

ENTRY INTO AN AGREEMENT IN RESPECT OF INVESTMENT INTO OMNISENSE SYSTEMS PRIVATE LIMITED

1. Introduction

The Board of Directors of BH Global Corporation Ltd (the “**Company**” and together with its subsidiaries the “**Group**”) wishes to announce that the Company has on 4 May 2016 entered into the following agreements (“**Agreements**”) in respect of its investment into Omnisense Systems Private Limited (the “**Target Company**”):

- (a) a sale and purchase agreement (“**SPA**”), with Lim Siang Soon (the “**Vendor**”) in respect of the purchase by the Company of 12,136 ordinary shares (“**Target Shares**”) (“**Sale Shares**”) in Omnisense Systems Private Limited (the “**Target Company**”), representing 12.14% of the issued share capital of the Target Company (the “**Proposed Acquisition**”); and
- (b) an investment agreement (“**Investment Agreement**”), with the Target Company, Li Liya, Low Kee Tee Peter, Low Swee Peng, Goh Hock Choon, Tay Bee Kim Jeffrey, Tay Twan Lee and Lee Wei Choong holding in aggregate 32,367 shares comprising 32.37% of the issued share capital in the Target Company (the “**Outgoing Shareholders**”) and Lim Siang Soon, Adrian Earl Kang, Khoo Yi Lin Geraldine, Peck Cheng Chang @ Peh Seng Thong and Tham Chai Hong holding in aggregate 55,497 shares comprising 55.51% of the issued share capital in the Target Company (the “**Neutral Shareholders**”), in respect of the subscription by the Company of 79,315 new Shares in the Target Company (“**Proposed Subscription**”, and together with the Proposed Acquisition, the “**Proposed Transactions**”), constituting approximately 44.23% of the enlarged issued and paid-up share capital of the Company upon the completion of the Proposed Subscription.

2. Information on the Target Company

The Target Company is a private limited company, incorporated in Singapore on 23 February 2006. The Target Company has an issued share capital of S\$1,947,358, comprising 100,000 Target Shares, held by the Vendor, the Outgoing Shareholders and the Neutral Shareholders. The Target Company is engaged in the business of research and development, manufacture and sale of medical, professional, engineering, scientific and precision equipment, which includes several lines of thermal imaging systems.

3. Information on the Vendor

The Vendor is the founder, a controlling shareholder and director of the Target Company, and has been managing and leading the operations of the Target Company since 2006. The Vendor has more than 13 years’ experience and knowledge in the infrared imaging markets and products in the military, commercial and industrial sectors. Prior to founding the Target Company, the Vendor has been actively involved in the international sales and marketing of infrared night vision systems and industrial radiometric imagers.

Save for the Vendor, the Outgoing Shareholders and Neutral Shareholders are investors and shareholders of the Target Company, and do not take part in the business and operations of the Target Company.

4. The Proposed Acquisition

4.1 The Proposed Acquisition

Pursuant to the SPA, the Company will acquire, and the Vendor will sell, an aggregate of 12,136 Sale Shares in the Target Company, representing 12.14% of the issued share capital of the Target Company, free from all encumbrances and with all rights attaching thereto as at the date of completion of the Proposed Acquisition.

4.2 Consideration

The aggregate consideration payable by the Company to the Vendors for the Sale Shares is S\$606,800. The consideration will be satisfied wholly in cash and is arrived on a willing-buyer and willing-seller basis after arms-length negotiations, based on the Company's evaluation of the technology and prospects of the Target Company, as well as the Performance Targets (as defined below) to be satisfied by the Target Company.

The consideration is payable by the Company to the Vendor in the following proportion upon completion of the Proposed Acquisition.

4.3 Conditions precedent attached to the Proposed Acquisition

Completion of the Proposed Acquisition is subject to conditions precedent ("**Acquisition Conditions Precedent**") as set out in the SPA which includes conditions relating to, amongst others, due diligence and conditions relating to the financial and other circumstances of the Target Company.

4.4 Completion of the Proposed Acquisition

Subject to the fulfilment or waiver of the Acquisition Conditions Precedent, completion of the Proposed Acquisition shall take place on such date as notified by the Company to the Vendors, such date being a date set by the Company within 14 days of the satisfaction of the Acquisition Conditions Precedent, or such other date as the Vendors and Company may agree in writing ("**SPA Completion Date**").

