

Issuer: BH Global Corporation Ltd
Security: BH Global Corporation Ltd

Meeting details:

Date: 19 April 2017

Time: 10:00H

Venue: Boardroom, 8 Penjuru Lane, Singapore 609189

Company Description

BH Global Corporation Limited, an investment holding company, provides supply chain management, design, and manufacturing solutions to the marine and offshore industries worldwide. The company operates through two segments, Supply Chain Management and Manufacturing. It supplies marine, offshore, industrial, and marine data and coaxial cables, as well as cable accessories; marine and offshore, ATEX, and LED lighting solutions, as well as lighting accessories; and ATEX sounders and beacons, alarm and signaling equipment, ship horns, battery chargers and accessories, and switchboard control and automation products. The company also offers inventory management, quality component integration, and support services; and turnkey electrical and instrumentation installation services. In addition, it manufactures and supplies galvanized steel wires and strands, wire ropes and strands, galvanized steel tapes, spring wires, pre-stressed concrete ropes and strands, and stainless steel wires; and wholesales LED lighting solutions for marine and offshore applications. Further, it provides cyber security and enterprise IT operation management products for public and private sectors. The company primarily serves ship owners, operators, management companies, chandlers, repair contractors, and shipyards. The company was formerly known as BH Global Marine Limited and changed its name to BH Global Corporation Limited in May 2013. The company was founded in 1963 and is headquartered in Singapore. BH Global Corporation Limited is a subsidiary of Beng Hui Holding (S) Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BQN)

Q1. The Supply Chain Management division still remains the group's core business, contributing 98% of the group's overall revenue and \$1.4 million in segmental profit (page 132 of the annual report – Note 36: Segment information). It has been the mainstay of the group contributing segment results of \$5.1 million in 2015, \$4.2 million in 2014, \$3.7 million in 2014 (restated), \$8.7 million in 2013, \$10.5 million in 2012 and \$14.6 million in 2011.

- a) **What are management's plans to improve the profitability of the supply chain management division?**
- b) **Can management help shareholders understand the potential of the tie-up with Seoul Electric Cables Group? How strategic is this relationship?**

The group has discontinued the group's operations in construction management and engineering operations and has diversified into the security business.

- c) **How synergistic is the security business (Athena Dynamics and Omnisense Systems) to the group's core business?**
- d) **How can the new security business leverage on the group's network and relationships?**
- e) In FY2016, the new security division had external sales of \$0.97 million and reported a segment loss of \$0.58 million (page 133 – Segment information). **What are management's targets for the new security division?**

Q2. On 31 March 2017, the company announced on SGX that it is giving notice that:

- (i) *it has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and*
- (ii) *its latest 6-month average daily market capitalisation as at 31 March 2017 is S\$26.5 million.*

Rule 1311(1) of the Listing Manual states that the Exchange will place an issuer on a watch-list if it records pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts); and an average daily market capitalisation of less than S\$40 million over the last 6 months.

As such, at the next quarterly review which will be the first market day of June, the company will likely be placed on the watch-list by the exchange. There is a limited time frame for the company to meet the Financial Exit Criteria (which primarily is to be profitable and to have at least a market capitalization of \$40 million). The company will be given up to 36 months to meet the financial exit criteria.

- a) **How will the inclusion into the watch-list affect the group?**
- b) **What are management's plans to achieve profitability and to meet the financial exit criteria within the time frame?**
- c) **Given that the group may not have the luxury of time to wait for a recovery in the offshore and oil & gas sectors, what are the other options that are available to the group?**

Q3. As disclosed in the Corporate Governance Report (page 38), from 3 August 2014, all the three independent directors have served on the board beyond nine years from the date of their first appointment. Notwithstanding the fact that “the board, having reviewed the independence of these Directors and further taking into account the deliberations of the NC, is of the view that all three non-executive Directors are able to exercise independent and objective judgement”, Guideline 2.4 of the Code of Corporate Governance issued by the Monetary Authority of Singapore calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) As all the three directors were appointed to the board on 3 August 2005, it would be disruptive and a great loss to the group if all three directors were to step down at the same time. **What are the board’s plan to ensure a smooth transition of the board directors?**
- c) **Please also disclose the company’s search and nomination process for new directors.**