BROOK CROMPTON

a WOLONG company

Investing in the Future
Generating Results

ANNUAL REPORT 2018

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CORPORATE PROFILE

Brook Crompton Holdings Ltd., is an established electric motors company. Our trademark **BROOK CROMPTON** brand has been at the forefront of major technological breakthroughs in this arena, and is active in the supply of high-efficiency electric motors that also fulfil client needs for reliability and cost-effectiveness.

Through its commitment to quality and service, the Group has forged longstanding relationships with leading customers around the world. Always ready to devise solutions that satisfy the unique requirements of every client, we offer robust and versatile products that are widely deployed in sectors ranging from marine, mining and oil & gas to HVAC (heating, ventilation, air conditioning).

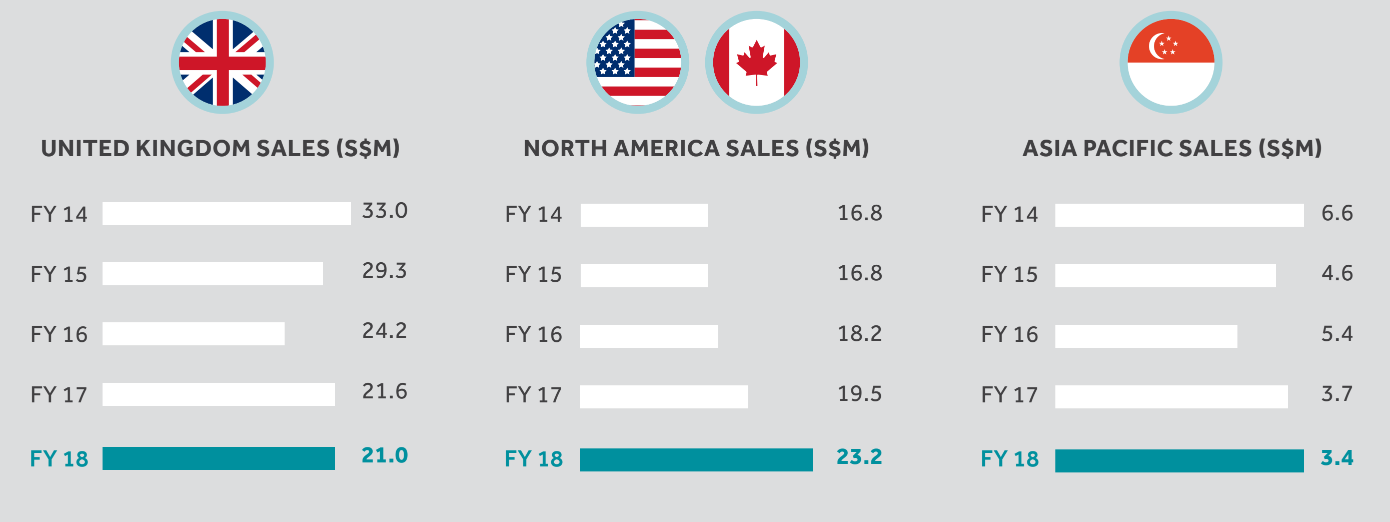
To bolster our position in key regions and facilitate our expansion to new markets, we have taken decisive steps to strengthen our supply chain and distribution channel.

Our expanded sales and marketing teams are moving rapidly to widen our client base across the continents. Under the flagship of **BROOK CROMPTON**, Brook Crompton UK Limited covers the markets in the United Kingdom, the Middle East, North Africa and Continental Europe; Brook Crompton USA, Inc and Brook Crompton Limited (Canada) covers the North America market and Brook Crompton Asia Pacific Pte Ltd covers the Asia Pacific market.

FINANCIAL HIGHLIGHTS

INCOME STATEMENT (S$'000)	FY2014	FY2015	FY2016	FY2017	FY2018
Turnover	56,326	50,764	47,806	44,865	47,646
Profit/(Loss) from continuing operations	(16,593)	3,441	4,342	3,474	3,622
Total Profit/(Loss) attributable to shareholders	(16,593)	3,441	4,342	3,474	3,622
STATEMENT OF FINANCIAL POSITION (S$'000)					
Non-current assets	5,170	3,078	3,383	2,871	2,316
Current assets	34,578	37,007	35,930	39,862	41,017
Current liabilities	14,038	14,291	11,289	11,748	11,319
Non-current liabilities	3,538	239	388	798	587
Shareholders' fund	22,172	25,555	27,636	30,187	31,427
STATEMENT OF CASHFLOWS (S$'000)					
Net cash generated from operating activities	8,001	3,719	2,008	6,916	4,721
Net cash (used in)/generated from investing activities	155	(195)	(58)	(175)	(83)
Net cash used in financing activities	(3,612)	(4,692)	(1,792)	(792)	(1,868)
Cash & cash equivalents at the beginning of financial year	4,037	8,602	7,772	6,841	12,956
Effect of exchange rate fluctuation on cash held	21	338	(1,089)	166	(334)
Cash & cash equivalents at the end of financial year	8,602	7,772	6,841	12,956	15,392

