

BROOK CROMPTON HOLDINGS LTD.

(the “Company”)

(Co. Reg. No. 194700172G)

(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF BUSINESS AND ASSETS OF ATB GROUP UK LIMITED AND PROPOSED BUSINESS DIVERSIFICATION

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Brook Crompton Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s indirect wholly-owned subsidiary, Brook Motors Ltd., (“**Purchaser**”) had on 28 April 2022 entered into an asset purchase agreement (“**APA**”) with ATB Group UK Limited (the “**Seller**”) for the acquisition by the Purchaser of the Seller’s business which is currently operated under ATB Special Products – a business division of the Seller (“**ATB Special Products**”) – and the assets relating to such business (the “**Proposed Acquisition**”).

2. INFORMATION ON THE TARGET BUSINESS AND THE SELLER

The information on the Target Business (defined below) and the Seller provided below was provided to the Company by the Seller and its representatives. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

2.1 ATB Special Products is principally engaged in the manufacture, sale and distribution of low voltage electrical industrial motors and brakes globally, including customised and integrated motors, axial air gap motors, water-cooled motors, permanent magnet motors and gas turbine electric start motors (“**Target Business**”). The Target Business also includes supplying to manufacturers vacuum pumps, railway signals and related control systems, gas turbines, mechanical handling and conveyance systems.

2.2 The Seller is a company incorporated in May 2007 in England and Wales as a private company limited by shares. As at the date of this announcement, the Seller is wholly-owned by ATB Morley Ltd., which is in turn wholly-owned by ATB Austria Antriebstechnik AG (“**ATB**”) and the directors of the Seller are Barry Maurice Scales and Zhang Hongli. The Seller is principally engaged in the business of developing large high voltage electric drive systems for oil and gas, mining, industrial and military applications.

As at the date of this announcement, ATB is a controlling shareholder of the Company holding 66.10% of the entire issued and paid-up capital of the Company. ATB is an indirect wholly-owned subsidiary of Wolong Electric Group Co., Ltd. (“**Wolong Electric**”), which is listed on the Shanghai Stock Exchange. As at the date of this announcement, Zhejiang Wolong Shunyu Investment Co. Ltd (“**Zhejiang Wolong**”

Shunyu") holds an approximately 32.15% shareholding stake in Wolong Electric; Zhejiang Wolong Shunyu is wholly-owned by Wolong Holding Group Co Ltd and the latter also holds an approximately 5.17% shareholding stake in Wolong Electric. Chen Jiancheng holds 48.93% equity interest in Wolong Holding Group Co Ltd and his daughter Chen Yanni 38.73%. Pang Xinyuan, the non-independent non-executive chairman of the Company, is the spouse of Chen Yanni and son-in-law of Chen JianCheng.

2.3 Save as disclosed above, none of the directors and shareholders of the Seller are related to any of the Directors, chief executive officer and controlling shareholders of the Company and their respective associates.

2.4 Based on the audited financial statements of the Seller for the financial year ended 31 December 2021 ("**FY2021**"), (i) net profit before tax attributable to the Target Business for FY2021 amounted to approximately GBP277,623 (equivalent to approximately S\$510,826 based on an exchange rate of GBP1.00 : S\$1.84 being the exchange rate used in the Company's audited consolidated financial statements for FY2021), and (ii) net assets attributable to the Target Business as at 31 December 2021 amounted to approximately GBP1,214,218 (equivalent to approximately S\$2,234,161).

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The aggregate consideration for the Proposed Acquisition is GBP3.0 million (equivalent to approximately S\$5.19 million based on an exchange rate of GBP1.00 : S\$1.73 being the exchange rate as at 28 April 2022, the date of the APA) ("**Consideration**"). The Consideration shall be fully satisfied in cash in accordance with the terms and conditions of the APA, and will be paid by the Purchaser as follows:

- (a) GBP1,000,000 within 20 business days after the Completion Date (as defined below);
- (b) GBP1,000,000 by 30 September 2022; and
- (c) GBP1,000,000 by 30 November 2022.

