022 are reasonably expected to approximate their fair value.**

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For information purpose, the list of Investment Properties held by BProp Group together with its unaudited NBV as at 31 December 2022 are set out as below:

No.	Properties	Tenure	Date of valuation	Unaudited NBV as at 31 December 2022 RM'000
1.	Menara Boustead / Kuala Lumpur A 31-storey purpose-built office building with 2 levels basement car parks and a 13-storey annexe car park building Year of completion: 1985	Freehold	31 December 2022	170,000
2.	Wisma Boustead / Kuala Lumpur A 10-storey purpose-built office building with 1 level of basement car park Year of acquisition: 1982	Freehold	31 December 2022	31,000
3.	The Bousteador / Selangor A 25-storey office building and a 3-storey commercial building sit atop a sub-basement level and 3½ level basement car park Year of completion: 2019	Freehold	31 October 2022	227,000
4.	the Curve / Selangor A 3-storey shopping complex together with 2,386 car parking bays Year of completion: 2005	Freehold	31 October 2022	573,000
5.	Menara Affin / Kuala Lumpur A 20-storey purpose-built office building with 1 level of mezzanine floor and 4 level of basement car park Year of acquisition: 1998	Freehold	31 October 2022	122,000
6.	Curve NX / Selangor A 7-storey commercial and car park building together with 2 levels of basement car park Year of completion: 2012	Freehold	31 October 2022	67,000
7.	A 3-bedroom, 3-bathroom apartment with 1 basement car space in Melbourne, Australia Year of acquisition: 2012	Freehold	1 December 2022	^(a) 3,129
8.	Lot 2509 / Pahang A parcel of vacant development land measuring 15.29 acres Year of acquisition: 2015	Freehold	31 October 2022	4,100

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No.	Properties	Tenure	Date of valuation	Unaudited NBV as at 31 December 2022 RM'000
9.	Lot 69684 / Selangor A parcel of commercial land measuring 15,690 sq. m. currently built upon with a 5-storey commercial building together with a lower ground floor and 2 levels of basement car park, previously used as a retail mall known as eCurve	Freehold	31 October 2022	80,000
	Year of acquisition: 2006			
	Total			1,277,229

Note:

- (a) Value ascribed by the valuer is AUD1.05 million (equivalent to approximately RM3.13 million, based on the exchange rate as at 31 December 2022 of AUD1.0000 :RM2.9800).
- (3) **Inventories** – Mainly comprises of development properties, property development in progress and completed properties which were unsold. The carrying value of the development properties and property development in progress as at 31 December 2022 was approximately RM645.8 million. A majority of these properties with total carrying value of approximately RM483.8 million have been revalued, details of which are set out in the list of Selected Properties under this section.

For information, no independent valuers have been engaged to conduct valuations for some of the development properties and property development in progress held by BProp Group and as such, they will not form part of the Selected Properties. Nevertheless, the carrying value of these properties forms part of the inventories within the announced unaudited consolidated financial statements of BHB for the FYE 2022. Their carrying values are also reviewed at the end of each reporting period for impairment testing. As such, we are of the view that **any differences arising between the market value and carrying value of the development properties and property development in progress as at 31 December 2022 are not expected to be material.** The list of development properties and property development in progress are set out as below:

No.	Properties	Tenure	Unaudited NBV as at 31 December 2022 RM'000
1.	Lot 67250 / Selangor Villa lot located in Mutiara Damansara, Selangor	Freehold	1,201
2.	PT51317 – PT51319 / Selangor ^(a) Development land with land area of approximately 4.61 acres	Freehold	73,349
3.	Plot 8 and 9 / Selangor ^(b) Industrial land with land area of approximately 4.65 acres	Freehold	35,855
4.	Phase 6M / Johor 41 units of double storey terrace	991 years leasehold (expiring 4 September 2911)	12,499

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No.	Properties	Tenure	Unaudited NBV as at 31 December 2022 RM'000
5.	One Cochrane Residences / Kuala Lumpur 82 units of condominium	Freehold	37,953
6.	Lot 69684 / Selangor ^(c) A parcel of commercial land measuring 15,690 sq. m. currently built upon with a 5-storey commercial building together with a lower ground floor and 2 levels of basement car park, previously used as a retail mall known as eCurve	Freehold	5,661
	Total		166,518

Notes:

- (a) On 7 January 2022, Mutiara Rini, a wholly-owned subsidiary of BProp, had entered into a development rights agreement with a non-related party for the development of PT51317 – PT51319 (“**DRA**”). We did not revalue the property based on the proceeds expected from the DRA as the conditions precedent within the DRA have not been fulfilled as at the LPD and there is a possibility that the DRA may not be completed.
- (b) On 31 October 2022, Cebur Megah Development Sdn Bhd, a subsidiary of BProp, had entered into a conditional sale and purchase agreement with a non-related party for the disposal of Plot 8 and 9 (“**Plot 8 & 9 SPA**”). We did not revalue the property based on the disposal consideration pursuant to the Plot 8 & 9 SPA as the conditions precedent within the Plot 8 & 9 SPA have not been fulfilled as at the LPD and there is a possibility that the Plot 8 & 9 SPA may not be completed.
- (c) BProp Group is in the midst of converting Lot 69684 (which is classified as an Investment Properties to BProp Group as at 31 December 2022) from a retail mall to a mixed development comprising residential and commercial. The re-development cost incurred for Lot 69684 of approximately RM5.7 million has been classified as inventories to BProp Group as at 31 December 2022.

As for the completed properties which were unsold (“**Completed Unsold Properties**”), these properties have not been revalued and are recorded in the accounts at the lower of cost and net realisable value. The carrying value of the Completed Unsold Properties as at 31 December 2022 is RM11.3 million, representing approximately 0.35% of the BProp Group’s total assets. The management of the BProp Group has confirmed that any difference between the market value and carrying value of the Completed Unsold Properties, if any, is not expected to be material and has been disregarded in our valuation. Their carrying value are also reviewed at the end of each reporting period for impairment testing. Further, the carrying value of these properties also forms part of the inventories within the announced unaudited consolidated financial statements of BHB for the FYE 2022. Premised on the above, we are of the view that **any differences arising between the market value and carrying value of the Completed Unsold Properties are not expected to be material.**

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The details of the Completed Unsold Properties are as follows:

No.	Properties	Tenure	Unaudited NBV as at 31 December 2022 RM'000
1.	Taman Mutiara Rini / Johor Comprise of double storey shop houses, single story low medium shops, double storey terraces and low cost flats, with an aggregate net selling area of 5,074.71 sq. m.	Freehold	11,305

In addition to the above, the inventories of BProp Group also consist of raw materials and consumables, as well as merchandise with a total carrying value of approximately RM2.3 million as at 31 December 2022. The carrying value of these properties also forms part of the inventories within the announced unaudited consolidated financial statements of BHB for the FYE 2022. We are of the view that **as these constitute only approximately 0.07% of the BProp Group's total assets as at 31 December 2022, and therefore are immaterial to BProp Group's total assets.**

For the remaining amount of the inventories of BProp Group as at 31 December 2022 which amounts to approximately RM1.6 million, this relates to the group adjustments made by BProp Group which relate to, amongst others, the elimination on intercompany interest and management fees. This adjustment also forms part of the inventories within the announced unaudited consolidated financial statements of BHB for the FYE 2022. We are of the view that **these constitute only approximately 0.05% of BProp Group's total assets as at 31 December 2022, and therefore are immaterial to BProp Group's total assets.**

- (4) **Contract cost assets** – The contract cost assets are in relation to the development costs incurred on the sold units of the property development in progress under inventories, and these form part of the property assets of BProp Group. Out of the total of RM12.6 million, we have revalued RM6.2 million which is in relation to property item (14) of the Selected Properties. For the remaining RM6.4 million, this relates to the contract cost assets incurred for **Phase 6M / Johor** and **One Cochrane Residences / Kuala Lumpur** under inventories. Their carrying value are also reviewed at the end of each reporting period for impairment testing. These also form part of the contract cost assets within the announced consolidated financial statements of BHB for the FYE 2022. We are of the view that **any differences arising between the market value and carrying value of the contract cost assets not revalued are not expected to be material.**

- (iv) Apart from the above, the other assets in the BProp Group as at 31 December 2022 comprises of current assets such as deposits, cash and bank balances, contract assets, and other receivables, which are relatively short-term and/or liquid in nature. Further, we understand from the management of the BHB Group that there is no evidence for impairment for these assets as at the LPD. Pursuant thereto, the carrying value of these assets are reasonably expected to approximate their fair values. We also take note that the carrying value of these assets also forms part of BHB Group's total assets within the announced unaudited consolidated financial statements of BHB for the FYE 2022. Accordingly, we are of the view that the **carrying value of these assets are reasonably expected to approximate its fair value** after taking into consideration, amongst others, the nature of the assets which are expected to be relatively liquid as well as the annual impairment review being conducted on the carrying value of these assets; and

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- (v) A summary of the property assets that were revalued against the total property assets held by BProp Group is set out as below:

	Unaudited NBV as at 31 December 2022	
	RM 'million	%
Property assets held by BProp Group:		
Revalued ⁽¹⁾	958.1	38.4
Recently revalued (i.e. Investment Properties) ⁽²⁾	1,277.2	51.2
Not revalued ⁽³⁾	<u>260.4</u>	<u>10.4</u>
Total property assets	<u>2,495.7</u>	<u>100.0</u>

Notes:

- (1) Comprises of the Selected Properties. Please refer to Pages 37 to 54 of this IAC.
- (2) The Investment Properties have not been revalued for the purpose of the RNAV as they have been recently revalued. Their NBVs as at 31 December 2022 have reflected the market values based on the latest valuation conducted by the independent valuers. Please refer to Pages 31 and 32 of this IAC.
- (3) Comprises of the remaining real properties held by BProp Group, which excludes Selected Properties and Investment Properties.

Based on the above, it is noted that the total unaudited NBV of property assets owned by the BProp Group amounts to about RM2,495.7 million as at 31 December 2022, out of which property assets with unaudited NBV of about RM2,235.3 million (representing approximately 89.6% of the total) have been revalued and recently revalued. The revalued and recently revalued property assets also constitute to 69.6% of the BProp Group's unaudited total assets of RM3,211.8 million as at 31 December 2022.

On the other hand, the remaining property assets with unaudited NBV of RM260.4 million have not been revalued, representing 10.4% of the total property assets held by the BProp Group and 8.1% of the BProp Group's total assets as at 31 December 2022. For comparison, the property assets of the BProp Group that were revalued and recently revalued represent about 14.0% of BHB Group's unaudited total assets of RM15,924.6 million as at 31 December 2022, while the property assets that were not revalued represent about 1.6% of BHB Group's unaudited total assets as at 31 December 2022.

Accordingly, we are of the view that any difference between the market value and the unaudited carrying value of the properties that have not been revalued is not expected to be material and has been disregarded in our valuation.

In arriving at the estimated RNAV of the BProp Group, we have relied on the following key bases and assumptions:

- (i) BProp Group will continue to operate as a going concern and the realisation of the property values is expected to be undertaken in an orderly manner and not under a forced-sale or liquidation scenario;
- (ii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the business activities of BProp Group;
- (iii) there will not be any compulsory acquisition by the relevant authorities of the lands held under the BProp Group;

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- (iv) there will not be any significant or material changes to the agreements, approvals, contracts, property development plans, licences, permits and regulations governing the assets and property development projects of the BProp Group;
- (v) insurable risks relating to the BProp Group's assets are and will continue to be appropriately covered by relevant insurance policies and the sums insured are adequate;
- (vi) there will not be any significant or material changes to the risks inherent to the businesses of the BProp Group and effective measures will continue to be implemented to mitigate risks known to the BProp Group;
- (vii) the current accounting policies adopted by the BProp Group will remain relevant and there will not be any significant changes in the accounting policies of the BProp Group which will have a material adverse effect on the financial performance and financial position of the BProp Group; and
- (viii) there will not be any material changes in the political, social and economic conditions, monetary and fiscal policies, inflation, regulatory requirements of the property industry in Malaysia and applicable tax regimes or tax rates.

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Accordingly, we have also relied upon the valuations and/or valuation updates conducted by the Valuers for the following real properties which form part of the BProp Group's property, plant and equipment as well as inventories ("**Selected Properties**"), and in our opinion are current valuations which reflect the market value of the Selected Properties. Save for the abovementioned properties that were not revalued, we have revalued the remaining real properties held by the BProp Group. The Selected Properties are currently accounted for using their respective NBVs. The management of BProp has confirmed that the values of the Selected Properties arising from the valuations conducted by the Valuers have not been reflected in the carrying values of the Selected Properties in the BProp Group's unaudited financial statements for the FYE 2022. The details of the Selected Properties and net revaluation surplus are as set out below:

No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
1.	Royale Chulan Damansara No. 2, Jalan PJU 7/3 Mutiara Damansara Petaling Jaya, Selangor A purpose-built 5-star hotel consists of 14-storey building with a 2-basement level which comprises of 370 hotel guest rooms Land area: 8,783 sq. m. Category of land use: Building Registered owner: Boustead Hotels & Resorts Sdn Bhd	Freehold	Property, plant and equipment	Valuer Rahim & Co International Sdn Bhd Valuation method Comparison approach Valuation date 31 October 2022	200,000	191,495	8,505	(1) 851	7,654	100.00	7,654

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
					RM'000	RM'000	RM'000	RM'000	RM'000	%	RM'000
2.	Royale Chulan Cherating Villas – Lot Nos. 31552, 31553, 31568, PT23061 and PT24778 ⁽³⁾ A 5-star resort hotel Land area: 34,114 sq. m. Category of land use: Building Registered owner: Midas Mayang Sdn Bhd	99 years leasehold (Lot Nos. 31552 & 31553 – expiring 1 December 2108 (approximately 85 years unexpired term)); Lot No. 31568 – expiring 26 January 2109 (approximately 86 years unexpired term); Lot No. 23061 – expiring 7 September 2116 (approximately 93 years unexpired term); and Lot No. PT24778 – expiring 26 March 2118 (approximately 95 years unexpired term))	Property, plant and equipment and right-of-use asset	Valuer Rahim & Co International Sdn Bhd Valuation method Cost and comparison approaches Valuation date 26 October 2022	(4)101,900	(5)87,195	14,705	(1)1,471	13,234	80.00	10,587

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
2.	Royale Chulan Cherating (cont'd)										
	Chalets – Lot 106038	Freehold									
	A 2 and 3 storey block hotel										
	Land area: 7,328 sq. m.										
	Category of land use: Building										
	Registered owner: Midas Mayang Sdn Bhd										
	Partially developed land – Lot 106992	Freehold									
	A partially developed commercial land which forms the entrance and the service site to the Villas										
	Land area: 40,100 sq. m.										
	Category of land use: Building										
	Registered owner: Midas Mayang Sdn Bhd										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation		Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
							surplus RM'000	(B) (C) = (A) – (B)				
2.	Royale Chulan Cherating (cont'd)											
	Lot Nos. 364 and 1014	Freehold										
	2 plots of commercial land											
	Land area: 13,785 sq. m.											
	Category of land use: Building											
	Registered owner: Midas Mayang Sdn Bhd											
	Staff quarters – Lot 5527	Freehold										
	Commercial land erected with staff quarters building											
	Land area: 6,705 sq. m.											
	Category of land use: Building											
	Registered owner: Midas Mayang Sdn Bhd											
	all located within Mukim of Sungai Karang Kuantan, Pahang											

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
					RM'000	RM'000	RM'000	RM'000	RM'000	%	RM'000
3.	Royale Chulan Penang No 1 & 2, Pengkalan Weld Georgetown Pulau Pinang A 4-star purpose-built operational hotel consists of 180 rooms (179 saleable rooms) Land area: 5,359 sq. m. Category of land use: Nil Registered owner: Weld Quay Realty Sdn Bhd	Freehold	Property, plant and equipment	<u>Valuer</u> Rahim & Co International Sdn Bhd <u>Valuation</u> method Comparison approach <u>Valuation</u> date 31 October 2022	82,100	79,637	2,463	(1) 246	2,217	100.00	2,217
4.	Royale Chulan Seremban Jalan Dato' A.S. Dawood Seremban Negeri Sembilan A 4-star 345 guest room hotel Land area: 25,225 sq. m. Category of land use: Building Registered owner: Weld Quay Realty Sdn Bhd	Freehold	Property, plant and equipment	<u>Valuer</u> Rahim & Co International Sdn Bhd <u>Valuation</u> method Comparison approach <u>Valuation</u> date 31 October 2022	98,500	82,705	15,795	(1) 1,580	14,215	100.00	14,215

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
5.	Royale Chulan The Curve No. 6, Jalan PJU 7/3 Mutiarra Damansara Petaling Jaya, Selangor A purpose-built 4-star hotel consists of 12 storey building and comprises 143 hotel guest rooms Land area: 56,570 sq. m. Category of land use: Building Registered owner: Mutiara Rini	Freehold	Property, plant and equipment	Valuer Rahim & Co International Sdn Bhd Valuation method Comparison approach Valuation date 31 October 2022	75,000	33,203	41,797	(1)4,180	37,617	100.00	37,617

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022		Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
						(A)	(B)					
6.	Lot 67335 Mukim of Sungai Buloh District of Petaling Selangor (located along Jalan PJU7/5 within Mutiara Damansara, Selangor) A parcel of commercial land Land area: 1.58 acres (net land area after the compulsory acquisition of 703 sq. m. (7,567 sq. ft.)) Category of land use: Building Registered owner: Mutiara Rini	Freehold	Inventories	Valuer Nawawi Tie Leung Property Consultants Sdn Bhd Valuation method Comparison approach Valuation date 26 September 2022	71,000	25,130	45,870	(2) 11,009	34,861	100.00	34,861	

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
7.	PT84555 & PT84556 Mukim of Kapar District of Klang Selangor (Located along Jalan Keluli 2A/KU2 within Kawasan Perindustrian Bukit Raja, Klang, Selangor)	Freehold	Inventories	Valuer Nawawi Tie Leung Property Consultants Sdn Bhd Valuation method Comparison approach Valuation date 8 February 2023	67,800	44,027	23,773	15,706	18,067	80.00	14,454
	2 parcels of vacant industrial lands										
	Land area: 11.46 acres										
	Category of land use: Industry										
	Registered owner: Cebur Megah Development Sdn Bhd										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022		Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
						(A)	(B)					
8.	Lot PT 39005 Mukim Bukit Raja District of Petaling Selangor (Located along the New Klang Valley Expressway within Shah Alam / Klang, Selangor)	Freehold	Inventories	<u>Valuer</u> Jones Lang Wootton <u>Valuation method</u> Comparison approach <u>Valuation date</u> 10 February 2023	70,000	35,979	34,021	34,021	2,816	25,856	80.00	20,685

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
9.	Lot Nos PTD 212841 and PTD 212842 Mukim of Pulau District of Johor Bahru Johor (Located along Jalan Skudai – Gelang Patah within Taman Mutiara Rini, Skudai, Johor)	991 years leasehold (expiring 4 September 2911 (approximately 888 years unexpired term))	Inventories	Valuer Ian Scott International (M) Sdn Bhd Valuation method Comparison method Valuation date 4 February 2023	55,800	29,044	26,756	(2) 6,421	20,335	100.00	20,335
	2 adjacent plots of vacant commercial land Land area: 13.11 acres Category of land use: Building Registered owner: Mutiara Rini										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
					RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
10.	Lot No. PTD 212702 Mukim of Pulai District of Johor Bahru Johor (Located along Jalan Skudai – Gelang Patah within Taman Mutiara Rini, Skudai, Johor)	991 years leasehold (expiring 4 September 2011 (approximately 888 years unexpired term))	Inventories	Valuer Ian Scott International (M) Sdn Bhd	6,100	109	5,991	(2) 1,438	4,553	100.00	4,553
	A plot of vacant commercial land			Valuation method Comparison method							
	Land area: 1.31 acres			Valuation date 4 February 2023							
	Category of land use: Building										
	Registered owner: Mutiara Rini										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
11.	Lot No. PTD 198287 Mukim of Pulai District of Johor Bahru Johor (Located along Jalan Skudai – Gelang Patah within Taman Mutiara Rini, Skudai, Johor)	991 years leasehold (expiring 4 September 2911 (approximately 888 years unexpired term))	Inventories	Valuer Ian Scott International (M) Sdn Bhd	3,200	1,933	1,267	(2)304	963	100.00	963
	A plot of vacant commercial land designated for petrol station use			Valuation method Comparison method							
	Land area: 0.87 acres			Valuation date 4 February 2023							
	Category of land use: Building										
	Registered owner: Mutiara Rini										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
12.	408 titles, all located in Mukim of Pulai District of Johor Bahru Johor	991 years leasehold (expiring 4 September 2911 (approximately 888 years unexpired term))	Inventories	Valuer Nawawi Tie Leung Property Consultants Sdn Bhd Valuation method Income approach (residual method) Valuation date 28 March 2023	96,600	55,112	41,488	29,957	31,531	100.00	31,531
	Undeveloped portion of Mutiara Rini, Skudai, which will be developed for:										
	<ul style="list-style-type: none"> • 359 units of 2-storey terraced houses • 38 units of low-cost houses • 37 units of 2-storey shop offices • 11 units of low cost 2-storey shop offices 										

Gross land area:
32.17 acres

Category of land use:
Building

Registered owner:
Mutiara Rini

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
13.	Part of the Master Lot Nos. 129, 574 656, 977, 1671, 37 and 1808 & 1809 Mukim of Semenyih & Beranang District of Ulu Langat Selangor	Freehold	Inventories and contract cost assets	<u>Valuer</u> Nawawi Tie Leung Property Consultants Sdn Bhd	205,000	(7)156,261	48,739	(2)11,697	37,042	100.00	37,042
	An on-going mixed residential/ commercial development known as "Mutiara Hills Semenyih (Sector 1)"			<u>Valuation method</u> Income approach (residual method)							
	Land area: 237.25 acres			<u>Valuation date</u> 28 March 2023							
	Category of land use: Nil										
	Registered owner: Boustead Balaau Sdn Bhd										

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) - (B)	(D)	(E) = (C) - (D)	(F)	(G) = (E) x (F)
14.	Part of Lot Nos. 707 - 711, 932, PT 20291, 687 and 688 Mukim Beranang and Semenyih District of Ulu Langat Selangor Agricultural land which is zoned under residential uses and form part of the residential development known as "Mutiara Hills (Sector 2)" Land area: 340.63 acres Category of land use: Agriculture Registered owner: Boustead Balau Sdn Bhd	Freehold	Inventories	Valuer / Valuation method / Valuation date Nawawi Tie Leung Property Consultants Sdn Bhd Valuation method Comparison approach Valuation date 28 March 2023	290,000	134,363	155,637	237,353	118,284	100.00	118,284

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No.	Properties	Tenure	Classification of properties	Valuer / Valuation method / Valuation date	Market value RM'000	Unaudited NBV as at 31 December 2022 RM'000	Revaluation surplus RM'000	Taxation RM'000	Net revaluation surplus RM'000	Effective interest attributable to BProp %	Net revaluation surplus attributable to BProp RM'000
					(A)	(B)	(C) = (A) – (B)	(D)	(E) = (C) – (D)	(F)	(G) = (E) x (F)
15.	Lot 67255 11, Jalan PJU 7/26 Mutiar Damansara Selangor	Freehold	Inventories	Not applicable	6,960 ⁽⁹⁾	1,875	5,085	509 ⁽¹⁾	4,576	100.00	4,576
	Bungalow lot										
	Land area: 1,805 sq. m.										
	Category of land use: Building										
	Registered owner: Mutiar Rini ⁽⁸⁾										
Total					1,429,960	958,068⁽⁹⁾	471,892	100,887	371,005		359,574

Notes:

(1) Assuming the assets are sold at their respective market values, we have considered the applicable RPGT rate in accordance with the Real Property Gains Tax Act 1976 in order to arrive at the net revaluation surplus. The RPGT will be imposed on a company when it disposes of its assets, to be calculated based on the net gain from the disposal and depending on its date of acquisition.

Premised on the above, the valuation surpluses for the assets are adjusted for RPGT at the following rate:

Property holding period	RPGT rate (%)
More than 5 years	10

(2) Based on assumed corporate tax rate of 24.00% on the assumption that the properties are realised in the ordinary course of business.

(3) Endorsed in the title as located within Malay Reservation Area.

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(4) The Valuer has estimated the market value for the property based on the following scenarios:

	Estimated market value RM'000
(i) "As-is" based on the existing condition of the property	101,900
(ii) Assuming Lot 5527 has been gazetted to Malay Reserve Land	101,700

We have considered the "as-is" market value of RM101.9 million in arriving at the net revaluation surplus of Royale Chulan Cherating attributable to BProp in view that the market value based on the existing conditions is more likely to realise while scenario (ii) is based on an assumption that is not yet or fully realised.

