BROOK CROMPTON HOLDINGS LTD.
(the "Company")
(Co. Reg. No. 194700172G)
(Incorporated in the Republic of Singapore)

RESPONSE TO SHAREHOLDERS' QUESTIONS ON THE CIRCULAR DATED 15 JUNE 2022

Brook Crompton Holdings Ltd. ("BCHL" or the "Company" and together with its subsidiaries, the "Group") would like to thank Shareholders for submitting their questions on the Circular dated 15 June 2022 in advance of the Extraordinary General Meeting ("AGM") which will be held by way of electronic means on 30 June 2022 at 2.30 p.m. (Singapore time).

As there were substantial overlaps in the questions received, we have, for shareholders' ease of reference summarised and grouped together some questions and provided consolidated responses. The Company wishes to seek Shareholders' kind understanding that the Company is unable to disclose certain information in its response to the questions due to the sensitive nature of the information.

The Company's response to the substantial and relevant questions on the Circular dated 15 June 2022 are set out in the Appendix to this announcement.

For and on behalf of the Board
BROOK CROMPTON HOLDINGS LTD.

Knut Unger
Lead Independent Director

24 June 2022

APPENDIX

1. **Please publish the valuation report of the target company. Also highlight key assumptions used in the valuation. Please furnish examples of recent acquisitions for companies in similar industries to justify the acquisition multiple, especially considering how intangibles comprise the majority of the valuation.**

   A copy of the Valuation Report can be inspected at the Company's registered office at 19 Keppel Road, #08-01 Jit Poh Building, Singapore 089058 during normal business hours for a period of three (3) months from the date of the Circular.

   The key assumptions of the valuation are stated in Section 2.3.3 of the Circular and Section 5 of the Valuation Summary letter of the Circular. As stated in these sections, a combination of discounted cash flow and comparable companies' approach was adopted to value the Target Business due to the scarcity of information available on precedent transactions performed in the recent past of firms with similar characteristics as the Target Business.

2. **It appears that the company is paying ~$5.2M for a business that will only accrue 182K in current net profits, implying earnings return of ~3.5%. Can the management justify the low rate of return from this acquisition?**

   The Proposed Acquisition will enhance shareholders' value in the long term by providing the following commercial benefits to the Group:-

- The Target Business serves a customer base in Europe, the Americas and South-East Asia. The Proposed Acquisition allows the Group to acquire a business with an established track record and to expand its customer base by gaining access into the customer segments and markets of the Target Business utilising the Group's established trading entities in those regions.

- The Group and the Target Business are in a similar business of supplying electric motors. The Proposed Acquisition of the Target Business will allow the Company's wholly-owned subsidiaries, which are principally engaged in the distribution of electric motors, to further extend their portfolio of products across a wider customer base in the core geographical regions in which the Group operates.

- The Target Business is a manufacturing business, and as such, the Proposed Acquisition would provide the Group with the opportunity to increase its range of offerings of value-added margin generating modifications to its existing and well-established distribution and user base, allowing growth of revenue and earnings in existing sales entities. The Target Business would not be able to access these customers without the leverage of the Group's sales channels.

- The Target Business is profitable and the Proposed Acquisition would therefore provide the Group with the opportunity to acquire a profitable entity, which would have a positive earnings contribution with opportunities for growth. As such the Company believes that the Proposed Acquisition is in the interest of the Group and will enhance shareholders' value in the long term.

3. **Is capital not better deployed in share buybacks at current valuations, given how BC is trading at much more favorable multiples?**

The Company needs to conserve cash flow for future potential strategic investments in new markets and acquisitions to facilitate its business expansion. Hence, there are no plans for any share buy-back at the moment.

4. **Why was debt not employed in the financing of the target business? If the management is confident the rate of return post-acquisition is greater than financing costs it's more efficient to employ debt**

The Company is using the Group's surplus cash flow to invest into the Target Business. The Company is free of debts now. Incurring debts to finance the acquisition will cause the Company in be in a financial risk position, as gearing ratio will arise from the debts.

5. **Why is the acquisition proposed amidst a global slowdown in demand? Would multiples not be more favorable going forward?**

Whilst the Management accept that certain market segments and regions are experiencing a slowdown in demand, the view of the Management is that this is not universal. There are identified growth opportunities in regions and segments where the Group and the Target Business have related products, and the sales channels to develop further profitable business. Ongoing events such as the conflict in Ukraine, shortages of electronic components and chips, and environmentally sensitive investment in infrastructure are driving an increase in demand for such products.

The technical design and manufacturing capability of the Target Business will allow the Group to be more reactive to such demands.

6. **In the original announcement by the company on 5 May 2022, the company proposed to acquire the business currently operating under ATB Special Products for GBP3.0 million when the net assets attributable to the Target Business as at 31 December 2021 amounted to approximately GBP1,214,218. This would lead to a dilution in NTA per share. However, in para 7.1, the company stated that the NTA would increase from 111.2 cents to 117.5 cents. This was only corrected on 13 May (after 8 days) that the NTA would actually decrease from 111.2 cents to 102.9 cents. How did the independent directors overlook the NTA dilution? What is the level of involvement of Lead Independent Director? How thorough was the due diligence by the board, if any?**

Please refer to answer stated in Question 7 to clarify the management's clerical error. The Independent Directors relied on the management's calculation of the financial information in question. Several due diligence meetings have been conducted between the Board (including Lead Independent Director) and the management team before the conclusion of negotiations and signing of the acquisition agreement. Besides, due diligence report has been presented to Board after site visit due diligence audit has been performed by the management team. Further information regarding the due diligence performed by the Board is set out in paragraph 2.2.3 of the Circular.

