

**Issuer:** BH Global Corporation Ltd

**Security:** BH Global Corporation Ltd

**Meeting details:**

Date: 19 April 2018

Time: 10.00 a.m.

Venue: Boardroom, 8 Penjuru Lane, Singapore 609189

**Company Description**

BH Global Corporation Limited provides supply chain management, design, and manufacturing solutions to marine and offshore industries worldwide. It operates through three segments: Supply Chain Management, Engineering, and Security. The company 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. It also offers inventory management, quality component integration, and support services. In addition, the company 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 provides LED module, LED luminaire, floodlight, panel light, downlight, and industrial highway series products. Further, it provides design engineering services, including electrical, instrument, and control system HVAC/structure engineering design; engineering and fabrication of marine, oil, and gas equipment/systems; facilities, shipside, and value engineering; floating production storage offloading; offshore and onshore oil and gas platforms; refineries and petrochemical gas plants; and power plants. Additionally, the company offers critical infra-structure protection and cyber security products and services; and develops, manufactures, and markets remote sensing and motion control systems for industrial, commercial, and law enforcement applications. The company was formerly known as BH Global Marine Limited and changed its name to BH Global Corporation Limited in May 2013. BH Global Corporation Limited was founded in 1963 and is headquartered in Singapore. BH Global Corporation Limited is a subsidiary of Beng Hui Holding (S) Pte Ltd.

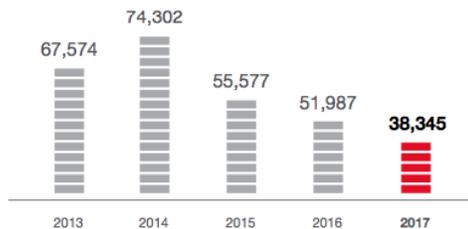
(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BQN](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BQN))

1. In the Corporate Profile, on page 1 of the annual report, the company has stated the following:

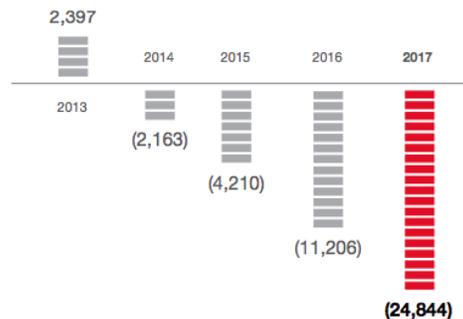
*Leveraging on its extensive business experience and network, BH Global has diversified its products and services beyond Supply Chain Management to include Manufacturing, Engineering Solutions and Security. The Group is transforming its business from product base to light weight technology base solutions business.*

Despite the group's diversification, revenue in FY2017 dropped to \$38.3 million, down from \$74.3 million in FY2014. The net (loss) for the group has also accelerated in the last years. As can be seen from the Financial highlights (page 9), losses amounted to \$(24.8) million in 2017 and equity attributable to owners of the parent dropped to \$36.3 million.

### REVENUE (\$'000)



### NET (LOSS) / PROFIT# (\$'000)



(Source: Company annual report)

The group also reported its first ever loss in the core business of supply chain management.

- (i) **As the group diversified into other geographies and other businesses, has management ensure that it is not overly stretched and continues to commit sufficient time, energy and attention to the group's core business?**

In the Operational and Financial Review (page 14), the group's losses were accelerated by higher impairment loss on goodwill and intangible assets in Omnisense Systems Pte Ltd (OMS), impairment loss in investment in GL Lighting Holding Pte Ltd (GLH), and provision for liabilities for additional losses of Gulf Specialty Steel Industries LLC (GSSI).

In 2016 and 2017, the total impairment, provision or losses for the new businesses were:

- OMS: \$3.7 million on impairment of goodwill and acquired technology
- GLH: \$8.7 million due to shortfall of recoverable amount of investment
- GSSI: \$17.5 million in yet to be recognised losses of GSSI as the company had provided corporate guarantee of \$21.2 million for banking facilities taken by GSSI

- (ii) **Would management consider putting its diversification strategy on hold and carry out a strategic review of the management team, the group's strengths, balance sheet and the competitive landscape before making new investments?**

The company has entered into a loan agreement with the controlling shareholder for a shareholder loan of \$15 million at a rate of 3.92% per annum for the Company's working capital requirements and day-to-day operations.

- (iii) **While the loan will ensure that the company has sufficient working capital to meet financial obligations in the short term, would the board take up its oversight function and provide entrepreneurial leadership to help the company refocus on its strategic objectives through a group-wide review?**

2. As disclosed in Note 2 (page 81 - Critical accounting judgements and key sources of estimation uncertainty: Going concern), the directors have “evaluated internal and external fundings available to the Group and [are] satisfied that the Group and Company are able to continue as a going concern as the ultimate holding company has agreed to provide additional funding of up to \$15 million to the Company when required”.

- (i) **Is management still running the group as if it were “business as usual” even though the ultimate holding company has to provide additional loans of up to \$15 million to keep the company afloat?** For example, in the Security division, as the group impaired its investment in OMS, it is diverting more resources to Athena Dynamics.
- (ii) **Given the financial and operational situation of the group, would the group and its shareholders be better served if management operates as if the group is in “crisis mode”? What efforts has the group taken to manage its costs?**
- (iii) **Has the board evaluated the options available to the group to strengthen its financial position?**

3. Principle 5 of the 2012 Code of Corporate Governance (Code) calls for a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Under Guideline 5.1, the Code recommends the implementation of a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.

In addition, Guideline 5.1 further states that:

*The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.*

- (i) **To comply with the Code, can the board state how it had carried out the assessment of the board, its board committees and the individual directors?**
- (ii) **How did the board select the performance criteria and evaluate them objectively? What were the qualitative and quantitative targets and who were the industry peers that the company benchmarked against?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=BH%20Global%20Corporation%20Ltd>

The company's response could be found here: -----