(5) The total NBV of Royale Chulan Cherating comprises of:

Classification	Unaudited NBV as at 31 December 2022 RM'000
Property, plant and equipment	80,081
Right-of-use asset	7,114
Total	87,195

(6) The land area for the property as set out in the title document is 22.09 acres. The Valuer has estimated the market value for the property based on a land area of 22.076 acres, as set out in the certified plan for the property issued by the Department of Survey and Mapping Selangor.

(7) The total NBV of Mutiara Hills Semenyih (Sector 1) comprises of:

Classification	Unaudited NBV as at 31 December 2022 RM'000
Inventories	150,075
Contract cost assets	6,186
Total	156,261

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- (8) Mutiara Rini had on 29 September 2022 entered into an unconditional sale and purchase agreement with a non-related party to dispose Lot 67255 at a disposal consideration of RM6.96 million. We are of the view that the adoption of the disposal consideration of RM6.96 million for the purpose of the RNAV computation would better reflect the fair value of Lot 67255, after taking into consideration, amongst others, the completion certainty of the disposal in view that the sale and purchase agreement entered into is unconditional. As at the LPD, Mutiara Rini had also received approximately RM4.70 million from the purchaser, representing 67.5% of the total disposal consideration.
- (9) The total NBV of the Selected Properties comprises of:

Selected Properties	Unaudited NBV as at 31 December 2022 RM'000
Property, plant and equipment	467,121
Right-of-use asset	7,114
Inventories	477,647
Contract cost assets	6,186
Total	1,023,324

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In arriving at the market values, the Valuers have adopted the following valuation methodologies:

(i) Comparison approach

The comparison approach generally entails comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect the value such as location and accessibility, market conditions, size, tenure and restriction, if any, and any other relevant characteristics.

(ii) Cost approach

The cost approach generally involves the valuation of land by comparison with evidence of values of comparable land and adding to it the current replacement cost of the building less depreciation, if necessary. The current replacement cost involves the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and developer's profit.

(iii) Income approach (residual method)

The residual method is based on the principle of latent value on the assumption that the subject property will be put to its highest and best use. Under this approach, consideration is given to the projected selling prices of various units in the proposed development as well as the estimated cost of carrying out the development including allowances for developers' profit, time and risk.

(iv) Profits method

The profits method values the property by reference to the earnings potential, known as the Fair Maintainable Trade ("FMT"), as this is the basis on which such properties are commonly bought or sold.

The FMT method of valuation is undertaken by establishing the level of trade and fair maintainable profit for the hotel that we consider could reasonably be achieved by an efficient operator and upon which a potential purchaser would calculate an offer.

The fair maintainable profit adopted by the efficient operator is then multiplied by an appropriate capitalisation multiplier, which takes into account the location, competition, quality of operation, facilities provided for guests and further development opportunities to establish the valuation figure.

Lastly, the valuation figure is adjusted to reflect any wants of repair and refurbishment which are required.

We are of the view that the valuation methodologies adopted by the Valuers for the valuation and/or valuation updates of the Selected Properties are reasonable and are consistent with generally applied valuation methodologies. We are satisfied with the bases and assumptions used by the Valuers in deriving the valuation updates for the Selected Properties. Thus, we are satisfied with and have relied upon the valuation and/or valuation updates of the Selected Properties determined by the Valuers.

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Based on the above, the estimated value for the BProp Group is as follows:

	Amount RM'000
Unaudited consolidated NA of the BProp Group as at 31 December 2022 ⁽¹⁾	1,092,821
Add: Estimated net revaluation surplus of the Selected Properties	<u>359,574</u>
Estimated value of the BProp Group	<u><u>1,452,395</u></u>

Note:

- (1) The unaudited consolidated NA of the BProp Group shall include, amongst others, the unaudited NBV of all Investment Properties, Completed Unsold Properties and Selected Properties held by the BProp Group as at 31 December 2022.

6.1.1.2 Industrial division

The industrial division of the Group is entirely contributed by its subsidiary, UAC, a non-public listed company⁽¹⁾, and its group of companies ("**UAC Group**"). The UAC Group is principally involved in the manufacturing and distribution of building materials which include, amongst others, fibre-cement building products, wall panels, surface coating for decorative and industrial applications, as well as holding of investment properties. Therefore, we have conducted valuation on the UAC Group to arrive at the estimated value of the industrial division of the BHB Group. As at 31 December 2022, the unaudited consolidated NA of UAC Group is approximately RM237.7 million.

Note:

- (1) For information, UAC was removed from the Official List on 9 January 2013.

In arriving at the estimated value of the UAC Group, we have separately valued the UAC Group's involvement in the industrial business and the investment property held by the UAC Group.

(i) Industrial business

In arriving at the estimated value of industrial business of the UAC Group, we have adopted DCF valuation methodology as our valuation methodology. The DCF valuation methodology is based on the theory that the value of an asset or business depends on its future cash flows which are discounted to present value, and is able to effectively factor in both the time value of money and the future cash flows to be generated over a specified period of time.

We are of the view that this is the most appropriate valuation methodology to estimate the fair value of UAC Group's industrial business, in view that it has consistently generated positive cash flows from its operating activities for the past 5 FYEs, save for FYE 2018. UAC Group recorded negative cash flows from its operating activities for the FYE 2018 mainly due to increase in cost of raw materials.

As the methodology entails the discounting of future cash flows to be generated at a specified discount rate to arrive at the present value, the riskiness of generating such cash flows is also taken into consideration.

We have relied on the future financial information of the UAC Group's business which was prepared by the management of the UAC Group ("**UAC Future Financials**") on a best-effort basis to derive the estimated value of the UAC Group.

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We have considered and evaluated the key bases and assumptions adopted in the UAC Future Financials and are satisfied that the key bases and assumptions used in the preparation of the UAC Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. The UAC Future Financials, together with the bases and assumptions adopted therein, have been reviewed and approved by the board of directors of UAC. The key bases and assumptions adopted in the preparation of the UAC Future Financials are as follows:

- (a) the operating businesses will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (b) in view that the forecasted amount for inter-company transactions within the UAC Group is not anticipated to exceed 5.00% of the UAC Group's revenue based on the UAC Future Financials, we are of the view that the inclusion of the inter-company transactions in the UAC Future Financials will not have any material impact on our overall valuation on the UAC Group;
- (c) UAC Group will increase its production capacity by investing in new plant and machineries to expand its production line in 2024 to penetrate a new international market. The management of UAC had conducted a preliminary feasibility study on its proposed expansion and had identified a partner with existing presence in the target market to collaborate with in order to support its plan to establish a foothold in the market. The commencement of the expansion plan is subject to the prevailing market/economic conditions and is expected to contribute positively to the UAC's future financial performance;
- (d) there will not be any significant or material change in the principal activities of the UAC Group;
- (e) Menara UAC which is owned by UAC will be separately valued under **Section 6.1.1.2(ii) of Part B** of this IAC. The income and expenses in relation to Menara UAC have been excluded from the UAC Future Financials while estimated rental expenses for the office space occupied by UAC Group in Menara UAC has also been taken into consideration in the UAC Future Financials;
- (f) there will not be any significant or material increase in costs which are expected to have a material adverse effect on the financial results, cash flows or business prospects of the UAC Group;
- (g) there will not be any major disruptions to the business operations which have a material adverse impact on the financial results, cash flows or business prospects of the UAC Group;
- (h) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of UAC Group without any material adverse effect on its financial results, cash flows or business prospects of the UAC Group;
- (i) there will not be any significant or material changes to the agreements, contracts, approvals, licences, permits and regulations governing the UAC Group's operations;
- (j) the current accounting policies adopted by the UAC Group will remain relevant and there will not be any significant changes in the accounting policies of the UAC Group which will have a material adverse effect on the financial performance and financial position of the UAC Group; and

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- (k) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the manufacturing industry in Malaysia and applicable tax regimes or tax rates.

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In order to derive the estimated value of the UAC Group, we have discounted the projected FCFE to be generated from the UAC Group's industrial business at an appropriate cost of equity which represents the required rate of return by the equity holder of UAC. Our valuation, together with the key bases and assumptions, are as follows:

No	Parameters	Basis and assumptions	Description
1	FCFE	UAC Future Financials from FYE 2023 to FYE 2027	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration, amongst others, all operating expenses, movements in working capital, net investing cash flows, net repayment of borrowings as well as interest expenses.</p> <p>The FCFE is discounted at an appropriate cost of equity which represents the required rate of return by the equity holder of UAC.</p> <p>We have reviewed the key bases and assumptions adopted in the UAC Future Financials in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. As such, we have relied upon the UAC Future Financials prepared by the management of UAC Group.</p>
2	Cost of equity ("K _e ")	<p>K_e = 8.87% to 9.87%</p> <p>Adjusted K_e = 12.37% to 13.37%</p>	<p>The cost of equity represents the expected or required rate of return of equity by the equity holders.</p> <p>The cost of equity is derived using the capital asset pricing model as shown below:</p> $K_e = R_f + [\beta \times EMRP] \text{ (as defined below)}$ <p>Inherent risk has been applied to reflect the uncertainty involved in the UAC Future Financials after taking into consideration the management of UAC's plan to expand its market presence/reach internationally.</p> <p>The computation of the adjusted cost of equity is as follows:</p> $\text{Adjusted } K_e = (\text{Unadjusted } K_e + \text{inherent risk})$

No	Parameters	Basis and assumptions	Description
			<p>We adopted an inherent risk of 3.50%, after taking into consideration the uncertainty in UAC's expansion into a new geographical location and also increase the UAC Group's exposure to, amongst others, the uncertainty in the region's economic condition and foreign currency.</p> <p>We have adopted a sensitivity of +/- 0.5% to the K_e computed to arrive at a range as the computation of K_e is based on the assumed R_f, β and EMRP adopted and each of these components are dependent on the assumptions made and are sensitive to changes in factors including time period, government policies, market volatility and economic conditions and it is a common market practice to sensitise the valuation based on prevailing economic conditions.</p>
3	Risk-free rate of return (" R_f ")	3.87%	The risk-free rate of return represents the expected rate of return from a risk-free investment. We have relied on the yield of 10-year Malaysian Government Securities as extracted from BNM as at the LPD as this represents the closest available approximation of a risk-free investment in Malaysia.
4	Beta (" β ")	Re-levered beta of 0.69	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier compared to the market and beta of lower than 1 signifies that the asset is less risky as compared to the market.</p> <p>In deriving the estimated beta, we have relied on the 3-year historical beta up to the LPD of the comparable companies.</p> <p>We have selected the comparable companies based on the following criteria:</p> <ul style="list-style-type: none"> (i) principally involved in the manufacturing of building materials; and (ii) listed on Bursa Securities.

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No	Parameters	Basis and assumptions	Description																				
			<p>Based on the selection criteria above, we have identified the following comparable companies:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Comparable companies</th> <th>Principal activities</th> <th>Market capitalisation as at the LPD RM' million</th> <th>3-year historical beta</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Hume Cement Industries Berhad</td> <td>Manufacturing and sale of cement and cement related products, and manufacturing, marketing and sale of concrete and concrete related products.</td> <td>534</td> <td>0.754</td> </tr> <tr> <td>2.</td> <td>Focus Lumber Berhad</td> <td>Manufacturing and sale of plywood, veneer, and laminated veneer lumber.</td> <td>116</td> <td>0.655</td> </tr> <tr> <td>3.</td> <td>Ajiya Berhad</td> <td>Manufacturing and trading of roofing materials, manufacturing and trading of all kinds of glass and trading of building materials.</td> <td>503</td> <td>0.963</td> </tr> </tbody> </table> <p>There is no company listed on Bursa Securities which is identical to UAC in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospects. However, we view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of UAC.</p> <p>As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the beta of the comparable companies and derived a simple average betas for the comparable companies which we then re-levered based on the existing gearing ratio (latest audited NA and borrowings as at 31 December 2021) of the UAC Group of 0.05 times.</p>	No.	Comparable companies	Principal activities	Market capitalisation as at the LPD RM' million	3-year historical beta	1.	Hume Cement Industries Berhad	Manufacturing and sale of cement and cement related products, and manufacturing, marketing and sale of concrete and concrete related products.	534	0.754	2.	Focus Lumber Berhad	Manufacturing and sale of plywood, veneer, and laminated veneer lumber.	116	0.655	3.	Ajiya Berhad	Manufacturing and trading of roofing materials, manufacturing and trading of all kinds of glass and trading of building materials.	503	0.963
No.	Comparable companies	Principal activities	Market capitalisation as at the LPD RM' million	3-year historical beta																			
1.	Hume Cement Industries Berhad	Manufacturing and sale of cement and cement related products, and manufacturing, marketing and sale of concrete and concrete related products.	534	0.754																			
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3.	Ajiya Berhad	Manufacturing and trading of roofing materials, manufacturing and trading of all kinds of glass and trading of building materials.	503	0.963																			
5	Statutory corporate income tax rate	24.00%	The latest statutory corporate income tax rate applicable to UAC is 24.00%.																				

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No	Parameters	Basis and assumptions	Description
6	Equity market risk premium ("EMRP")	8.01%	<p>The equity market risk premium refers to an excess return that investing in an equity asset provides over a risk-free rate. This excess return compensates investors for taking on the relatively higher risk of equity investing.</p> <p>We have relied on the equity market risk premium for Malaysia as published in January 2023 by Professor Aswath Damodaran, who is an established Professor of Finance at the Stern School of Business at New York University. He has published various researches on equity risk premium since 2008 as well as other papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.</p>
7	Terminal growth rate ("g")	1.59%	<p>Terminal value represents the present value of all FCFE of the industrial business beyond FYE 2027, which assumes that the FCFE of the industrial business grows at a constant rate to perpetuity. The terminal value is ascribed to the industrial business as they are assumed to operate on a going concern basis and is expected to sustain its operations in perpetuity.</p> <p>In ascribing the terminal value, we have adopted a terminal growth rate of 1.59%, being the 10-year historical average inflation in Malaysia as extracted from World Bank Open Data.</p> <p>The terminal value for the UAC Group's businesses is computed based on the following formula:</p> $\text{Terminal value} = \frac{\text{FCFE for FYE 2027} \times (1 + g)}{(K_e - g)}$

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Based on the discounted FCFE of UAC Group, we then derived the estimated value of UAC Group's industrial business in the following manner:

	Low range RM'000	High range RM'000
Total present value of FCFE ⁽¹⁾	318,890	355,365

Note:

- (1) The present value of the UAC Group's industrial business' FCFE is derived based on the following formula:

$$\text{Present value of FCFE} = \frac{\text{FCFE} + \text{Terminal value}}{(1 + K_e)^n}$$

Whereby, n represents number of years in the future.

Holders should note that the valuation in itself is highly dependent on, amongst others, the achievability of UAC Future Financials as well as the materialisation of the bases and assumptions used therein. Holders should also note that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions adopted.

(ii) Investment property held by UAC

Menara UAC, which is owned by UAC is valued separately in view that Menara UAC is not used in the operations of manufacturing distribution of building materials of the UAC Group, and UAC intends to continue holding Menara UAC as an investment property. Therefore, the income and expenses in relation to Menara UAC have been excluded from the UAC Future Financials used for the DCF valuation methodology.

In order to derive the estimated value of the investment property held by UAC, we have adopted the NBV of the investment property held by UAC, being Menara UAC, as at 31 December 2022, as set out below:

No.	Property	Tenure	Valuer	Valuation date	NBV as at 31 December 2022 RM'000
1.	Menara UAC No. 12, Jalan PJU 7/5 Mutiara Damansara Petaling Jaya, Selangor A 10-storey office building with 2½ levels of basement car park Land area: 5,700 sq. m.	Freehold	CBRE WTW Valuation & Advisory Sdn Bhd	31 December 2022	91,000

We noted that Menara UAC is initially measured at cost, including transaction costs. Subsequent to its initial recognition, Menara UAC is measured at fair value which is determined by the directors of UAC by reference to the valuation performed by independent valuers.

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The management of the Group has confirmed that the value of Menara UAC arising from the valuation conducted by the appointed valuer has been reflected in the NBV of Menara UAC in the Group's unaudited financial statements for the FYE 2022. We are of the view that the NBV of Menara UAC reflects the current market value as it is measured at fair value with reference to the valuation performed by the independent valuer.

Our valuation on the overall UAC Group is set out as below:

	Low range RM'000	High range RM'000
UAC Group's industrial business	318,890	355,365
Investment property held by UAC	91,000	91,000
Total fair value of UAC Group	<u>409,890</u>	<u>446,365</u>
BHB's effective interest in UAC Group as at the LPD (%)	100.00	100.00
BHB's portion of equity value in UAC Group	<u>409,890</u>	<u>446,365</u>

6.1.2 Plantation division

The plantation business of the BHB Group is entirely contributed by its subsidiary, BPlant and its group of companies ("BPlant Group"). The BPlant Group is principally involved in cultivation of oil palm, production and sale of fresh fruit bunches, crude palm oil and palm kernel, plantation management and engineering consultancy in Malaysia. Therefore, we have conducted valuation on the BPlant Group to arrive at the estimated value of the Group's plantation division.

BPlant is a public listed company on the Main Market of Bursa Securities. As at the LPD, the market capitalisation of BPlant is RM1,612.8 million, which is below the unaudited consolidated NA of BPlant as at 31 December 2022 of RM2,972.6 million.

In arriving at the estimated value of the BPlant Group, we had initially considered DCF as our valuation methodology due to the following consideration:

- (i) the DCF valuation methodology is based on the theory that the value of an asset or business depends on its future cash flows which are discounted to present value, and is able to effectively factor in both the time value of money and the future cash flows to be generated over a specified period of time;
- (ii) BPlant has consistently generated positive cash flows from its operating activities for the past 5 FYEs; and
- (iii) the management of BPlant Group is able to reliably project the future financial information of BPlant Group given the nature of the oil palm plantation business.

However, the implied fair value of the BPlant Group based on the DCF valuation methodology was lower than the unaudited consolidated NA of BPlant as at 31 December 2022. In addition, the freehold land, bearer plants and leasehold land, which is part of the property assets, plant and equipment and right-of-use assets, constitute a large percentage of the unaudited total assets of BPlant Group as at 31 December 2022 and no recent valuations have been conducted by independent valuers for these assets. As such, we have relied on the market price of BHB's equity interest in BPlant as at the LPD as the fair value of the BHB Group's plantation division.

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Based on the market price of ordinary shares in BPlant (“**BPlant Shares**”) as at the LPD, we then derived the estimated value of the BPlant Group in the following manner:

Market price of BPlant Shares as at the LPD (RM)	[A]	0.720
Number of BPlant Shares in issue as at the LPD	[B]	2,239,999,895
Market capitalisation of BPlant (RM)	[A] x [B]	1,612,799,924

After taking into consideration the shareholdings of BHB in BPlant as at the LPD of 1,286,135,900 BPlant Shares representing 57.42% equity interest in BPlant, BHB’s portion of equity value in BPlant Group is **RM926.02 million**.

6.1.3 Heavy industries division

The heavy industries business of the BHB Group is entirely contributed by:

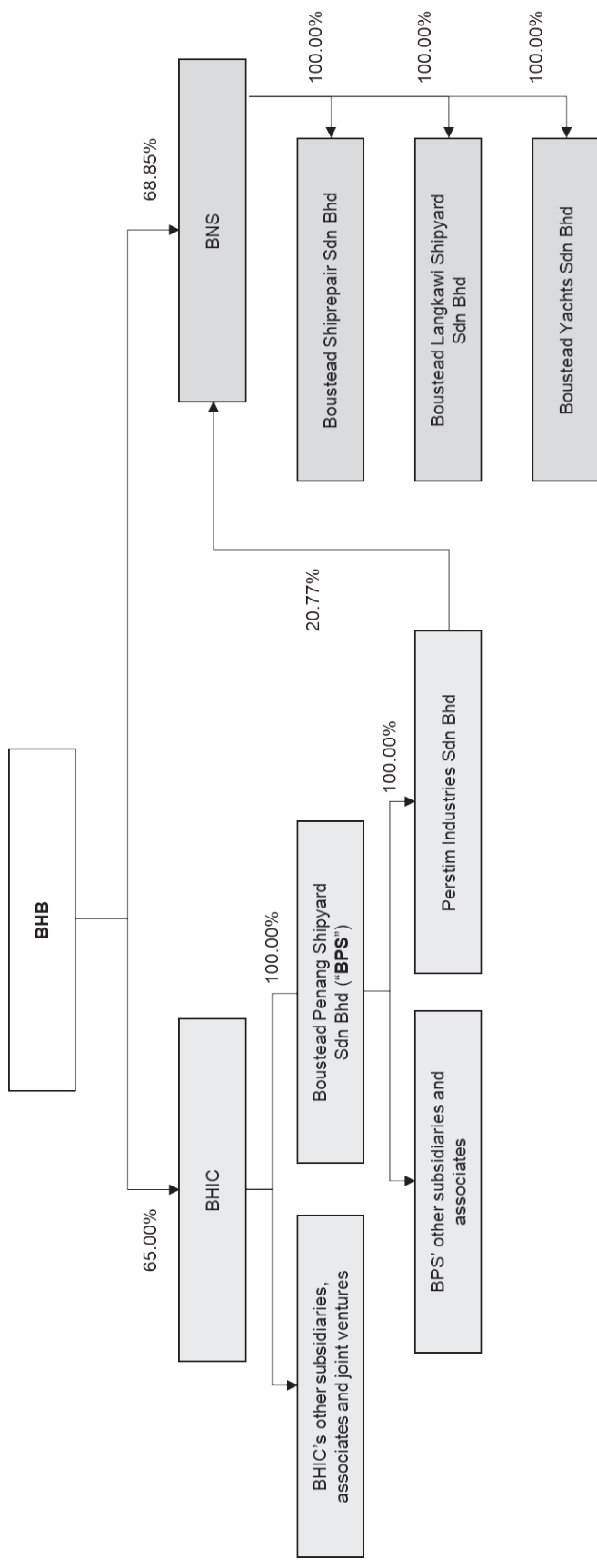
- (i) BHIC, a subsidiary of BHB. BHIC and its group of companies (“**BHIC Group**”), which are involved in the marine, aerospace and weapons and combat systems sectors serving primarily the government agencies under the Ministry of Defence, Malaysia and Ministry of Home Affairs, Malaysia. Its shipyards also provide a range of services to the commercial segment, namely to merchant shipowners, the oil and gas sector and to private vessel owners.

BHIC is a public listed company on the Main Market of Bursa Securities. As at the LPD, the market capitalisation of BHIC is RM84.5 million, which is above the unaudited NA of BHIC as at 31 December 2022 of RM59.0 million. We did not adopt the market price of BHIC for the purpose of our valuation in view that the market value was lower than the implied fair value of BHIC based on the RNAV valuation methodology and market price may be volatile; and

- (ii) BNS, a subsidiary of BHB and an associate of BHIC. BNS and its group of companies (“**BNS Group**”) are principally involved in the construction, repair and maintenance of naval and merchant ships. As at 31 December 2022, the unaudited consolidated net liabilities of BNS Group is approximately RM849.3 million.

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For information, the shareholdings of BHB in BHIC and BNS are set out as below:



In arriving at the estimated value of the heavy industries business of the BHB Group, we have conducted separate valuation for the BHIC Group and the BNS Group for which BHB's effective equity interest in the respective companies are set out as below:

Companies	Effective equity interest (%)
BHIC	65.00
BNS	(1) 82.35

Note:

(1) Based on the aggregate of BHB's direct interest of 68.85% in BNS, and indirect interest of 13.50% in BNS held through BHIC.

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In arriving at the estimated value of the Group's heavy industries business, we have adopted the RNAV valuation for the BHIC Group and NA valuation for BNS Group in view that:

- (i) the BHIC Group has experienced significant fluctuations in earnings during the past 5 FYEs. The revenue and net cash flow from operating activities of BHIC Group during the latest past 5 FYEs are set out as below:

	Audited				Unaudited
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Revenue	169,113	168,920	145,200	149,186	141,760
PAT / (LAT)	(108,326)	(116,636)	(50,579)	15,192	(21,546)
Net cash generated from/(used in) operating activities	(52,677)	(19,728)	(17,661)	4,523	(35,198)

For the FYE 2019, the LAT of the BHIC Group has increased from RM108.3 million for the FYE 2018 to RM116.6 million for the FYE 2019. This was mainly due to lower activities in maintenance, repair and overhaul for both defence and commercial segments, higher impairment of RM57.9 million arising from receivables of RM25.1 million and goodwill impairment recognised of RM32.8 million relating to investment in BNS. The impairment of receivables was due to non-repayment which relates to a joint venture company of BHIC Group which incurred huge liquidated ascertained damages. On the other hand, the goodwill impairment was due to the BHIC Group's decision to limit the share of contribution to the BHIC Group's cost of investment, and this will not constitute to a change in accounting policy or treatment. The impairment loss of RM32.8 million was recognised after taking into consideration that BNS has reported losses with depleting shareholders' funds.

BHIC Group recorded a lower LAT of RM50.6 million for the FYE 2020 as compared to RM116.6 million for the FYE 2019, mainly attributable to no further impairment incurred and the limit of losses by the associate of BHIC right up to the BHIC Group's cost of investment in FYE 2019. The LAT for FYE 2022 was mainly contributed by the share of losses from its joint venture companies of RM13.8 million.

