BROOK CROMPTON HOLDINGS LTD.

(the “Company”)
(Company Registration Number: 194700172G)
(Incorporated in the Republic of Singapore)

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY

Date and Time	:	30 June 2022, Thursday at 2.30 p.m.
Mode of Meeting	:	Held by electronic means (via live webcast and web audio only)
Present	:	Please refer to the Attendance List (enclosed in this set of minutes)

OPENING OF MEETING

Dr Knut Unger (“**Chairman**”), the Lead Independent Director presided as Chairman of the Extraordinary General Meeting (“**EGM**” or “**Meeting**”). On behalf of the Board of Directors (“**Board**”), Chairman welcomed and thanked everyone for their participation in the Meeting held by way of electronic means.

The Chairman reminded shareholders of the Company (“**Shareholders**”) that the Meeting was a private event strictly for Shareholders, the Board, and the invitees including the key management personnel and representatives from the share registrar. As such, recording of the Meeting by Shareholders in whatever form would be strictly prohibited. Chairman also sought Shareholders’ understanding in the event of technical disruptions during the live webcast and audio transmission.

The Chairman proceeded to introduce other Board members, namely Mr Pang Xinyuan (“Mr **Pang**”) (Non-Executive Non-Independent Director) and Mr Chao Mun Leong (“**Mr Chao**”) (Independent Director) who attended the meeting virtually.

With the presence of the requisite quorum, Chairman called the Meeting to order. He informed the Meeting that a copy of the Notice of the EGM (“**Notice**”), proxy form and Circular to Shareholders dated 15 June 2022 (“**Circular**”) had been released via the SGXNet on 15 June 2022 and shall be taken as read.

VOTING PROCESS

The Meeting was informed that the resolutions put forth at the Meeting would be voted on by way of a poll in accordance with Rule 730A(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). As set out in the Notice, voting at the Meeting would be by real time electronic voting or by proxy (with Chairman of the Meeting being appointed as the proxy). Shareholders who sent in their proxy forms would have indicated on their proxy forms with respect to the casting of their votes and the Chairman of the Meeting would vote on the resolutions according to their instructions.

The Chairman informed that the Company had appointed Entrust Advisory Pte. Ltd. as scrutineer (“**Scrutineer**”) for the poll exercise. The votes from the proxy forms received by the Company had been verified by the Scrutineer.

EGM PRESENTATION

The Chairman invited Mr Richard Eason, the Chief Executive Officer ("**CEO**") to deliver the presentation. The highlights of the presentation had been released via the SGXNet on 30 June 2022 before commencement of the opening routine on the full day SGX-ST trading hours. Please refer to the said announcement for details.

QUESTIONS AND ANSWERS

As set out in the Notice, Shareholders were encouraged to submit their questions relating to the EGM resolutions in advance to the Company. Chairman informed the Meeting that the Company had addressed all the substantial and relevant questions received in advance of the EGM in the SGXNet announcement released on 24 June 2022 after trading hours.

The Chairman briefed the Shareholders and proxies on the real time electronic communication mode made available at the Meeting for submission of questions during the virtual EGM.

The Chairman then opened the floor to the Shareholders and proxies to raise their questions.

Set out below is a record of the texture and video questions submitted by Shareholders during the virtual EGM and responses given by the Directors and Management.

All capitalised terms not defined herein shall have the meanings ascribed to them in the Notice and the Circular.

(1) <u>Can the Company share how the acquisition will benefit Shareholders? Will the Company pay more dividend in future if future earnings increase?</u>

Mr Pang shared three rationales for the Proposed Acquisition: (1) Part of the Company's strategy is to increase demand for electric and motor products, but the Company is too reliant on manufacturing and does not have the technology. ATB Special Products has a good engineering team and the Proposed Acquisition will convert the Company's status from a trading company to an engineering company. (2) Demand has surged in the motor industry and ATB Special Products has the technology advantage, coupled with good cashflows and favourable terms with customers. (3) ATB Special Products has a drawback - it has limited customers and no dedicate sales team. By tapping on the Company's sales channel and distributors, its sales will increase significantly.