5. Proposed Subscription

5.1 The Proposed Subscription

Pursuant to the Investment Agreement, Company will be subscribing for 79,315 new Target Shares ("**Subscription Shares**") in the Target Company, representing 44.23% of the enlarged issued and paid-up share capital of the Target Company upon completion of the Proposed Subscription.

5.2 Consideration

The subscription price of the Subscription Shares shall be an aggregate of S\$1,945,200, to be satisfied by the Company in cash, payable as follows:

- (a) S\$375,000 upon the execution of this Agreement, representing a refundable deposit ("**Deposit**"), payable by way of wire transfer to such bank account nominated by the Target Company, details of which shall be notified in writing by the Target Company to the Company; and
- (b) the remaining S\$1,570,200 on Subscription Completion Date (as defined below), payable by way of wire transfer to such bank account nominated by the Target Company, details of which shall be notified in writing by the Target Company to the Company at least five (5) Business Days prior to the Subscription Completion Date.

The subscription price of the Subscription Shares, similar to the consideration for the Sale Shares, is arrived on a willing-buyer and willing-seller basis after arms-length negotiations, based on the Company's evaluation of the technology and prospects of the Target Company, as well as the Performance Targets (as defined below) to be satisfied by the Target Company.

In the event that the Investment Agreement is terminated pursuant to the terms and conditions of the Investment Agreement, the Deposit shall be refunded to the Company within three (3) business days of the Target Company's receipt of the termination notice.

5.3 Conditions precedent attached to the Proposed Subscription

The Company's obligation to proceed with the completion of the Proposed Subscription is conditional upon certain conditions precedent ("**Subscription Conditions Precedent**") as set out in the Investment Agreement which includes conditions relating to, amongst others, due diligence and conditions relating to the financial and other circumstances of the Target Company.

5.4 Completion of the Proposed Subscription

Subject to the fulfilment or waiver of the Subscription Conditions Precedent, completion of the Proposed Subscription shall take place on such date as notified by the Company to the Target Company, such date being a date set by the Company within 14 days of the satisfaction of the Subscription Conditions Precedent, or such other date as the Target Company and Company may agree in writing ("**Subscription Completion Date**").

Upon the completion of the Proposed Acquisition and the Proposed Subscription, the Company will hold 51.00% of the enlarged issued and paid up share capital of the Target Company.

Subject to the terms and conditions to be agreed upon, the Target Company also intends to grant and the Company intends to take up the distribution right to distribute the products of the Target Company in certain territories and geographical areas as agreed between the Target Company and the Company, and the Company and the Target Company shall use their best efforts to enter into a distribution agreement within 30 days from the date of this Agreement, to govern the terms and conditions of the distributorship rights granted by the Target Company to the Company.

6. Funding and Put Option

6.1 The Funding

Subsequent to the Proposed Subscription, the Company intends to provide additional funding to the Target Company of an aggregate amount of S\$4.4 million ("**Funding**") upon the achievement of certain performance targets ("**Performance Targets**") as set out in the Investment Agreement.

The Funding will be provided by the Company by way, in the first instance, of loans to the Target Company. Subject to the corresponding Performance Target being achieved, the Company shall pay to the Target Company the corresponding amount of Funds set out above, within 30 days of the issue of the relevant audited financial statements evidencing the satisfaction of the relevant Performance Target.

The obligation of the Company to provide any Funding shall be conditional upon the Target Company and the Outgoing Shareholders not having breached the terms of this Agreement, which breach was known to the Company only after the completion of the Proposed Subscription.

The Funds payable for each Period may be adjusted in accordance with the terms and conditions of the Investment Agreement, in the event that the Performance Targets for any Period is partially achieved or where the NPAT for such Period reflects a loss. However, no Funds will be paid by the Investor for a Period where less than 50% of the Performance Target for such period is achieved.

Where the Performance Target for any Period is exceeded, the excess can be carried over and applied towards the Performance Target in the next Period, with Funding payable for each Period capped at the amount set out above for the corresponding Period and provided always the Funding in any Period will not exceed that stated for such Period. Notwithstanding the aforementioned, in the event that the Target Company achieves net profit after tax of not less than S\$4.0 million in a financial year and commences preparation for its listing, the Funding shall be payable as follows:

- (a) where the Target Company commences preparation for its listing in Period 1 or Period 2, and the net profit after tax for such Period exceeds the Performance Target for such Period, the Company shall, together with the Funds payable for such Period, pay the Funds payable for the next Period(s), in the proportion of the excess amounts over the Performance Target(s) for the next Periods. Thereafter, all remaining Performance Targets will be extinguished; and
- (b) where the Target Company commences preparation for its listing in Period 3, and the Performance Target for Period 3 is partially achieved as at the date preparation of listing commences, the amount of Funds to be paid by the Company in respect of Period 3 shall be proportionately reduced, and the remaining Performance Target will be extinguished.