7. **The company has also made another clerical error that overstated the consideration as a percentage of the group's NTA. Is the board well advised and has the board deliberated robustly on the proposed transaction?**

   As disclosed on 13 May 2022, (i) the management team of the Company clarified that the NTA should decrease after taking into consideration net cash used to satisfy the Consideration of GBP3.0 million and recognising the intangible assets attributable to the Target Business of GBP1.79 million arising from the Proposed Acquisition, and (ii) the figure relating to the consideration as a percentage of Group NTA was corrected due to the management's clerical error in the earlier calculation. The aforesaid clarification and correction were announced together with the Supplemental Agreement signed on 13 May 2022.

8. **The company trades at a P/E of about 8 times. https://www.sgx.com/securities/equities/AWC It is proposing to acquire the business from a related party at 10.8 times P/E. Did the independent directors consider how this proposed acquisition might not be value accretive?**

   As set out in Section 3.2 of the Circular, the Proposed Acquisition represents the Group's diversification into manufacturing from its current business of only trading activities. Hence, it may not be meaningful to compare the Company's PE (which relates to trading activities) to that of the Target Business (which is mainly engaged in manufacturing). The Company had considered other factors which are set out in Section 2.4 of the Circular. One factor is that the Proposed Acquisition will allow the Group to further extend their portfolio of products across a wider customer base in the core geographical regions in which the Group operates. The Proposed Acquisition will also allow the Group to generate greater shareholder returns in the longer term.

   As stated in Section 6.4 of the IFA Letter, the Proposed Acquisition is neither earnings accretive or assets-accretive to the Group from the perspective of valuation ratios. Accordingly, the purchase consideration will be entirely satisfied in cash and the Company will not be issuing new shares to satisfy the purchase consideration. Being a cash acquisition will also improve the earnings per Share as the Target Business is profitable, notwithstanding the Covid-19 pandemic worldwide.

9. **Similarly, the company is valued at EV/EBITDA of 1x, P/NAV of 0.6x and P/S of 0.5x while the target is being acquired (in an IPT) at 10.5x, 2.5x and 1.0x respectively. Did the ID consider how this proposed acquisition might be value destructive?**

   Other than the factors stated in Question 8, we would also like to highlight that the EV/EBITDA of the Target Business as implied by the Consideration is lower than the mean and median EV/EBITDA ratios of the Selected Comparable Companies if we exclude the Company. This may be a better comparison as the Target Business is principally engaged in manufacturing operations as compared to the Company whose main activity are in trading.

10. Instead of the proposed acquisition, did the IDs consider carrying out a share buyback to create value for shareholders?

The Company needs to conserve cash flow for future potential strategic investments in new markets and acquisitions to facilitate its business expansion. Hence, there are no plans for any share buy-back at the moment.

11. Did the IDs also consider a special dividend and/or a capital reduction to return the cash to shareholders?

The Company needs to conserve cash flow for future potential strategic investments in new markets and acquisitions to facilitate its business expansion. Hence, there are no plans for any special dividend and or capital reduction to return the cash to shareholders.

12. Since Mr Chao Mun Leong is also the advisory consultant to the CEO office of Wolong Electric Group Co., Ltd, which (indirectly) wholly owns the seller, ATB Group UK Limited, does it put Mr Chao Mun Leong in a position of conflict? Can the company confirm that Mr Chao Mun Leong has recused from all discussions on the proposed acquisition? Is Knut Unger the only non-interested director?

Mr Chao Mun Leong is not in a position of conflict and is independent for the purposes of the Proposed Acquisition for the following reasons:

(a) Reference is made to the Company's Annual Report 2021 and announcement dated 22 April 2022 "RESPONSE TO SHAREHOLDERS' QUESTIONS ON THE COMPANY'S ANNUAL REPORT 2021". As disclosed and explained therein,

(i) the Company is of the view that Mr Chao's aforesaid advisory role has no direct relation and influence on his role as independent director of the Company. His scope as an advisor is set out in the Company's Annual Report 2021.

(ii) Mr Chao has at all times discharged his duties with professionalism and objectivity, and has constantly challenged management's proposals in a constructive manner;

(iii) he is capable of exercising independent judgement on the affairs of the Company and making decisions in the best interest of the Company; and

(iv) his effectiveness as a check on management has not been in any way impaired by his aforesaid advisory role.

(b) Mr Chao had similarly exercised independent judgement in respect of the Proposed Acquisition and had reviewed and considered the same in the best interest of the Company, taking into account, among others, the rationale of the Proposed Acquisition, the Valuation Report and the opinion of the Independent Financial Adviser that the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.