

BHS INDUSTRIES BERHAD
ANNOUNCEMENT - ACQUISITION OF TWO FACTORY UNITS

1. INTRODUCTION

The Board of Directors (the "Board") of BHS Industries Berhad ("BHS" or the "Company") is pleased to announce that its wholly-owned subsidiary, BHS Resources Pte. Ltd. ("BHS Resources"), had on 16 October 2009, entered into a sale and purchase agreement ("SPA") with Wintech Commonwealth Pte. Ltd. ("Vendors" or "WC") to acquire two factory units located at One Commonwealth Lane #3-21 and #3-22, Singapore 149544 ("Property") for a total cash consideration of RM2.94 million (SGD 1.2 million)("Purchase Price").

BHS Resources is a company incorporated in Singapore on 3 April 2009 and its principal activity is property investment.

2. DETAILS OF THE PROPERTY ACQUISITION

2.1 Information on the Property

The details of the Property are set out below:

(a)	Postal address	:	1 Commonwealth Lane #03-21 and #3-22, Singapore 149544
(b)	Description of the Property	:	2 Factory units on the 3 rd Storey of the building, each comprising an estimate floor area of 132 square metres including car parking lot(47square metres).
(c)	(i) Existing use	:	N/A
	(ii) Proposed use	:	To be use as clean and light industry eg computer software development, distribution services, assembly and repair of computer hardware and electronic equipment, printing, publishing and allied industries, packing of dried foodstuff, warehouse (exclude storage of chemicals) etc.
(d)	Approximate age of the building	:	N/A
(e)	Terms of tenure	:	30 year lease commencing 1 March 2008.

2.2 Information on Vendor

WC was incorporated in the Republic of Singapore on 12 October 2007 under the Companies Act as a private limited company. The principal activity is property development.

The Directors are Lee Tee Eng, Ng Teng Yeng, Koh Ai Peng Amy, Sim Kain Kain and Wong Lien Chen.

2.3 Basis of Arriving at the Purchase Price

The Purchase Price for the Property Acquisition was based on the developer's offer price which is on the basis of a willing buyer and willing seller.

2.4 Payment Schedule

The Purchase Price in relation to the Property Acquisition shall be satisfied by BHS Resources in the following timeframe and 14 days from the date of notice on the stage of completion:-

Timeframe	Amount Payable RM
Booking fees for the Grant of option to purchase, paid on 24 September 2009	147,000
20% of the purchase price payable within 8 weeks from the date of the grant of the option to purchase ("inclusive of booking fees of 5%"). Payable by 18 November 2009	441,000
Notices that the foundation works, reinforced concrete works and the brick walls relating to the Units have been completed. Payable by 18 November 2009	735,000
Notice that the ceiling of the Units has been completed.	147,000
Notice that the door and window frames are in position, and that the electrical wiring, the internal plastering and the plumbing of the Units have been completed	147,000
Notice that the installation of electrical plant, sanitary equipment and air-conditioning part (if any) relating to the Units have been completed.	147,000
Notice that the car park, roads and drains serving the Building have been completed.	147,000
Within 14 days after the Purchaser receives the Temporary Occupation Permit or Certificate of Statutory Completion in respect of the Units.	735,000
On Completion Date : 10% of the Purchase Price payable as follows: (a) 2% of the Purchase Price to the vendor; and (b) 8% of the Purchase Price to the Singapore Academy of Law as stakeholder OR If the Certificate of Statutory Completion (CSC) relating to the Units is issued before the Completion Date, the Purchase must pay to the Vendor the last instalment of 10% of the Purchase Price in the following manner: (a) within 14 days after the Purchaser receives the CSC- 2% of the Purchase Price (b) on Completion Date- the balance 8% of the Purchase Price.	58,800 235,200 58,800 235,200
Total	2,940,000

Note: The rate of conversion used is RM2.45 to SGD1

2.5 Source of Funding and Liabilities to be Assumed by BHS Resources

BHS Resources shall pay 50% of the cost of the property and shall seek finance on the balance of 50% of the cost of the Property by borrowings from a bank in Singapore. BHS Resources will not assume any liabilities arising from the Property Acquisition.

2.6 Salient Terms of the SPA

Amongst others, the salient terms of the SPA are as follows:

- (a) The Vendor will sell and the Purchaser will buy free from all encumbrances the remainder of the leasehold estate for a term of 30 years commencing from the 1st day of March 2008 in the Property at the Purchase Price.
- (b) The Purchase Price will be settled fully in cash in accordance with the **Paragraph 2.4 Payment Schedule above**. If the Purchaser fails to pay any or part of any instalment, interest on the unpaid amount is to be payable by the Purchaser to the Vendor until the unpaid amount is paid or 21 days after the Purchaser has been served the notice in writing by the Vendor of his intention to treat this Agreement as having been repudiated by the Purchaser, whichever first occurred.

Interest shall be calculated on a daily basis at the rate of 2% above the Base Rate starting from the 15th day after receiving the notices from the Vendor.