To maintain and ensure the Final Shareholding Proportion as amongst the Company, Outgoing Shareholders and Neutral Shareholders such that any application of the Funds paid in as equity towards issue of Further Subscription Shares to the Company will not affect the Final Shareholding Proportion as at the time of each issue of Further Subscription Shares because only of such application, any Funds to be applied towards subscription of Further Subscription Shares shall for any tranche or part thereof of the Funds be utilised to issue to the Company such number of Further Subscription Shares, and each of the Remaining Shareholders and Neutral Shareholder shall also subscribe for such number of new Shares to be issued by the Company and subscribed for by the respective Shareholder at a consideration of S\$0.0001 per new Share, such that the Final Shareholding Proportion is maintained at the end of each such subscription. The Funds will however be applied towards issue of Further Subscription Shares only after the Put Option (referred to in paragraph 6.2 below) has lapsed. For the purposes of this paragraph:

- (a) **“Final Shareholding Proportion”** means the shareholding proportion of the Company, Neutral Shareholders and Outgoing Shareholders, calculated by dividing the number of Shares held by the respective Company, Neutral Shareholder and Outgoing Shareholder by the Final Number of Shares; and
- (b) **“Final Number of Shares”** means 179,315 Shares less the number of Option Shares over which the Put Option was exercised.

6.2 Put Option to Outgoing Shareholders

To provide the Outgoing Shareholders with an option to exit, the Company will, in the Investment Agreement, grant to the Outgoing Shareholders a put option, to request the Company to purchase from the Outgoing Shareholders, the Target Shares held by such Outgoing Shareholders (**“Option Shares”**), free from all encumbrances and with all rights attaching thereto as at the date of completion of the Proposed Subscription (**“Put Option”**), at a consideration of S\$100 per Option Share (**“Put Option Consideration”**). The Put Option can be exercised individually by each Outgoing Shareholder.

The right of the Outgoing Shareholders to exercise their Put Option shall be conditional upon, *inter alia*, the following:

- (a) the aggregate net profit after tax of the Target Company for the period from 1 August 2015 to 31 December 2017 as evidenced by audited financial statements covering such period being not less S\$4,000,000;
- (b) such Outgoing Shareholder exercising his Put Option not having breached the terms of this Agreement; and
- (c) the Vendor having entered into a service agreement with the Company on terms acceptable to the Investor, and remaining in the continued employ of the Company in accordance with its terms.

The Outgoing Shareholders will then be entitled to exercise the Put Option at their sole discretion, at any time between 1 April 2018 to 31 December 2018 (**“Put Option Period”**) over all and not part of such Outgoing Shareholder’s Option Shares, provided that the Put Option will immediately lapse upon the grant of the approval or eligibility to list (or analogous approval) of the SGX-ST to the listing of the Target Company or of its holding company on the mainboard or catalyst board of the SGX-ST.

To cater for the Put Option, while the Funds for Periods 1 and 2 will be paid by the Company to the Target Company within 30 days of the issue of the relevant audited financial statements of the relevant Period evidencing the satisfaction of the relevant Performance Target, the application of Funds by the Company towards the subscription of new Shares in the Target Company for Periods 1 and 2 will be deferred to the expiration of the Put Option Period. Pending the subscription and issue of new Shares to the Company, the Funds paid by the Company for Periods 1 and 2 will be regarded as amounts due by the Target Company to the Target Company ("**Loan**"). Upon the exercise of the Put Option by any Outgoing Shareholder, the Company shall assign such amount of Loan equivalent to the Put Option Consideration such Option Shares to the relevant Outgoing Shareholder. At the expiry of the Put Option Period, the balance amount of the Loan, less any parts of the Loan assigned as Put Option Consideration, shall be applied to the subscription of new Shares ("**Further Subscription Shares**") in the Target Company by the Company, such subscription to occur no later than 30 days after the end of the Put Option Period.