The Consideration was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Purchaser and the Seller, after taking into account, *among others*, the preliminary valuation of the Target Business (as further described under paragraph 3.3 below), the financial performance of the Target Business for FY2021, as well as the potential benefits to the Group arising from the Proposed Acquisition.

3.2 Assets to be purchased as part of the Proposed Acquisition

Pursuant to the APA, the Seller shall transfer and deliver to the Purchaser, and the Purchaser shall purchase and accept from the Seller, all rights, title and interests in and to the following assets relating to the Target Business (collectively the “**Purchased Assets**”) at Completion:

- (a) plant, machinery, equipment, and fixed assets as set out in the APA relating to the Target Business;
- (b) all right, title and exclusive interest in all the sales contracts with core customers, the specific outstanding orders placed by the customers and the receivables of certain contracts before the Completion Date (as defined below) as confirmed in writing by both the Purchaser and the Seller (the “**Assigned Contracts**”) as set out in the APA;
- (c) the property leased by the Seller for the operation of the Target Business (“**Property Lease**”), which shall be assigned to and assumed by the Purchaser on Completion Date in accordance with the terms and conditions of the APA (“**Assignment of Property Lease**”); and
- (d) all assets, properties, contracts and documents that are necessary for Purchaser to conduct the Target Business upon and after the Completion.

3.3 Valuation of the Target Business

In connection with the Proposed Acquisition, the Group has engaged Chay Corporate Advisory Pte. Ltd. (“**Valuer**”) as an independent valuer to provide an indicative corporate valuation of ATB Special Products, the division of the Seller under which the Target Business is currently operated as its sole business activity. As at the date of the APA, based on the draft preliminary valuation report in respect of ATB Special Products, the indicative corporate valuation of ATB Special Products as at 31 December 2021 is estimated to be between GBP2.7 million to GBP3.6 million. Whilst the primary valuation methodology adopted by the Valuer is the discounted cash flow (“**DCF**”) approach, the valuation of ATB Special Products also takes in consideration the values implied by a combination of the DCF and comparable companies analysis. The Valuer will finalise and issue its formal valuation report which will be set out in the Circular (as defined below) to be despatched to shareholders of the Company in due course.

3.4 Completion Date

Completion of the Proposed Acquisition (“**Completion**”) shall take place as promptly as practicable following but in no event later than the third business day after all the conditions precedent set out under the APA (refer to paragraph 3.5 below for certain key conditions) have been satisfied or waived (the “**Completion Date**”).

3.5 Key Conditions Precedent

Completion of the APA is conditional upon, *among others*, the following key conditions:

- (a) the Purchaser shall have obtained all necessary approvals for entering into the APA and consummating the transactions contemplated under the APA (the “**Transactions**”);
- (b) the Purchaser shall have obtained the resolutions of the board or the extraordinary general meeting of the shareholders approving the APA and the Transactions;
- (c) the Seller shall have obtained all necessary approvals for entering into the APA and consummating the Transactions;
- (d) the Seller shall have obtained the unanimous board resolutions approving the APA and the Transactions;
- (e) the Seller shall have obtained all approvals and consents and completed all filings that are required by or necessary under any applicable laws, contract or any other arrangement to consummate the Transactions;
- (f) the Purchased Assets shall be delivered to the Purchaser free of any encumbrances and on a debt free basis;
- (g) the Seller obtaining a written consent from GL Consultants Limited, being the registered owner of the leased property, for the Assignment of Property Lease; and
- (h) the Seller obtaining a written consent from the counterparties to all of the Assigned Contracts (if necessary) for the assignment of the Assigned Contracts to the Purchaser.