SALES BY GEOGRAPHICAL SEGMENT



CORPORATE STRUCTURE

BROOK CROMPTON
a WOLONG company

EUROPE

Brook Crompton
UK Limited

NORTH AMERICA

Brook Crompton
USA, Inc

Brook Crompton
Limited (Canada)

ASIA PACIFIC

Brook Crompton
Asia Pacific Pte Ltd

GEOGRAPHICAL PRESENCE

WAREHOUSE

United States

Chicago
Toronto (Ontario)
Montreal
Los Angeles
Dallas
Edmonton
Memphis
Houston

United Kingdom

SALES OFFICE

United States

Chicago
Toronto (Ontario)
Montreal

United Kingdom

Singapore

CHAIRMAN AND CEO STATEMENT

"The Group turnover for the financial year ended 31 December 2018 increase 6.2% to S$47.6 million, mainly due to higher revenue contribution from BC North America for the United States and Canadian markets as compared to prior year."

CHAIRMAN AND CEO STATEMENT

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present to you the annual report for Brook Crompton Holdings Limited for the financial year ended 31 December 2018 ("FY2018").

2018 was a year of ongoing business evolution for the Brook Crompton Group with the growth trend in the North American market helping to offset the ongoing challenging market conditions in the United Kingdom and in the Asia Pacific countries. Growth at OEM customers in Canada and the United States of America has helped to offset the ongoing trend of OEM customers and end-users scaling down, or even exiting the United Kingdom with the BREXIT uncertainties being a significant contributory factor. Brook Crompton UK Limited ("BCUK") remains the largest revenue contributor to the Group, however the combined revenue of the Brook Crompton North American operations ("BCNA") in the United States and Canada in 2018 brought a similar contribution to that of BCUK. Brook Crompton Asia Pacific Pte Ltd ("BCAP") found 2018's increasingly competitive market challenging but was able to keep its' revenue stable.

Global industrial production in 2018 started strongly after rapid growth in 2017, however momentum was lost through the year with industrial output slowing, tensions in trade increasing with the introduction by the USA of many tariffs on a wide range of products, and an appreciating US$ putting minor economies under strain.

FINANCIAL HIGHLIGHT

FINANCIAL PERFORMANCE

The Group turnover for the financial year ended 31 December 2018 increase 6.2% to S$47.6 million, mainly due to higher revenue contribution from BC North America for the United States and Canadian markets as compared to prior year. BCUK remains the largest revenue contributor to the Group. At Gross Profit level, there was an increase from S$14.8 million in prior year to S$15.1 million in current year, resulting from higher sales of products with a better margin than in the prior year.

Net profit before tax for the Group improved as compared to prior year. This is achieved from higher revenue contribution with better contribution margin in current year. The increase in other gains mainly due to lower foreign exchange loss from operating activities in FY2018 as compared to FY2017. Slight increase in group expenses mainly due to the increase in administrative expenses for one-off severance payments to employees and increases in other operating expenses due to the loss on liquidation of a dormant subsidiary in current year.

The Group reported a net attributable profit of S$3.6 million against S$3.5 million prior year. EBITDA (earnings before interest, foreign exchange impact from financing activities, tax and depreciation) in current year is S$4.8 million, slightly higher than as compared to prior year of S$4.3 million.

STATEMENT OF CASH FLOW HIGHLIGHTS

The Group has a good cash flow position due to continuing operational profitability and active capital management. Net cash generated from operating activities decreased to S$4.7 million compared to S$6.9 million in prior year, mainly due to higher inventory replenishment as compared to prior year and prompt payment made to major suppliers. Net cash used in financing activities increased to S$1.9 million from prior year of S$0.8 million, mainly due to higher dividend pay-out made to shareholders in current year. Net cash position stands at S$15.4 million from the prior year S$13 million.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

The Group's shareholders' funds rising to S$31.4 million from S$30.2 million prior year, after taking in the net profit for the year of $3.6 million and after dividend pay-out of $1.8 million. Current ratio stays at a healthy level of 3.6 compare to 3.4 in prior year. Cash and cash equivalents have improved from $14.8 million in prior year to $16.5 million in current year, resulted from prompt collection from trade debtors and realisation of profits for the year. The decrease in borrowings (current) mainly due to better cash flow position in BC North America with lower drawdown of bank overdrafts as at 31 December 2018.

CHAIRMAN AND CEO STATEMENT

JOURNEY AHEAD

"Generating Results" is the goal of the Group. To achieve this goal, in 2018 we laid the foundations for growth with investments in more innovative products, human resources, a wider inventory range to support a wider range of industries, and warehouse facilities. Our focus will also turn to establishing operations outside our core markets and establishing an innovate operational structure within our sourcing team to manage our Group and third-party suppliers. This refreshed and more innovative approach combined with the existing strengths of Brook Crompton will enable our strong network of distributors to continue to generate results. The Group's vision continues to be to maintain a strong market position, reinforce the already strong brand recognition and to be a competitive supplier of electric motor across a wide range of traditional and emerging industries.

The Group has a long-standing reputation for efficient customer service, supporting clients worldwide through its global distribution network. Shaping the future of electric motors, Brook Crompton is focused on supplying high efficiency drive solutions for the industry, lower costs of ownership throughout the motor lifespan, reduce impact on environment and promoting greater sustainability.