BHIC Group recorded a PAT of RM15.2 million for the FYE 2021, versus a LAT for the FYE 2020 of RM50.6 million. This was mainly attributable to the decline in operating costs for the FYE 2021, which amongst others, entail cost in relation to rendering of services, repair and maintenance, as well as employee benefits expense (i.e. wages and salaries).

For the FYE 2022, BHIC Group recorded a LAT of RM21.6 million, versus a PAT of RM15.2 million for the FYE 2021, mainly due to higher allowances for expected credit loss and operating expenses (which relates to cost in relation to internal corporate restructuring undertaken by BHIC Group to reduce its operating expenses).

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For information, the composition of the total assets of BHIC Group based on its unaudited statement of financial position as at 31 December 2022 is set out below:

	As at 31 December 2022	
	RM'000	%
Non-current assets		
Property, plant and equipment ⁽¹⁾	5,117	1.06
Investment property ⁽²⁾	10,153	2.10
Right-of-use assets ⁽³⁾	22,111	4.58
Investments in joint ventures ⁽⁴⁾	81,088	16.78
Trade and other receivables ⁽⁵⁾	255,527	52.87
Deferred tax assets	100	0.02
Total non-current assets	374,096	77.40
Current assets		
Inventories	2,942	0.61
Trade and other receivables ⁽⁵⁾	73,006	15.11
Contract assets	6,469	1.34
Tax recoverable	422	0.09
Cash and bank balances	26,349	5.45
Total current assets	109,188	22.60
Total assets	483,284	100.00

Notes:

- (1) Comprises of buildings, plant and machinery as well as equipment, fittings, renovation, motor vehicles and others. This includes the property, plant and equipment that are part of the selected properties which are revalued for the purpose of RNAV computation. Kindly refer to the below of this section for further details on the properties.

Save for the 3 properties that were revalued, the carrying value for the rest of the Group's property, plant and equipment are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Their carrying value are reviewed at the end of each reporting period for impairment testing. Accordingly, we are of the view that the **carrying value of these property, plant and equipment are reasonably expected to approximate their fair value.**

- (2) Relates to carrying amount of the investment property that is part of the selected properties, which are revalued for the purpose of RNAV computation. Kindly refer to the below of this section for further details on the properties.

- (3) Comprises lease contracts for various leasehold land, buildings and jetty used in BHIC Group's operations. Leases of land generally have lease terms between 20 to 99 years while buildings and jetty generally have lease terms between 2 and 5 years.

The carrying value of right-of-use is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Accordingly, we are of the view that the **rights-of-use assets are reasonably expected to approximate their fair value.**

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- (4) Investment in joint ventures is accounted for using the equity method less any impairment losses. The carrying value of these investments are reviewed for impairment for every financial year. As such, we are of the view that **the carrying value is reasonably expected to approximate their fair value.**
- (5) The non-current component relates to amount due from associate arising from a delay in delivering the LCS by the associate. As the amount is not expected to be realised in full within the 12 months after the reporting period, this has been classified as a non-current receivables.

As for the current asset component, it mainly comprises of amount due from related parties which are unsecured, repayable upon demand, and settled in cash.

Nonetheless, as the carrying value for the trade and other receivables is reviewed for impairment at every reporting year by the BHIC Group, we are of the view that **the trade and other receivables are reasonably expected to be approximate to their fair value.**

Apart from the above, the other assets in the BHIC Group as at 31 December 2022 comprises current assets such as cash and bank balances, which are relatively short-term and/or liquid in nature. Pursuant thereto, the **carrying values of these assets are reasonably expected to approximate their fair values.** Accordingly, we are of the view that the carrying value of these assets are approximate to its fair value in view that it is liquid in nature.

- (ii) the BNS Group has recorded a declining trend in revenue and was loss-making for the past 5 FYEs as set out below:

	FYE 2018 RM'000	Audited			Unaudited FYE 2022 RM'000
		FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	
Revenue	1,073,175	998,422	515,142	302,147	65,896
PAT / (LAT)	(255,554)	(277,795)	(20,954)	(52,712)	(150,989)
Net cash generated from/(used in) operating activities	290,140	243,792	(118,708)	(20,655)	149,868

For the FYE 2019, the BNS Group recorded a LAT of RM277.8 million, compared to a LAT of RM255.6 million for the FYE 2018. This was mainly attributable to an increase in finance costs incurred, which previously was recognised as part of the project cost. Revision made was based on requirement of MFRS 15 presentation disclosure that the actual profit derived from the project excluding the financial cost.

The BNS Group recorded a LAT of RM21.0 million for the FYE 2020, compared to a LAT of RM277.8 million. This was mainly attributable to a significant decline in ship repair and shipbuilding contract costs, which was in line with the decrease in revenue recorded for FYE 2020. This was mainly due to no significant progress and suspension of work by original equipment manufacturers (“OEMs”) for the LMS and LCS projects. There was no significant progress for the LMS project in FYE 2020 due to the project being suspended in view of the COVID-19 pandemic, in which all LMS ships were built in Wuhan, China. The LCS project was also suspended due to pending finalisation of variation order.

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The BNS Group recorded a LAT of RM52.7 million for the FYE 2021, compared to a LAT of RM21.0 million for the FYE 2020, mainly due to a decline in revenue for the FYE 2021 as there was no significant progress and suspension of work by OEMs for the LCS project.

For the FYE 2022, the BNS Group recorded a LAT of RM151.0 million, compared to a LAT of RM52.7 million for the FYE 2021. This was mainly attributable to:

- (i) decline in revenue for the FYE 2022 as compared to FYE 2021. The decrease in revenue mainly due to delay in LCS project (which was delayed due to pending finalisation of variation order), completion of the LMS, no new ship-repair refit project and provision of the liquidated ascertained damages of RM16 million for KD TERENGGANU; and
- (ii) provision for the expected credit loss of RM28 million in relation to variation order claim for the new generation patrol vessel project. This provision was made as BNS has yet to receive complete documentation of approval from the Ministry of Defence, Malaysia although the work has been performed.

Based on the above, we did not adopt the earnings-based valuation methodology or DCF valuation methodology as the predictability of future cash flows of the BHIC Group and the BNS Group may be unreliable in the absence of a consistent earnings stream, as well as the BNS Group being in a loss-making position for the past 5 FYEs. The DCF valuation methodology also involves more assumptions compared to the RNAV valuation methodology, whereby it could prove to be difficult for the heavy industries business to accurately predict future cash flows in light of uncertainties in the economic environment, and the prospects of the business and the industry the BHIC Group and the BNS Group operate in.

Premised the above, to estimate fair value of the BHIC Group and the BNS Group, we are of the opinion that the asset-based approach of using RNAV valuation for BHIC Group and NA for the BNS Group is the most appropriate valuation methodology.

The RNAV takes into consideration any surplus and/or deficit arising from the revaluation of the properties of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on a willing buyer-willing seller basis.

In arriving at the estimated RNAV of the BHIC Group, we have relied on the following key bases and assumptions:

- (i) BHIC Group will continue to operate as a going concern and the realisation of the property values is expected to be undertaken in an orderly manner and not under a forced-sale or liquidation scenario;
- (ii) the on-going material litigation involving BHIC Group will not have any material impact on our valuation after taking into consideration, amongst others, that the board of directors of BHIC, BHICDT and BNS believe that they have an even chance of succeeding in striking out the filed applications against them, and they have a more than even chance in defending against the plaintiffs' claims against them. For further details on the material litigation, please refer to **Section 12 of Appendix I** of this IAC;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the business activities of the BHIC Group;

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- (iv) there will not be any compulsory acquisition by the relevant authorities of the lands held by the BHIC Group;
- (v) there will not be any significant or material changes to the agreements, approvals, contracts, licences, permits and regulations governing the assets held by the BHIC Group;
- (vi) insurable risks relating to the assets held by the BHIC Group are and will continue to be appropriately covered by relevant insurance policies and the sums insured are adequate;
- (vii) there will not be any significant or material changes to the risks inherent to the businesses of the BHIC Group and effective measures will continue to be implemented to mitigate risks known to the business of BHIC Group;
- (viii) the current accounting policies adopted by the BHIC Group will remain relevant and there will not be any significant changes in the accounting policies of the BHIC Group and the BNS Group which will have a material adverse effect on the financial performance and financial position of the BHIC Group; and
- (ix) there will not be any material changes in the political, social and economic conditions, monetary and fiscal policies, inflation, regulatory requirements of the property industry in Malaysia and applicable tax regimes or tax rates.

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Accordingly, we have relied upon the valuation and/or valuation updates conducted by the Valuers for the following selected properties, which in our opinion are current valuations which reflect the market value of the selected properties of the BHIC Group. The selected properties are currently accounted for using their respective NBVs. The details of the selected properties and net revaluation surplus are as set out below:

No.	Properties	Tenure	Classification of properties	Valuation method/ Valuation date	Valuer	Market value RM'000 (A)	Unaudited NBV as at 31 December 2022 RM'000 (B)	Revaluation surplus RM'000 (C) = (A) – (B)	Taxation RM'000 (D)	Net revaluation surplus RM'000 (E) = (C) – (D)
1.	Developer's Lot Nos. 8 & 9 Helicopter Centre Sultan Abdul Aziz Shah Airport Seksyen U3 47200 Shah Alam, Selangor (Located at Helicopter Centre within Sultan Abdul Aziz Shah Airport, Seksyen U3, Shah Alam Selangor) A single storey helicopter hangar annexed with a double storey office building ⁽²⁾ Land area: 4,080 sq. m. Planning provision : Zoned for aerospace industrial use Concession company: Malaysia Airports Sdn Bhd Concessionaire: BHIC Trading Sdn Bhd This property is presently tenanted by BHIC Aeroservices Sdn Bhd.	20 years sublease (expiring 14 April 2033 with an option to renew for a further term of 10 years (approximately 20 years total unexpired term))	Investment property	Valuation method Comparison and cost approaches Valuation date 31 December 2022	Intra Harta Consultants Sdn Bhd	17,500	10,153	7,347	735	6,612

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No.	Properties	Tenure	Classification of properties	Valuation method/ Valuation date	Valuer	Market value RM'000 (A)	Unaudited NBV as at 31 December 2022 RM'000 (B)	Revaluation surplus RM'000 (C) = (A) – (B)	Revaluation Taxation RM'000 (D)	Net revaluation surplus RM'000 (E) = (C) – (D)
2.	Lot No. 3222, Mukim 13 Daerah Timur Laut Pulau Pinang (Located on the south-eastern part of Pulau Jerajak) Shipyard Land area: 81,761 sq. m. Category of land use: Industrial Registered owner: Boustead Penang Shipyard Sdn Bhd	99 years leasehold (expiring 24 January 2072 (approximately 49 years unexpired term))	Property, plant and equipment	Valuation method/ Comparison approach <u>Valuation date</u> 6 January 2023	Henry Butcher Malaysia (Penang) Sdn Bhd	30,777	11,898	18,879	1,888	16,991
3.	Lot No. 9777 Mukim 13 Daerah Timur Laut Pulau Pinang (Located on the south-eastern part of Pulau Jerajak) Reclaimed land for the extension of the area of the shipyard Land area: 22,162 sq. m. Category of land use: Industrial Registered owner: Boustead Penang Shipyard Sdn Bhd	99 years leasehold (expiring 24 January 2072 (approximately 49 years unexpired term))	Property, plant and equipment	Valuation method/ Comparison approach <u>Valuation date</u> 6 January 2023	Henry Butcher Malaysia (Penang) Sdn Bhd	8,343	1,324	7,018	702	6,316

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No.	Properties	Tenure	Classification of properties	Valuation method/ Valuation date	Valuer	Market value RM'000 (A)	Unaudited NBV as at 31 December 2022 RM'000 (B)	Revaluation surplus RM'000 (C) = (A) – (B)	Revaluation Taxation RM'000 (D)	Net revaluation surplus RM'000 (E) = (C) – (D)
4.	Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang (Located on the south-eastern part of Pulau Jerajak)	60 years leasehold (expiring 15 November 2073 (approximately 50 years unexpired term))	Property, plant and equipment	Valuation method Comparison approach Valuation date 6 January 2023	Henry Butcher Malaysia (Penang) Sdn Bhd	(3)1,180	-	1,180	118	1,062
	Building									
	Land area: 3,135 sq. m.									
	Category of land use: Industrial									
	Registered owner: Boustead Penang Shipyard Sdn Bhd									
Total						57,800	23,375	34,424	3,443	30,981

Notes:

(1) Assuming the assets are sold at their respective market values, we have considered the applicable RPGT rate in accordance with the Real Property Gains Tax Act 1976 in order to arrive at the net revaluation surplus. The RPGT will be imposed on a company when it disposes of its assets, to be calculated based on the net gain from the disposal and depending on its date of acquisition.

Premised on the above, the valuation surpluses for the selected properties are adjusted for RPGT at the following rate:

Property holding period	RPGT rate (%)
More than 5 years	10.00

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(2) The buildings erected on the property together with the respective gross floor areas are as set out below:

Description	Gross floor area sq. m.
Helicopter hangar with work area	1,929.77
Facilities section	840.85
Office building	1,319.36
Refuse chamber	12.88

(3) The Valuer has estimated the market value for the property based on a redevelopment basis and the buildings/structures erected upon the property have been disregarded.

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For information, a parcel of land occupying an area of 76.0 acres with the address of HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak was not taken into consideration as it has been fully impaired as at 31 December 2022 and no valuation has been conducted on the land for the past 10 years. Save for this property which has been fully impaired as at 31 December 2022, we have revalued all of the property assets held by the BHIC Group.

The Valuers have adopted the following valuation methodologies:

(i) Comparison approach

The comparison approach generally entails comparing the subject property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect the value such as location and accessibility, market conditions, size, tenure and restriction, if any, and any other relevant characteristics.

(ii) Cost approach

Under the cost approach, the values of the land and building are separately determined and a summation of these values is taken as the market value of the subject property. The value of the land is arrived at by using the comparison approach whilst the value of the building is established by the depreciated replacement cost.

The depreciated replacement cost approach is based on an estimate of the current market value of land, plus the current gross replacement (or reproduction costs) of improvements, less allowances of physical deterioration and all relevant forms of obsolescence and optimisation.

We are of the view that the valuation methodologies applied by the Valuers for the valuation and/or valuation updates of the assets are reasonable and are consistent with generally applied valuation methodologies. We are satisfied with the bases and assumptions adopted by the Valuers in deriving the valuation updates for the assets. Thus, we are satisfied with and have relied upon the valuation and/or valuation updates of the assets determined by the Valuers.

We did not conduct any valuation on the BNS Group as the resulting outcome is not expected to have a material impact to the estimated value of the Group in view that as at 31 December 2022, the net liabilities in the BNS Group is mainly attributable to bank borrowings, trade payables and amount due to related companies. Pursuant thereto, the carrying amounts of these liabilities are reasonably expected to approximate their fair values.

Based on the unaudited financial statements of the BHIC Group and the BNS Group for the FYE 2022 and the net revaluation surplus of the assets, the estimated value is as follows:

	BHIC Group RM'000	BNS Group RM'000
Unaudited consolidated NA/(net liabilities) as at 31 December 2022	59,046	⁽¹⁾ (770,000)
Add: Estimated net revaluation surplus	30,982	⁽²⁾ -
Estimated value of the BHIC Group/BNS Group	90,028	(770,000)
BHB's effective interest in BHIC/BNS as at the LPD (%)	65.00	82.35
BHB's portion of equity value in the BHIC Group/BNS Group	58,518	⁽³⁾ (634,095)

Notes:

- (1) Adjusted for amount of approximately RM79.3 million due to BHB.
- (2) There is no revaluation surplus in view that the NA valuation methodology is adopted to arrive at the estimated value of the BNS Group.

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- (3) Given that BHB had historically provided financial support to BNS (including through BHIC), we have assumed that BHB will continue with the arrangement. As such, for the purpose of our SOPV valuation of the BHB Group, we have taken into consideration the net liabilities of BNS Group attributable to the BHB Group of approximately RM610.4 million as at 31 December 2022.

6.1.4 Pharmaceutical division

The pharmaceutical business of the BHB Group is entirely contributed by its subsidiary, Pharmaniaga. Pharmaniaga and its group of companies ("**Pharmaniaga Group**") is principally involved in manufacturing, distribution, trading and wholesaling of pharmaceutical and medical products in Malaysia and Indonesia as well as supply and installation of medical and hospital equipment in Malaysia.

Pharmaniaga is a public listed company on the Main Market of Bursa Securities. As at the LPD, the market capitalisation of Pharmaniaga is RM432.4 million, as compared to the unaudited shareholders' deficit of Pharmaniaga as at 31 December 2022 of RM248.7 million. We did not adopt the market price of Pharmaniaga for the purpose of our valuation in view that the market value was significantly lower than the implied fair value of the Pharmaniaga Group based on the DCF valuation methodology. In addition, market price may be volatile and we note that the market price of Pharmaniaga shares have been depressed ever since it has become an affected listed issuer under PN17.

On 27 February 2023, Pharmaniaga announced its fourth quarter consolidated results for the FYE 2022. For the FYE 2022, the Pharmaniaga Group made a provision of slow moving inventories for COVID-19 vaccines of RM552.3 million, in adherence to the requirement of MFRS 102 Inventories. In addition, the Pharmaniaga Group has also written down the goodwill of the Indonesia manufacturing cash-generating unit of RM50.3 million due to slower than anticipated recovery of the financial performance of its subsidiary, PT Errita Pharma.

As a result, Pharmaniaga has triggered the prescribed criteria pursuant to paragraph 8.04 of the MMLR and paragraph 2.1(a) of Practice Note 17 of MMLR ("**PN17**") whereby Pharmaniaga has become an affected listed issuer under PN17 as the shareholders' equity of Pharmaniaga Group is less than RM40 million and is 25% or less of its issued share capital based on Pharmaniaga's unaudited consolidated financial statements for the FYE 2022 announced on 27 February 2023.

Pursuant to PN17 of the MMLR, Pharmaniaga is required to comply with the following:

- (i) regularise its condition in the following manner:
 - (a) within 12 months from the date of first announcement that Pharmaniaga is classified as an affected listed issuer ("**First Announcement**"):
 - (aa) submit a regularisation plan to the SC if the plan will result in a significant change in the business direction or policy of Pharmaniaga; or
 - (bb) submit a regularisation plan to Bursa Securities if the plan will not result in a significant change in the business direction or policy of Pharmaniaga, and obtain Bursa Securities' approval to implement the plan; and
 - (b) implement the plan within the timeframe stipulated by the SC or Bursa Securities as the case may be;
- (ii) provide such information as may be prescribed by Bursa Securities from time to time for public release;

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- (iii) do other such acts or things as may be required by Bursa Securities;
- (iv) announce within 3 months from the First Announcement, on whether the regularisation plan will result in a significant change in the business direction or policy of Pharmaniaga;
- (v) announce the status of its regularisation plan and the number of months to the end of the relevant timeframes referred to in Paragraphs 5.1 and 5.2 of PN17 of the MMLR, as may be applicable, on a monthly basis until further notice from Bursa Securities;
- (vi) announce its compliance or non-compliance with a particular obligation imposed pursuant to PN17 of the MMLR, on an immediate basis;
- (vii) announce the details of the regularisation plan and sufficient information to demonstrate that Pharmaniaga is able to comply with all the requirements set out under PN17 of the MMLR after implementation of the regularisation plan, which the announcement must include a timeline for the complete implementation of the regularisation plan and to be announced by Pharmaniaga or its principal adviser (if any); and
- (viii) where Pharmaniaga fails to regularise its condition, to announce the dates of the suspension and de-listing of its listed securities, immediately upon notification of suspension and delisting by Bursa Securities.

Pharmaniaga is currently looking into formulating a plan to regularise its financial condition for submission to the relevant authorities for approval. The board of directors of Pharmaniaga had on 28 March 2023 announced that the appointment of MIDF Amanah Investment Bank Berhad as the principal adviser for its proposed regularisation plan to regularise Pharmaniaga's financial condition and level of operations pursuant to paragraph 8.04(3) of the MMLR.

Notwithstanding that Pharmaniaga has been classified as an affected listed issuer under PN17, the management of Pharmaniaga Group has confirmed that, as at the LPD, Pharmaniaga Group has sufficient cashflow to meet its obligations when they fall due within the next 12 months, subject to, amongst others, financial institutions continuing to provide banking facilities to the Pharmaniaga Group. Pharmaniaga will need to submit a regularisation plan to regularise its financial condition within 12 months of the First Announcement. In the event that Pharmaniaga fails to regularise its condition, it may be suspended and/or delisted by Bursa Securities.

Therefore, we have conducted valuation on the Pharmaniaga Group to arrive at the estimated value of the pharmaceutical division of the BHB Group.

In arriving at the estimated value of the Pharmaniaga Group, we have adopted DCF valuation methodology as our valuation methodology. The DCF valuation methodology is based on the theory that the value of an asset or business depends on its future cash flows which are discounted to present value, and is able to effectively factor in both the time value of money and the future cash flows to be generated over a specified period of time.

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We are of the view that this is the most appropriate valuation methodology to estimate the fair value of the Pharmaniaga Group as the management of the Pharmaniaga Group is able to reliably project its future sales in view of amongst others, the concession agreement with MoH which is expected to be entered into by 1 July 2023, given Pharmaniaga's track record of securing concession agreement with the MoH since 1994. While the previous concession agreement with the MoH had expired on 30 November 2019, its subsidiary, Pharmaniaga Logistics Sdn Bhd ("**PLSB**") had received a letter from the MoH to extend its services for an interim period of 25 months from 1 December 2019 to 31 December 2021. PLSB had subsequently received another letter from the MoH to extend its services for another 1 year from 1 January 2022 to 31 December 2022. In addition, as announced by Pharmaniaga on 11 January 2022, PLSB had received a letter from the MoH agreeing in principle (which is non-binding in nature) to continue PLSB's services for a period of 10 years subject to the terms and conditions to be agreed between both parties. Thereafter, on 29 December 2022, Pharmaniaga had announced that the MoH had extended PLSB's services for a period of 6 months up to 30 June 2023, pending finalisation of the new concession agreement for an interim period of 6 months. Accordingly, we are of the view that it is reasonable to assume that the concession agreement with the MoH will be entered into.

As the methodology entails the discounting of future cash flows to be generated at a specified discount rate to arrive at the present value, the riskiness of generating such cash flows is also taken into consideration.

We have relied on the future financial information of the Pharmaniaga Group's business which was prepared by the management of Pharmaniaga ("**Pharmaniaga Future Financials**") on a best-effort basis to derive the estimated value of the Pharmaniaga Group.

We have valued the Malaysia operations and Indonesia operations of the Pharmaniaga Group separately as the Indonesia operations is reflective of the Pharmaniaga Group's business synergy in Indonesia and it is closely monitored as a potential growth region and is expected to materially contribute to the Pharmaniaga Group's revenue in the future.

We have considered and evaluated the key bases and assumptions adopted in the Pharmaniaga Future Financials and are satisfied that the key bases and assumptions adopted in the preparation of the Pharmaniaga Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD after taking into consideration Pharmaniaga's on-going negotiation with the MoH for the concession agreement as well as its track record of securing concession agreement with the MoH since 1994. In addition, as announced by Pharmaniaga on 11 January 2022, its subsidiary, PLSB had received a letter from the MoH agreeing in principle (which is non-binding in nature) to continue PLSB's services for a period of 10 years. The Pharmaniaga Future Financials, together with the bases and assumptions adopted therein, have been reviewed and approved by the board of directors of Pharmaniaga. The key bases and assumptions adopted in the preparation of the Pharmaniaga Future Financials are as follows:

- (i) the operating businesses will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) all inter-company transactions have been eliminated. The Pharmaniaga Future Financials are prepared based on Pharmaniaga's effective interest in its business;
- (iii) Pharmaniaga Group will be able to regularise its condition such that it will no longer be classified as an affected listed issuer under PN17 of the MMLR and will not be suspended and/or delisted from the Main Market of Bursa Securities in view that Pharmaniaga has appointed a principal adviser and is in the midst of formulating a regularisation plan to address its financial condition;

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- (iv) there will not be any significant or material change in the principal activities of the Pharmaniaga Group;
- (v) the concession agreement for the medical supply logistics services with MoH will be extended for another 10 years up to 2033;
- (vi) there will not be any significant or material increase in costs which are expected to have a material adverse effect on the financial results, cash flows or business prospects of the Pharmaniaga Group;
- (vii) there will not be any major disruptions to the business operations which have a material adverse impact on the financial results, cash flows or business prospects of the Pharmaniaga Group;
- (viii) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of the Pharmaniaga Group without any material adverse effect on its financial results, cash flows or business prospects of the Pharmaniaga Group;
- (ix) there will not be any significant or material changes to the agreements, contracts, approvals, licences, permits and regulations governing the Pharmaniaga Group's operations;
- (x) the current accounting policies adopted by the Pharmaniaga Group will remain relevant and there will not be any significant changes in the accounting policies of the Pharmaniaga Group which have a material adverse effect on the financial performance and financial position of the Pharmaniaga Group; and
- (xi) there will not be any significant or material changes in political, social and/or economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the pharmaceutical industry in Malaysia and Indonesia and their respective applicable tax regimes or tax rates.

