(Company Registration No: 200404900H)

RESPONSES TO QUESTIONS FROM SIAS ON ANNUAL REPORT FY2022

The Board of Directors of BH Global Corporation Limited (the “Company” and together with its subsidiaries, the “Group”) refers to questions from the Securities Investors Association (Singapore) (“SIAS”) with respect to the Company’s annual report for the financial year ended 31 December 2022 (“FY2022”). The Company has provided the responses as set out below.

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(i) Micro and Mini: Can the company clarify the executive chairman and chief executive officer's reference to an "abrupt cessation of resources" and the launch of new "Micro and Mini"?

The supply of the processor chips that were used in the original version of Micro and Mini was from China and was terminated due to the US-China trade war. Production design had to be redeveloped using a new processor chip and that delayed the development of Micro and Mini as well as the Division’s marketing plan.

(ii) Electrical and Technical supply: The group has credit-impaired customers in the segment and recognised a 100% loss allowance amounting to $2.72 million in 2022. Allowances due to credit impaired customers were $6.43 million (2019), $5.35 million (2020) and $3.92 million (2021) in the previous three years. Can management elaborate further on how it assesses credit risk for customers in the Electrical and Technical Supply segment? Why is there a persistently high write-off due to credit-impaired customers, and what actions can the risk management committee take to help address this issue?

The Electrical and Technical Supply Division has a credit policy in place whereby the Division will conduct credit searches, obtain financial statements where possible or available, and other necessary reviews of customers for assessment. The credit-impaired customers mentioned in your question are cumulative over time and include customers in the marine and oil & gas sectors, with a significant portion of these allowances having been provided for even before FY2019 during the oil crisis when many such companies were negatively impacted. Since FY2019, the allowances have been decreasing as some of these customers have been repaying the Division in the last few years. However, some of them are under liquidation and the Division does not expect any significant repayment.

(iii) Staff costs (Note 7): Salaries and related costs of “Other staff” increased significantly from $5.68 million to $7.40 million in FY2022, an increase of 30%. Can management help shareholders understand how much of this increase was due to a larger headcount?

There is no material increase in headcount. The increase is a result of incentive payments upon achieving performance targets by the Electrical and Technical Supply Division.

(iv) Mass Fever Screening System ("MFSS"): Does management expect the sales of MFSS to normalise with pandemic restrictions being lifted globally?

Yes, the management expects the sales of MFSS to normalize with pandemic restrictions being lifted globally. However, as per reply to question 1(i) above, the Security Division is redeveloping Micro and Mini to make up for the lower sales of MFSS.

(v) Integration Engineering Division: It was mentioned in the chairman's statement that the Integration Engineering Division recorded higher revenue from delivery of projects secured in FY2021 by the afloat repairs and electric propulsion businesses. The segment loss (page 108) was higher at $(2.43) million (2021: $(2.22) million) even though revenue increased significantly from $2.9 million to $7.2 million. What are management's priorities for the division in 2023?

The Integration Engineering Division include BOS Offshore & Marine Pte Ltd ("BOS") and Sea Forrest Technologies Pte Ltd and its subsidiaries ("SFT Group"). BOS is a material stockist of Glass Reinforced Epoxy pipes ("GRE"), which are used for marine scrubber and ballast water management system installations. The SFT Group consists of an engineering and sustainability arm that specializes in providing the marine and offshore industry with innovative solutions for their ESG goals.

The demand for GRE fell during the COVID-19 pandemic primarily due to the reduction in scrubber projects in the market. In order to meet the International Maritime Organization Regulations that called for less pollution from noxious exhaust emissions, shipowners could either install scrubbers to 'clean up' emissions from the continued use of High Sulphur Fuel Oil ("HSFO") or burn compliant Low Sulphur Fuel Oil ("LSFO") that cost more than HSFO. Due to depressed oil prices in 2020, ship owners chose to run their vessels on LSFO instead of installing scrubbers. As a result, BOS registered a loss in both FY2021 and FY2022. Management has identified potential new markets and customers to dispose the GRE in FY2023 and beyond.

The SFT Group's revenue increased significantly in FY2022 as compared to FY2011 as the SFT Group delivered more projects that were secured in FY2011. The SFT Group has also secured projects in FY2022 and will focus on delivering these projects; and will work towards securing more new projects as well as on its Research & Development activities in FY2023.