UK, REST OF EUROPE, MIDDLE EAST AND NORTH AFRICA

The ongoing uncertainty in the UK economy whilst awaiting the final outcomes of the "Brexit" negotiations has impacted the sales to OEMs in the UK market as they seek to offset any possible impacts of BREXIT. The UK distribution channel remains stable, allowing us to strengthen our position at end users and allowing us to offer outstanding levels of customer service through a sales channel which is dedicated to this type of customer. Investments in product innovation in 2018 will pull-through to revenue in new segments such as building services in 2019, allowing us to develop into parallel industries as the UK market evolves, and will allow the development of focused areas of the wider European market. The next phases of Energy Efficiency regulation will allow us to continue to promote premium efficiency value added solutions.

The Middle East and North African markets show signs of strengthening with the stability in the oil and gas markets in the Gulf States, and the re-emergence of the Egyptian market. Investment has increased in the petrochemical sector, and there are significant opportunities in water and wastewater (desalination, water treatment, and water supply) and infrastructure investments such as tunnelling for road and light rail system investments.

NORTH AMERICA

Our success in North America in 2018 has been partly linked to a recovery in the oil and gas markets, primarily the mainly mid and down streams linked to refining rather than extraction, but also to the successful and ongoing focus on finding non-traditional Brook Crompton market segments. These have included fire suppression systems, recycling, emissions control, HVAC, the winter sports industry, and the recreational swimming market as well as continuing 2017's development of OEMs who specialize in the water and building services markets.

The impact of the tariff policy of the current administration in the United States has changed the dynamics of the whole North American market, however Brook Crompton finds itself in a strong position to effectively manage its supply chain for this market with well-established production units in Europe (Austria, Germany, Poland, Serbia, UK) and the addition in 2018 of Group manufacturing in Mexico and Vietnam. This has enabled us to remain competitive against other manufacturers who are limited to production within China.

The Canadian market is set for a period of growth at lower levels than it has enjoyed in recent years, however the planned investments in the LNG industry, and the positive opportunities for Canadian based OEMs not impacted by the tariff schemes to export to the United States will bring further market development possibilities.

The potential for continuing growth in the North American market in 2019 and onwards is supported by a range of innovative product offerings now available from the Group which removes one of the obstacles to Brook Crompton's growth in this market.

ASIA PACIFIC

Whilst the comparative closeness of the Asia Pacific markets to several best cost case manufacturing economies continues to keep the market price at a challenging level, the traditional lack of complexity compared to the European and Americas markets shows sign of change. Although users in the Asia Pacific remain slow to adopt higher efficiency products, local regulators are now putting into place standards to enforce change or are specifying in the Government financed projects the use of premium or even-ultrapremium efficiency products. This is particularly prevalent in the water and irrigation markets where motors are required to operated 24 hours per day / 365 days per year.

CHAIRMAN AND CEO STATEMENT

"Generating Results" is the goal of the Group. To achieve this goal, in 2018 we laid the foundations for growth with investments in more innovative products, human resources, a wider inventory range to support a wider range of industries, and warehouse facilities.

Recent Group manufacturing developments focused on new production sites in Vietnam and China will allow ongoing market development, with a wider product offering allowing our established regional partners to achieve growth in 2019.

DIVIDEND

To reward our loyal shareholders, the Directors have recommended a final tax-exempt dividend of 2.0 Singapore cents per ordinary share, pending approval at the forthcoming Annual General Meeting.

IN APPRECIATION

With a thankful and humble heart, we would like to express our sincere gratitude to our fellow directors, management and all the employees for their advice, support and hard work. In addition, we also thank all our customers, business partners and associates for their continuous support.

We would like to extend a special thank you to all our loyal and talented employees for their tremendous contribution. Their commitment and dedication in achieving another profitable year for the Company.

We thank you for keeping faith in the company and we will continue to do our best to justify the confidence.

PANG XINYUAN
Chairman

RICHARD EASON
Chief Executive Officer

BOARD OF DIRECTORS

MR PANG XINYUAN
Chairman, Non-Independent, Non-Executive Director

Mr Pang was appointed as a Director of the Company and Chairman of the Board of Directors on 10 November 2016. He is the Chief Executive Officer of Wolong Electric Group Co., Ltd ('Wolong'), a company listed on Shanghai Stock Exchange. He also holds directorship in several companies in Wolong and the ATB Group. Before joining Wolong, he held managerial position at Vishay Intertechnology Asia Pte Ltd. He earned a Masters in Advertising and Marketing from Leeds University after obtaining a Bachelor degree in Shanghai Jiao Tong University.

Mr Pang is also a member of the Audit Committee and Remuneration Committee. He was last re-elected as a Director of the Company on 27 April 2017.

DR KNUT UNGER
Lead Independent Director

Dr Unger was appointed as a Director of the Company on 01 August 2007. After completing his legal training in Germany, he participated in a European Community programme designed to help develop the judicial systems of emerging democracies in Eastern Europe. He has since worked as a solicitor in both Germany and Singapore. He is currently a partner at Luther LLP, where he primarily advises on European investment projects in Southeast Asia. He also serves on the advisory boards for various German and Austrian investments in Singapore, Malaysia and Hong Kong. Dr Unger holds a PhD in law from the University of Freiburg.