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In order to derive the estimated value of the Pharmaniaga Group, we have discounted the projected FCFE to be generated from the Pharmaniaga Group's business at an appropriate cost of equity which represents the required rate of return by the equity holders of Pharmaniaga. Our valuation, together with the key bases and assumptions, are as follows:

No	Parameters	Basis and assumptions	Description
1	FCFE	Pharmaniaga Future Financials from FYE 2023 to FYE 2032	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration, amongst others, all operating expenses, movement in working capital, net investing cash flows, net repayment of borrowings as well as interest expenses.</p> <p>The FCFE is discounted at an appropriate cost of equity which represents the required rate of return by the equity holders of Pharmaniaga.</p> <p>We have reviewed the key bases and assumptions adopted in the Pharmaniaga Future Financials in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. As such, we have relied upon the Pharmaniaga Future Financials prepared by the management of the Pharmaniaga Group.</p>
2	Cost of equity ("K _e ")	<p><u>K_e</u></p> <p>11.08% to 12.08% for Malaysian business</p> <p>14.80% to 15.80% for Indonesian business</p> <p>Adjusted K_e</p> <p>14.58% to 15.58% for Malaysian business</p> <p>18.30% to 19.30% for Indonesian business</p>	<p>The cost of equity represents the expected or required rate of return of equity by the equity holders.</p> <p>The cost of equity is derived using the capital asset pricing model as shown below:</p> $K_e = R_f + [\beta \times EMRP] \text{ (as defined below)}$ <p>Inherent risk has been applied to reflect the uncertainty involved in the Pharmaniaga Future Financials after taking into consideration that the new concession agreement with MoH has not been entered into as well as Pharmaniaga as an affected listed issuer under PN17 of the MMLR.</p> <p>The computation of the adjusted cost of equity is as follows:</p> $\text{Adjusted } K_e = (\text{Unadjusted } K_e + \text{inherent risk})$

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No	Parameters	Basis assumptions and	Description
			<p>We have applied an inherent risk of 3.50% after taking consideration the additional risk of the uncertainty in the extension of the concession agreement with the MoH of Malaysia in relation to the medical supply logistics services. Pharmaniaga Group had been given an interim extension up to 30 June 2023, pending the finalisation of a new concession agreement. We understand that Pharmaniaga Group is currently in negotiation with MoH on a new contract and are satisfied that there is likelihood that the concession may be further extended given its track record of securing concession agreement with MoH since 1994. Further, notwithstanding that Pharmaniaga has appointed the Principal Adviser for its proposed regularisation plan, we have considered the risk associated to Pharmaniaga being an affected listed issuer under PN17 of the MMLR, including the risk of suspension and delisting. However, we understand that the impact of being an affected listed issuer under PN17 of the MMLR may be limited as the management of Pharmaniaga Group has confirmed that, as at the LPD, Pharmaniaga Group has sufficient cashflow to meet its obligations as and when they fall due within the next 12 months subject to, amongst others, financial institutions continue to provide banking facilities to the Pharmaniaga Group.</p> <p>Further, based on the Pharmaniaga Future Financials provided by the management of Pharmaniaga, we note that the Pharmaniaga Group is expected to generate positive cash flow from operations with positive cash and bank balances throughout the projected period. We also understand that the contract negotiations to finalise the concession agreement between PLSB and the MoH is still ongoing notwithstanding Pharmaniaga's status as an affected listed issuer under PN17 of the MMLR.</p> <p>We have adopted a sensitivity of +/- 0.5% to the K_e computed to arrive at a range as the computation of K_e is based on the assumed R_f, β and EMRP adopted and each of these components are dependent on the assumptions made and are sensitive to changes in factors including time period, government policies, market volatility and economic conditions and it is a common market practice to sensitise the valuation based on prevailing economic conditions.</p>
3	Risk-free rate of return (" R_f ")	3.87% for Malaysia 6.66% for Indonesia	The risk-free rate of return represents the expected rate of return from a risk-free investment. We have relied on the yield of 10-year Malaysian Government Securities as extracted from BNM and 10-year Indonesian Government Securities as extracted from Bloomberg, respectively, as at the LPD as these represent the closest available approximation of risk-free investments in Malaysia and Indonesia.

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No	Parameters	Basis and assumptions	Description															
4	Beta ("β")	Re-levered beta of 0.96 for Malaysia Re-levered beta of 0.94 for Indonesia	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier compared to the market and beta of lower than 1 signifies that the asset is less risky as compared to the market.</p> <p>In deriving the estimated beta, we have relied on the 3-year historical beta up to the LPD of the comparable companies.</p> <p>We have selected the comparable companies based on the following criteria:</p> <ul style="list-style-type: none"> (i) principally involved in the pharmaceutical businesses; and (ii) listed on Bursa Securities and the Indonesia Stock Exchange for the Pharmaniaga Group's operations in Malaysia and Indonesia, respectively. <p>Based on the selection criteria above, we have identified the following comparable companies:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Comparable companies for Malaysia</th> <th>Principal activities</th> <th>Market capitalisation as at the LPD RM'million</th> <th>3-year historical beta</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Y.S.P. Southeast Asia Holding Bhd</td> <td>Manufacturing of pharmaceutical products, import, export and trading in various kinds of pharmaceutical, traditional herbal and veterinary products</td> <td>335</td> <td>0.239</td> </tr> <tr> <td>2.</td> <td>Koitra Industries Berhad</td> <td>Developing, manufacturing and trading of pharmaceutical and healthcare products</td> <td>829</td> <td>0.639</td> </tr> </tbody> </table>	No.	Comparable companies for Malaysia	Principal activities	Market capitalisation as at the LPD RM'million	3-year historical beta	1.	Y.S.P. Southeast Asia Holding Bhd	Manufacturing of pharmaceutical products, import, export and trading in various kinds of pharmaceutical, traditional herbal and veterinary products	335	0.239	2.	Koitra Industries Berhad	Developing, manufacturing and trading of pharmaceutical and healthcare products	829	0.639
No.	Comparable companies for Malaysia	Principal activities	Market capitalisation as at the LPD RM'million	3-year historical beta														
1.	Y.S.P. Southeast Asia Holding Bhd	Manufacturing of pharmaceutical products, import, export and trading in various kinds of pharmaceutical, traditional herbal and veterinary products	335	0.239														
2.	Koitra Industries Berhad	Developing, manufacturing and trading of pharmaceutical and healthcare products	829	0.639														

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No	Parameters	Basis and assumptions	Description															
			<table border="1"> <thead> <tr> <th>No.</th> <th>Comparable companies for Indonesia</th> <th>Principal activities</th> <th>Market capitalisation as at the LPD IDR'million</th> <th>3-year historical beta</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>PT Darya-Varia Laboratoria Tbk</td> <td>Manufactures, trading, and distributing pharmaceuticals and related chemicals, as well as healthcare products</td> <td>2,206,400</td> <td>0.314</td> </tr> <tr> <td>2.</td> <td>PT Merck Tbk</td> <td>Manufacturing pharmaceutical products, distributing pharmaceutical raw materials, chemicals reagents, and medical instruments</td> <td>2,172,800</td> <td>0.704</td> </tr> </tbody> </table> <p>For information, the market capitalisation of Pharmaniaga as at the LPD is approximately RM432.4 million.</p> <p>There is no company listed on Bursa Securities or Indonesia Stock Exchange which is identical to Pharmaniaga in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospects. However, we view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of Pharmaniaga.</p> <p>As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the beta of the comparable companies and derived a simple average betas for the comparable companies which we then re-levered it based on the existing gearing ratio (latest audited NA and borrowings as at 31 December 2021) of the Pharmaniaga Group of 1.82 times.</p>	No.	Comparable companies for Indonesia	Principal activities	Market capitalisation as at the LPD IDR'million	3-year historical beta	1.	PT Darya-Varia Laboratoria Tbk	Manufactures, trading, and distributing pharmaceuticals and related chemicals, as well as healthcare products	2,206,400	0.314	2.	PT Merck Tbk	Manufacturing pharmaceutical products, distributing pharmaceutical raw materials, chemicals reagents, and medical instruments	2,172,800	0.704
No.	Comparable companies for Indonesia	Principal activities	Market capitalisation as at the LPD IDR'million	3-year historical beta														
1.	PT Darya-Varia Laboratoria Tbk	Manufactures, trading, and distributing pharmaceuticals and related chemicals, as well as healthcare products	2,206,400	0.314														
2.	PT Merck Tbk	Manufacturing pharmaceutical products, distributing pharmaceutical raw materials, chemicals reagents, and medical instruments	2,172,800	0.704														
5	Statutory corporate income tax rate	24.00% for Malaysia 22.00% for Indonesia	The latest statutory corporate income tax rate applicable to Pharmaniaga is 24.00% for Malaysia and 22.00% for Indonesia.															

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No	Parameters	Basis assumptions and	Description
6	Equity market risk premium ("EMRP")	8.01% for Malaysia 9.23% for Indonesia	<p>The equity market risk premium refers to an excess return that investing in an equity asset provides over a risk-free rate. This excess return compensates investors for taking on the relatively higher risk of equity investing.</p> <p>We have relied on the equity market risk premium for Malaysia and Indonesia as published in January 2023 by Professor Aswath Damodaran, who is an established Professor of Finance at the Stern School of Business at New York University. He has published various researches on equity risk premium since 2008 as well as other papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.</p>
7	Terminal growth rate ("g")	1.59% for Malaysia 3.59% for Indonesia	<p>Terminal value represents the present value of all FCFE of the pharmaceutical business beyond FYE 2032, which assumes that the FCFE of the pharmaceutical businesses grow at a constant rate to perpetuity. The terminal value is ascribed to the pharmaceutical businesses as they are assumed to operate on a going concern basis and is expected to sustain its operations in perpetuity.</p> <p>In ascribing the terminal value, we have adopted a terminal growth rate of 1.59% and 3.59% for its Malaysia and Indonesia operations, respectively which we view as reasonable and the terminal growth rates are the 10-year historical average inflation in Malaysia and Indonesia as extracted from World Bank Open Data. Notwithstanding that Pharmaniaga is classified as an affected listed issuer under PN17 of the MMLR, Pharmaniaga is assumed to be able to regularise its PN17 status and will operate on a going concern basis. In addition, an inherent risk premium of 3.5% had already been factored into the cost of equity used to derive the terminal value.</p> <p>The terminal value for the Pharmaniaga Group's businesses is computed based on the following formula:</p> $\text{Terminal value} = \frac{\text{FCFE for FYE 2027} \times (1 + g)}{(K_e - g)}$

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Based on the discounted FCFE of the Pharmaniaga Group, the estimated value of the Pharmaniaga Group is as follows:

	Low range RM'000	High range RM'000
Present value of Pharmaniaga's Malaysia operations ⁽¹⁾	640,330	693,280
Present value of Pharmaniaga's Indonesia operations ⁽¹⁾	57,979	63,143
Total estimated value of the Pharmaniaga Group	698,309	756,423
BHB's effective interest in the Pharmaniaga as at the LPD (%)	51.84	51.84
BHB's portion of equity value in the Pharmaniaga Group	361,971	392,095

Note:

(1) The present value of the Pharmaniaga Group is derived based on the following formula:

$$\text{Present value of FCFE} = \frac{\text{FCFE} + \text{Terminal value}}{(1 + K_e)^n}$$

Whereby, n represents number of years in the future.

Holders should note that the valuation in itself is highly dependent on, amongst others, the achievability of Pharmaniaga Future Financials as well as the materialisation of the bases and assumptions adopted therein. Holders should also note that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions adopted.

6.1.5 Trading, finance and investment division

The trading, finance and investment division of the BHB Group comprise the following:

- (i) petroleum business which involves owning and operating of the BHPetrol brand of retail petrol station network through BHB's 41.87% effective equity interest in BPM as at the LPD;
- (ii) finance business which involves in commercial, Islamic and investment banking, stock broking, life and general insurance business through BHB's effectively 20.93% equity interest in ABB as at the LPD;
- (iii) education business which involves provision of higher education via the University of Nottingham in Malaysia through BHB's 66.41% equity interest in UNIM;
- (iv) food and confectionery business which involves manufacturing and distribution of chocolates, sweets, confectionery and its related products through BHB's 24.68% effective equity interest in Cadbury Malaysia as at the LPD; and
- (v) other businesses comprising mainly investment holding companies, building products distributor, project management companies, air transportation service provider, and travel agent and tour operator.

The details for the valuation of the abovementioned businesses are set out in the ensuing sections.

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6.1.5.1 Petroleum business

The petroleum business of the BHB Group is entirely contributed by its subsidiary, BPM. BPM is principally involved in the sales and marketing of petroleum products to the retail and commercial sectors via its petrol station network under the brand name BHPetrol. In addition, BPM is also involved in the distribution of liquefied petroleum gas to households and commercial premises as well as the supply of lubricants for commercial and private vehicles. As at 31 December 2022, the unaudited NA of BPM is approximately RM632.2 million.

In arriving at the estimated value of the petroleum business of the BHB Group, we have adopted the DCF valuation methodology as our valuation methodology. The DCF valuation methodology is based on the theory that the value of an asset or business depends on its future cash flows which are discounted to present value, and is able to effectively factor in both the time value of money and the future cash flows to be generated over a specified period of time.

We are of the view that this is the most appropriate valuation methodology to estimate the fair value of the petroleum business as BPM has consistently generated positive cash flows from its operating activities for the past 5 FYEs.

As the methodology entails the discounting of future cash flows to be generated at a specified discount rate to arrive at the present value, the riskiness of generating such cash flows is also taken into consideration.

We have relied on the future financial information of BPM's business which was prepared by the management of BPM ("**BPM Future Financials**") on a best-effort basis to derive the fair estimated value of the petroleum business of the BHB Group.

In view that the contribution of Boustead Petroleum Sdn Bhd, the holding company of BPM, within the petroleum business is insignificant, and is not likely to materially affect the value of the petroleum business of the Group, we did not take into consideration its contribution in our valuation of the petroleum business.

We have considered and evaluated the key bases and assumptions adopted in the BPM Future Financials and are satisfied that the key bases and assumptions adopted in the preparation of the BPM Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. The BPM Future Financials, together with the bases and assumptions adopted therein, have been reviewed and approved by the board of directors of BPM. The key bases and assumptions adopted in the preparation of the BPM Future Financials are as follows:

- (i) the operating businesses will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) out of the unaudited cash and bank balance of BPM of RM124.5 million as at 31 December 2022, RM100.6 million is estimated to be surplus cash not used in the business operations of BPM;
- (iii) there will not be any significant or material change in the principal activities of BPM;
- (iv) there will not be any significant or material increase in costs which are expected to have a material adverse effect on the financial results, cash flows or business prospects of BPM;
- (v) there will not be any major disruptions to the business operations which have a material adverse impact on the financial results, cash flows or business prospects of BPM;

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- (vi) there will not be any significant or material changes to the agreements, contracts, approvals, licences, permits and regulations governing BPM's operations;
- (vii) the current accounting policies adopted by BPM will remain relevant and there will not be any significant changes in the accounting policies of BPM which have a material adverse effect on the financial performance and financial position of BPM; and
- (viii) there will not be any significant or material changes in political, social and/or economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the petroleum industry in Malaysia and applicable tax regimes or tax rates.

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In order to derive the estimated value of BPM, we have discounted the projected FCFE to be generated at an appropriate cost of equity which represents the required rate of return by its equity holders. Our valuation, together with the key bases and assumptions, are as follows:

No.	Parameters	Basis and assumptions	Description
1	FCFE	Based on the BPM Future Financials from FYE 2023 to FYE 2027	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration, amongst others, all operating expenses, movements in working capital, net investing cash flows, net repayment of borrowings as well as interest expenses.</p> <p>The FCFE is discounted at an appropriate cost of equity which represents the required rate of return by the equity holders of BPM.</p> <p>We have reviewed the key bases and assumptions adopted in the BPM Future Financials in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD. As such, we have relied upon the BPM Future Financials prepared by the management of BPM.</p>
2	Cost of equity ("K _e ")	11.16% to 12.16%	<p>The cost of equity represents the expected or required rate of return on equity by the equity holders.</p> <p>The cost of equity is derived using the capital asset pricing model as shown below:</p> $K_e = R_f + [\beta \times EMRP] \text{ (as defined below)}$ <p>We have adopted a sensitivity of +/- 0.5% to the K_e computed to arrive at a range as the computation of K_e is based on the assumed R_f, β and EMRP adopted and each of these components are dependent on the assumptions made and are sensitive to changes in factors including time period, government policies, market volatility and economic conditions and it is a common market practice to sensitise the valuation based on prevailing economic conditions.</p>
3	Risk-free rate of return ("R _f ")	3.87%	<p>The risk-free rate of return represents the expected rate of return from a risk-free investment. We have relied on the yield of the 10-year Malaysian Government Securities as extracted from BNM as at the LPD as this represents the closest available approximation of a risk-free investment in Malaysia.</p>

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No.	Parameters	Basis and assumptions	Description															
4	Beta ("β")	Re-levered beta of 0.97	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier compared to the market and a beta of lower than 1 signifies that the asset is less risky as compared to the market.</p> <p>In deriving the estimated beta, we have relied on the 3-year historical beta up to the LPD of the comparable companies.</p> <p>We have selected the comparable companies based on the following criteria:</p> <ul style="list-style-type: none"> (i) principally involved in the marketing of petroleum products in Malaysia; and (ii) listed on Bursa Securities <table border="1" data-bbox="778 188 1061 1323"> <thead> <tr> <th data-bbox="778 1240 810 1323">No.</th> <th data-bbox="778 1025 810 1240">Comparable companies</th> <th data-bbox="778 786 810 1025">Principal activities</th> <th data-bbox="778 344 810 786">Market capitalisation as at the LPD RM'million</th> <th data-bbox="778 188 810 344">3-year historical beta</th> </tr> </thead> <tbody> <tr> <td data-bbox="810 1240 842 1323">1.</td> <td data-bbox="810 1025 842 1240">Petronas Dagangan Berhad</td> <td data-bbox="810 786 842 1025">Sales and purchases of petroleum products to the retail and commercial sectors and aviation fueling services, technical services</td> <td data-bbox="810 344 842 786">21,876</td> <td data-bbox="810 188 842 344">0.648</td> </tr> <tr> <td data-bbox="842 1240 874 1323">2.</td> <td data-bbox="842 1025 874 1240">Petron Malaysia Refining & Marketing Berhad</td> <td data-bbox="842 786 874 1025">Manufacturing and marketing of petroleum products in Peninsular Malaysia.</td> <td data-bbox="842 344 874 786">1,220.4</td> <td data-bbox="842 188 874 344">1.153</td> </tr> </tbody> </table> <p>There is no company listed on Bursa Securities which is identical to BPM in terms of, amongst others, the composition of business activities, geographical location of operations, historical performance, risk profile, customer profile and future prospects. However, we view that the identified companies are reasonable to be adopted for the purpose of deriving the estimated beta of BPM.</p>	No.	Comparable companies	Principal activities	Market capitalisation as at the LPD RM'million	3-year historical beta	1.	Petronas Dagangan Berhad	Sales and purchases of petroleum products to the retail and commercial sectors and aviation fueling services, technical services	21,876	0.648	2.	Petron Malaysia Refining & Marketing Berhad	Manufacturing and marketing of petroleum products in Peninsular Malaysia.	1,220.4	1.153
No.	Comparable companies	Principal activities	Market capitalisation as at the LPD RM'million	3-year historical beta														
1.	Petronas Dagangan Berhad	Sales and purchases of petroleum products to the retail and commercial sectors and aviation fueling services, technical services	21,876	0.648														
2.	Petron Malaysia Refining & Marketing Berhad	Manufacturing and marketing of petroleum products in Peninsular Malaysia.	1,220.4	1.153														

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No.	Parameters	Basis and assumptions	Description
5.	Statutory corporate income tax rate	24.00%	<p>The latest statutory corporate income tax rate applicable to BPM is 24.00%.</p>
6.	Equity market risk premium ("EMRP")	8.01%	<p>The equity market risk premium refers to an excess return that investing in an equity asset provides over a risk-free rate. This excess return compensates investors for taking on the relatively higher risk of equity investing.</p> <p>We have relied on the equity market risk premium for Malaysia and Indonesia as published in January 2023 by Professor Aswath Damodaran, who is an established Professor of Finance at the Stern School of Business at New York University. He has published various researches on equity risk premium since 2008 as well as other papers in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies.</p>

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No.	Parameters	Basis and assumptions	Description
7.	Terminal growth rate ("g")	4.00%	<p>Terminal value represents the present value of all FCFE of BPM beyond FYE 2027, which assumes that the FCFE of BPM grows at a constant rate to perpetuity. The terminal value is ascribed BPM as it is assumed to operate on a going concern basis and is expected to sustain its operations in perpetuity.</p> <p>In ascribing the terminal value, we have adopted a terminal growth rate of 4.00% on the FCFE, which we view as reasonable after taking into consideration, amongst others, the long-term growth prospects of BPM. The company has allocated funds as capital expenditure to be incurred during the projection period for the purpose of, amongst others, establishment of approximately 15 to 20 new petrol stations per annum in Malaysia as part of its growth strategy. The company anticipates that it will allow for a growth of approximately 4.00% per annum moving forward.</p> <p>The terminal value for BPM is computed based on the following formula:</p> $\text{Terminal value} = \frac{\text{FCFE for the FYE 2027} \times (1 + g)}{(K_e - g)}$

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Based on the discounted FCFE of BPM, we then derived the estimated value of BPM in the following manner:

	Low range RM'000	High range RM'000
Total present value of FCFE ⁽¹⁾	1,319,727	1,366,187
Add: Surplus cash as at 31 December 2022 (unaudited)	100,549	100,549
Estimated value of BPM	1,420,276	1,466,736
BHB's effective interest in BPM as at the LPD (%)	41.87	41.87
BHB's portion of equity value in BPM	594,689	614,142

Note:

(1) The present value of petroleum business is derived based on the following formula:

$$\text{Present value of FCFE} = \frac{\text{FCFE} + \text{Terminal value}}{(1 + K_e)^n}$$

Whereby, n represents number of years in the future.

Holders should note that the valuation in itself is highly dependent on, amongst others, the achievability of BPM Future Financials as well as the materialisation of the bases and assumptions adopted therein. Holders should also note that the valuation may be materially or adversely affected should the actual results or events differ from any of the bases and assumptions adopted.

6.1.5.2 Finance business

The finance business of the BHB Group is mainly contributed by its associate, ABB. As at the LPD, BHB holds has an effective interest of approximately 20.93% in ABB. ABB is principally involved in banking and related financial services. Through its subsidiaries, ABB is also involved in Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management, property management services, nominee and trustee services.

ABB is a public listed company on the Main Market of Bursa Securities. As at the LPD, the market capitalisation of ABB is RM4,570.5 million, which is below the unaudited shareholders' equity of ABB as at 31 December 2022 of RM10,750.5 million. We further noted that from ABB's announcement dated 13 April 2023 and the Press Notice, LTAT had on 13 April 2023 divested 112,558,000 ordinary shares in ABB ("**ABB Shares**"), at a total cash consideration of RM221.7 million (RM1.97 per ABB Share) to State Financial Secretary Sarawak via a direct business transaction.

We did not adopt the market price of ABB for the purpose of our valuation in view that the market value was significantly lower than the implied fair value of ABB based on the PBR multiple.