Mr Pang concluded that the increased sales and cashflows of the combined business could bring more dividends to the Shareholders in future.

(2) <u>The Special Products business is under-funded and has not realised its potential. ATB is a large company and surely it knows that the Special Products division has growth potential, but why does ATB, as a major shareholder did not expand this business? Why did the Company take so long to realise that this is an opportunity worth taking? Why did the merger not taken place earlier?</u>

The CEO explained that ATB Special Products was different from other businesses of ATB UK. ATB UK has been focusing on mining, oil and gas and large motors. Although ATB Special Products had generated positive cashflows, this business did not fit directly within ATB UK control structure and synergy was lacking.

For the past few years, the Company had been focusing on stabilising its distribution system and putting in place the sales channel and network. As the next phase of development, to position the Company as a tech-innovative manufacturer, inviting the engineering inhouse was the best choice on hand. This way, the Company could differentiate itself from its competitors to gain market share in U.K. and be perceived as an engineering supplier. This core-competency could be achieved by acquiring the Target Business. As to why ATB did not expand the Special Products business, we would not be in a position to comment.

(3) <u>With regard to engineering capability with Special Products division that the Company is acquiring – can't the Company do the same within ATB/Wolong group with the same set up? The same applies with the same sales channel?</u>

The CEO emphasised that having access to it and having control of it are very different. It was part of a wider strategy to keep the perception of an innovative manufacturer, maintain the Company's brand name and protect our true values.

Over the last twelve years since our business divested from manufacture, we had shaped ourselves as distributor and the manufacturer role had faded. To maintain blue chip tier-1 clients, we would need to demonstrate our engineering capabilities. We would also need to maintain control to overcome supply chain challenges. Acquiring inhouse technical capability would allow us to meet market demand for fast responsive and high service level.

Without full control of it, even though it was within the same Wolong/ATB group structure, it would be difficult for us to garner the same response during emergencies. Likewise, the sales channel offered by Wolong/ATB was different and it would not take them to the target market compared to our own established channel. The Company and ATB Special Products were a more perfect match than Wolong/ATB.

The CEO emphasised that it was a rare sygnergistic opportunity including the strategic location. On the other hand, if the Company were to invest from bottom up, the cost would be higher. The Proposed Acquisition was a defensive strategy to protect the Company's business and profit margin and to prevent potential erosion of our existing business.

The Chairman added that our brand product would increasingly fade. By acquiring the genuine engineering capability would help to maintain our brand value and gaining control of the engineering capability was integral.

(4) <u>The Company's share price has been lavishing way below the NTA and suffered from low to zero liquidity. Despite being profitable, the Company paid paltry dividend. The acquisition will reduce the Company's NTA by almost 10%. What is in it for minority shareholder and why should we vote to support this acquisition given that the Company has maintained that it would not pay out more dividend from the substantial cash pile? What plan does Management have to improve minority shareholders' interests?</u>

The CEO responded that the dividend pay-out rates were carefully evaluated by the Management and the Board after taking into consideration the ongoing businesses. Currently, the Company did not have a fixed dividend policy.

CEO added that based on historical events, the Company had adopted a prudent attitude towards the dividend pay-out and protecting our values through investment in strategic business. The Proposed Acquisition was an ideal investment to grow the business by utilising that available cash.

CEO further added that the value of the Company's intangible assets (intellectual property, trademark, branding etc) would erode gradually if the Company did not undertake the right investment. CEO assured the Shareholders that it was a core moral obligation of the Company to provide shareholders' value by staying profitable.

Regarding the Company's share liquidity, it was a difficult question discussed by the Board and the Management in many meetings. Presently, the Management and the Board had not formulated a solution to improve the share liquidity.

