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

RESPONSE TO SGX-ST'S QUERY ON THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 2022

The Board of Directors (the "Board") of Brook Crompton Holdings Ltd. ("BCHL" or the "Company" and together with its subsidiaries, the "Group") refers to the further queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on the Company's Annual Report 2022 and would like to provide the Company's response as follows:

SGX-ST's Query

It is disclosed in the Company's response to our queries that, "Net cash flows (used in)/from operating activities from -S$7,334,000 to -S$6,270,000, resulted from adjustments arising from the acquisition of business and additional unrealised foreign exchange loss in audited financial statements. Besides, reclassify of proceeds from finance lease receivables from cash flows used in financing activities to cash flows used in operating activities"

Please disclose a breakdown of the adjustments arising from (i) acquisition of business; (ii) additional unrealised foreign exchange loss; and (iii) reclassify of proceeds from finance lease receivables. Please elaborate on what led to the adjustments relating to the acquisition of business.

Response to SGX-ST's Query

The material variances between the Group's Audited Financial Statements and the Unaudited Financial statements (the "**Variances**") are set out below.

Consolidated Statement of Cash Flow as at 31 December 2022

		Audited financial statements	Unaudited financial statements	Variance
	Note	S$'000	S$'000	S$'000
Net cash flow (used in) from operating activities		(6,270)	(7,334)	(1,064)
Adjustment raising from :-				
Impairment of provisional of goodwill	1	227	-	(227)
Depreciation and amortisation	1	951	910	(41)
Unrealised foreign exchange loss	2	700	76	(624)
Inventories	1	(10,312)	(11,576)	(1,264)
Trade and other receivables	1	(4,249)	(4,453)	(204)
Trade and other payables	1	4,021	5,382	1,361
Proceed from finance lease receivables	3	116	-	(116)
Retirement benefit contribution paid		(221)	(170)	51
		(8,767)	(9,831)	(1,064)

Note:-

1. Different accounting treatment use for the acquisition of Wolong EMEA SRL in the unaudited financial statements. In the unaudited financial statements, the accounting treatment is an acquisition of assets. However, after audited and reviewed by external auditor, the correct accounting treatment is an acquisition of business (business combination).

   For transaction assessed as acquisition of assets, the acquiring entity records the assets acquired on its balance sheet at their cost or fair value.

   In a business combination transaction, the acquiring entity must recognise and measure the assets acquired, liabilities assumed, and any intangibles acquired at their fair values, as at acquisition date. The fair value of the assets and liabilities is determined through a valuation process (known as purchase price allocation) that involves assessing the fair value of identifiable tangibles and intangibles assets, as well as any liabilities assumed. Any excess of the purchase price over the fair value of net assets acquired is recognised as goodwill. The relevant accounting standard for business combination is *Singapore Financial Reporting Standards (International) 3 – Business Combinations.*

   Different accounting treatment changed the presentation of cash flow used in operating activities and cash flow used in investing activities in the Consolidated Statement of Cash Flow.

2. Exchange difference on translating foreign entities' property, plant and equipment.

3. Reclassify of proceeds from finance lease receivables from cash flows used in financing activities to cash flows used in operating activities, as the finance lease receivables relate to a warehouse's lease which is under a subsidiary of the Company.

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

Pang Xinyuan
Non-Independent Non-Executive Chairman
12 May 2023