- (c) The Purchaser shall within 4 working days after receiving from the Vendor a Certificate of Statutory Completion relating to the Property (or a certified copy thereof), serve on the Stakeholder as well as the Vendor that Certificate or the certified copy thereof and a Notice of deductions from the Purchase Price which he desires to make under the Agreement.

The stakeholder must then pay to the Vendor the 8% of the Purchase Price less all authorized deductions within 3 working days after receiving from the Purchaser the Certificate of Statutory Completion relating to the Units.

If the Purchaser fails to serve the Certificate of Statutory Completion or the certified copy thereof on the stakeholder, interest at 2% above Base Rate calculated on a daily basis is also to be payable by the Purchaser to the Vendor.

- (d) The Vendor must deliver vacant possession of the Property to the Purchaser no later than 30 June 2011(Transfer Date). If there is a delay, liquidated damages are to be calculated on a daily basis, commencing from the day immediately after the Transfer Date, at the rate of 10% per annum on the total sum of all the instalments paid by the Purchaser towards the Purchase Price, and shall run until the Purchaser receives a Notice of Vacant Possession from the Vendor in respect of the Property.
- (e) The Vendor must give to the Purchaser a Notice to Complete requiring completion of sale and purchase of the Property no later than 30 June 2014 or 3 years after the date of delivery of vacant possession of the Property, whichever is the earlier. Completion must take place 14 days after the Purchaser receives the Vendor's Notice to Complete accompanied by a certificate by the Vendor's qualified person stating that the Competent Authority approves the subdivision of the Building.

If there is a delay, liquidated damages are to be calculated on a daily basis at the rate of 10% per annum on the total instalments paid by the Purchaser towards the Purchase Price, and shall run from the date on which the Notice should have been given under the preceding paragraph until the date when the Notice to complete is actually given to the Purchaser.

- (f) The Vendor must make good at his own cost and expense any defect in the Property, the Building or the common property which becomes apparent within 12 months from the date the Purchaser receives the Notice of Vacant Possession of the Property
- (g) The Purchaser's share of maintenance charges per unit for the common property of the Building is 40/10,000.

2.7 Offer of Contribution Towards Renovation Costs of The Property

In a letter dated 24 September 2009, the Vendor has offered to contribute up to a maximum limit of SGD 70,000 per Unit towards the renovation costs of the Property. This offer is made in consideration of BHS Resources agreeing to enter into an agreement for the Sale and Purchase and to have satisfied the conditions that it has paid 90% of the Purchase Price and must not be in breach of any of the terms of agreement.

2.8 Goods and Services Tax (GST)

BHS Resources registered for Goods and Services Tax on 15 October 2009 and it is able to reclaim the GST payable on the acquisition of the property. Therefore, the Purchase Price stated on this Announcement has excluded the GST of 7%.

3. RATIONALE AND PROSPECTS OF THE PROPERTY ACQUISITION

The principal activity of BHS Resources is property investment. The intention is to purchase property located in an easily accessible area which is well served by public transport, close to other amenities like shops, offices and government agencies. The property acquired will be let out in due course with a view to generating recurring rental income.

4. RISK FACTOR

The Property Acquisition may be subject to the risks inherent in any severe economy slowdown where the prices of the property will drop and it is difficult to get tenants.

5. APPROVALS REQUIRED

The Property Acquisition is neither subject to the approval of its shareholders nor any relevant authority's approval.

6. DEPARTURE FROM THE SC' GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES ("SC GUIDELINES")

The Board is not aware of any departure from the SC Guidelines arising from the Property Acquisition.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the Directors and/or major shareholders and/or persons connected with them has any interests, direct or indirect, in the Property Acquisition.

8. FINANCIAL EFFECTS OF THE ACQUISITION

8.1 Issued and Paid-up Share Capital and Substantial Shareholders' Shareholding

The Property Acquisition will not have any effect on the issued and paid-up share capital of BHS as well as its substantial shareholders' shareholdings as the Property Acquisition does not involve any issuance of shares.

8.2 Earnings per share

The Property Acquisition is not expected to have any material effect on the earnings per share of BHS for the financial year ending 30 June 2010. However, the Property Acquisition is expected to contribute positively to the future earnings of the Group.

8.3 Net assets per shares and earnings

The Property Acquisition will not have any material effect on the net assets per share and earnings of BHS as the acquisition is for cash.

8.4 Gearing

Barring any unforeseen circumstances, the gearing of BHS for the financial year ending 30 June 2010 is expected to increase by 0.03 times.

9. DIRECTORS' RECOMMENDATION

The Board having considered all aspects of the Property Acquisition is of the opinion the Property Acquisition is in the best interest of BHS and the terms and conditions are fair and reasonable to the shareholders.

10. THE ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Property Acquisition is expected to be completed within the 2nd quarter of 2010.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA and a letter from the Vendor, Wintech Commonwealth Pte.Ltd. dated 24 September 2009 will be available for inspection at Epsilon Advisory Services Sdn Bhd's office at 312, 3rd Floor, Block C, Kelana Square, 17 Jalan SS7/26 47301 Petaling Jaya from Mondays to Fridays except public holidays for a period of three (3) months from the date of this announcement.

This announcement is dated 16 October 2009