Responding to a Shareholder's request for Mr Pang to address the low liquidity issue and dividend pay-out, Mr Pang recapped that since Wolong/ATB took over the Company, the share price had increased significantly, albeit not up to Shareholders' expectation. The Company was transiting from a distributor to become a tech-innovative manufacturer by offering more value added services to increase profit margin. This positioning was in line with current digitalisation trend. If the Company were to continue the business of trading motor, it would neither extract good value nor attract strategic investors to invest in the Company.

Mr Pang stressed that the Company's main business would be still be motor with more value added engineering components. The transformation of the business model from a traditional motor trader to a technology company would also align with the roadmap of the wider Wolong Electric Group.

(5) <u>With the under-investment in Special Products division in the past, could the Company share its plan on CAPEX expansion needed for future growth?</u>

The CEO responded that CAPEX requirement was expected to remain low as the plant was self-contained and only machinery maintenance was needed. The Company had sourced for new product lines and these would require some limited investment in tooling for the new products. The cost would be covered by the profits generated from those products sold. Such cost would be more OPEX related rather than CAPEX.

(6) <u>As mentioned in the Annual Report and Q&A, the Group is looking for investment/ strategic acquisition by utilisation of its available cash which is high (about $20 over million) relative to the size of the Company. Which area or sector are you looking at? There does not seem to have much movement in the past 5 years other than this acquisition.</u>

The CEO responded that there was no other specific acquisition on the table. Generally, the core business remained as distribution and the Company had invested in sales channel as presented in the last annual general meeting. The grand opening in Australia served as a core base and deal with post Brexit requirement to trade in certain regions such as Europe. The Company was actively looking for any business that would gain value. Moving forward, as outlined in the earlier presentation today, localisation would be our key strategy that would determine how we provide better services locally from our core market. We had set the growth target depending on the size of the acquisition and would continue to explore opportunities to protect and grow the existing values of the Company.

(7) The Company is not CAPEX heavy. The share price has been traded at a big discount and market capitalisation is relatively low. The return on cash was low in the current environment and the huge cash reserve sitting in the balance sheet has lowered the ROE (approximately 6%). If the Company takes some cash out to return to Shareholders, the ROE will jump to 12 or 13% which will attract more investors and improve the capital structure. If the acquisition is a good deal and the Company needs cash, there is always an option for the Company to take bank loan which the Company can afford to gear up. The Board can consider the loan option and to declare dividend to Shareholders unless you have other immediate acquisition.

The Chairman responded that the Company had difficulty obtaining bank loans due to its historical records. The situation was aggravated by the financial crisis, EURO crisis, COVID-19 crisis, and now the Ukraine-Russia war. Hence the Company had to adopt a prudent cash management approach amidst the global adverse economic atmosphere.

The Financial Controller ("**FC**") added that bank borrowing was a risk to the Company and cited that some companies had over borrowed leading to financial default. Moreover, the increasing interest rate would increase finance cost which the Company should avoid. FC added that the Company had improved its financial position and exited from the SGX-ST watchlist. FC sought Shareholders' patience to give the Company more time to obtain more projects to grow and to facilitate future bank borrowings.

Responding to a Shareholder's request to enhance the dividend rate, Chairman assured Shareholders that he was constantly promoting dividend growth as much as possible. However, China was the main supplier and the lock downs had caused supply chain disruption. Thus, it was not a ripe time to increase dividend.

(8) The acquisition price is dilutive especially to the minority shareholders. Can you negotiate for a better price? The NAV will dilute further after the acquisition. Even though the acquisition is earning accretive because it is a cash transaction, but honestly, if the Company acquires the assets using borrowings, it will not cover the cost. The Company is in a position to bargain down the acquisition price. Perhaps the Independent Director can give his comment. We are a small company, a $3 million to $5 million price reduction will make a difference.