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For the FYE 2022, ABB contributed to approximately 99.8% of the Group's finance business in terms of PBTZ as set out below:

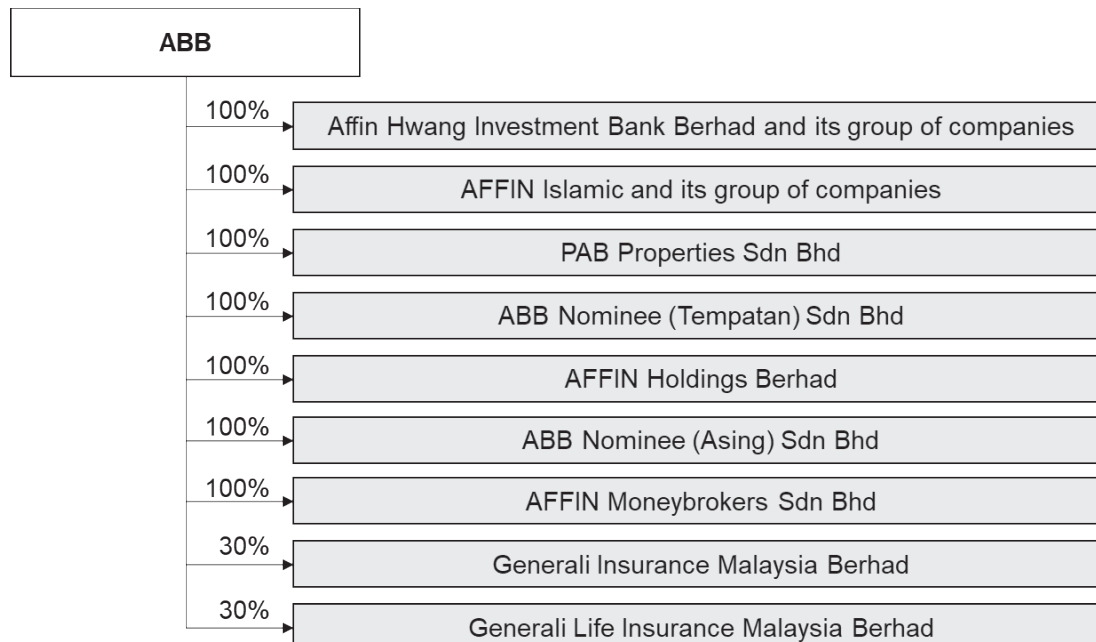
Unaudited FYE 2022	PBTZ attributable to the BHB Group	
	RM'million	%
ABB	246.6	98.8
Other companies within finance business	0.6	0.2
Total	247.2	100.00

Therefore, we have conducted valuation on ABB to arrive at the estimated value of the finance business of the BHB Group.

The other businesses within the finance business include, amongst others, hire purchase and lease financing. In view that contribution from these other businesses to the finance business of the BHB Group is insignificant, and is not likely to materially affect the value of the finance business of the BHB Group, we did not take into consideration its contribution in our valuation of the finance business.

In arriving at the estimated value of ABB, we have adopted the PBR multiple. The PBR multiple is a valuation measure that compares the market value of a company's equity (as represented by market capitalisation) to its book value. This measure provides an indication of the expected market value of the company as a multiple to its book value.

For information, the group structure of ABB Group is set out as below:



We are of the view that the PBR is the most appropriate valuation methodology for ABB due to, amongst others, the following:

- (i) We have adopted the PBR valuation methodology in arriving at the estimated value of ABB in view that ABB Group constitutes financial entities.

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For a financial entity, the NA size can be an important driver of future potential earnings and hence its valuation given that the size of the NA would, amongst other, determine the scale of financing activities for the financial entity to undertake. Further, the assets of financial entities are largely in the form of financial assets such as loans, government and corporate bonds and equity investments, whereby these assets as well as the investment financial entities' liabilities are recorded at current market values as at the balance sheet date as reported in the financial entities' audited financial statements.

As at 31 December 2022, more than 90% of ABB's unaudited total assets comprise of cash, deposits, financial assets and loans. The book values of such assets are expected to be close to the market value.

We are of the view that the **carrying values of these assets are expected to approximate to their fair value** after taking into consideration, amongst others, the nature of cash and deposits which are expected to be relatively liquid as well as the annual impairment review on the financial assets and loans being conducted on the carrying value of these assets. ABB has provided allowance for impairment losses on financing and other financing as well as impairment losses on other assets. Based on information made available, as at the LPD, we are of the view that there is no indication of potential impairment which may be required on the carrying values of these assets as at 31 December 2022.

Premised on the above, we are of the view that the PBR approach would be most appropriate valuation methodology to value ABB;

- (ii) We did not select the DCF valuation methodology in view that ABB's operations, in particular the lending business, is sensitive to economic conditions, regulatory environment and monetary policies which cannot be reliably forecasted. The PBR multiple is more likely to reflect the current sentiment of the market; and
- (iii) We have also not selected the RNAV valuation methodology as RNAV values a company after takes into consideration any surplus and/or deficit arising from the revaluation of the material assets of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on a willing buyer-willing seller basis. It is more suitable for valuation of property development, property investment and heavy asset-based companies.

In our analysis, we have selected the comparable companies based on the following criteria:

- (i) principally operates in the banking industry;
- (ii) listed on Bursa Securities; and
- (iii) NA of between RM5.0 billion to RM20.0 billion based on the respective companies' latest published audited financial statements, as companies within this range are more comparable in terms of size to ABB, whose consolidated NA as at 31 December 2022 was approximately RM10.8 billion.

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Based on the selection criteria above, we have identified the following comparable companies (“**ABB Comparable Companies**”):

ABB Comparable Companies	Principal activities
AMMB Holdings Berhad	AMMB Holdings Berhad is an investment holding company. The company, through its subsidiaries, provides merchant and commercial banking, retail financing, stock and futures broking, and investment advisory. It also underwrites general insurance, provides asset and unit trust management, and nominees services.
Bank Islam Malaysia Berhad	Bank Islam Malaysia Berhad operates as an Islamic bank. The company offers deposit accounts, financing products, electronic banking, wealth management, financing trading and treasury services.
Alliance Bank Malaysia Berhad	Alliance Bank Malaysia Berhad provides a full range of commercial banking services for retail and institutional customers. The bank offers savings and current accounts, fixed deposits, investments, loans, insurance, wealth management, phone banking and business cards.

(Source: Bloomberg L.P.)

We wish to highlight that the ABB Comparable Companies have been selected on a best-effort basis and may not be directly comparable to the finance business of the BHB Group due to various subjective factors which include, amongst others, composition of business activities, size of the business, geographical coverage, financial track record, risk profile, marketability and liquidity. The list of ABB Comparable Companies is by no means exhaustive.

The PBR of the ABB Comparable Companies as at the LPD are set out below:

ABB Comparable Companies	Financial year ended	Market capitalisation RM'million	(1) NA RM'million	(2) PBR times
AMMB Holdings Berhad	31 March 2022	12,269	17,959	0.68
Bank Islam Malaysia Berhad	31 December 2021	4,802	6,400	0.75
Alliance Bank Malaysia Berhad	31 March 2022	5,171	6,417	0.81
			Average:	0.75
			Low:	0.68
			High:	0.81

(Source: Bloomberg L.P., and the latest published audited financial statements of the respective ABB Comparable Companies as at the LPD)

Notes:

- (1) Based on the latest published audited financial statements of the respective ABB Comparable Companies as at the LPD.
- (2) Computed based on the market capitalisation as at the LPD divided by the latest published audited consolidated NA as at the LPD.

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Based on the low and high PBRs of the ABB Comparable Companies and the unaudited consolidated NA of ABB as at 31 December 2022, the estimated value of ABB is as follows:

	Low range RM'000	High range RM'000
Unaudited consolidated NA of ABB as at 31 December 2022	10,750,528	10,750,528
PBR of the ABB Comparable Companies (times)	0.68	0.81
Estimated value of ABB	7,344,674	8,662,970
BHB's effective interest in ABB as at the LPD (%)	20.93	20.93
BHB's portion of equity value in ABB	1,537,109	1,813,005

The estimated value of ABB of between RM7,344.7 million and RM8,663.0 million above represents a value of between RM3.23 and RM3.81 per ABB Share based on 2,273.9 million ABB Shares in issue as at the LPD.

6.1.5.3 Education business

The education business of the BHB Group is contributed by its involvement in the University of Nottingham Malaysia through its subsidiary, UNIM. As at the LPD, BHB has an effective interest of approximately 66.41% in UNIM. As at 31 December 2022, the unaudited NA of UNIM is approximately RM319.8 million.

In arriving at the estimated value of UNIM, we had initially considered EV/EBITDA as our valuation methodology due to the following consideration:

- (i) the EV/EBITDA is more likely to reflect the current sentiment of the market; and
- (ii) the EBITDA measures the recurring earnings from the continuing operations. UNIM has generated positive EBITDA for the past 5 FYEs.

However, the implied fair value of UNIM based on the EV/EBITDA valuation methodology was lower than the unaudited NA of UNIM as at 31 December 2022. As such, we have relied on unaudited NA of UNIM as 31 December 2022 as the fair value of UNIM, after taking into consideration:

- (i) the NA of UNIM has also been consolidated in the unaudited consolidated financial statements of BHB for the FYE 2022; and
- (ii) although property assets of UNIM constitute a large percentage (i.e. about 81.0%) of the unaudited total assets of UNIM as at 31 December 2022, no recent valuations have been conducted by independent valuers for these assets. Such property assets are also immaterial as compared to unaudited total assets of BHB Group of RM15,924.6 million as at 31 December 2022. Premised on this, we are of the view that any differences arising between the market value and carrying value of the property assets of UNIM are not expected to be material.

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The value of the UNIM based on its unaudited NA as at 31 December 2022 and BHB's effective equity interest in UNIM is as follows:

	RM'000
Unaudited NA of UNIM as at 31 December 2022	319,764
BHB's effective interest in UNIM as at the LPD (%)	66.41
BHB's portion of equity value in UNIM	<u>212,355</u>

6.1.5.4 Food and confectionery business

The food and confectionery business of the BHB Group is mainly contributed by its involvement in the manufacturing and distribution of chocolates, sweets, confectionery and any other related products under the brand name Cadbury through Cadbury Malaysia. Therefore, we have conducted valuation on Cadbury Malaysia to arrive at the estimated value of the food and confectionery business of the BHB Group. As at the LPD, BHB has an effective interest of approximately 24.68% in Cadbury Malaysia. As at 31 December 2022, the unaudited consolidated NA of Cadbury Malaysia is approximately RM163.0 million.

In arriving at the estimated value for Cadbury Malaysia, we have adopted the PER multiple. The PER is an earning-based valuation methodology which compares the market value of a company to its net profit. A relative valuation methodology such as PER essentially values the subject matter against the valuation benchmark of comparable companies, premised on the fact that similar companies provide a relevant reference point for valuation due to the fact that, amongst others, they operate a broadly similar business and have broadly similar financial characteristics.

We are of the view that the PER is the most appropriate valuation methodology for Cadbury Malaysia due to, amongst others, the following:

- (i) the PER is a common and acceptable valuation metric which estimates a company's market value based on its PAT relative to its peers;
- (ii) the PER is more likely to reflect the current sentiment of the market;
- (iii) the value of the food and confectionery business is more likely to be derived from its future earnings of its business operations instead of its assets. Hence, we did not evaluate the food and confectionery business using NA or RNAV valuation methodologies as they are mainly used for valuations of asset-based companies; and
- (iv) we did not select DCF valuation methodology as it is more appropriate for companies with a set projected cash inflow and outflow that can be estimated with reasonable high level of certainty. At this point, the management of the BHB Group is unable to reliably project the food and confectionery business' future sales given that there is no long-term contract with its customers and the food and confectionery business' future performance is dependent on market conditions and consumer preferences.

In our analysis, we have selected the comparable companies based on the following criteria:

- (i) principally operates in the food and confectionery industry with at least 50% of the total revenue derived from chocolates, sweets and/or confectionery, based on the respective companies' latest published audited financial statements; and
- (ii) listed on Bursa Securities.

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Based on the selection criteria above, we have identified the following comparable companies (“Food Comparable Companies”):

Food Comparable Companies	Principal activities
Apollo Food Holdings Berhad	Apollo Food Holdings Berhad is an investment holding company. Through its subsidiaries, the company manufactures, trades, markets, and distributes compound chocolates and chocolate confectionery products and cakes.
Oriental Food Industries Holdings Berhad	Oriental Food Industries Holdings Berhad is an investment holding company. Through its subsidiaries, the company manufactures, markets and sells snack food and confectioneries. It also manufactures and wholesales candies, chocolate products, fish fillets and other preserved foods.
Hup Seng Industries Berhad	Hup Seng Industries Berhad is an investment holding company. Through its subsidiaries, the company manufactures, sells, and distributes biscuits, confectioneries, and other foodstuffs.

(Source: Bloomberg L.P.)

We wish to highlight that the Food Comparable Companies have been selected on a best-effort basis and may not be directly comparable to the food and confectionery business of the BHB Group due to various subjective factors which include, amongst others, composition of business activities, products, size of the business, geographical coverage, financial track record, risk profile, marketability and liquidity. The list of Food Comparable Companies is by no means exhaustive.

The PER of the Food Comparable Companies as at the LPD are set out below:

Food Comparable Companies	Financial year ended	Market capitalisation RM'million	(1) (2) Revenue RM'million	(2) PAT RM'million	(3) PER times
Apollo Food Holdings Berhad	30 April 2022	324.00	188.01	9.97	32.49
Oriental Food Industries Holdings Berhad	31 March 2022	254.40	288.12	18.16	14.01
Hup Seng Industries Berhad	31 December 2021	568.00	441.70	27.24	20.85
				Average:	22.45
				Low:	14.01
				High:	32.49

(Source: Bloomberg L.P., and the latest published audited financial statements of the respective Food Comparable Companies as at the LPD)

Notes:

- (1) Revenue derived from chocolates, sweets and/or confectionery, based on the respective companies' latest published audited financial statements. For information, the unaudited revenue of Cadbury Malaysia for the FYE 2022 was approximately RM478.4 million.
- (2) Based on the latest published audited financial statements of the respective Food Comparable Companies as at the LPD.
- (3) Computed based on the market capitalisation as at the LPD divided by the latest published audited consolidated PAT as at the LPD.

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Based on the average PER of the Food Comparable Companies and the unaudited PAT of Cadbury Malaysia for the FYE 2022, the estimated range of fair value of Cadbury Malaysia is as follows:

	Low range RM'000	High range RM'000
Unaudited PAT of Cadbury Malaysia for the FYE 2022	33,648	33,648
Average PER of the Food Comparable Companies (times)	22.45	22.45
Fair value of Cadbury Malaysia	755,403	755,403
Illiquidity discount of 20.00% to 30.00% ⁽¹⁾	(226,621)	(151,081)
Adjusted fair value of Cadbury Malaysia	528,782	604,322
BHB's effective interest in Cadbury Malaysia as at the LPD (%)	24.68	24.68
BHB's portion of equity value in Cadbury Malaysia	130,500	149,142

Note:

- (1) In arriving at our valuation for the Group's food and confectionery business, we have applied an illiquidity discount of 20.00% and 30.00% for the high and low range of the fair value of Cadbury Malaysia, respectively. The estimated illiquidity discount was estimated upon taking into consideration, amongst others, the unlisted status of Cadbury Malaysia and that BHB only holds an effective equity interest of approximately 24.68% in Cadbury Malaysia. We have relied on the illiquidity discount of 20.00% and 30.00% as published by Professor Aswath Damodaran in his publication titled "*Marketability and Value: Measuring the Illiquidity Discount*".

6.1.5.5 Other businesses

The other businesses entail the Group's involvement in, amongst others, air transportation, flight services and investment holding. We did not conduct any valuation on the other business as the resulting outcome is not expected to have a material impact to the estimated value of the Group in view that as at 31 December 2022, the total unaudited NA of the other business of RM125.6 million constituted less than 5.00% of the Group's unaudited consolidated NA as at 31 December 2022 of RM3.3 billion.

In view of the above, we have adopted the latest unaudited NA of the other business as at 31 December 2022 of RM125.6 million as the value of the said business.

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6.2 SOPV of BHB Shares

Based on the SOPV methodology, the estimated value of the BHB Group is as follows:

Divisions	Valuation methodologies	Low range RM'million	High range RM'million
Property and industrial			
- Property	RNAV	1,452.40	1,452.40
- Industrial	DCF and NBV	409.89	446.37
Plantation	Market value	926.02	926.02
Heavy industries	RNAV and NA	(575.58)	(575.58)
Pharmaceutical	DCF	361.97	392.10
Trading, finance and investment			
- Petroleum business	DCF	594.69	614.14
- Finance business	PBR	1,537.11	1,813.01
- Education business	NA	212.36	212.36
- Food and confectionery business	PER	130.50	149.14
- Other business	NA	125.62	125.62
Total value		5,174.98	5,555.58
Less: BHB (company level) adjusted net unaudited liabilities as at 31 December 2022 ⁽¹⁾		(2,006.00)	(2,006.00)
Value of the BHB Group		3,168.98	3,549.58
Number of BHB Shares as at the LPD ('million)		2,026.99	2,026.99
Estimated value per BHB Share (RM)		1.563	1.751

Note:

- (1) The adjustments made to derive BHB's company level adjusted unaudited net liabilities as at 31 December 2022 are as follows:

	Unaudited as at 31 December 2022 RM'million
Net assets	2,084.6
Less: Perpetual sukuk	(609.8)
Investment in subsidiaries	(2,381.3)
Investment in associated companies	(1,057.1)
Investment in joint ventures	(42.4)
Adjusted net liabilities	(2,006.0)

Based on the above, the Offer Price represents a **discount** of 45.30% to 51.17% to the estimated value of between RM1.563 and RM1.751 per BHB Share.

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Our view on the fairness of the Offer

Based on our evaluation in **Section 6** of this IAL, the Offer Price of RM0.855 is lower than and represents a **discount** of RM0.708 and RM0.896 or approximately 45.30% to 51.17% to the estimated value per BHB Share ranging between RM1.563 and RM1.751 derived using the SOPV methodology. Hence, we are of the view that the Offer is **NOT FAIR**.

The Holders are advised to read the ensuing sections of this IAL for a comprehensive evaluation of the Offer and not to rely on the valuation of BHB Shares derived based on the SOPV methodology as the sole criteria when assessing the Offer.

7. REASONABLENESS OF THE OFFER

7.1 Historical market price analysis of BHB Shares

In evaluating the Offer, we have taken into consideration the movement of the closing market prices of BHB Shares over the past 12 months up to the LTD and up to and including the LPD as depicted below:



(Source: Bloomberg L.P.)

No.	Date	Announcement
(1)	April 2022	<ul style="list-style-type: none"> On 29 April 2022, BHB, BPlant, Pharmaniaga and BHIC released their respective 2021 annual reports.

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No.	Date	Announcement
(2)	May 2022	<ul style="list-style-type: none"> On 20 May 2022, Pharmaniaga announced its first quarter consolidated results for the FPE 31 March 2022, whereby Pharmaniaga recorded an unaudited PBTZ of RM37.4 million for the 3-month FPE 31 March 2022 as compared to an unaudited PBTZ of RM31.5 million for the 3-month FPE 31 March 2021. On 23 May 2022, BPlant announced its first quarter consolidated results for the FPE 31 March 2022, whereby BPlant recorded an unaudited PBTZ of RM509.5 million for the 3-month FPE 31 March 2022 as compared to an unaudited PBTZ of RM19.3 million for the 3-month FPE 31 March 2021. On 24 May 2022, BHIC announced its first quarter consolidated results for the FPE 31 March 2022, whereby BHIC recorded an unaudited profit before taxation ("PBT") of RM9.0 million for the 3-month FPE 31 March 2022 as compared to an unaudited loss before taxation ("LBT") of RM0.7 million for the 3-month FPE 31 March 2021. On 27 May 2022, BHB announced its first quarter consolidated results for the FPE 31 March 2022, whereby BHB recorded an unaudited PBTZ of RM683.1 million for the 3-month FPE 31 March 2022 as compared to an unaudited PBTZ of RM121.3 million for the 3-month FPE 31 March 2021. On 30 May 2022, BHB announced that, in relation to the litigation involving BHB and Bakti Wira Development Sdn Bhd ("Bakti Wira"), a subsidiary of BHB, on 27 May 2022, the Federal Court dismissed the leave application filed by the plaintiff with costs of RM30,000.00 to be paid by the plaintiff to BHB and Bakti Wira ("Federal Court's Decision").
(3)	June 2022	<ul style="list-style-type: none"> On 2 June 2022, BHB announced that BNS and the Ministry of Defence, Malaysia have entered into a supplementary contract to remobilise the contract for the design, construct, equip, install, commission, integrate, test and trials, and deliver 6 units of Second Generation Patrol Vessels with LCS capability for the Royal Malaysia Navy ("RMN"), amongst others, to resume payment to creditors.
(4)	July 2022	<ul style="list-style-type: none"> On 14 July 2022, BHIC announced that Boustead DCNS Naval Corporation Sdn Bhd had, on 14 July 2022, accepted Additional Letter of Acceptance from Ministry of Defence, Malaysia for another extension of the for provision of the In-Service Support for Prime Minister's Class Submarines for the RMN period for 9 months, starting 1 January 2022 to 30 September 2022 for a value of RM79,316,254.00.

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No.	Date	Announcement
(5)	August 2022	<ul style="list-style-type: none"> On 16 August 2022, BHB announced that the conditions precedent of the share sale agreement with UON Holding (Malaysia) Sdn Bhd (“UON”) for the proposed disposal of 66.41% stake held by BHB in UNIM to UON remained unfulfilled in their respective terms at the end of 16 August 2022. Accordingly, BHB and UON have mutually accepted and agreed that the share sale agreement shall be deemed to have lapsed and be no effect and the share sale agreement is accordingly terminated. On 19 August 2022, Pharmaniaga announced its second quarter consolidated results for the FPE 30 June 2022, whereby Pharmaniaga recorded an unaudited PBTZ of RM42.0 million for the 6-month FPE 30 June 2022 as compared to an unaudited PBTZ of RM53.8 million for the 6-month FPE 30 June 2021. On 23 August 2022, BPlant announced its second quarter consolidated results for the FPE 30 June 2022, whereby BPlant recorded an unaudited PBTZ of RM621.2 million for the 6-month FPE 30 June 2022 as compared to an unaudited PBTZ of RM83.3 million for the 6-month FPE 30 June 2021. On 25 August 2022, BHIC announced its second quarter consolidated results for the FPE 30 June 2022, whereby BHIC recorded an unaudited PBT of RM9.2 million for the 6-month FPE 30 June 2022 as compared to an unaudited PBT of RM14.9 million for the 6-month FPE 30 June 2021. On 26 August 2022, BHB announced its second quarter consolidated results for the FPE 30 June 2022, whereby BHB recorded an unaudited PBTZ of RM953.6 million for the 6-month FPE 30 June 2022 as compared to an unaudited PBTZ of RM202.5 million for the 6-month FPE 30 June 2021.
(6)	September 2022	<ul style="list-style-type: none"> On 2 September 2022, BHB announced that BNS had served a notice to Contraves Advanced Devices Sdn Bhd (“CAD”) and Contraves Electrodynamics Sdn Bhd (“CED”), a subsidiary of CAD, notifying that that the various letters of award issued by BNS to CAD and/or CED pertaining to, amongst others, procurement, engineering, integration and supply of combat management system, fire control, communication system, ammunition, radars, torpedos and missiles in relation to the contract for the design, construct, equip, install, commission, integrate, test, trials and deliver of the 6 units of Second Generation Patrol Vessels with LCS capability for the RMN are void. On 12 September 2022, BHIC announced that, on 12 September 2022, BHIC Bofors Asia Sdn Bhd (“BBA”), a joint venture company of BHIC, accepted a letter of acceptance from the Ministry of Defence, Malaysia dated 1st September 2022 awarding BBA a contract for the supply and delivery of spares, maintenance and training for RMN’s Bofors 57MM/L70 Gun at a contract value of RM15.72 million (excluding Goods and Services Tax) for a period of 3 years.
(7)	October 2022	<ul style="list-style-type: none"> On 4 October 2022, BHB announced that on 27 September 2022, CAD and CED has filed a Writ of Summons and Statement of Claim against BNS, BHIC, BHICDT, (Dr.) Salihin Abang (a nominee director of BHICDT in CAD and CED) and Vice Admiral Dato’ Syed Zahiruddin Putra Syed Osman (Retired) (a nominee director of BHICDT in CAD). On 7 October 2022, BHB announced that the applicant had on 3 June 2022, filed an application to the Federal Court seeking a review of the Federal Court’s Decision (“Review Application”). On 6 October 2022, the Federal Court dismissed the Review Application and awarded costs of RM25,000.00 to be paid by the applicant to BHB and Bakti Wira.