The Company notes that where the Put Option is exercised in full by all Remaining Shareholders, the total amount of consideration payable to all Remaining Shareholders will be S\$3,236,700, while the aggregate Loan arising from the Funds payable at the time that the Put Option is exercisable will be S\$2,000,000, which will be insufficient to cater for the full amount of consideration payable. Accordingly, the Target Company had on 4 May 2016 provided a deed of undertaking to the Company, undertaking to reimburse BH Global for such additional amounts payable by BH Global to the Outgoing Shareholders, in the event that the Loan is unable to cater for the aggregate consideration payable to the Remaining Shareholders upon the exercise of the Put Option by the Remaining Shareholders. Such amounts will be payable by the Target Company to the Company within seven (7) days from the date the Company makes payment to the Remaining Shareholders. Lim Siang Soon had also in the same deed of undertaking, undertaken to procure the payment of such amounts by the Target Company to the Company.

7. Rationale of the Proposed Transactions

The Company is of the view that the Proposed Transactions will, *inter alia*, bring about the following key benefits to shareholders:

(a) The Target Company will introduce an additional revenue stream to the Group

The Company expects that there will be significant potential for the sale of marine surveillance cameras, being one of the Target Company's principal products. The Company hopes to realise the potential of these new products in international markets, which would contribute an additional stream of revenue and earnings for the Company and would extend the Group's revenue base.

(b) The Target Company enjoys synergy with the existing operations of the Group

The Group is an integrated group providing premium electrical products and electrical, instrumentation and telecommunication solutions to the marine and offshore industries. The products of the Target Company, such as the marine surveillance cameras, enjoy certain synergies with the existing markets and customers of the Group. Such products of the Target Company can be distributed and sold through the existing distribution channels of the Company, leveraging on the latter's sales force and customer base in the marine sector. Where necessary, the Target Company is also able to provide customized original equipment manufacturing (OEM) services to certain customers of the Company in other markets.

8. Values for the Proposed Transactions

8.1 Book Value

Based on the audited financial statements of the Target Company for the financial year ended 31 July 2015, the book value of the Target Company is approximately S\$311,731.

8.2 Source of Funds

The Proposed Transactions will be funded through a combination of internal cash flows from its existing operations and bank borrowings.

9. Financial Effects of the Proposed Transactions

9.1 The financial effects of the Proposed Transactions have been prepared on a proforma basis using the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 as set out in the annual report of the Company ("**FY2015 Results**"). The financial effects of the Proposed Transactions on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Transactions.

9.2 Effect of Proposed Transactions on Net Tangible Asset ("**NTA**") per Share

Assuming that the Proposed Transactions had been completed on 31 December 2015 and based on the FY2015 Results, the effect of the Proposed Transactions on the NTA per share of the Company ("**Share**") are as follows:

As at 31 December 2015	Before Completion of the Proposed Transactions		After Completion of the Proposed Transactions	
	Prior to Share Consolidation ⁽¹⁾	After Share Consolidation ⁽¹⁾	Prior to Share Consolidation ⁽¹⁾	After Share Consolidation ⁽¹⁾
NTA (S\$'000)	72,363	72,363	73,396	73,396
Number of issued Shares	480,000,000	119,999,995	480,000,000	119,999,995
NTA per share (S\$)	0.15	0.60	0.15	0.61

Notes:

- (1) The Company had on 29 February 2016 completed its share consolidation, where every four (4) then existing issued and paid-up Shares in the capital of the Company were consolidated into one (1) new Share in the capital of the Company, fractional shares (if any) to be disregarded.
- (2) The NTA of the Company after Completion of the Proposed Transactions are calculated on the assumption that all Performance Targets are met and the full Funding is provided by the Company. Accordingly, the entire investment by the Company would be S\$6,592,000 and the NTA of the Company includes (a) the Company's 51% share in the S\$6,592,000 investment received by the Target Company and (b) the Company's 51% share in the aggregate of the Performance Target (i.e. 51% of S\$9,000,000).