The Chairman responded that the Board had relied on independent valuer and independent financial adviser on their assessment of the Target Business. Chairman strongly felt that the yield was reasonable in a rising interest rate environment.

(9) What we want from the Company is growth. Last few years, you made a few million dollars amid the COVID-19 crisis, but the earnings have been flat. The Board should set an achievable target in the compound growth of, for instance 15% in net profit after tax over the next 5 years.

The CEO cautious about committing to any target earnings at this platform. CEO said that the Company had a 5-year plan in those magnitude and would rather maintain it than setting new target. CEO was positive of the Company's growth ahead.

(10) The valuer used the discounted cash flow and comparable business analysis in the valuation of the Target Business. Through the discounted cash flow method, the key factor in deriving the value was the discount rate used to calculate the final value of the entity. If the interest rate continues to rise for the next six months, the value of the asset by discounted cash flow will be much lower and the Company does not have to pay 2.5 times its NTA for this acquisition.

The FC invited the Independent Valuer, Mr Chay Yiowmin ("**Mr Chay**") to elaborate on the basis of the valuation.

Mr Chay commented that the summary valuation report was available in the Circular and the full report was available in the registered office of the Company for inspection. In the summary valuation report, the primary method adopted was discounted cash flow and the secondary method was market comparable. Mr Chay noted the point made by the Shareholder that the rising interest rate would increase the discounted rate and therefore the valuation would decrease based on the present value formulated. However, the discounted rate was a mix of cost of debt and cost of equity. On the Shareholder's comment that the issue of cost of debt was non-existent because the acquisition was a cash transaction, Mr Chay explained in detail the computation of the weighted average cost of capital which carried a percentage of the two components.

Mr Chay added that the valuation date was 31 December 2021 and different valuation date would carry different results. Mr Chay detailed that the valuation report not only covered the discounted cash flow method, but also comparable companies method through the market data sources readily available in Capital IQ or Blomberg, such as EBITDA of the Company. They had also discounted the lack of marketability by using the comparable companies method and both methods were adopted in the valuation report. In the summary valuation report, the valuation ranged from GBP2.7 million to GBP3.6 million (approximately SGD5 million after conversion to local currency.) Mr Chay cited that the valuation of some new technology companies could go up to 100 or 1000 times compared with their book values. However, they had adopted a conservative approach in this valuation, and the discounted cash flow level was the primary source supplemented by available market data sources for comparable companies method.

(11) One reason for the low share price was caused by the low free float shares in the market. The majority of the shares were held by ATB/Wolong and a few substantial shareholders. The share consolidation exercise a few years ago which consolidated every 20 shares into 1 share had resulted in the low liquidity and low share price. The Company should restore the number of issued shares to the previous level to improve its liquidity and share price.

The Chairman responded that the Company currently had no plan to issue more shares and that the share consolidation exercise was imposed by the SGX-ST. However, Chairman noted the Shareholders' feedback and would discuss the matter with The Board.

The FC added that the Board and the Management were unable to make a commitment on improving this low liquidity and low free float situation in the market. FC reiterated that after ATB/Wolong became a major shareholder, the Company's bottomline had turned from loss making to positive. FC urged Shareholders to recognise the Management's effort and give Management the opportunity to turn around the business.

The CEO supported FC's views and emphasised that the Company was in the position to create profitable and sustainable business. CEO highlighted Management's wary and concern of past precedent when the Company ran into cashflow difficulty to the extent that Management had to fund the operating expenses. Nevertheless, the Company's core aim was to increase shareholders' value and the Management would propose possible methods, such as publicity promotion, additional share issuance and recommending higher dividend where possible to the Board for discussion.

(12) Balance between manufacturing and distribution – is there any plan to grow the manufacturing to a significant revenue driver of the Company, e.g. 30% of total revenue in future or more? Following that, does that mean more investments are expected on that front?