Dr Unger is also the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. Dr Unger was last re-elected as a Director of the Company on 19 April 2018.

MR RICHARD EASON
Executive Director Cum Chief Executive Officer

Mr Eason was appointed as the Chief Executive Officer of the Company on 23 April 2018 and was appointed as an Executive Director of the Company on 16 July 2018. Mr Eason is responsible for the Company's operations, strategic planning, corporate management and business development. Previously, he was Chief Sales Officer of the Company, responsible for setting the sales strategy for the Group and overseeing the sales function. Before joining the Company, he spent over 20 years in the electric motors and drives sector.

Mr Eason holds a bachelor in environmental sciences from the Lancaster University in the UK.

Mr Eason is also a member of the Nominating Committee. Mr Eason will be retiring pursuant to Article 108 of the Company's Constitution at the Company's forthcoming AGM scheduled on 25 April 2019 and he will not be seeking for re-election as a Director. However, he will remain as the Chief Executive Officer of the Company.

MR CHAO MUN LEONG
Independent Director

Mr Chao was appointed as an Independent Director of the Company on 1 July 2016. Mr Chao has been the Managing Director of Asia for Profit Velocity Solutions LLC USA (PV solution) since 2012. He has over 35 years of working experience in the electronic industry accumulated from a number of multi-national corporations such as General Electric, Varta Batteries, Philips Components and Vishay Inc. Mr Chao graduated the from Singapore Polytechnic in the field of Polymer Science and Technology with a post graduate diploma in Business Administration.

Mr Chao is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Chao will be retiring pursuant to Article 104 of the Company's Constitution at the Company's forthcoming AGM scheduled on 25 April 2019. The Board has recommended to the shareholders his re-election at the forthcoming AGM.

MANAGEMENT TEAM

MR RANDY CONNOLLY
General Manager and Director
Brook Crompton North America

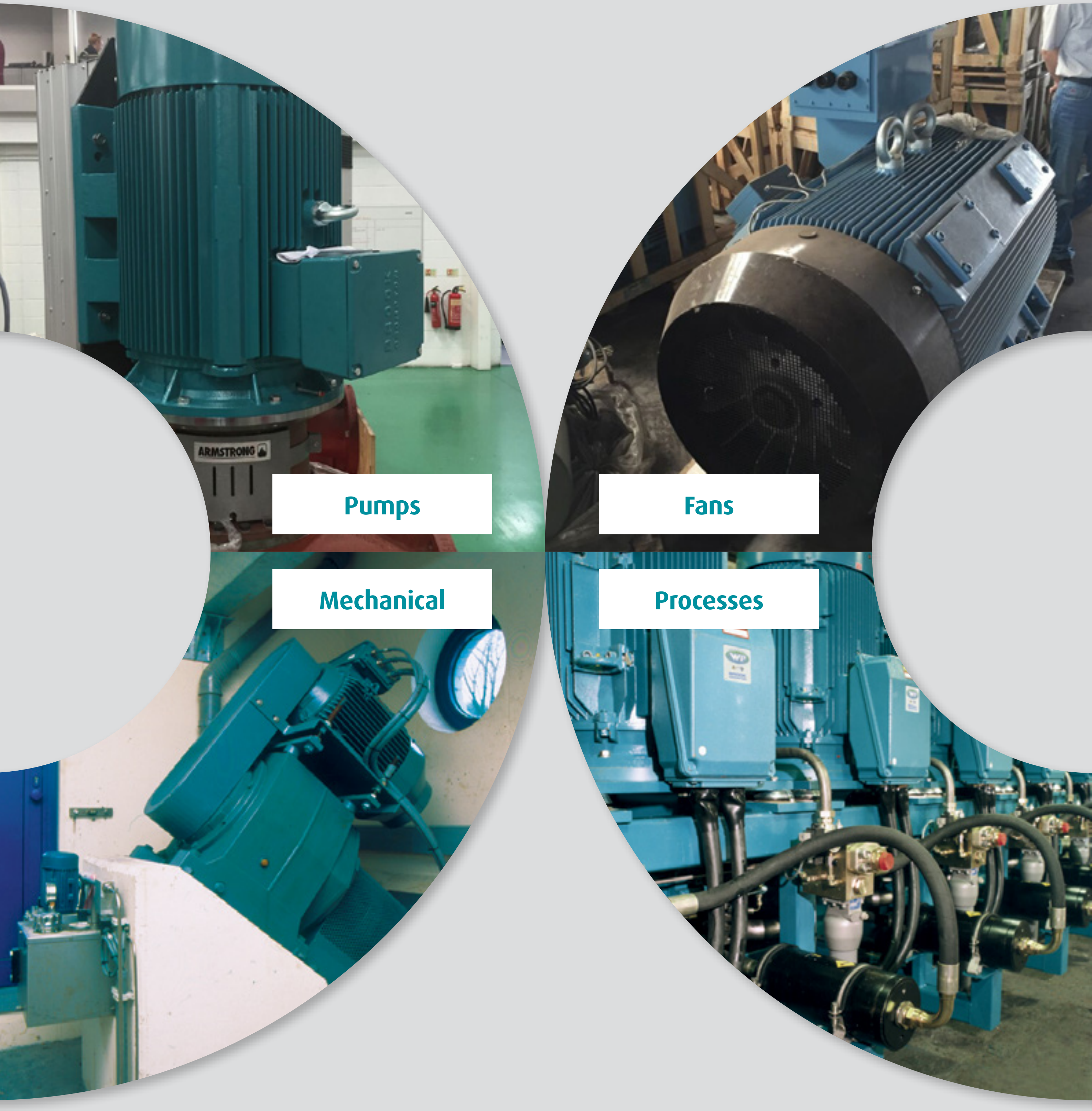
Mr Randy was appointed as General Manager and Director of Brook Crompton North America in February 2018, responsible for overseeing the sales, procurement, operations and finance in the North America. He was employed in 2016 as Vice President Sales of Brook Crompton North America, responsible for the sales of North America. He has over 40 years of working experience in electric motor industry accumulated from a number of multinational corporations such as General Electric, WEG Electric Corp and Westinghouse Electric Corporation. Mr Randy holds a bachelor in Economics from State University of New York.