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No.	Date	Announcement
(8)	November 2022	<ul style="list-style-type: none"> On 22 November 2022, BPlant announced its third quarter consolidated results for the FPE 30 September 2022, whereby BPlant recorded an unaudited PBTZ of RM619.1 million for the 9-month FPE 30 September 2022 as compared to an unaudited PBTZ of RM207.6 million for the 9-month FPE 30 September 2021. On 25 November 2022, BHIC announced its third quarter consolidated results for the FPE 30 September 2022, whereby BHIC recorded an unaudited PBT of RM10.8 million for the 9-month FPE 30 September 2022 as compared to an unaudited PBT of RM29.6 million for the 9-month FPE 30 September 2021. On 29 November 2022, BHB announced its third quarter consolidated results for the FPE 30 September 2022, whereby BHB recorded an unaudited PBTZ of RM1,032.0 million for the 9-month FPE 30 September 2022 as compared to an unaudited PBTZ of RM442.4 million for the 9-month FPE 30 September 2021.
(9)	December 2022	<ul style="list-style-type: none"> On 24 December 2022, Pharmaniaga announced its third quarter consolidated results for the FPE 30 June 2022, whereby Pharmaniaga recorded an unaudited PBTZ of RM57.5 million for the 9-month FPE 30 September 2022 as compared to an unaudited PBTZ of RM152.0 million for the 9-month FPE 30 September 2021. On 29 December 2022: <ol style="list-style-type: none"> BHB announced interim dividend of 1.5 sen for the FYE 2022; and Pharmaniaga announced that Pharmaniaga Logistics Sdn Bhd, a subsidiary of Pharmaniaga, has received a letter from the MoH informing that Jawatankuasa Kerjasama Awam Swasta has agreed to extend the interim period for the provision of medicines and medical supplies to MoH facilities for an additional period of 6 months up to 30 June 2023, pending the finalisation of the new concession agreement.
(10)	February 2023	<ul style="list-style-type: none"> On 21 February 2023, BPlant announced its fourth quarter consolidated results for the FPE 31 December 2022, whereby BPlant recorded an unaudited PBTZ of RM729.0 million for the FYE 2022 as compared to an unaudited PBTZ of RM344.8 million for the FYE 2021. On 24 February 2023, BHIC announced its fourth quarter consolidated results for the FPE 31 December 2022, whereby BHIC recorded an unaudited LBT of RM9.8 million for the FYE 2022 as compared to an unaudited PBT of RM18.3 million for the FYE 2021. On 27 February 2023, Pharmaniaga announced: <ol style="list-style-type: none"> announced its fourth quarter consolidated results for the FPE 31 December 2022, whereby Pharmaniaga recorded an unaudited LBTZ of RM580.8 million for the FYE 2022 as compared to an unaudited PBTZ of RM277.1 million for the FYE 2021; and made the first announcement that Pharmaniaga has been classified as an affected listed issuer under PN17 of the MMLR on 27 February 2023. On 28 February 2023, BHB announced its fourth quarter consolidated results for the FPE 31 December 2022, whereby BHB recorded an unaudited PBTZ of RM445.9 million for the FYE 2022 as compared to an unaudited PBTZ of RM760.7 million for the FYE 2021.
(11)	March 2023	<ul style="list-style-type: none"> On 2 March 2023, the Board received the Notice.

Save for the above announcements made by BHB, there is no fundamental change to the business of the BHB Group or announcements of material development affecting BHB and/or its share price for the relevant period illustrated in the above historical share price graph. For the period from 3 March 2023, being the next Market Day after the receipt of the Notice until the LPD, the market prices of BHB Shares had been trending upwards and closer to the Offer Price. Nonetheless, this may not be an indication of future market price performance of BHB

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Shares which may be influenced by, amongst others, the performance and prospects of BHB Group, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors. In addition, notwithstanding that the share price of BHB may have fluctuated in response to the release of the above announcements by BHB and its listed subsidiaries, we note that the share price of BHB has not traded above the Offer Price over the past 12 months up to the LTD.

Based on the graph above, we noted that:

- (i) for the past 12 months up to and including 1 March 2023, being the LTD, BHB Shares has traded in the range of RM0.520 (13 October 2022) to RM0.835 (9 June 2022), which was never above the Offer Price; and
- (ii) the highest traded price of BHB Shares post the LTD up to and including the LPD was RM0.860.

Further, the table below set out the premium/(discount) represented by the Offer Price vis-à-vis the relevant last traded market price and VWAMP of BHB Shares:

	Last traded market price / VWAMP of BHB Shares		Premium/(Discount) of the Offer Price over last traded market price / VWAMP of BHB Shares	
	RM	RM	RM	%
<u>Up to the LTD:</u>				
Last traded market price	0.6250	0.2300		36.80
5-day VWAMP	0.6351	0.2199		34.62
1-month VWAMP	0.6735	0.1815		26.95
3-month VWAMP	0.6469	0.2081		32.17
6-month VWAMP	0.6187	0.2363		38.19
1-year VWAMP	0.6986	0.1564		22.39
<u>Up to the LPD:</u>				
Last traded market price	0.8550	-		-
5-day VWAMP	0.8550	-		-

(Source: Bloomberg L.P.)

Based on our evaluation above, the Offer Price of RM0.855 represents:

- (i) a **premium** of RM0.2300 (36.80%) over the last traded market price of BHB Shares on the LTD of RM0.6250;
- (ii) a **premium** of between RM0.1564 (22.39%) and RM0.2363 (38.19%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of BHB Shares up to and including the LTD of between RM0.6187 and RM0.6986; and
- (iii) is **equivalent** to the last traded market price of BHB Shares on the LPD and the 5-day VWAMP of BHB Shares up to the LPD.

There is no assurance that the market price of BHB Shares will continue to trade at the market prices close to the Offer Price after the Closing Date.

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7.2 Listing status of BHB

We noted that the Offeror **does not intend to maintain the listing status of BHB**. As such, the Offeror will not be taking any steps to address any shortfall in the public shareholding spread of BHB in the event BHB does not meet the Public Spread Requirement after the Closing Date.

As at the LPD, the Offeror directly holds 1,518,689,735 BHB Shares representing 74.92% of the total issued shares in BHB. The PAC does not hold any BHB Shares as at the LPD.

For the information of the Holders, the public shareholding spread of BHB as at the LPD is 25.08%.

Paragraph 8.02(1) of the MMLR states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. Bursa Securities may accept a percentage lower than 25% of the total number of listed shares (excluding treasury shares) if it is satisfied that such lower percentage is sufficient for a liquid market of such securities.

In addition, a listed issuer may withdraw its listing from the Official List pursuant to paragraph 16.07 of the MMLR, whereby in relation to a take-over offer, upon 90% or more of its listed shares (excluding treasury shares) being held by a shareholder, either individually or jointly with associates of the said shareholder, and the listed issuer has announced the offeror's intention not to maintain the listed issuer's listing status.

A listed issuer that fails to maintain the Public Spread Requirement may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. Where no extension of time is granted by Bursa Securities or in the event BHB opts not to seek an extension of time with Bursa Securities, Bursa Securities may take or impose any type of action or penalty pursuant to paragraph 16.19 of the MMLR for a breach of paragraph 8.02(1) of the MMLR and may, at its discretion, suspend trading in the securities of the listed issuer pursuant to paragraph 16.02(1) of the MMLR. Notwithstanding this, the non-compliance of the Public Spread Requirement would not automatically result in the delisting of a listed issuer.

In relation to a take-over offer for the acquisition of the listed shares or listed units of a listed issuer pursuant to the Rules, upon 90% or more of the listed shares (excluding treasury shares) or listed units of the said listed issuer being held by a shareholder either individually or jointly with associates of the shareholder or unitholder, an immediate announcement must be made by the listed issuer pursuant to paragraph 9.19(48) of the MMLR.

Upon such immediate announcement, Bursa Securities shall, in the case where the listed issuer does not intend to maintain the listing status, suspend the trading in the listed issuer's securities immediately upon the expiry of 5 Market Days from the close of the offer period, in accordance with paragraph 16.02(3) of the MMLR.

As the Offeror **does not intend to maintain the listing status of BHB**, in the event that the Offeror receives valid acceptance resulting in 90% or more of the listed shares in BHB being held by the Offeror either individually or jointly with its associate(s), an immediate announcement will be made by BHB.

Upon such announcement, Bursa Securities shall suspend the trading in the BHB Shares immediately upon the expiry of 5 Market Days from the Closing Date. Thereafter, the Offeror will procure BHB to take the requisite steps to withdraw its listing status from the Official List of Bursa Securities, in accordance with paragraph 16.07 of the MMLR.

In view of the above, Holders are advised to closely monitor the market prices, trading volume, any press releases and/or announcements made in relation to the Offer, particularly on the level of acceptances, as well as changes in shareholdings of the Offeror and person(s) acting in concert with it, and non-compliance with the Public Spread Requirement, if any.

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For information, the historical trading volume of BHB Shares for the past 12 months from March 2022 up to February 2023 (being the last full trading month before the LTD), is as follows:

Month	(1) Volume traded of BHB Shares	(2) Volume traded over free float (%)
2022		
March	127,956,407	28.32
April	152,517,705	33.77
May	71,283,455	15.79
June	123,115,367	27.26
July	94,985,555	21.04
August	90,055,545	19.94
September	34,036,052	7.54
October	17,346,898	3.84
November	19,643,590	4.35
December	31,220,958	6.91
2023		
January	24,448,474	5.41
February	43,030,756	9.53
Simple average	69,136,730	15.31

(Source: Bloomberg L.P. and announcements on Bursa Securities)

Notes:

- (1) Monthly volume traded excludes BHB Shares traded in the open market by the substantial shareholders of BHB. The current Directors do not hold any BHB Shares and have not traded in BHB Shares.
- (2) The monthly free float of BHB Shares excludes BHB Shares held by the substantial shareholders of BHB. The current Directors do not hold any BHB Shares and have not traded in BHB Shares.

Based on the table above, BHB Shares were traded at an average monthly volume of 69,136,730 Shares, representing approximately 15.31% of the free float of BHB Shares for the past 12 months from March 2022 up to February 2023 (being the last full trading month before the LTD).

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We are of the view that BHB Shares are relatively liquid when compared against the FBM KLCI Index as the average monthly trading liquidity of BHB Shares of approximately 15.31% is higher than the average trading liquidity of the FBM KLCI Index for the past 12 months from March 2022 up to February 2023 (being the last full trading month before the LTD).

The comparison made is set out in the table below:

Company/ Index	Average monthly volume traded	Average monthly volume traded over free float %
BHB	69,136,730	15.31
FBM KLCI Index ⁽¹⁾	3,991,821,975	⁽²⁾ 6.89

(Source: Bloomberg L.P. and announcements on Bursa Securities)

Notes:

- (1) Selected as an additional benchmark for comparison, in view that the BHB Group is involved in property and industrial, plantation, heavy industries, pharmaceutical, trading and finance businesses.
- (2) Calculated by dividing the average monthly volume traded over the free float of FBM KLCI Index as extracted from Bloomberg.

In view of this, Holders may have the opportunity to realise their investment in BHB in the open market if they do not wish to accept the Offer.

However, when the Offeror accumulates a higher shareholding level (beyond the collective shareholdings of the Offeror in BHB of 74.92% as at the LPD) as a result of valid acceptances received pursuant to the Offer and/or via further acquisitions, the liquidity of BHB Shares and the Holders' ability to dispose their BHB Shares in the open market after the Closing Date may be constrained. Hence, the Offer may represent an avenue for the Holders (especially for those holding a significant number of BHB Shares) to realise their investment in BHB Shares for cash at the Offer Price.

The above evaluation is based on the historical trading volume of BHB Shares for the respective periods as well as the free float as at the respective dates, and should not be relied upon as an indication of the future trading liquidity of BHB Shares, which may be influenced by, amongst others, the performance and prospects of the BHB Group, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors.

In the event BHB is delisted from the Official List, should you choose not to accept the Offer, there is no assurance that you will be able to dispose of the Offer Shares at a price equivalent to or above the Offer Price after the suspension and/or de-listing.

BHB Shares will no longer be traded on the Main Market of Bursa Securities and Holders will hold unlisted BHB Shares and may have limited opportunity to realise their investment in BHB.

7.3 No competing/alternative offer and level of control

BHB confirms that, as at the LPD, save for the Offer, it had not received any competing offer or any alternative offer for its securities or its business, assets and liabilities.

In the absence of a competing/alternative offer, the Offer provides an opportunity to the Holders to realise their investments in BHB at the Offer Price.

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Further, in view that the Offeror holds approximately 74.92% of the total voting shares in BHB as at the LPD, any alternative proposal will not be successful unless with their support. The Offeror is able to (through casting of their votes which represent 74.92% of the total voting shares in BHB) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast) or oppose any special resolutions (requiring approval from at least 75% of the total votes cast) sought at shareholders' general meetings of the Company, unless they are required to abstain from voting.

7.4 Our view on the reasonableness of the Offer

Premised on our analysis as set out in **Sections 7.1 to 7.3** of this IAL, we are of the view that the Offer is **REASONABLE**.

8. COMPULSORY ACQUISITION AND RIGHTS OF DISSENTING HOLDERS

We have taken note from **Section 5.1** of the Offer Document that the Offeror **intends to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any remaining offer shares from the Dissenting Holders in the event that the Offeror receives valid acceptances of not less than 9/10 of the nominal value⁽¹⁾ of the offer shares (excluding BHB Shares already held by the Offeror and person(s) acting in concert with it at the date of the Offer) on or prior to the Closing Date. Under such circumstance, all the Holders of these offer shares will be paid in cash for the offer shares compulsorily acquired. The consideration for the offer shares under compulsory acquisition will, subject to subsection 224(1) of the CMSA, be equivalent to the Offer Price and on the same terms set out in the Offer Document.

In accordance with subsection 224(1) of the CMSA, where a notice is given under subsection 222(1) of the CMSA, the court may, on an application made by any Dissenting Holder within one month from the date on which the notice was given by the Offeror, order that the Offeror shall not be entitled and shall not be bound to acquire the Offer Shares of such Dissenting Holder, or specify terms of acquisition that are different from the terms of the Offer.

Notwithstanding that, if the Offeror receives valid acceptances from the Holders resulting in the Offeror and person(s) acting in concert with it holding not less than 9/10 of the value of BHB Shares (including BHB Shares that are already held by the Offeror and person(s) acting in concert with it as at the date of the Offer) on or before the Closing Date, a Dissenting Holder may exercise his or its rights under subsection 223(1) of the CMSA by serving notice on the Offeror to require the Offeror to acquire his or its Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed.

If a Dissenting Holder exercises his rights under the provisions of subsection 223(1) of the CMSA, the Offeror shall acquire such Offer Shares in accordance with the provisions of the CMSA, subject to section 224 of the CMSA. In accordance with subsection 224(3) of the CMSA, when a Dissenting Holder exercises his or its rights under subsection 223(1) of the CMSA, the court may, on an application made by such Dissenting Holder or by the Offeror, order that the terms on which the Offeror shall acquire such Offer Shares shall be as the court thinks fit.

A notice to the Dissenting Holders under subsection 223(2) of the CMSA may specify the period for the exercise of the rights of the Dissenting Holders and in any event, such period shall not be less than 3 months after the Closing Date.

If the Dissenting Holders become entitled and wish to exercise their rights under section 223 of the CMSA, the Dissenting Holders may wish to consult their legal adviser immediately upon the announcement made by the Offeror and BHB.

Note:

- (1) Section 74 of the Act stipulates that all shares issued before or upon the commencement of the Act shall have no par or nominal value. Accordingly, the "nominal value" in this context shall refer to the number of shares instead.

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9. RATIONALE FOR THE OFFER AND FUTURE PLANS FOR THE BHB GROUP AND ITS EMPLOYEES

9.1 Rationale for the Offer

The rationale for the Offer is provided in **Section 3** of the Offer Document.

Greater flexibility for LTAT to implement turnaround plan for BHB

BHB Group is a diversified conglomerate with core businesses in plantation, property, and industrial, pharmaceutical, heavy industries as well as trading, finance and investment. Throughout the past 5 financial years up to FYE 2022, the Offeror notes that BHB had registered losses and volatile earnings (FYE 2018: LAT of RM535 million; FYE 2019: LAT of RM1,279 million; FYE 2020: LAT of RM551 million; FYE 2021: PAT of RM170 million; FYE 2022: PAT of RM62 million) mainly dragged by the performance of its businesses in heavy industries, plantations and pharmaceutical, as well as high gearing level ranging from 1.28 times to 1.48 times between FYE 2019 and FYE 2022 which to an extent indicate BHB's dependency on external borrowings to finance its operations and investment.

Therefore, the Offer represents a critical initiative by LTAT to take BHB private and obtain full control of BHB which will provide LTAT greater liberty in deciding on the strategic direction of BHB and the flexibility for BHB's group structure and business to be restructured, reorganised, and rationalised should the need arise. This initiative is in line with LTAT's portfolio rebalancing plan to meet its strategic investment objectives to optimise long-term returns with appropriate risk levels as guided by LTAT's Strategic Asset Allocation Framework. Under this framework, LTAT's three (3) core investment strategies is centered on the restructuring of its investment assets (mainly in BHB Group), diversification into fixed-income securities and global equities, and reducing its exposure to private equity and real estate. For information, the Strategic Asset Allocation Framework acts as the key guiding principles for LTAT's investment activities set under the transformation plan in an effort to enhance its fund's prospects in ensuring the competitiveness and sustainability of the fund.

For information, the Offeror's turnaround plan for BHB may include the consolidation and streamlining of BHB and the Offeror's investments and businesses within the Offeror's group structure, and debt rationalisation exercise, where appropriate. As envisaged at this juncture, the Offeror's priority is focused on rationalising the debt of BHB Group. The other following priority is to implement value creation for BHB Group which may be implemented through merger and acquisition activities involving BHB Group of companies or assets as well as strengthening the structural, organisational and operational efficiency of BHB Group of companies, as and when deemed fit. The Offer thus allows the Offeror to privatise BHB and in turn accelerate its aforesaid turnaround plan for BHB as an unlisted entity in an expedient manner, which may otherwise be relatively costly and time-consuming if BHB remains listed.

In response to media reports dated 13 March 2023 quoting the Malaysian Minister of Defence, YB Dato' Seri Utama Haji Mohamad bin Haji Hasan, hinting at the possibility of relisting BHB on Bursa Securities in the future, the Offeror wishes to clarify that it has not conducted any formal discussion or planning as at the LPD pertaining to the relisting exercise involving BHB, if privatised. Nevertheless, the Offeror may from time to time consider any opportunity as the Offeror deems suitable and/or appropriate, which can take place in various forms or approaches to unlock or create value for BHB Group, premised on LTAT's investment objectives with the primary aim of enhancing its fund's prospects, competitiveness, and sustainability.

In addition, the delisting of BHB through the Offer, if materialised, is also expected to eliminate the administrative efforts and costs in maintaining the listing of BHB and re-divert resources towards its core business.

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Opportunity for the Holders to exit and realise their investment

The Offer also provides an opportunity for the Holders of BHB who wish to realise their investments in BHB Shares on a wholesale basis immediately at the Offer Price. The Offer Price also represents a premium ranging from 22.39% to 38.19% over the closing price of BHB Shares as at the LTD and the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of BHB Shares up to the LTD.

The BHB Group has recorded volatile earnings over the past 5 financial years up to the FYE 2022. We understand that the finance performance of the BHB Group was affected by, amongst others, the performance of its businesses in heavy industries, plantation, property and pharmaceutical segments.

We take note that the Offer is undertaken by the Offeror to privatise and obtain full control, which in turn will allow greater liberty in deciding on the strategic direction of BHB and flexibility to restructure, reorganise and rationalise BHB's group structure and business, should the need arise.

The delisting of BHB through the Offer, if materialised, is also expected to eliminate administrative efforts and costs in maintaining the listing status of BHB and re-divert resources towards its core business.

We further note that the Offer provides an opportunity for the Holders to realise their investment in the Offer Shares at a premium over the market price of BHB Shares as at the LTD.

It should also be noted that Holders who accept the Offer will not be able to participate in any future risks and rewards in relation to the businesses of the BHB Group, subsequent to the Offer.

9.2 Future plans for the BHB Group and its employees

The intention of the Offeror, as at the Offer Document LPD, with respect to the future plans for the BHB Group and its employees as stated in the Offer Document is as follows:

(i) Continuation of the Offeree Group's business

The Offeror intends to continue with the existing business and operations of BHB Group. If the need arises, the Offeror may from time to time undertake a review of BHB Group's business and operations to formulate future plans and strategies for BHB Group, and/or to streamline and improve the efficiency of the business and operations of BHB Group. In relation thereto, the Offeror retains the flexibility at any time to consider any opportunities, which may include the consolidation and streamlining of BHB and the Offeror's investments and businesses within the Offeror's group structure, and debt restructuring exercise. However, as at the LPD, the Offeror does not have any definitive plans in respect of the above and will undertake a review and evaluation of BHB Group's business and operations prior to developing or implementing any future plans or strategies for BHB Group.

(ii) Major changes to the Offeree Group's business

The Offeror presently does not have any immediate plan to sell the major assets or undertake major redeployment of the fixed assets of BHB Group, liquidate any of the companies within BHB Group (save for dormant/inactive companies or companies with discontinued operations) or introduce major changes to BHB Group's business. If the need arises, the Offeror may from time to time explore potential opportunities as the Offeror considers suitable, in accordance with the future direction of BHB Group. These may include, but not limited to, strategic investment and acquisitions, monetisation of assets, reorganisation and/or integration of business operations of BHB Group.

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As at the LPD, the Offeror has no knowledge of, and has not entered into any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in BHB Group's business, assets or the Company's shareholding structure.

(iii) Employees

The Offeror presently does not have any plan to dismiss or make redundant any of the employees of BHB Group as a direct consequence of the Offer. However, changes in employees' employment and redeployment of employees may take place as a result of the Offeror's subsequent review to streamline and/or improve efficiency of the operations of BHB Group. Nevertheless, such changes will be carried out in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

We also noted that the future plans disclosed above are the present intentions of the Offeror and they retain the flexibility at any time to consider any options which are in the best interest of the BHB Group that may present itself.

The Offeror may from time to time review strategic options with regards to the businesses or assets of the BHB Group. The Offeror may, where appropriate, undertake such changes, disposal and/or redeployment as part of the process to rationalise the business activities or direction of the BHB Group. Any changes with regards to staff employment pursuant to the above will be carried out in accordance with the relevant legislation and the terms of employment of the affected employees.

Based on the Offeror's stated intention in relation to the future plans for the BHB Group and its employees and in view that the Offeror is the holding company of BHB, we do not expect the BHB Group's business, corporate structure, assets and employees to change materially after the Offer.

10. FURTHER INFORMATION

We advise the Holders to refer to the Appendices contained in this IAC and other relevant information as set out in the Offer Document for further details in relation to the Offer.

11. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with paragraphs 1 to 6 of Schedule 2: Part III of the Rules whereby:

- (i) the term "fair and reasonable" should generally be analysed as 2 distinct criteria i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term.
- (ii) the Offer is considered "fair", if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price, but is lower than the value of the Offer Price, the Offer is considered as "not fair".

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Pursuant to paragraph 4 of Schedule 2: Part III of the Rules, in considering whether the Offer is “reasonable”, we have taken into consideration matters other than the valuation of the Offer Shares. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons for the Holders to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

We have assessed and evaluated the terms of the Offer and have set out our evaluation in the relevant sections in this IAL as set out in **Sections 5, 6 and 7**. Holders should carefully consider the merits and demerits of the Offer based on all relevant and pertinent factors including those set out below and other considerations as set out in this IAL and the Offer Document.

In arriving at our opinion, we have taken into consideration various applicable factors as set out below:

Fairness of the Offer

We are of the view that the Offer is **NOT FAIR** as the Offer Price of RM0.855 represents a **discount** of RM0.708 and RM0.896 or approximately 45.30% to 51.17% over the estimated value per BHB Share ranging between RM1.563 and RM1.751 derived using the SOPV methodology.

Reasonableness of the Offer

Notwithstanding that the Offer is **NOT FAIR**, we are of the view that the Offer is **REASONABLE** based on the following:

- (i) The Offer Price represents:
 - (a) a **premium** of RM0.2300 (36.80%) over the last traded market price of BHB Shares on the LTD of RM0.6250;
 - (b) a **premium** of between RM0.1564 (22.39%) and RM0.2363 (38.19%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of BHB Shares up to and including the LTD of between RM0.6187 and RM0.6986; and
 - (c) is **equivalent** to the last traded market price of BHB Shares on the LPD and the 5-day VWAMP of BHB Shares up to the LPD.

In addition, the Offer provides an opportunity to the Holders to realise their investments in BHB at the Offer Price at a premium as we note that the share price of BHB has not traded above the Offer Price over the past 12 months up to the LTD prior to the announcement of the Offer.

- (ii) The Offeror **does not intend to maintain the listing status of BHB**. As such, the Offeror will not be taking any steps to address any shortfall in the public shareholding spread of BHB in the event BHB does not meet the Public Spread Requirement after the Closing Date.

In the event that the Offeror receives valid acceptance resulting in 90% or more of the listed shares in BHB being held by the Offeror either individually or jointly with its associate(s), an immediate announcement will be made by BHB. Upon such announcement, Bursa Securities shall suspend the trading in the BHB Shares immediately upon the expiry of 5 Market Days from the Closing Date. Thereafter, the Offeror will procure BHB to take the requisite steps to withdraw its listing status from the Official List of Bursa Securities.

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- (iii) BHB confirms that, as at the LPD, save for the Offer, it had not received any competing offer or any alternative offer for its securities or its business, assets and liabilities.

In the absence of a competing/alternative offer, the Offer provides an opportunity to the Holders to realise their investments in BHB at the Offer Price.

Further, in view that the Offeror holds approximately 74.92% voting shares in BHB as at the LPD, any alternative proposal will not be successful unless with their support. The Offeror is able to (through casting of their votes which represent 74.92% of the total voting shares in BHB) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast) or oppose any special resolutions (requiring approval from at least 75% of the total votes cast) sought at shareholders' general meetings of the Company, unless they are required to abstain from voting.