The CEO responded that there was presently no other investment acquisition line up. The Company's core business remained focus on distribution and value added engineering through assembling rather than manufacturing the core components. The Company would provide the localised service model, fast response, integrating technology into the products rather than pure manufacturing.

CEO added that the Company was open to other opportunities which might arise and would analyse them internally and bring appropriate proposal to the Shareholders for approval if required.

There being no further questions from Shareholders, Chairman proceeded to deal with the business to be transacted at the Meeting.

The Chairman highlighted that the Resolution 1 and Resolution 2 were inter-conditional upon each other. In the event that one of these Resolutions was not approved, the other Resolution would not be duly passed.

ORDINARY RESOLUTION 1

THE PROPOSED ACQUISITION OF THE TARGET BUSINESS AS A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL AND AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

The Chairman said that the agenda of this Meeting was to approve the Proposed Acquisition of the Target Business and the Ordinary Resolution tabled at this Meeting was to be taken as duly proposed and seconded.

For the Ordinary Resolution 1 put forth at the EGM, based on the poll results verified by the Scrutineer, there were **446,550 votes (38.75%)** cast in favour and **705,922 votes (61.25%)** cast against the motion. Chairman declared the following motion NOT carried:

"THAT:

(1) The Proposed Acquisition of The Target Business as a Major Transaction under Chapter 10 of the Listing Manual and an Interested Person Transaction is not duly passed and such asset purchase agreement dated 28 April 2022 be and is hereby void.

(2) The Directors of the Company and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the termination of the transaction."

ORDINARY RESOLUTION 2

THE PROPOSED DIVERSIFICATION

The Chairman said that the agenda of this Meeting was to approve the Proposed Diversification in the Business segment arising from the said Proposed Acquisition. The Ordinary Resolution tabled at this Meeting was to be taken as duly proposed and seconded.

For the Ordinary Resolution 2 put forth at this EGM, based on the poll results verified by the Scrutineer, there were **446,550 votes (38.75%)** cast in favour and **705,922 votes (61.25%)** cast against the motion. Chairman declared the following motion NOT carried:

"THAT:

(1) The diversification by the Company and its subsidiaries of its core business to include the Target Business and any other activities relating to the Proposed Diversification into the Target Business is not duly passed.

(2) The Directors of the Company and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the termination of the transaction."

CLOSE OF MEETING

The Chairman informed that the minutes of the EGM would be published on the SGXNet within one (1) month after the conclusion of the EGM.

The Chairman thanked the Shareholders for their attendance and declared the Meeting closed at 4.07 p.m.

Confirmed as a correct record of proceedings

KNUT UNGER
Chairman of the Meeting

ATTENDANCE LIST

Board of Directors

<u>Attendance via LIVE WEBCAST or WEB AUDIO ONLY</u>

Board of Directors

Mr Pang Xinyuan	-	Non-Executive Non Independent Director
Dr Knut Unger	-	Lead Independent Director
Mr Chao Mun Leong	-	Independent Director

Management

Richard Eason	-	Chief Executive Officer
Shavy Kwan	-	Financial Controller

Company Secretary

Ang Siew Koon

Professionals

Corporate Lawyer – Chua Kern	-	Chancery Law Corporation
Independent Valuer – Chay Yiowmin	-	Chay Corporate Advisory Pte. Ltd.,
Independent Financial Adviser – Chin Keong Loo	-	Xandar Capital Pte. Ltd.
Independent Financial Adviser – Pauline Sim	-	Xandar Capital Pte. Ltd.
Share registrar – Farhan Razali	-	Tricor Barbinder Share Registration Services
Scrutineer – Sandra Lee	-	Entrust Advisory Pte Ltd

Shareholders

Due to the restriction on the use of personal data pursuant to the provisions of the Personal Data Protection Act 2012, the name of the Shareholders who participated in the EGM via LIVE WEBCAST or WEB AUDIO ONLY will not be published in this set of minutes.