3.6 Termination of the APA

- (a) *Non-fulfilment of Conditions Precedent*

If any condition precedent as set out in the APA has not been fulfilled within six months following the date of the APA, the Purchaser shall be entitled to terminate the APA provided that failure to fulfill such condition precedent is not caused by reason solely attributable to the Purchaser.

- (b) *Breach by the Seller*

The APA may be terminated by the Purchaser with immediate effect if the Seller commits a material breach of the APA, and such failure is not remedied within 30 business days of the Purchaser’s written notice of such breach.

(c) *Mutual Agreement*

The APA may be terminated immediately upon written agreement by all the parties thereto.

3.7 Other Salient Terms

- (a) At Completion, the Purchaser shall also assume the liabilities, duties, commitments and obligations of the Seller to be observed performed, paid, discharged or satisfied after the Completion Date in relation to each of the Assigned Contracts in accordance with their respective terms.
- (b) As part of the Proposed Acquisition, the Seller and the Purchaser has agreed that the relevant employment laws and regulations of England and Wales ("**Relevant Employment Regulations**") regarding the relevant employees of the Seller in respect of the Target Business (as listed in the APA) ("**Transferred Employees**") will have effect as from the Completion Date as if the contracts of employment had been made between the Purchaser and the Transferred Employees. The Seller and the Purchaser agree to use reasonable endeavors to comply with their respective obligations under the Relevant Employment Regulations to inform and consult with the appropriate representatives of the Transferred Employees.

The Seller will indemnify the Purchaser against any claim originating or relating to the employment of any of the Transferred Employees during the period of employment up to and including the Completion Date including claims related to any failure on the part of the Seller to comply with the duties and obligations of the Relevant Employment Regulations. The Seller further agrees to indemnify the Purchaser against any severance paid to any of the Transferred Employees calculated on the service years of employment up to and including the Completion Date.

The Purchaser will indemnify the Seller against any claim originating or relating to the employment of any of the employees for the period of employment starting the day after the Completion Date including claims related to any failure on the part of the Purchaser to comply with the duties and obligations of the Relevant Employment Regulations.

- (c) Unless otherwise agreed by the parties to the APA, the Seller shall deliver or cause to be delivered to the Purchaser an executed copy of the new lease agreement by and between GL Consultants Limited and the Purchaser and any other instruments of transfer or documents which are necessary to the transfer to and assumption of the Property Lease by the Purchaser within 30 days after the Completion Date.

The Property Lease expires on 23 June 2028 and the annual rent payable is GBP130,000 exclusive of service charge and value added tax and subject to a rent review on 24 June 2023.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition would provide the following commercial benefits to the Group:

- (a) The Target Business and 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.
- (b) 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.
- (c) 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.
- (d) The Target Business is profitable and the Proposed Acquisition would therefore provide the Group with the opportunity to acquire a profitable entity, which would be earnings accretive 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.

5. FINANCING

The Consideration will be wholly financed by internal cash resources.

6. CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual and the Group's latest announced audited consolidated financial statements for FY2021, are as follows:

Rule 1006	Bases	Relative Figures
(a)	The net asset value of the assets to be disposed of compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired compared with the Group's net profits	19% ⁽³⁾

Rule 1006	Bases	Relative Figures
(c)	The aggregate value of the consideration given or received compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	23% ⁽⁴⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not an acquisition of such assets.	Not applicable ⁽⁶⁾

Notes:

- (1) Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.
- (2) Net profits is defined to be profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) Computed based on the audited net profit before income tax attributable to the Target Business of approximately GBP277,623 (equivalent to approximately S\$510,826 based on an exchange rate of GBP1.00 : S\$1.84) for FY2021 and the audited net profit before income tax of the Group of approximately S\$3.73 million for FY2021.
- (4) This is calculated based on the sum of approximately GBP3.0 million (equivalent to approximately S\$5.19 million based on an exchange rate of GBP1.00 : S\$1.73), being the aggregate of the Consideration, and the Company's market capitalisation of approximately S\$22.52 million. The market capitalisation of the Company was computed based on the issued share capital of the Company ("**Shares**") of 35,458,818 Shares and the volume weighted average price of S\$0.635 per Share, based on trades transacted on 27 April 2022 (being the last market day preceding the date of the APA on which the Shares were transacted).
- (5) Rule 1006(d) of the Listing Manual is not applicable as no equity securities are to be issued by the Company as part of the Consideration for the Proposed Acquisition.
- (6) Rule 1006(e) of the Listing Manual is not applicable as the Company is not a mineral, oil and gas company.