Premised on the above and our assessments in **Sections 6 and 7** of this IAL, we are of the opinion that the Offer is **NOT FAIR** but **REASONABLE**. Accordingly, Kenanga IB:

- (i) advises the Non-Interested Directors to recommend the Holders to **ACCEPT** the Offer; and
- (ii) recommends that the Holders **ACCEPT** the Offer.

However, the decision to be made would depend entirely on the risk appetite and specific investment requirements of the individual Holder.

If the Holders so wish and if the trading liquidity permits, they may consider disposing of their Offer Shares in the open market if they are able to obtain a price higher than the Offer Price, net of transaction costs and assuming that there will not be any revision to the Offer Price.

Holders should be mindful that there may be continuous fluctuations in the market prices of BHB Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the market share price, trading volume and any press release and/or announcements made in relation to the Offer before making a decision on the course of action to be taken in respect of the Offer Shares.

We wish to reiterate that we have not taken into consideration any specific investment objective, financial situation or particular needs of any individual Holder or any specific group of Holders. We recommend that individual Holder or group of Holders who may require advice in relation to the Offer in the context of their individual objectives, financial situation and particular situation, to consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

Yours faithfully
for and on behalf of
KENANGA INVESTMENT BANK BERHAD

DATUK CHAY WAI LEONG
Group Managing Director

DATUK ROSLAN HJ TIK
Executive Director, Head
Group Investment Banking & Islamic Banking

PART C
APPENDICES

INFORMATION ON BHB

1. HISTORY AND PRINCIPAL ACTIVITIES

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 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.

Further information on the subsidiaries, associated and joint venture companies of BHB is set out in **Section 5 of this Appendix**.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of BHB are as follows:

	No. of BHB Shares	Amount RM
Issued share capital	2,026,987,997	2,735,741,976

As at the LPD, there is only 1 class of shares in BHB being the ordinary shares (i.e. the BHB Shares). All the BHB Shares rank equally in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (including any capital distributions) which may be declared, made or paid to shareholders.

2.2 Changes in the issued share capital

Since the end of the FYE 2022 up to the LPD, there are no changes in BHB's issued share capital.

2.3 Convertible securities

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

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of BHB and their respective shareholdings in BHB as at the LPD are as follows:

Name	Country of incorporation	Registration number	Direct	
			No. of BHB Shares	(1)%
Lembaga Tabung Angkatan Tentera	Malaysia	Established under the Tabung Angkatan Tentera Act 1973 (Act 101)	1,518,689,735	74.92
Kumpulan Wang Persaraan (Diperbadankan)	Malaysia	KWAPACT6622007	106,914,292	5.28

Note:

(1) Computed based on 2,026,987,997 BHB Shares in issue as at the LPD.

4. DIRECTORS OF BHB

The Directors of BHB and their respective shareholdings in BHB as at LPD are as follows:

Name	Nationality	Designation	Date of appointment	Correspondence Address
Dato' Ahmad Nazim Abd Rahman	Malaysian	Non-Independent Non-Executive Chairman	1 July 2021	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Lieutenant General Dato' Fadzil Mokhtar (R)	Malaysian	Independent Non-Executive Director	15 July 2019	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Dato' Seri Rosman Mohamed	Malaysian	Independent Non-Executive Director	1 July 2021	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Pauline Teh @ Pauline Teh Abdullah	Malaysian	Independent Non-Executive Director	13 September 2021	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Muhammad Fitri Othman	Malaysian	Non-Independent Non-Executive Director	1 December 2022	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Irfan Hashim	Malaysian	Non-Independent Non-Executive Director (Alternate to Dato' Ahmad Nazim Abd Rahman)	1 December 2022	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor
Dayana Rogayah Omar	Malaysian	Non-Independent Non-Executive Director (Alternate to Muhammad Fitri Othman)	1 December 2022	Level 23, The Bousteador, No. 10, Jalan P.JU 7/6 Mutiara Damansara, 47800 Petaling Jaya, Selangor

As at the LPD, none of the Directors hold any BHB Shares.

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURE COMPANIES

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

Name	Place of incorporation	Effective equity interest %	Principal activities
BProp	Malaysia	100	Investment holding and property investment
BPlant	Malaysia	57	Investment holding and oil palm plantation
Pharmaniaga	Malaysia	52	Investment holding
BHIC	Malaysia	65	Investment holding
BNS	Malaysia	82	Construction, repair and maintenance of naval and merchant ships
BPM	Malaysia	42	Marketing of petroleum products
UAC	Malaysia	100	Manufacture of fibre cement products, project management and property investment
MHS Aviation Berhad	Malaysia	94	Provision of air transportation, flight support, engineering and technical services
Boustead Petroleum Sdn Bhd	Malaysia	60	Investment holding
Boustead Segaria Sdn Bhd	Malaysia	100	Investment holding
Boustead Emastulin Automobile Sdn Bhd	Malaysia	100	Investment holding
Boustead Credit Sdn Bhd	Malaysia	100	Hire purchase financing and money lending services
UAC Construction Sdn Bhd	Malaysia	100	Manufacture and sale of surface coating for decorative and industrial applications
UAC SolidPanel Sdn Bhd	Malaysia	100	Manufacture and sale of solidpanel
Boustead Global Risk Solution Sdn Bhd	Malaysia	100	Insurance agent
Boustead Travel Services Sdn Bhd	Malaysia	100	Travel agent
Boustead Technology Sdn Bhd	Malaysia	100	Technology and innovation solutions provider
Boustead Digital Services Sdn Bhd	Malaysia	100	Investment holding company for digital products and services
Boustead DCP Sdn Bhd	Malaysia	100	Produce and supply of chill water for air-conditioning
Boustead Construction Sdn Bhd	Malaysia	100	Project management, construction and property development

APPENDIX I

Name	Place of incorporation	Effective equity interest %	Principal activities
Mutiara Nusa Sdn Bhd	Malaysia	100	Property development
Mutiara Rini	Malaysia	100	Property development
Boustead Balau Sdn Bhd	Malaysia	100	Property development
Boustead Curve Sdn Bhd	Malaysia	100	Property investment
Damansara Entertainment Centre Sdn Bhd	Malaysia	100	Property investment
Boustead Realty Sdn Bhd	Malaysia	100	Property investment
Boustead Weld Court Sdn Bhd	Malaysia	100	Property investment
Boustead Nucleus Sdn Bhd	Malaysia	100	Property investment
Boustead Weld Quay Sdn Bhd	Malaysia	100	Property investment and hotel operations
Boustead Hotels & Resorts Sdn Bhd	Malaysia	100	Hotel operations
Boustead Ventures Limited	United Kingdom	100	Hotel operations
Boustead Hyde Park Ltd	British Virgin Island	100	Hotel operations
Midas Mayang Sdn Bhd	Malaysia	80	Hotel operations
Astacanggih Sdn Bhd	Malaysia	80	Investment holding
Cebur Megah Development Sdn Bhd	Malaysia	80	Investment holding
Bakti Wira Development Sdn Bhd	Malaysia	100	Investment holding
Boustead Shipping Agencies Sdn Bhd	Malaysia	100	Shipping agent
Boustead Building Materials Sdn Bhd	Malaysia	100	Building products distributor and project management
UNIM	Malaysia	66	Operation of a university
Nottingham MyResearch Sdn Bhd	Malaysia	66	Conducting contract research and development and testing services
Boustead Rimba Nilai Sdn Bhd	Malaysia	57	Cultivation of oil palm and processing of fresh fruit bunches (“FFB”)
Boustead Emastulin Sdn Bhd	Malaysia	57	Cultivation of oil palm and processing of FFB
Boustead Eldred Sdn Bhd	Malaysia	57	Cultivation of oil palm
Boustead Trunkline Sdn Bhd	Malaysia	57	Cultivation of oil palm

APPENDIX I

Name	Place of incorporation	Effective equity interest %	Principal activities
Boustead Gradient Sdn Bhd	Malaysia	57	Cultivation of oil palm and processing of FFB
Boustead Estates Agency Sdn Bhd	Malaysia	57	Plantation management and engineering consultancy
Boustead Agency and Consultancy Services Sdn Bhd	Malaysia	57	Plantation management and engineering consultancy
Boustead Telok Sengat Sdn Bhd	Malaysia	57	Processing of FFB and investment holding
Boustead Solandra Sdn Bhd	Malaysia	57	Cultivation of oil palm
Boustead Life Sciences Research Sdn Bhd	Malaysia	57	Advisory and research on life sciences and commercialisation of products developed from life sciences, health and cosmetic
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Malaysia	34	Operation of palm oil mill
Boustead Pelita Kanowit Sdn Bhd	Malaysia	34	Cultivation of oil palm
Boustead Pelita Tinjar Sdn Bhd	Malaysia	34	Cultivation of oil palm and processing of FFB
Pharmaniaga Manufacturing Berhad	Malaysia	52	Manufacture and sale of pharmaceutical products
Pharmaniaga Logistics Sdn Bhd	Malaysia	52	Distribution of pharmaceutical and medical products
Pharmaniaga Marketing Sdn Bhd	Malaysia	52	Trading and marketing of pharmaceutical and medical products
Pharmaniaga LifeScience Centre Sdn Bhd	Malaysia	52	Manufacture and sale of pharmaceutical products
Pharmaniaga Research Centre Sdn Bhd	Malaysia	52	Conduct research and development of pharmaceutical products
Pharmaniaga Biomedical Sdn Bhd	Malaysia	52	Supply, trading and installation of medical and hospital equipment
Idaman Pharma Manufacturing Sdn Bhd	Malaysia	52	Manufacture and sale of pharmaceutical products
Pristine Pharma Sdn Bhd	Malaysia	52	Trading and wholesaling of consumer products
Pharmaniaga International Corporation Sdn Bhd	Malaysia	52	Investment holding
PT Errita Pharma	Indonesia	50	Manufacture and sale of pharmaceutical products in Indonesia

APPENDIX I

Name	Place of incorporation	Effective equity interest %	Principal activities
Paradigm Industry Sdn Bhd	Malaysia	52	Manufacture and sale of food supplement
PT Millennium Pharmacon International Tbk	Indonesia	38	Distribution and trading of pharmaceutical and diagnostic products and food supplements
Bio-Collagen Technologies Sdn Bhd	Malaysia	52	Research and manufacture of collagen medical devices
Boustead Langkawi Shipyard Sdn Bhd	Malaysia	82	Construction, repair and maintenance of boats and yacht
Boustead Penang Shipyard Sdn Bhd	Malaysia	65	Heavy engineering construction, ship repair and shipbuilding
Perstim Industries Sdn Bhd	Malaysia	65	Investment holding
BHIC Marine Carriers Sdn Bhd	Malaysia	65	Provision of engineering services for oil and gas industry
Dominion Defence & Industries Sdn Bhd	Malaysia	65	Supply and services of marine and defence related products
BHIC Defence Techservices Sdn Bhd	Malaysia	65	Provision of maintenance and services for defence related products
BHICDT	Malaysia	65	Investment holding
BHIC Navaltech Sdn Bhd	Malaysia	65	In-service support for the maintenance, services and supply of spare parts for vessels
BHIC Electronics and Technologies Sdn Bhd	Malaysia	65	Provision of maintenance and services for defence weapons and related products
BHIC Allied Defence Technology Sdn Bhd	Malaysia	65	Supply of electronics and system technology to defence related industry
BHIC Trading Sdn Bhd	Malaysia	65	Property investment
BHIC Submarine Engineering Services Sdn Bhd	Malaysia	65	Provision of maintenance and service of submarines
BHIC Marine Technology Academy Sdn Bhd	Malaysia	65	Provision of marine and defence management training
BHIC Aerotech Sdn Bhd	Malaysia	65	Provision of maintenance, repair and overhaul of aircraft wheels and brakes
BHIC Shipbuilding and Engineering Sdn Bhd	Malaysia	65	Ship repair, shipbuilding and fabrication of steel structures
BHIC Marine Transport Sdn Bhd	Malaysia	65	Provision of chartering of ships and vessels
BHIC Marine Ventures Sdn Bhd	Malaysia	65	Provision of chartering of ships and vessels

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Name	Place of incorporation	Effective equity interest %	Principal activities
Malaysian Heavy Industry Group Sdn Bhd	Malaysia	39	Investment holding
U.K. Realty Sdn Bhd	Malaysia	100	Inactive
Mecuro Properties Sdn Bhd	Malaysia	100	Inactive
AB Shipping Sdn Bhd	Malaysia	100	Inactive
Cargo Freight Shipping Sdn Bhd	Malaysia	100	Inactive
Boustead Management Services Sdn Bhd	Malaysia	100	Inactive
Boustead Advertising Sdn Bhd	Malaysia	100	Inactive
Boustead REIT Managers Sdn Bhd	Malaysia	100	Inactive
Boustead Sissons Marketing Sdn Bhd	Malaysia	100	Inactive
Malakoff Management Services Pte Ltd	Singapore	100	Inactive
Fitek (M) Sdn Bhd	Malaysia	100	Inactive
UAC Marketing Sdn Bhd	Malaysia	100	Inactive
UAC Masterflange Sdn Bhd	Malaysia	100	Inactive
Pharmaniaga Pegasus (Seychelles) Co. Ltd	Republic of Seychelles	52	Inactive
Landasan Ria Sdn Bhd	Malaysia	94	Inactive
MHS Assets Sdn Bhd	Malaysia	94	Inactive
MHS Labuan Limited	Malaysia	94	Inactive
Boustead Atlas Hall Sdn Bhd	Malaysia	100	Ceased operation since 2017
Boustead Engineering Sdn Bhd	Malaysia	100	Ceased operation since 2017
UAC Steel Systems Sdn Bhd	Malaysia	100	Ceased operation since 2015
Boustead Yachts Sdn Bhd	Malaysia	82	Ceased operation since 2011
BN Shiprepair Sdn Bhd	Malaysia	82	Ceased operation since 2006
BHIC Asset Holding Sdn Bhd	Malaysia	65	Ceased operation since 2008
BHIC Development Sdn Bhd	Malaysia	65	Ceased operation since 2011
Bounty Crop Sdn Bhd	Malaysia	57	Ceased operation since 2014

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Name	Place of incorporation	Effective equity interest %	Principal activities
PT Mega Pharmaniaga	Indonesia	49	Dormant
Boustead Agro Plantations Sdn Bhd	Malaysia	57	Farming, marketing and selling of agriculture produces
Green Army Sdn Bhd	Malaysia	100	Job marketplace platform
Tanky Sdn Bhd	Malaysia	100	Fuel expense management and payment solution

As at the LPD, the associate companies of BHB are as follows:

Name	Place of incorporation	Effective equity interest %	Principal activities
Pavilion Entertainment Centre Sdn Bhd	Malaysia	50	Property development
Drew Ameroid (M) Sdn Bhd	Malaysia	50	Industrial chemicals distributor
Boustead Wah Seong Sdn Bhd	Malaysia	50	Investment holding
Wah Seong Boustead Co Ltd	Myanmar	50	Consumer and building products distributor
Applied Agricultural Resources Sdn Bhd	Malaysia	29	Agronomic advisory services, commercial production of oil palm planting materials and investment holding
Cadbury Malaysia	Malaysia	25	Chocolate and sugar confectionary manufacturer
MyAngkasa Digital Services Sdn Bhd	Malaysia	22	Electronic payment and collection systems
Affin Bank Berhad	Malaysia	21	Financial services group
Rakan Riang Pte Ltd	Singapore	20	Operating education and entertainment facilities
Advanced Agriecological Research Sdn Bhd	Malaysia	29	Providing agronomy research services
Tohwa-Sedap Food Industry Sdn Bhd	Malaysia	33	In liquidation
PT AAR Nusantara	Indonesia	14	Production of oil palm seeds
Penang Shipbuilding and Construction Holding (Thailand) Limited	Thailand	31	Dormant

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As at the LPD, the joint ventures companies of BHB are as follows:

Name	Place of incorporation	Effective equity interest %	Principal activities
Irat Properties Sdn Bhd	Malaysia	50	Property investment
Boustead Ikano Sdn Bhd	Malaysia	50	Property investment holding and operating of shopping mall
BHIC MSM Sdn Bhd	Malaysia	39	Provision of maintenance and repair of MTU products
Boustead DCNS Naval Corporation Sdn Bhd	Malaysia	39	Vessel maintenance
Contraves Advanced Devices Sdn Bhd	Malaysia	33	Manufacture of electronic products
BYO Marine Sdn Bhd	Malaysia	33	Construction of vessels
BHIC Bofors Asia Sdn Bhd	Malaysia	33	Providing, supplying and servicing BOFORS weapon system
BHIC AeroServices Sdn Bhd	Malaysia	33	Maintenance, repair and overhaul of rotary and fixed wing aircraft
BHIC System Integration Sdn Bhd	Malaysia	33	Project management, contract administration and other related services for defence industry
Pyrotechnical Ordnance Malaysia Sdn Bhd	Malaysia	32	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector
Airbus Helicopters Simulation Centre Sdn Bhd	Malaysia	20	Provision of services relating to flight training simulator
Contraves Sdn Bhd	Malaysia	33	Property and equipment rental
Contraves Electrodynamics Sdn Bhd	Malaysia	33	System integration, training and simulation and related technical services to defence, aerospace and high technology industrial customers for Malaysian domestic and export markets
A.T.E.S. Sdn Bhd	Malaysia	50	Dormant
Automated Traffic Enforcement System Sdn Bhd	Malaysia	50	Dormant
Beta Tegap Sdn Bhd	Malaysia	50	Dormant
Irat Civil Works Sdn Bhd	Malaysia	30	Dormant
Irat Hotel & Resorts Sdn Bhd	Malaysia	35	Property investment
MyTOWN Residences Sdn Bhd	Malaysia	50	Dormant

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of BHB Group based on its audited consolidated financial statements for the FYE 2019, 2020 and 2021 as well as the latest unaudited consolidated financial statements of BHB for the FYE 2022 are as follows:

	Audited FYE			Unaudited
	2019	2020	2021	FYE 2022
	RM'million	RM'million	RM'million	RM'million
Revenue	10,321.7	7,881.0	11,305.5	15,109.2
(LBTZ) / PBTZ	(1,335.8)	(420.3)	760.7	445.9
Tax expense	(47.9)	(76.9)	(254.2)	(312.2)
Zakat	(2.6)	(3.5)	(27.3)	(4.7)
(Loss) / Profit after taxation and zakat	(1,386.3)	(500.7)	479.2	129.0
(Loss) / Profit attributable to:				
- shareholders of the Company	(1,278.8)	(550.9)	170.1	62.0
- holders of Perpetual Sukuk	79.4	50.5	56.7	62.7
- non-controlling interest	(186.9)	(0.3)	252.4	4.3
Weighted average number of BHB Shares in issue ('000)	2,026,988	2,026,988	2,026,988	2,026,988
(Loss) / Earnings per BHB Share attributable to owners of the Company (sen)	(63.09)	(27.18)	8.39	3.06
Dividend per Share (sen)	-	-	-	1.5

Save as disclosed below, there were no exceptional items in the audited consolidated financial statements of BHB in the past 3 FYEs from FYE 2019 to FYE 2021 as well as the latest unaudited consolidated financial statements of BHB for the FYE 2022.

During the FYE 2022, there was a write-down of slow-moving COVID-19 vaccine inventories amounting to RM552.3 million by Pharmaniaga, in adherence to the requirement of MFRS 102 - Inventories. As a result, Pharmaniaga had triggered one of the prescribed criteria under paragraph 2.1 (a) of PN17 of the MMLR, as the shareholders' equity of Pharmaniaga is less than RM40 million and is 25% or less of its issued and paid-up capital as at 31 December 2022.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of BHB based on its audited consolidated financial statements as at 31 December 2020 and 31 December 2021 as well as the latest unaudited consolidated financial statements as at 31 December 2022 are as follows:

	Audited as at 31 December		Unaudited as at
	2020	2021	31 December 2022
	RM'million	RM'million	RM'million
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4,457.8	4,007.2	4,260.7
Investment properties	1,404.9	1,295.0	1,300.3
Right-of-use assets	2,289.4	2,253.2	2,295.2
Deferred tax assets	37.0	29.4	-
Associates	2,125.0	2,198.5	2,393.1
Joint Ventures	483.9	304.0	150.3
Other investments	5.8	5.0	1.9
Intangible assets	343.0	338.3	293.0
Inventories	916.3	811.2	451.8
Receivables	244.2	296.4	338.5
Total non-current assets	12,307.3	11,538.2	11,484.8

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	Audited as at 31 December		Unaudited as at
	2020	2021	31 December 2022
	RM'million	RM'million	RM'million
<u>CURRENT ASSETS</u>			
Biological assets	25.0	47.0	31.8
Inventories	963.9	1,708.0	1,294.9
Contract assets and contract cost assets	1,057.2	1,120.0	790.4
Receivables	829.7	1,172.5	1,529.1
Deposits, cash and bank balances	496.4	463.5	764.3
Assets classified as held for sale	322.6	394.5	29.3
Total current assets	3,694.8	4,905.5	4,439.8
TOTAL ASSETS	16,002.1	16,443.7	15,924.6
<u>EQUITY AND LIABILITIES</u>			
<u>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</u>			
Share capital	2,735.7	2,735.7	2,735.7
Reserves	381.5	543.3	589.9
Shareholders' equity	3,117.2	3,279.0	3,325.6
Perpetual Sukuk	609.3	609.6	609.8
Non-controlling interests	1,392.4	1,576.8	1,362.8
TOTAL EQUITY	5,118.9	5,465.4	5,298.2
<u>NON-CURRENT LIABILITIES</u>			
Borrowings (unsecured)	2,962.3	3,057.2	2,749.1
Payables	20.9	10.5	11.3
Lease liabilities	54.7	48.4	94.7
Deferred tax liabilities	325.7	337.2	333.3
Total non-current liabilities	3,363.6	3,453.3	3,188.4
<u>CURRENT LIABILITIES</u>			
Borrowings	4,621.6	3,934.7	4,043.8
Payables	2,807.3	3,132.9	3,119.9
Contract liabilities	51.2	190.8	124.2
Lease liabilities	21.3	12.9	23.5
Taxation	18.2	94.7	70.0
Dividend payable	-	-	30.4
Liabilities associated with assets classified as held for sale	-	159.0	26.2
Total current liabilities	7,519.6	7,525.0	7,438.0
TOTAL LIABILITIES	10,883.2	10,978.3	10,626.4
TOTAL EQUITY AND LIABILITIES	16,002.1	16,443.7	15,924.6
Number of Shares in issue ('000)	2,026,988	2,026,988	2,026,988
NA per BHB Share (sen)	253	269	261

As at the LPD, there were no material or unusual items affecting the financial position of BHB Group subsequent to the FYE 2022.

8. ACCOUNTING POLICIES

The audited consolidated financial statements of BHB for the FYE 2019, FYE 2020 and FYE 2021, and unaudited consolidated financial statement of BHB for the FYE 2022 have been prepared in accordance with the MFRS, International Financial Reporting Standards and/or the requirements of the Act. There was no audit qualification for BHB Group's financial statements for the respective years under review.

Save for the adoption of MFRS 16: Leases by the BHB Group for the FYE 2019, there is no change in the accounting standards adopted by BHB which would result in a material variation to the comparable figures for the audited consolidated financial statements of BHB for the FYE 2019, FYE 2020 and FYE 2021, and unaudited consolidated financial statements of BHB for the FYE 2022. For further details of the impact of the adoption of MFRS 16 by the BHB Group, please refer to Note 2.1 of the audited consolidated financial statements of BHB for the FYE 2019.

9. BORROWINGS

As at 28 February 2023, which is not more than 3 months preceding the LPD, the total outstanding borrowings of the BHB Group are as follows:

	RM'million
Non-current	
<u>Secured</u>	
Term loans	84.1
<u>Unsecured</u>	
Term loans	634.9
Islamic medium term notes	2,046.5
Revolving credit	282.3
Less: repayable in 1 year	(205.8)
Current	
<u>Secured</u>	
Revolving credits	588.0
<u>Unsecured</u>	
Bank overdrafts	61.4
Bankers' acceptance	934.8
Revolving credits	2,141.5
Short term loans	205.8
Total borrowings	6,773.5

10. CONTINGENT LIABILITIES

Save as disclosed below, as at 28 February 2023, which is not more than 3 months preceding the LPD, there are no contingent liabilities incurred or known to be incurred by the BHB Group which, upon becoming enforceable, may have a material impact on the financial position of the BHB Group:

- (i) 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 Damages ("**LD**") amounting to RM53.2 million and EUR19.3 million for the in-service support ("**ISS**") for the Royal Malaysian Navy SCORPENE Submarine Contract.

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On 28 June 2019, BDNC received a letter from MINDEF claiming for LD amounting to RM22.4 million and EUR8.8 million for the refit works on KD TUNKU ABDUL RAHMAN.

On 29 May 2020, BDNC received a letter from MINDEF claiming for LD amounting to RM11.6 million and EUR6.5 million for the breach of obligations under the first supplemental contract of the ISS for 2 units of Prime Minister-Class for the Royal Malaysian Navy Submarines Contract (extended ISS Contract).