MS SHAVY KWAN
Finance and Administration Manager
Brook Crompton Holdings Ltd

Ms Kwan responsible for all accounting, financial and taxation matters. She joined the company in November 2017 bringing with her over 16 years of experience in auditing and commercial accounting. Before joining the Company, she served as the Financial Manager in two Singapore Exchange Main Board listed companies and was with Deloitte & Touche as an Assistant Audit Manager. She holds Association of Chartered Certified Accountants (ACCA) accounting qualification and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

PRODUCT APPLICATION

Alliance with suppliers for distribution of electric motors to various users via established sales channel



INDUSTRIAL APPLICATION

Partnership with electric motor users for strategic geographical market outreach

CORPORATE INFORMATION

BOARD OF DIRECTORS

Pang Xinyuan
Chairman/Non-Executive &
Non-Independent Director

Richard Eason
Executive Director &
Chief Executive Officer
(appointed on 16 July 2018)

Chen Yingzhu
Executive Director &
Chief Executive Officer
(resigned on 16 July 2018)

Knut Unger
Lead Independent Director

Chao Mun Leong
Independent Director

AUDIT COMMITTEE

Chao Mun Leong
Chairman & Independent Director

Knut Unger
Member/Lead Independent Director

Pang Xinyuan
Member/Non-Executive &
Non-Independent Director

NOMINATING COMMITTEE

Knut Unger
Chairman and Lead Independent
Director

Chao Mun Leong
Member/Independent Director

Richard Eason
Member/Executive Director & CEO
(appointed on 16 July 2018)

Chen Yingzhu
Member/ Executive Director & CEO
(resigned on 16 July 2018)

REMUNERATION COMMITTEE

Knut Unger
Chairman and Lead Independent
Director

Chao Mun Leong
Member/Independent Director

Pang Xinyuan
Member/Non-Executive &
Non-Independent Director

COMPANY SECRETARY

Ang Siew Koon

REGISTERED OFFICE

19 Keppel Road,
#08-01, Jit Poh Building
Singapore 089058
Tel No: (+65) 6227 0308
Fax No: (+65) 6227 0605
Email: mgt@brookcromptonholdings.com

REGISTRAR, AGENT AND TRANSFER OFFICER

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

BDO LLP
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
(appointed from financial year
ended 31 December 2016)
Audit Partner: William Ng Wee Liang

CORPORATE GOVERNANCE REPORT

Financial Report Ended 31 December 2018

OUR COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group") as part of its mission to enhance shareholder value for the long term. The Company's corporate governance policies and practices are guided by the corporate governance principles set out in the Code of Corporate Governance 2012 (the 'Code') issued on 2 May 2012.

The Company has endeavoured to adhere to the principles and guidelines stipulated in the Code in the financial year ended 31 December 2018 ("FY2018"). This Corporate Governance Report (the "CG Report") details the Group's corporate governance practices and sets out the manner in which the Group has applied the principles and the extent of compliance with the guidelines set out in the Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Limited ("SGX-ST") (the "Listing Manual"). Where there have been deviations from the Code, the appropriate explanations have been provided in this CG Report.

In the opinion of the Board of Directors of the Company (the "Board"), the Company has generally complied with the principles set out in the Code for FY2018.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Board's Role

The Board's primary role is to provide entrepreneurial leadership, set and monitor the execution of the Group's strategies, and to ensure that all the necessary resources (including financial and human resources) are in place for the Company to meet its objectives of enhancing long-term shareholders' value. To safeguard shareholders' interest and the Company's assets, the Board has established a risk management framework where all the risks within the Group are assessed and managed to ensure prudent and effective controls of the Group's assets. The Board constantly reviews Management's performance to ensure that they are on track in carrying out the strategies set by the Board and that any deviations should be explained and justified. The Board recognizes that the perceptions of key stakeholders groups affect the Group's reputation, and in this connection, the Board regularly seeks their feedback to improve the Group's performance and in ensuring that their expectations are met. The Board also recognizes that it is important to constantly uphold the Group's reputation, and in this regard, it has set the Group's values and standards (including ethical standards) to ensure that its obligations to shareholders and other stakeholders are understood and met. In setting these values and standards, the Board has also considered environmental, social and governance factors to ensure sustainability of the Group's business.