9.3 Effect of Proposed Transactions on Earnings per Share

Assuming that the Proposed Transactions has taken place on 1 January 2015 and based on the FY2015 Results, the Proposed Transactions would have the following effects on the Group's earnings per Share as presented in the following table:

As at 31 December 2015	Before Completion of the Proposed Transactions		After Completion of the Proposed Transactions	
	Prior to Share Consolidation (1)	After Share Consolidation (1)	Prior to Share Consolidation (1)	After Share Consolidation (1)
Consolidated net loss attributable to shareholders (S\$'000)	(4,210)	(4,210)	(4,452)	(4,452)
Weighted average number of Shares	480,000,000	119,999,995	480,000,000	119,999,995
Loss per Share (S\$)	(0.0088)	(0.0351)	(0.0093)	(0.0371)

Notes:

- (1) The Company had on 29 February 2016 completed its share consolidation, where every four (4) then existing issued and paid-up Shares in the capital of the Company were consolidated into one (1) new Share in the capital of the Company, fractional shares (if any) to be disregarded.

9.4 Effect of Proposed Transactions on the Group's Gearing

Assuming that the Proposed Transactions has taken place on 31 December 2015 and based on the FY2015 Results, the Proposed Transactions would have the following effects on the Group's gearing as presented in the following table:

As at 31 December 2015	Before the Proposed Transactions	After the Proposed Transactions
Gearing (times)	0.14	0.19

Note:

- (1) The gearing is calculated on the assumption that the entire investment by the Company, being S\$6,952,000, would be financed by existing cash of the Company and by borrowings equally.

9.5 Effect of Proposed Transactions on Company's Share Capital

The Proposed Transactions would have no material effects on the issued share capital of the Company.

10. Relative Figures under Rule 1006

10.1 Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (“**Listing Manual**”), are as follows:

	Target Company	Group	Relative Figures (%)
<p>Rule 1006 (a)</p> <p>The net asset value of the assets to be disposed of, compared with the group's net asset value as at 31 December 2015.</p>	Not applicable	Not applicable	Not applicable
<p>Rule 1006 (b)</p> <p>The net losses attributable to the assets acquired as at 31 July 2015 (being the last ended financial year of the Target Company), compared with the Group's net losses as at 31 December 2015.⁽¹⁾</p>	S\$474,463	S\$5,523,000	8.58%
<p>Rule 1006 (c)</p> <p>Aggregate value of consideration given or received, compared with the market capitalisation of the Company as at 3 May 2016, being the last full market day immediately preceding the execution of the Agreement⁽³⁾⁽⁴⁾</p>	S\$6,952,000	S\$34,799,999	19.98%
<p>Rule 1006 (d)</p> <p>The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.</p>	Not applicable	Not applicable	Not applicable

Rule 1006 (e)			
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas asset by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable	Not applicable	Not applicable

Note:-

- (1) This relative figure under Rule 1006(b) is computed based on the absolute figures of the losses of the Target Company and the Company respectively.
 - (2) The Group's net profit as at 31 December 2015 includes the net profits of both its continuing and discontinued operations, and calculated before tax and minority interests for the full financial year from January to December 2015.
 - (3) The aggregate value of the consideration received is calculated on the basis that all the Performance Targets are met and the full amount of Funding is provided to the Target Company.
 - (4) The market capitalisation of the Company of approximately S\$34,799,999 is determined by multiplying 119,999,995 Shares in issue by the volume weighted average price of S\$0.29 of such Shares transacted as at 3 May 2016, being the market day preceding the date of the Agreement.
- 10.2 As the Target Company reported a loss of S\$474,463 for the financial year ended 31 July 2015, and the Group reported a net loss of S\$5,523,000 for the financial year ended 31 December 2015, the negative figures will be used to calculate the relative figure under Rule 1006(b). The Company had in the table above computed the relative figure under Rule 1006(b) based on the absolute figures of the losses of the Target Company and the Company respectively. The Company had sought clarification from the SGX-ST, and the SGX-ST has on 4 May 2016 clarified that, notwithstanding that relative figure under Rule 1006(b) is calculated using two (2) negative figures, the Proposed Transactions are to be treated as a "discloseable transaction" and not as a "major transaction".

11. Interests of Directors and Controlling Shareholders

- 11.1 None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the Agreement or the Proposed Transactions, other than through their respective shareholdings in the Company.
- 11.2 No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Transactions. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Agreements, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

13. Documents for Inspection

Shareholders should note that a copy of the Agreements will be available for inspection during normal business hours at the Company's registered office at 8 Penjuru Lane, Singapore 609189 for three (3) months from the date hereof.

By Order of the Board

Alvin Lim Hwee Hong
Executive Chairman
10 May 2016