Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: BH Global Corporation Limited

Stock code: BQN

Meeting details:
Date: 5 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The chairman had in his statement stated that the group delivered its first profit of $1.15 million after suffering losses for the past five years. In fact, net losses attributable to shareholders in the 5 prior years amounted to $(46.4) million, as shown below:

- FY2014: $(2.2) million
- FY2015: $(4.2) million
- FY2016: $(11.2) million
- FY2017: $(24.8) million
- FY2018: $(4.0) million
- FY2019: $1.74 million
  (For FY2019, total profit for the year was $1.15 million as mentioned above; Loss attributable to non-controlling interests was $(587,000) and profit attributable to equity holders of the company amounted to $1.74 million)

Shareholders' equity has slipped from $78.7 million in FY2014 to $29.7 million in FY2018 before the company undertook a rights issue in February 2019 raising $15.3 million to improve the group's working capital position.

The entire outstanding loan of $11.5 million due to its immediate and ultimate holding company was used to offset the subscription of the rights shares. The net proceeds amounted to just $3.55 million. In the third quarter financial statements announcement nine months later in November 2019, the company announced that it had fully utilised the proceeds from the rights issue.

The chairman stressed that "[the group] remains steadfast in our revenue diversification efforts through bolstering the scale of operations of our Integration Engineering, Cyber Security and Infrared and Thermal Sensing Technology divisions, as well as in our associate company, GL Lighting Holding Pte Ltd, which performs cutting edge work in the research and development, design and manufacture of light-emitting diode (LED) lightings (page 16 of the annual report)".

(i) **Since the cutting edge work by GL Lighting Holding Pte Ltd was highlighted, would management help shareholders understand the tangible benefits, profits and cash flow achieved by the group since the strategic tie-up with GL Lighting Holding Pte Ltd in 2011?** Based on the company's past annual reports, the carrying amount was as high as $14 million in 2016 before impairment. As at 31 December 2019, the group has fully impaired the $9.7 million in goodwill associated with the investment and recognises the associate at a carrying value of $1.1 million.

(ii) **What guidance has the board given to management to ensure that the group's diversification efforts lead to sustainable value creation for all shareholders, and it is not carried out with the main goal of "revenue diversification"?**

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(iii) Similarly, for the security business, revenue has in fact slipped from $4.6 million in 2018 to $3.7 million in 2019. Segment losses have increased from $(2.7) million to $(2.8) million over the same period. **What guidance has the board given to management to focus on growing the segment in a sustainable and profitable manner?**

(iv) **Can management disclose the ball-park figure of the investment amount of its BH e-store?** It is noted that the platform generated revenue of $100,000 in FY2018 and $136,000 in FY2019. **Has the e-commerce platform achieved management's target?**

Q2. Principle 3 of the Code of Corporate Governance 2018 calls for a clear division of responsibilities between the leadership of the board and management, and no one individual has unfettered powers of decision-making.

In particular, Provision 3.1 requires the chairman and the chief executive officer ("CEO") to be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision making.

In the Corporate Governance report, the company has stated that although Mr Vincent Lim Hui Eng is both the executive chairman and chief executive officer of the company, the board is of the view that there are sufficient independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

It is noted that the other executive director on the board, and also the chief operating officer ("COO"), is Mr Patrick Lim Hui Peng who is the sibling of Mr Vincent Lim Hui Eng. The executive directors have direct and deemed interests of over 81% of the total shares issued.

(i) **Would the independent directors help shareholders understand the basis for the board's opinion that "there are sufficient independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual"?**

(ii) **Has the board evaluated the pros and cons of separating the roles of the chairman and CEO? If not, would the board be evaluating if the separation of the roles of the chairman and CEO may benefit the group?** Appointing an independent, highly qualified and experienced chairman may benefit the group, especially given the performance of the group in the past 6 years where losses attributable to shareholders amounted to $(46.4) million and profit attributable to shareholders was just $1.7 million.

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(iii) At the extraordinary general meeting scheduled to be held on 5 June 2020, the company is proposing to shareholders to approve a new performance share plan referred to as "BH Global Corporation Performance Share Plan 2020" (the "PSP 2020")". The low subscription rate by minority shareholders during the rights issue has seen the ultimate holding company increase its stake from approximately 59.72% to 79.56%. The dilution experienced by minority shareholders was severe as the net asset value per share was 25 cents while the holding company subscribed to new shares at 8.5 cents.

Given the performance of the group from FY2014-2018, would the independent directors consider deferring the PSP until the group is solidly on track in its recovery?

Q3. The group, under the Integration Engineering segment, has entered into a Memorandum of Understanding with strategic partners for the development of a comprehensive ecosystem to support the adoption of hybrid and full electric propulsion systems in Singapore.

(i) **What is the group's expected contribution in terms of expertise, technology and capital?**

(ii) **Would management share in greater detail the groups' roadmap towards building a whole eco-system for the operation of hybrid and full electric vessels in Singapore in the future?**

(iii) **What would be the total investment amount? Has this roadmap been approved by the board?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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