As the relative figure set out in Rules 1006(c) of the Listing Manual exceed 20%, the Proposed Transaction will be classified as a “major transaction” under Rule 1014 of the Listing Manual. Accordingly, the Proposed Acquisition is conditional upon approval by the shareholders under Chapter 10 of the Listing Manual.

Upon completion of the Proposed Acquisition, the Target Business will form part of the business of the Group. Currently, the Group is in the business of trading high voltage and low voltage industrial electric motors whilst the Target Business involves manufacturing of various types of motors and related components as described above. It is envisaged that the Proposed Acquisition would change the existing risk profile of the Group and accordingly the Company will also seek shareholders’ approval for the business diversification of the Group to include the aforesaid manufacturing activities (the “**Proposed Diversification**”).

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition are presented for illustrative purposes only and are not intended to reflect the actual future financial performance and position of the Company or the Group after the completion of the Proposed Acquisition.

The *pro forma* financial effects set out below have been computed based on the latest audited financial statements of the Group for FY2021 and the audited financial statements of the Seller for FY2021, as well as based on the following bases and key assumptions:

- (a) the financial effects of the Proposed Acquisition on the net tangible assets (“**NTA**”) per Share of the Group are computed assuming that the Proposed Acquisition was completed on 31 December 2021;
- (b) the financial effects of the Proposed Acquisition on the earnings per Share (“**EPS**”) of the Group are computed assuming that the Proposed Acquisition was completed on 1 January 2021;
- (c) exchange rate of GBP1.00 : S\$1.84 is used for the computations; and
- (d) expenses incurred in connection with the Proposed Acquisition are estimated to be approximately S\$118,000.

7.1 NTA per Share

As at 31 December 2021	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	39,447	41,655
Number of Shares ('000)	35,459	35,459
NTA per Share (S\$ cents)	111.2	117.5

7.2 EPS

FY2021	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to owners of the Company (S\$'000)	2,661	3,174
Weighted average number of Shares ('000)	35,459	35,459
EPS (S\$ cents)	7.50	8.95

8. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

8.1 Details of the Interested Person

As at the date of this announcement:

- (a) the Seller is wholly-owned by ATB Morley Ltd., which is in turn wholly-owned by ATB, a controlling shareholder of the Company holding 66.10% of the entire issued and paid-up capital of the Company. As such, the Seller is an associate of ATB and is therefore an “interested person” under Chapter 9 of the Listing Manual; and
- (b) the Purchaser is wholly-owned by Brook Crompton UK Ltd, which is in turn wholly-owned by the Company. As such, the Purchaser is therefore an “entity at risk” under Chapter 9 of the Listing Manual.

Accordingly, the Proposed Acquisition which is a transaction between the Seller (an “interested person”) and the Purchaser (an “entity at risk”), constitutes an “interested person transaction” for the purposes of Chapter 9 of the Listing Manual.

8.2 Requirement for Shareholders' Approval

For purposes of Chapter 9 of the Listing Manual, the value of the Proposed Acquisition is approximately GBP3.0 million (equivalent to approximately S\$5.19 million based on an exchange rate of GBP1.00 : S\$1.73), being the Consideration payable by the Company to the Seller for the acquisition of the Target Business. The Consideration represents approximately 23% of the Group's latest audited net tangible assets (“**Group NTA**”) of approximately S\$39.45 million as at 31 December 2021.

