

BH Global Marine Limited
Online Q&A – 9 to 20 Jan 2009

- 1) Your business is perceived as a laggard in the marine sector. Given that the local shipyards secure so many orders in 2006/2007, are you affected by the recent order cancellation by Keppel and Sembcorp Marine? If so, please elaborate.

We have not felt any direct impact as these future orders have not been awarded to us. However, the shipyards are still busy operating at almost full capacity. We expect this to continue in coming 2-3 years.

- 2) You have acquired a plot of land last year for expansion. What is this land used for now? Has the slowdown affected the utilization of this land?

I believe you are referring to the land at 10 Penjuru Lane with land area of 11,700m². We have built a warehouse and office block on the premises, and have moved in last November 2008. As a result, we can now offer warehousing facilities of approximately 20,000 m² in total. This will enhance our position as a leading provider in Supply Chain Management.

- 3) Are you servicing more to shipbuilding or more ship repair? How will the proportion look like in 2010?

Our service for shipbuilding currently made up approx. 60% of revenue contribution, while the remaining was contributed by ship repair and conversion projects. Within the next two to three years, we expect the contribution from ship repair and conversion segment to increase, if not maintain.

- 4) Cables contributed a big chunk of your growth in 2007 and 1H2008. Will it continue to experience such growth?

Yes! Cable and accessories increased by approx. 22% in FY2008 compared to FY2007. This is due to our strong marketing effort. However, we are not sure of the impact of the current financial turmoil. Nevertheless, we will put in our best effort to secure as many orders as possible.

- 5) Given the economic downturn and banks are not extending credits to SMEs, are you affected by the credit crunch? Would you be conserving cash due to the crisis? What are your plans ahead in 2009?

Many of us have somehow felt the pinch of the credit crunch. However, we do not have any credit issue from our banks. Our current banking facility is \$28 million in total from various banks. Only \$3.2 million is utilized as at to date.

- 6) Also, do you see any marine companies going bankruptcy?

We would not be able to comment on this. However, to our best knowledge, none of our customers have such problem at this point of time.

- 7) You have seen a bigger increase in your Marine Consumables segment due to higher orders from ship chandlers in 4Q. Do you anticipate this trend to continue? How is the margin compared to the marine electrical equipment segment?

The increase in marine consumables segment is mainly due to higher demand of the new building stores from increasing number of newly delivered vessels. Also, it is very much depending on the number of vessels calling our Singapore port. As for the margin, it is depending on the volume and size of projects.

- 8) Do you provide a sales breakdown to the shipbuilding and rig building? Would the recent order cancellation of Keppel and Sembcorp Marine's oilrigs affect you?

No we do not normally provide the breakdown as they are both from the same customers. Please refer to answer #1 for further elaboration.

- 9) Your gross margins have declined to 38% in 4Q2008. You attributed this to the fall in copper prices. Would you continue to be affected in 1Q2009?

Looking at the current financial situation, we might continue facing pricing pressure in the coming 1-2 Quarters.

- 10) Your inventories turnover days have improved from 265 days to 254 days. This is a 4% improvement. Do you anticipate the inventory days to drop further in 1Q2009?

We are trying to reduce both the inventories turnover days and inventory level in 2009.

- 11) With regards to item 8, I noted that the exposure to the customer is slightly over S\$1 million. Are you still doing business with this customer?

Yes! The directors are of the view that the amount due will be collectible in due course.

- 12) You have net cash of \$8.1m. Are you planning to do any M&A with the cash? If so, what type of companies would you be looking at?

Our ongoing strategy would be to focus on potential M&A, to be funded by internal resources. We believe in vertical integration, particularly companies which are closely related to us, at a reasonable valuation. One prominent example in the past would be the strategic acquisition of Yorkshire (specialist in marine lighting equipments and accessories) few years ago which have helped us to grow our sales.