On 13 April 2021, MINDEF had issued a notice to BDNC to set off the LD claims in full against the future progress billing issued by BDNC to MINDEF. The Group is of the opinion that the provisions for the LD are sufficient and no further losses are expected to be incurred after taking into consideration appropriate justifications and supporting documents.

As at 28 February 2023, the total provision of LD after offsetting against billings issued by BDNC was RM60.4 million.

- (ii) The winding-up petition no. WA-28NCC-490-06/2020 as set out in **Section 12(i) of this Appendix I**; and
- (iii) The Kuala Lumpur High Court Suit No. WA-22NCC-485-09/2022 as set out in **Section 12(ii) of this Appendix I**.

11. MATERIAL COMMITMENTS

Save as disclosed below, as at 28 February 2023, which is not more than 3 months preceding the LPD, there are no material commitments incurred or known to be incurred by BHB Group which, upon becoming enforceable, may have a material impact on the financial position of BHB Group.

	RM'million
Capital expenditure	
- Approved and contracted ⁽¹⁾	116.4
- Approved but not contracted ⁽²⁾	736.5
Total	852.9

Notes:

- (1) Mainly comprises of capital expenditure for BPM.
- (2) Mainly comprises of capital expenditure for Pharmaniaga, UAC, BNS and BPlant.

12. MATERIAL LITIGATION

Save as disclosed below, BHB Group is not engaged in any material litigations, claims or arbitration either as plaintiff or as defendant, which may have a material impact on the financial position or business of the BHB Group and the Board is not aware of any proceedings, pending or threatened, against the BHB Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position of business of the BHB Group.

(i) Winding-up Petition No. WA-28NCC-490-06/2020 (“Petition”)

Name of parties : Petitioner: MTU Services (Malaysia) Sdn Bhd (“MSM”)
Respondent: BNS, a subsidiary of BHB

Background / Status : BNS was served with the Petition on 3 July 2020 by MSM.

By the Petition, MSM is alleging that BNS is indebted to them for the total sum of RM56,044,740.00 for the equipment supplied and services provided to BNS.

(a) Application to strike out the Petition

On 11 August 2020, BNS filed an application to stay/strike out the Petition. On 19 August 2020, the High Court granted an ad-interim stay of all proceedings pending disposal of BNS’ striking out/ stay application. 6 creditors namely, BHB, Axima Concept SA, Boustead Penang Shipyard Sdn Bhd, Naval Group SA, Naval Group Malaysia Sdn Bhd and Paksi Laksana Sdn Bhd have submitted notice of intention to oppose the Petition.

On 29 March 2021, the High Court allowed BNS’ application to strike out the Petition. On 21 April 2021, MSM filed their notice of appeal, and the Court of Appeal fixed a hearing date on 26 June 2023 for the hearing of the appeal.

With regards to the Petition appeal, the directors of BNS, upon consultation with their solicitors, are of the view that BNS has a fair chance in maintaining to strike out the Petition against MSM’s appeal. BNS’ solicitors have formed this view on the basis of BNS’ legal arguments put forward before the High Court based on available evidence as well as the High Court’s legal reasoning in arriving at its decision to allow BNS’ application to strike out the Petition.

(b) Scheme of Arrangement

In a separate action, BNS had on 28 September 2020, applied to High Court of Kuala Lumpur via Originating Summons (“**Originating Summons**”) for, amongst others, the following orders:

- (aa) An order pursuant to section 366(1) of the Act to convene BNS’ creditors’ meeting for the purpose of considering and if deemed appropriate, to approve with or without modification, a proposed scheme of arrangement and compromise between BNS and its creditors (“**Scheme of Arrangement**”); and

- (bb) A restraining order pursuant to section 368 of the Act whereby, amongst others, all proceedings and/or further proceedings in any action or proceedings against BNS and/or its assets, including but not limited to Court, winding up and arbitration proceedings as well as any intended of future proceedings (“**Restraining Order**”). The Restraining Order excludes the financial institution creditors of BNS.

The proposed Scheme of Arrangement and Restraining Order are part of measures by BNS to manage and regularize its financial condition. In addition, BNS had also filed a notice of application for a protective order (“**Protective Order**”) over the statement of affairs and the government correspondence.

MSM has opposed BNS applications by filing a striking out application and the Court had on 24 February 2021 allowed BNS’ Protective Order, but only over the government correspondence. The Court also dismissed MSM’s application to strike out BNS’ application with cost of RM5,000.00 to be paid to BNS.

On 2 June 2021, the High Court allowed the order(s) for a Scheme of Arrangement and granted the Restraining Order until 2 September 2021. The Restraining Order has since been extended until 2 December 2021, 2 March 2022 and again until 2 June 2022. The Scheme of Arrangement under the Originating Summons lapsed on 2 June 2022.

(ii) **Kuala Lumpur High Court Suit No. WA-22NCC-485-09/2022**

Name of parties : Plaintiffs: 1. Contraves Advanced Devices Sdn Bhd (“**CAD**”), a joint venture company of BHB
2. Contraves Electrodynamics Sdn Bhd (“**CED**”), a subsidiary of CAD

Defendants: 1. BNS, a subsidiary of BHB
2. BHIC, a subsidiary of BHB
3. BHICDT, a subsidiary of BHIC
4. (Dr.) Salihin Abang (“**Dr. Salihin**”), a nominee director of BHICDT in CAD and CED
5. Vice Admiral Dato’ Syed Zahiruddin Putra Syed Osman (Retired) (“**Dato’ Syed Zahiruddin**”), a nominee director of BHICDT in CAD

Background / Status : On 27 September 2022, the Plaintiffs filed a Writ of Summons and Statement of Claim (“**WSSC**”) against the Defendants.

Under the WSSC, the Plaintiffs are seeking for the following:

- (a) A declaration that the 12 letters of award (“**LOAs**”) to the Plaintiffs, from BNS, pertaining to, amongst others, procurement, engineering, integration and supply of combat management system, fire control, communication system, ammunition, radars, torpedos and missiles in relation to the contract for the design, construct, equip, install, commission, integrate, test, trials and delivery of the 6 second generation patrol vessels with LCS capability for the Royal Malaysian Navy (“**LCS Project**”) are not void and/or are valid and subsisting;

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- (b) An order that BNS pays CAD the following alleged outstanding amounts:
 - (aa) RM880,068.21;
 - (bb) Euro 39,871,994.66;
 - (cc) Pound Sterling 3,784,937.02; and
 - (dd) Swedish Krona 55,938,157.90.
- (c) An order that BNS pays CED the alleged outstanding amount of RM216,652,305.94;
- (d) An order by way of specific performance of the 12 LOAs;
- (e) Damages in lieu of and/or in addition to the specific performance to be assessed by the Court, alternatively, damages to be assessed and/or sums to be determined for quantum meruit;
- (f) A declaration that Dr. Salihin and/or Dato' Syed Zahiruddin have allegedly breached their fiduciary duties and/or common law duties and/or statutory duties under the provisions of the Act including but not limited to sections 213, 217 and 218 owed to CAD and/or CED;
- (g) A declaration that BHIC and/or BHICDT and/or BNS had allegedly dishonestly assisted and/or aided and abetted and/or was an accessory to Dr. Salihin's and/or Dato' Syed Zahiruddin's breach of their respective fiduciary duties and/or common law duties and/or statutory duties owed to the Plaintiffs under the provisions of Act;
- (h) A declaration that BHIC and/or BHICDT and/or BNS and/or Dr. Salihin and/or Dato' Syed Zahiruddin had allegedly wrongfully conspired and/or combined with each other and/or acted in concert to injure and/or defraud the Plaintiffs;
- (i) A declaration that BHIC and/or BHICDT and/or BNS had allegedly wrongfully procured and/or induced any or all CAD's and/or CED's Original Equipment Manufacturers ("**OEMs**") under the LCS Project to breach the OEM's respective LOAs with CAD and/or CED and/or unlawfully interfered with the actions of any or all CAD's and/or CED's OEMs and/or the OEM's respective LOAs with CAD and/or CED;
- (j) An injunction to restrain BHIC and/or BHICDT and/or BNS and/or Dr. Salihin and/or Dato' Syed Zahiruddin whether by itself/himself, its directors, agents, servants, nominees or otherwise howsoever from continuing with the breach and/or assistance of the breach of Dr. Salihin's and/or Dato' Syed Zahiruddin's respective fiduciary duties and/or common law duties and/or statutory duties under the provisions of the Act including but not limited to sections 213, 217 and 218 owed to CAD and/or CED;
- (k) An injunction to restrain BHIC and/or BHICDT and/or BNS whether by itself, its directors, agents, servants, nominees or otherwise howsoever from directly communicating and/or contracting with CAD's and/or CED's OEMs under the LCS Project in connection with and for purposes of any of the scope of work under the 12 LOAs for the LCS Project;

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- (l) An injunction to restrain Dr. Salihin and/or Dato' Syed Zahiruddin whether by himself, his agents, servants, nominees or otherwise howsoever from utilising, disclosing, distributing, propagating or otherwise howsoever from any internal documents and/or information of the Plaintiffs to any unauthorised persons and/or general public;
- (m) Damages, whether general and/or aggravated and/or exemplary and/or equitable to be accessed by the Court;
- (n) An order that the Defendants pay such damages as assessed together with the interest on the same to the Plaintiffs;
- (o) Interest at such rate and for such period as the Court deems fit in respect of any sums awarded to the Plaintiffs until full and final settlement of such sums awarded;
- (p) Cost; and
- (q) Such further and/or other relief as the Court may deem fit and just to grant.

BNS, BHIC and BHICDT categorically deny the allegations made by the Plaintiffs as the allegations are baseless, frivolous, vexatious and unjustifiable. The Defendants filed applications to strike out the suit and the Court heard the striking out applications on 5 April 2023. At the hearing on 5 April 2023, the presiding judge reserved his decision and fixed a decision date on 3 May 2023.

Upon consultation with its solicitors, the boards of directors of BHIC, BHICDT and BNS believe that they have an even chance of succeeding in BNS', BHIC's and BHICDT's striking out applications and that they have a more than even chance in defending against the Plaintiffs' claims against BNS, BHIC and BHICDT. BHIC's, BHICDT's, and BNS' solicitors have formed this view premised on the fact the individual who initiated the suit on behalf of the Plaintiffs lacked the proper authority to bring said suit on behalf of the Plaintiffs.

(iii) High Court of Malaya at Shah Alam Suit No. BA-22NCC-16-02/2021

- Name of parties : Plaintiffs: BPM, a subsidiary of BHB
- Defendants: 1. Ismail Holdings Sdn Bhd ("**IHSB**")
2. Strategic Transforms Sdn Bhd ("**STSB**")
- Background / Status : Initially, there were 3 separate suits filed as follows:
- (a) Suit No. BA-22NCC-16-02/2021 by BPM against both IHSB and STSB ("**Suit 16**");
 - (b) Suit No. BA-22NCvC-33-01/2021 by IHSB against BPM ("**Suit 33**") and
 - (c) Suit No. BA-22NCVC-65-02/2021 by STSB against BPM ("**Suit 65**").

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In April 2022, the above 3 suits were assigned to be heard before a new Judge. The new Judge taking over Suit 16, Suit 33 and Suit 65 pointed out the substantial overlap on the facts and/or issues pleaded in the 3 suits. On 14 September 2022, all parties recorded a Consent Order ("**Order**") to consolidate all 3 suits into one under Suit 16.

In light of the Order and the direction of the Court, the parties filed fresh pleadings accordingly.

A summary of BPM's claim against IHSB and STSB in this suit is as follows:

- (a) A sum of RM3,493,333.33 being the balance of the secured sum calculated in accordance with paragraph 4 of Schedule 4 of the Supply and License Agreement ("**SLA**");
- (b) Interest at the rate of 12% per annum on the balance of the secure sum of RM3,493,333.33 from 9 February 2021 until full and final payment as per paragraph 5 of schedule 4 of the SLA to be paid by the Defendants to BPM;
- (c) Further and/or alternatively, the following damages to be paid jointly and/or severally by the Defendants to the BPM in lieu of specific performance:
 - (aa) A sum of RM1,024,502.99 for the equipment;
 - (bb) A sum of RM381,441.75 for the underground tanks;
 - (cc) Consequential damages for conversion to be assessed by the Court;
 - (dd) General damages and costs; and
 - (ee) Liquidated damages to be calculated in accordance with paragraph 3 of Schedule 4 of the SLA to be paid by the Defendants to BPM; and
- (d) Other declarations.

IHSB maintains that it was entitled to terminate the SLA or accept BPM's repudiation. In addition, IHSB has made the following counterclaim against:

- (a) Losses amounting to RM93,186.94 (as at 30 November 2020) for the oversupply of fuel by BPM to IHSB;
- (b) Loss of capital amounting to RM2,142,600.00 that was invested by IHSB in starting the operations of the Seremban petrol station;
- (c) Loss of income amounting to RM41,952,573.86 from 22 January 2021 due to the early termination of the SLA for the remaining supply period which is 22 years;
- (d) General damages and costs; and
- (e) Other declarations.

STSB has also made a counterclaim against BPM which includes the following claims:

- (a) Special damages amounting to RM120,000.00 for the dismantling of the structures and equipment belonging to BPM that were installed on the leased land, transport costs and site clean-up costs;
- (b) Loss of income for rental amounting to RM1,166,000.00 from 8 February 2021 to 20 April 2022;
- (c) Interest at 5% rate per annum for the amount of the judgment monies and costs from the date of the filing of this suit until the full and final settlement of the same;
- (d) General damages and costs; and
- (e) Other declarations.

The matter is set for case management on 12 April 2023.

With regards to the suit, the board of directors of BPM, upon consultation with their solicitors, are of the view that BPM has a good prospect of success in defending this action. The solicitors of BPM have formed this view on the basis of the background and conduct of the Defendants leading up to the purported termination of the SLA as well as the fact that there is a strong case to prove that BPM did not terminate the SLA nor were the Defendants entitled to terminate the SLA, in accordance with the terms of the SLA.

(iv) Kuala Lumpur High Court Suit No. WA-21NCvC-115-11/2022

Name of parties : Plaintiffs: Muhamad Hafiz Bin Zulkarnain, the estate of Puteri Nur Afikah Binti Zulkarnain and 42 others

Defendants: Government of Malaysia and 6 others

Background / Status : On 30 November 2022, Pharmaniaga LifeScience Centre Sdn Bhd (named as the 6th Defendant), a subsidiary of BHB, was served with the Writ of Summons and Statement of Claim (“WSSC”) by the Plaintiffs.

This is a class action by the Plaintiffs in respect of COVID-19 vaccine/vaccination program, where the first 13 Plaintiffs are the next of kin of the deceased and the remaining 30 Plaintiffs are those suffering from the adverse effects including permanent disabilities, purportedly attributable to the COVID-19 vaccine(s).

By the WSSC, the Plaintiffs are claiming inter alia for:

- (a) general/special damages;
- (b) declarations that the COVID-19 vaccination consent forms are invalid/void, the vaccines resulted in severe side-effects including death, and the vaccines were never tested by the Defendants themselves;

- (c) court order for the Defendants to conduct clinical test on the COVID-19 vaccines used in Malaysia and for the result to be reported within 7 days from the date of the order;
- (d) interim injunction to prevent the Defendants from distributing the vaccines to the public before the above court order has been executed by the Defendants;
- (e) costs; and
- (f) other reliefs that the court deems fit and proper.

The Court directed that the Defence is to be filed by 15 May 2023 and the interlocutory applications (if any) are to be filed by 10 April 2023. The matter is fixed for further case management on 15 May 2023.

(v) **Kuala Lumpur High Court Company Winding Up Petition No: WA-28NCC-223-03/2023**

Name of parties : Petitioner: R Zain Associates
 Respondent: Midas Mayang Sdn Bhd ("**Midas Mayang**"), a subsidiary of BHB

Background / Status : On 14 March 2023, Midas Mayang, a subsidiary of BHB, was served with a Winding-up Petition ("**Midas Mayang Petition**") by the Petitioner.

By the Midas Mayang Petition, the Petitioner alleges that Midas Mayang is indebted to them for the total sum of RM1,366,914.59 purportedly being their professional fees for the work done pertaining to the development of Phase 2, Royale Chulan Villas Cherating project.

It is relevant and important to note that the Petitioner has not obtained any judgement from the Court on their claim and the amount allegedly due and owing to them. The Petitioner filed the Midas Mayang Petition on grounds that Midas Mayang purportedly is unable to settle its debt to the Petitioner. Midas Mayang intends to contest such claim and shall be filing the affidavit in opposition in due course. The Court has fixed for the case management on 3 May 2023.

The board of directors of Midas Mayang, upon consultation with their solicitors, are of the view that the company has a fair chance in opposing the Midas Mayang Petition as there are triable issues to be raised in respect of this matter.

13. MATERIAL CONTRACTS

Save as disclosed below, BHB Group has not entered into any material contracts (not being contracts entered into the ordinary course of business) during the past 2 years preceding the commencement of the Offer Period and up to the LPD:

- (i) Conditional share sale agreement dated 19 March 2021 entered into between BHB, Westports Holdings Berhad and Klang Port Management Sdn Bhd for the disposal of the entire equity interest in Boustead Cruise Centre Sdn Bhd, a subsidiary of BHB, to Westports Holdings Berhad and Klang Port Management Sdn Bhd for a cash consideration of RM230.0 million. The disposal pursuant to the conditional share sale agreement was completed on 23 September 2021;
- (ii) Sale and purchase agreement dated 19 April 2021 entered into between Mutiara Rini, a wholly-owned subsidiary of BHB, and Sunway Rahman Putra Sdn Bhd, a subsidiary of Sunway Berhad, for the disposal of a parcel of freehold land measuring 6.59 acres held under HSD 118499 PT 484 Section 90, District of Kuala Lumpur, for a cash consideration of RM233.4 million. The disposal was completed on 20 April 2022;
- (iii) Sale and purchase agreement dated 16 March 2021 entered into between Cebur Megah Development Sdn Bhd, a subsidiary of BHB, and Seri Yakin Sdn Bhd, for the disposal of a parcel of freehold land measuring 89.28 acres held under HSD 164344, PT 83892, Mukim of Kapar, District of Klang, Selangor, for a cash consideration of RM147.8 million. The disposal was completed on 20 December 2021;
- (iv) Share sale agreement dated 17 August 2021, between BHB and UON Holding (Malaysia) Sdn Bhd ("**UON Holding**"), a subsidiary of University of Nottingham for the proposed disposal of 66.4% stake held by BHB in UNIM for a cash consideration of RM equivalent to Pound Sterling 23,500,000 (approximately RM137,423,300). On 16 August 2022, the share sale agreement was terminated for non-fulfilment of the conditions precedent;
- (v) Conditional land lease agreement dated 10 September 2021 entered into between BPlant, a subsidiary of BHB, CIMB Islamic Trustee Berhad and Next Generation Oil Sdn Bhd ("**NGOSB**") for NGOSB to lease between 1,040 to 1,286 acres of land in Telok Sengat Estate for the period of 30 years subject to lease rental of RM1,210.00 per acre per month. On 17 August 2022, the conditional land lease agreement was terminated for non-fulfilment of the conditions precedent;
- (vi) Sale and purchase agreement dated 28 September 2021 entered into between CIMB Islamic Trustee Berhad, acting solely in the capacity as a trustee and on behalf of BPlant as the beneficiary, and SIPP Power Sdn Bhd for the disposal of 5 parcels of freehold land held under GRN 229629 Lot 3564, HSD 64784 PTD 109021, HSD 64789 PTD 109026, HSD 64796 PTD 109033 and HSD 64797 PTD 109034 all within Mukim of Kulai, District of Kulai, Johor measuring 663.98 hectares for a total cash consideration of RM428,818,278.00. The disposal was completed on 27 January 2022 for the disposal consideration of RM428.77 million;
- (vii) Sale and purchase agreement dated 29 November 2021 entered into between Mutiara Rini, a subsidiary of BHB, and Bijak Kualiti Sdn Bhd, for the disposal of a parcel of freehold land measuring approximately 15,875 square metres held under Geran 80236, Lot 20066 Section 90, District of Kuala Lumpur for a cash consideration of RM150.0 million. The disposal was completed on 25 November 2022; and
- (viii) Sale and purchase agreements dated 22 July 2022 respectively entered into between CIMB Islamic Trustee Berhad (acting as a trustee for BPlant), BPlant and Nur Solar Sdn Bhd for the disposal of parcels of agricultural lands held under Geran Mukim 577, Lot 15 (Plot 1), Geran 39039, Lot 1314 (Plot 2), and parts of the land held under Geran 32397, Lot 277 Mukim of Padang China, District of Kulim, Kedah measuring 300 acres collectively, for a total cash consideration of RM98.01 million. The disposal was completed on 10 February 2023.

FURTHER INFORMATION

1. CONSENTS

Kenanga IB, UOBKH and the Valuers have given and have not subsequently withdrawn their written consents to the inclusion of their names and all references to them in the form and context in which they appear in this IAC, prior to the despatch of this IAC.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

2.1 By BHB

(i) Disclosure of interests in the Offeror

Not applicable as the Offeror is a government statutory body which manages a pension fund and does not have any voting shares and/or convertible securities.

(ii) Dealings in the securities of the Offeror

Not applicable as the Offeror is a government statutory body which manages a pension fund and does not have any voting shares and/or convertible securities.

(iii) Dealings in the securities of BHB

BHB has not dealt, directly or indirectly, in any of its own voting shares and/or convertible securities during the period commencing 6 months prior to the beginning of the Offer Period and up to the LPD.

2.2 By the Directors of BHB

(i) Disclosure of interests in the Offeror

Not applicable as the Offeror is a government statutory body which manages a pension fund and does not have any voting shares and/or convertible securities.

(ii) Dealings in the securities of the Offeror

Not applicable as the Offeror is a government statutory body which manages a pension fund and does not have any voting shares and/or convertible securities.

(iii) Disclosure of interests in BHB

As at the LPD, the Directors do not have any interest, whether direct or indirect, in any voting shares and/or convertible securities of BHB.

(iv) Dealings in the securities of BHB

The Directors have not dealt, directly or indirectly, in any voting shares and/or convertible securities of BHB during the period commencing 6 months prior to the beginning of the Offer Period and up to the LPD.

2.3 By the persons with whom BHB or any persons acting in concert with it has any arrangement over BHB Shares

As at the LPD, BHB or any persons acting in concert with it has not entered into any arrangement, including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to BHB Shares which may be an inducement to deal or to refrain from dealing, in relation to the Offer.

2.4 By the persons with whom BHB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom BHB or any persons acting in concert with it has borrowed or lent any voting shares and/or convertible securities of BHB.

2.5 By Kenanga IB and funds whose investments are managed by Kenanga IB on a discretionary basis (“Discretionary Funds”)

(i) Disclosure of interests in BHB

As at the LPD, Kenanga IB and its Discretionary Funds do not have any interest whether direct or indirect, in any voting shares and/or convertible securities of BHB.

(ii) Dealings in the securities of BHB

Save as disclosed below, Kenanga IB and its Discretionary Funds have not dealt, directly or indirectly, in any voting shares or convertible securities of BHB during the period commencing 6 months prior to the beginning of the Offer Period and up to the LPD.

Date of transaction	Nature of transaction	No. of BHB Shares	(1) %	Transacted price per BHB Share (RM)
3 September 2022 – 6 March 2023	Acquisition	3,846,200	0.19	0.525 – 0.860
	Disposal	3,746,100	0.18	0.530 – 0.855

Note:

(1) Computed based on 2,026,987,997 BHB Shares in issue as at the LPD.

3. ARRANGEMENT AFFECTING DIRECTORS

As at the LPD:

- (i) there is no payment or other benefit which will be made or given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer; and
- (iii) there is no material contract entered into by the Offeror in which any Director has a material personal interest.

4. SERVICE CONTRACTS

As at the LPD, there are no service contracts entered into by any of the Directors or proposed Directors with BHB Group, which have been entered into or amended within 6 months before the commencement of the Offer Period, or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAC.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of BHB at Level 23, The Bousteador, No. 10 Jalan PJU 7/6, Mutiara Damansara, 47800 Petaling Jaya, Selangor during normal business hours from 8.30 a.m. to 5.30 p.m. (Malaysian time) on Mondays to Fridays (except public holidays) from the date of this IAC up to and including the Closing Date:

- (i) the constitution of BHB;
- (ii) the audited consolidated financial statements of BHB for the FYE 2019, FYE 2020 and FYE 2021 as well as the latest unaudited consolidated financial statements of BHB for the FYE 2022;
- (iii) a copy of the Notice;
- (iv) a copy of the letter from the SC notifying it has no further comments on this IAC dated 15 April 2023;
- (v) the cause papers in respect of the material litigation referred in **Section 12 of Appendix I**;
- (vi) the material contracts as referred to in **Section 13 of Appendix I**;
- (vii) the letters of consent as referred to in **Section 1 of this Appendix II**; and
- (viii) the letters on the valuation by the Valuers for the revalued properties.