Accordingly, the Proposed Acquisition will require the approval of the shareholders of the Company pursuant to Rule 906(1)(a) of the Listing Manual to be obtained by the Company at the EGM (as defined below).

8.3 Total Value of Interested Person Transactions

The aggregate value of all interested person transactions entered into by the Group with the Seller (excluding the Proposed Acquisition), during the course of the current financial year from 1 January 2022 up to the date of this announcement is approximately S\$104,621 representing approximately 0.27% of the Group NTA.

For the current financial year from 1 January 2022 up to the date of this announcement, the aggregate value of all transactions entered into by the Group with interested persons (excluding the Proposed Acquisition) is approximately S\$7.93 million, representing approximately 20% of the Group NTA.

All the aforesaid interested person transactions were carried out under an existing general mandate granted by shareholders of the Company pursuant to Rule 920 of the Listing Manual.

8.4 Recurring Transactions between the Seller and the ATB group of companies

As at the date of this announcement, the Seller (through ATB Special Products) is engaged in the trading of electric motors and motors components with entities in the ATB group of companies (defined below), which are recurrent transactions forming part of the day-to-day operations of the Target Business.

Upon Completion, it is envisaged that such transactions will continue to be undertaken by the Purchaser in the daily conduct of the Target Business. Such transactions between the Purchaser and the ATB group of companies will constitute interested person transactions ("**Recurring Transactions of Target Business**").

At the annual general meeting of the Company held on 28 April 2022, shareholders of the Company approved the renewal of a general mandate ("**IPT General Mandate**") to enable the Company, its subsidiaries and associated companies to enter into any transactions with ATB, Wolong Holding Group Co. Ltd and any of its associates and its group of subsidiaries (the "**ATB group of companies**").

The Recurring Transactions of Target Business will fall within the ambit of the IPT General Mandate and will be subject to the review procedures as set out under the IPT General Mandate.

9. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Xandar Capital Pte. Ltd. as the independent financial adviser ("**IFA**") to the Directors of the Company who are considered independent for purposes of the Proposed Acquisition, namely Dr Knut Unger and Mr Chao Mun Leong. The opinion of the IFA will be set out in the Circular (as defined below) to be despatched to the shareholders of the Company in due course.

10. AUDIT COMMITTEE STATEMENT

The Audit Committee (other than Pang Xinyuan who is deemed interested in the entire issued and paid-up capital of the Seller and not considered independent for purposes of the Proposed Acquisition) will be obtaining an opinion from the IFA before forming its view on whether the Proposed Acquisition.

The statement from the Audit Committee will be disclosed in the Circular to be despatched to the shareholders of the Company in due course.

11. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholdings and/or directorships, as the case may be, in the Company).

Pang Xinyuan, the non-independent non-executive chairman of the Company, is deemed interested in the entire issued and paid-up capital of the Seller and not considered independent for purposes of the Proposed Acquisition. He will therefore abstain from deliberating and making any recommendation in respect of any resolutions in connection with the Proposed Acquisition.

ATB and its associates will abstain from voting on any resolutions in connection with the Proposed Acquisition.

12. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Company will be seeking specific approval of shareholders of the Company at an extraordinary general meeting (“**EGM**”) to be convened for the Proposed Acquisition as an interested person transaction under Chapter 9 of the Listing Manual and a major transaction under Chapter 10 of the Listing Manual and the Proposed Diversification.

A circular setting out, amongst others, further information on the Proposed Acquisition and Proposed Diversification, together with a notice of EGM and the accompanying proxy form, will be despatched or disseminated by the Company to its shareholders in due course (“**Circular**”).

14. DOCUMENTS AVAILABLE FOR INSPECTION

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, a copy of the APA will be made available for inspection 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 (3) months from the date of this announcement.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

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

Knut Unger
Lead Independent Director

5 May 2022