Directors' Fiduciary Duties

The Directors bring with them their diversified qualification, skills and experience, and shall at all time use reasonable diligence to exercise judgment in discharging their duties and responsibilities in the interests of the Company and the Group. A Director who is interested in a transaction or proposed transaction shall declare his/her interests and abstains from deliberation and decision making.

Delegation of Authority to Board Committees

The Board is supported by three Board Committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). The responsibilities and authorities of each committee are set out in their respective terms of reference. The Board accepts that although it has delegated specific responsibilities to these Board Committees, it is the Board which makes the final decision and the ultimate responsibility lies with the Board.

CORPORATE GOVERNANCE REPORT

Financial Report Ended 31 December 2018

Board Meetings and Attendance

The Board meets at least four times a year on a quarterly basis, to deliberate and approve the quarterly financial results and announcements, and other matters requiring Board's discussion and approval. The quarterly Board meetings and the Company's Annual General Meeting ("AGM") are scheduled in advance with consultation with all the Directors to enable the Directors to plan their schedule ahead. If they are not able to attend in person at the venue of meeting, they may participate in the meeting via teleconferencing or video-conferencing. Ad-hoc Board and Board Committee meetings are called and convened as and when warranted in between the quarterly Board meetings. If an ad-hoc meeting is not possible, the subject matter may be communicated via email and/or telephone calls and the resolution(s) resolved via a resolution in writing of the Directors. In the financial year ended 31 December 2018, a total of four Board Meetings were held.

The attendance of each of the Directors at the meetings of the Board and Board Committees during the financial year ended 31 December 2018 is as follows:

Director	Appointment	Resignation	Board of Directors				Audit Committee				Nominating Committee			Remuneration Committee
			27.02.2018	19.04.2018	16.07.2018	08.11.2018	27.02.2018	19.04.2018	16.07.2018	08.11.2018	27.02.2018	19.04.2018	16.07.2018	27.02.2018
1 Dr Knut Unger (Appointed as Member of AC on 1 August 2007) (Appointed as Chairman of NC and RC on 1 Aug 2007 and redesignated to NC and RC member on 19 January 2009) (Redesignated to NC and RC Chairman on 27 April 2015 from member)	1.8.2007	-	√	√	√	√	√	√	√	√	√	√	√	√
2 Chen Yingzhu (Appointed as an Executive Director and Chief Executive Officer and NC Member on 01 March 2015)	01.03.2015	16.07.2018	√	√	√	N/A	N/A	N/A	N/A	N/A	√	√	√	N/A
3 Chao Mun Leong (Appointed as Independent Director and AC Chairman, NC and RC Member on 01 July 2016)	01.07.2016	-	√	√	√	√	√	√	√	√	√	√	√	√
4 Pang Xinyuan (Appointed as Non-Independent Non-Executive Director and Chairman of Board and AC and RC member on 10 November 2016)	10.11.2016	-	√	√	√	√	√	√	√	√	N/A	N/A	N/A	√
5 Richard Macindoe Eason (Appointed as the Chief Executive Officer on 23 April 2018 and an Executive Director and NC Member on 16 July 2018)	16.07.2018	-	N/A	N/A	N/A	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CORPORATE GOVERNANCE REPORT

Financial Report Ended 31 December 2018

Matters Reserved for the Board

The Group has put in place an internal guideline on matters that are reserved for the Board. The matters that require Board's approval include the following:-

i. The Group's strategies, objectives, and broad policies;
ii. Annual budgets;
iii. Major funding;
iv. Material acquisitions, investments and divestments;
v. Capital commitment above certain set limit;
vi. Interested person transactions;
vii. Quarterly financial results announcements and public announcements;
viii. Payment of interim dividends and recommendation of final dividends;
ix. Changes to the composition of the Board and Board Committees; and
x. Appointment of key management personnel and their remuneration.

Board Orientation and Training

During the financial year, Mr Richard Eason was appointed as a Director of the Company. A formal letter was issued to the new Director upon his appointment, setting out his duties and responsibilities. Information/materials relating to the Company and the Group, and Board governance (including Constitution of the Company, Terms of Reference of the Board Committees, minutes of the Board and Board Committees meetings held in the past one year) were provided to the new Director so as to enable him to have the relevant company background and knowledge for decision making. As Mr Eason did not have any prior experience as a director of a listed company, the Company had made arrangement for him to attend the Directors' training course conducted by the Singapore Institute of Directors.

The Directors receive regular updates on changes in the relevant laws and regulations which are relevant to the Group at the quarterly Board meetings. Directors are also encouraged to attend training programmes conducted by the Singapore Institute of Directors or other training providers on topics that are relevant to their performance of duties as a Director or Board Committee member on a regular basis to enhance their skills and knowledge, at the expense of the Company.

