

BROOK CROMPTON HOLDINGS LTD.

(the “Company”)

(Co. Reg. No. 194700172G)

(Incorporated in the Republic of Singapore)

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
RESPONSES TO QUERIES RAISED BY THE SGX-ST**

The Board of Directors (the “Board”) of Brook Crompton Ltd (the “Company” and together with its subsidiaries, the “Group”) refers to the Company’s annual report for the financial year ended 31 December 2019 (“Annual Report 2019”) released on the SGXNET on 08 June 2020, and sets out below the Company’s responses to the queries raised by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) regarding the Annual Report 2019.

Query (a): Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. Please provide information on the relevant experience of the accounting firm and the engagement team.

Company’s Response:

The Company has disclosed in page 27 of the Annual Report 2019 that:

“The AC reviews the adequacy and effectiveness of the internal audit function at least on an annual basis, and as and when the situation calls for it. For FY2019, the AC is satisfied that the internal audit function was effective, adequately resourced, staffed by qualified and experienced personnel, and independent of the activities it audits with appropriate standing within the Company.”

For FY2019, the Company outsourced its internal audit function to Yang Lee & Associates (“YLA”) to conduct an internal audit on the Group’s operations in Singapore. YLA, the outsourced internal auditor, is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was established in the year 2005 and currently maintains an outsourced internal audit portfolio of more than 25 SGX-ST listed companies sectors such as distribution, manufacturing, services, food & beverage, retail and property development.

The Engagement Team for this engagement comprises two Directors, a Manager and supported by an Associate. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 10 years of relevant experience.”

Query (b): Provision 8.1 of the Code states that “The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.” (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the remuneration of the CEO, and in aggregate the total remuneration paid to these key management personnel (who are not directors or the CEO). Please explain the reason for variation and clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company’s Response:

The Company has disclosed in its Annual Report 2019 the following:

- (a) The exact amount of Director’s fee for each of the Independent Directors. while the Non-executive Director had agreed to waive his Director’s fee. Mr Pang Xinyuan, who is the Board Chairman and the only Non-independent Non-executive Director on the Board, did not receive any Director’s fee for FY2019. He was nominated to the Board by Wolong Holding Group Co. Ltd, a substantial shareholder of the Company and had waived his right to the Director’s fee;
- (b) The remuneration of the CEO was disclosed in band of S\$250,000 instead of disclosing it to the nearest one thousand. The Board had considered Provision 8.1 of the Code, however, after due deliberation, it had opined that due to competitive reasons, and the fact that the Company has a very lean management team, it would be in the best interest of the Company not to disclose the remuneration of the CEO to the nearest one thousand;
- (c) The Company had disclosed the remuneration of the key management personnel in bands of S\$250,000 as required by the Code, setting out the percentages in terms of salary, bonus, allowances and post-employment benefits. The Company has disclosed in its Annual Report 2019 the remuneration of the top two (instead of the top five as stated in Provision 8.1 of the Code) key management personnel as the Company considers that it only has two key management personnel (excluding the CEO);

- (d) The Board had considered the requirement in the Code to disclose the total remuneration of the top five key management personnel. As mentioned earlier, the Company considers that it only has two key management personnel (excluding the CEO). The Board had taken into consideration competitive reasons and the need of the employees to maintain some privacy and confidentiality with regard to their remuneration. Hence, the Board had decided to disclose the total remuneration of the two key management personnel together with the CEO (refer to page 24 of the Company's Annual Report 2019). The Company has a lean management team. The Board opined that the disclosure of the total remuneration of the top two key management personnel together with the CEO is sufficient for the purpose of compliance with Principle 8.1.

The Company has disclosed in page 23 of the Annual Report 2019 that:

“The remuneration packages for the CEO and the key management personnel comprised fixed and variable components. The variable component is linked to the performance of the individual and broad division level, entity level and/or Group level to ensure the interests of the CEO and that of the key management personnel are aligned with the interests of shareholders and other stakeholders as the remuneration is linked to both individual and corporate performance. Before the commencement of the new financial year, the Company will develop the key performance indicators (“KPIs”) for the CEO and the key management personnel, and the variable portion of their remuneration will depend on whether they meet the set KPIs for the financial year.”

The Company wishes to further disclose that the KPIs comprise financial and non-financial metrics. Financial metrics include increase in revenue and profits. Non-financial metrics include cultivating good corporate culture and building relationship with suppliers and customers. The Company sees value creation as improving the revenue and profits, thereby increasing the return to shareholders.

(c) Provision 8.2 of the Code states that, “The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.2 of the Code with regard to the disclosure of names and remuneration of employees who are substantial shareholders of the company and whose remuneration exceeded S\$100,000 during the year. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Company's Response:

The Company had disclosed on page 24 of its Annual Report 2019 that there were no employees of the Group who were immediate family members of any Director, CEO or a substantial shareholder.

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

Pang Xinyuan
Non-Executive Chairman

23 June 2020