Q2. The "assessment of net realisable value of inventories" is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group's inventories totalled $33.0 million accounting for approximately 37% of the group's total assets as at 31 December 2022. Write-down of inventories to their net realisable values charged to the group's profit or loss for the current financial year amounted to $1.86 million. The write-down to net realisable value for slow moving and obsolete inventories is considered a key audit matter, as it requires management to exercise judgement in identifying slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required. To provide some perspective, the total profit in 2022 was $2.12 million. From 2018 to 2022, the inventories write downs were $1.0 million (2018), $1.56 million (2019), $0.94 million (2020), $0.23 million (2021) and $1.86 million (2022).

(i) Can management provide shareholders with a better understanding of the reasons for the $1.86 million inventory write-down? Please offer a breakdown of the inventory write-down across the five divisions.

	Electrical and Supply Division	Integration Engineering Division	Security Division	Total
	($'000)	**($'000)**	**($'000)**	**($'000)**
Write-down inventories (FY2022)	479	1,244	139	1,862

The write-down of inventory is according to the various Divisions' inventory policies. These policies are formulated based on sales experience, inventory aging and any other factors that may affect the obsolescence of inventory of the various Divisions. A significant part of the write-down is made for slow-moving inventory according to the aging of the inventory and market conditions.

The main write-down comes from Integration Engineering Division mainly due to lesser projects for its GRE, as mentioned in the Company's response to question 1(v) above. However, these GRE are still commercially viable and the Division is making all efforts to sell them.

(ii) Will the board assist management in reviewing inventory management, including improved demand forecasting, shorter lead times, and enhanced inventory control systems, to reduce obsolescence risk? Inventory increased from $28.5 million to $33.0 million in 2020 and the level of inventory has remained high.

Management regularly updates the board on the inventory aging, obsolescence and the reasons for the variances on the inventory level. The increase in the inventory level in FY2022 is mainly due to minimum order quantity and scarcity of certain raw materials and requirements for FY2023 demand forecast of the Security Division.

(iii) What guidance has the board provided to management for improved inventory management, which would also reduce the working capital required in the business?

The management has identified potential new markets and customers for the Group and briefed the board to work out a strategy to dispose its aging inventory. The management will update the board on a regular basis on the progress and the board will make recommendations to further improve the effectiveness of the strategy.

Q3. The company has had several chief financial officers in the past 5 years.

In August 2018, Mr Keegan Chua Tze Wee tendered his resignation as CFO "pursue other opportunities". Mr Dennis Tan Ka Woon served as the CFO from October 2018 to September 2020, leaving to "pursue other interests". This was followed by Mr Mark Weng Kwai who resigned as CFO in October 2022, after being appointed to the position in August 2020, also to "pursue other interests".

On 10 October 2022, the company (re)appointed Mr Keegan Chua Tze Wee as the Group CFO, replacing Mr Mark Weng Kwai.

(i) Can the nominating committee (NC) help shareholders better understand its role in assisting the company with the selection and screening process for key management personnel, specifically in the case of the CFO?

The NC considers candidates and approves the appointment of the CFO, after interviews and background searches, where appropriate, to assess whether there is also the right personality fit with the Company's culture. Exit interviews are also conducted and reported to the NC, if not conducted by the members of the NC. In the case of Mr Keegan Chua Tze Wee, the NC is well acquainted with him as he was the Company's CFO from 2006 to 2018, prior to his re-appointment in October 2022.

(ii) Considering that Mr Dennis Tan Ka Woon and Mr Mark Weng Kwai both stayed on the job for only two years before resigning to "pursue other interests," would the NC or the audit committee review the circumstances leading to their resignations and look into the reasons?

Human Resource also conducted formal exit interviews with both Mr Dennis Tan Ka Woon and Mr Mark Weng Kwai and the management was updated on the circumstances leading to and reasons leading to the resignations of both Mr Dennis Tan Ka Woon and Mr Mark Weng Kwai. The management had in turn updated the NC on the circumstances and reasons leading to their resignations. The AC Chair had also interviewed both Mr Dennis Tan Ka Woon and Mr Mark Weng Kwai to ensure that there were no matters of concern.

BY ORDER OF THE BOARD
Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer

21 April 2023