During the financial year under review, Mr Chao Mun Leong and Dr Knut Unger attended a course on "Corporate Governance Briefing: Understanding the Revised Code and Listing Rule Changes" on 18 September 2018. The course was conducted by the Singapore Institute of Directors jointly with the Singapore Exchange Securities Trading Limited. The course expenses were borne by the Company.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The composition of the Board as at 31 December 2018 is as follows:

Mr Pang Xinyuan	Non-Executive Non-Independent Director & Chairman
Mr Richard Eason*	Executive Director cum Chief Executive Officer
Ms Chen Yingzhu#	Executive Director cum CEO
Dr Knut Unger	Lead Independent Director
Mr Chao Mun Leong	Independent Director

* Mr Richard Eason was appointed as CEO on 23 April 2018 and as Executive Director on 16 July 2018

\# Ms Chen Yingzhu resigned as the CEO on 23 April 2018 and was re-designated from Executive Director to Non-Independent Non-Executive Director on 23 April 2018. She resigned as a Non-Independent Non-Executive Director on 16 July 2018.

CORPORATE GOVERNANCE REPORT

Financial Report Ended 31 December 2018

As at the end of the financial year ended 31 December 2018, the Board comprised four (4) members, three (3) of whom are non-executive directors, where two (2) are Independent Directors. The Company is in compliance with Guideline 2.2 of the Code which stipulates that if the Board Chairman is not an Independent Director, at least half of the Board must be comprised of Independent Directors.

Board Independence

The Board has established a process for determining the independence of directors. On an annual basis, each and every Independent Director is required to declare and confirm his/her independence via a prescribed declaration form. Based on the declaration, the NC will deliberate and determine whether a director is independent taking into consideration other factors including whether that Director is able to exercise independent judgment and whether he/she has any relationships or circumstances which are likely to affect his/her independent judgment and character. The existence of any of the following relationships or circumstances will deem the director not independent:-

(a) a Director being employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) a Director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC;

(c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;

(d) a Director:

  (i) who, in the current or immediate past financial year, is or was; or

  (ii) whose immediate family member, in the current or immediate past financial year, is or was, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organization to which the company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S$200,000 would generally be deemed significant;

(e) a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or

(f) a Director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year.

None of the Independent Directors has or had any relationships or circumstances as prescribed above.

Dr Knut Unger has served on the Board for more than nine years from the date of his appointment on 1 August 2007. The NC (save for Dr Unger who abstained from deliberation in this matter) had performed a rigorous review to assess his independence and was satisfied that he maintains an appropriate degree of independence when fulfilling his role as an independent director. The NC had also considered the fact that there were several changes in Management, including a change in controlling shareholder during his tenure of service. It is also important for the Board to have a Director with history of the Company and the Group where the rest of the Board members can tap on. The Board had concurred with the NC's view in that Dr Unger has maintained his independence and is capable of making independent judgment.

Mr Chao Mun Leong was appointed to the Board on 01 July 2016 and he has served on the Board for less than three years.

For transparency, the NC has set out its determination of the independence of Mr Chao Mun Leong ("Mr Chao") as follows:-

(i) The NC (save for Mr Chao who abstained from deliberation on this matter) noted that Mr Chao has declared that he has since April 2018 been engaged by Wolong Electric Group Co Ltd ("WEG") (a majority shareholder of the Company which has deemed interest of 66.10% in the Company) as an advisor to the CEO. Mr Chao's engagement with WEG was carried out through his Caytech International LLP of which Mr Chao is the beneficial owner. The type of advisory services which Mr Chao provides to WEG includes advising WEG on the:-

  1) Development of international sales strategies for aggressive growth;
  2) Sales organization and structure realignment;
  3) Redefining global key account management;

4) Developing global distribution strategies;
5) Developing and implementing sales training program for key talents; and
6) Introducing international sales contract and agreement policy.

(ii) The NC took into account that the annual advisory fee Mr Chao received from WEG was less than S$200,000 which was within the threshold set out in the Code for determining the independence of director. The NC also considered Mr Chao's performance on the Board and Board Committees, and had observed that Mr Chao had at all times discharged his duties with professionalism and objectivity, constantly challenged management's proposals in a constructive manner, and acted as an effective check on management. The NC agreed that Mr Chao had exercised independent judgement in the best interests of the Company and should therefore be considered as an independent director.

Board Size

The NC and the Board review the size of the Board on an annual basis, and based on the latest review, was satisfied that the present Board size is appropriate to facilitate decision-making the nature and scope of the operation of the Company and the Group.

Board Balance

The Board had concurred with the NC's view that the current Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the Company with core competencies in accounting/finance, legal, business management and marketing. Dr Knut Unger, who is the Company's Lead Independent Director, possesses professional legal qualifications and is currently a practicing lawyer. Mr Chao Mun Leong, who is the AC Chairman, brings with him more than 35 years of working experience in the electronics industry and expertise in finance and business advisory. Mr Richard Eason, the Executive Director cum CEO, brings with him more than 20 years of electric motors and drives sector experience. Mr Pang Xinyuan, the Non-executive Board Chairman, who has Master Degree in Advertising and Marketing from the Leeds University, brings with him not only marketing expertise, but also vast experience in business management having served as CEO of the Wolong Electric Group Co., Ltd, a company listed on the Shanghai Stock Exchange.

Role of non-executive directors

During the year under review, the Non-executive Directors had participated actively in the Board and Board Committee meetings. They were not afraid to challenge the proposals put forth by the management team, and were able to provide constructive feedback on the proposals presented to the Board and Board Committees. For a more effective check on the management team, the Non-Executive Directors had met several times without the presence of Management in FY2018 to discuss informally the more sensitive issues (including the performance of Management).

Principle 3: Role of Chairman and Chief Executive Officer (CEO)

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Company ensures that the roles of the Chairman and the CEO are separate so that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The role of the Board Chairman is assumed by Mr Pang Xinyuan, who is a Non-Executive Non-Independent Director and the role of the CEO is assumed by Mr Richard Eason. There is no familial relationship between the Chairman and the CEO.

The Chairman is responsible for leading the Board. He approves the agenda for all the Board meetings, with consultation of Management and the Secretary and he ensures that all the Board meeting materials containing complete and adequate information reach all the Directors in a timely manner to facilitate meaningful discussion at the meetings. He promotes high standards of corporate governance by inviting the Directors to give constructive feedback on the proposals presented at the meetings and encourages them to debate openly on the matters presented. To facilitate effective contributions from the rest of the Non-executive Directors, the Chairman initiates regular informal discussions, sometimes without the presence of the management team members.

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As the Chairman, who has deemed interest in the shares of the Company held by Wolong Electric Group Co., Ltd, the immediate holding company of the Company, is not an Independent Director, the Board has appointed Dr Knut Unger to be the Lead Independent Director where shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or the Finance and Administration Manager has failed to provide satisfactory resolution, or when such contact is inappropriate.

The CEO, Mr Richard Eason, who is an Executive Director, is responsible for the day-to-day operations of the Group and implementing the strategies and policies approved and adopted by the Board.

The two Independent Directors meet periodically or sometimes over telephone calls, albeit on an informal basis to discuss matters relating to the Company. Where necessary, appropriate feedback will be provided to the Chairman after such informal meetings or discussions.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board

The NC is comprised of three Directors, the majority of whom are independent, including the NC Chairman. Dr Knut Unger, who is the Lead Independent Director assumes the position of NC Chairman. The composition of the NC is as follows:-

Dr Knut Unger	Chairman of the NC, Lead Independent Director
Mr Chao Mun Leong	Member, Independent Director
Mr Richard Eason*	Member, Executive Director & CEO
Ms Chen Yingzhu#	

* Mr Richard Eason was appointed as CEO on 23 April 2018 and as Executive Director and a member of NC on 16 July 2018.

\# Ms Chen Yingzhu resigned as the CEO on 23 April 2018 and was re-designated from Executive Director to Non-Independent Non-Executive Director on 23 April 2018. She resigned as a Non-Independent Non-Executive Director and a member of NC on 16 July 2018.

The NC meets as and when necessary, at least once a year. The NC held three meetings in FY2018.

The NC's responsibilities are set out in the terms of reference of the NC. Their duties and responsibilities include:-

(a) reviewing new appointments to the Board and re-election of the Directors to the Board;
(b) reviewing appointment of key management personnel;
(c) reviewing Board succession plans for Directors, for the Chairman and the CEO;
(d) developing a process for evaluation of the performance of the Board, the Board Committees and the Directors;
(e) reviewing the training and professional development programmes for the Directors;
(f) reviewing annually, and as and when circumstances require, if a Director, is independent.

The NC has put in place a process for nomination and selection of new Directors. The process starts with the annual review of the Board size, composition, balance and diversity. From this review, the NC will identify gaps and draw up the attributes of the potential candidate(s) required by the Company. The search for potential candidate(s) will include through the network of the Directors and the controlling shareholder, professional firms, external consultants and the Singapore Institute of Directors. The profile and curriculum vitae of the potential candidate(s) will be submitted for NC's screening and selection. The NC will meet with the potential candidate(s) if deemed necessary to further assess their suitability and fit with the Board before making recommendations to the Board.

In recommending new appointment and re-election of Directors, the NC will consider factors such as existing Board size, composition, balance and diversity, the need for progressive Board renewal and the individual's competencies and his/her commitment and contributions to the Board.

All the Directors appointed to the Board are required to submit themselves for re-nomination and re-election on a regular basis, and at least once in every three years. The Constitution of the Company provides that at each AGM, one-third of the Directors (excluding the Managing Director) who have served the longest since their last re-election (or, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third) must retire from office and if they are eligible, they may stand for re-election. If the Director retiring is a NC member, he/she must abstain from deliberating and voting on his/her own nomination for re-election.

As the NC has been charged with the responsibility of reviewing the independence of each and every Independent Director at least on an annual basis, the NC has established the process to determine a Director's independence. Once a year, after the end of the financial year under review, the Form of Declaration of Independence will be sent to the Independent Directors for their confirmation and declaration. They will have to consider if they satisfy the criteria of independence as stipulated in the Code. The duly signed Declaration Forms will then be tabled for the NC's review. In considering whether the Independent Director is independent, the NC will not solely based its assessment on the Declaration Form. The NC will consider if each of the Independent Directors has exercised and can continue to exercise independent judgment. The NC will then present its conclusion to the Board for Board's concurrence. The NC will convene a meeting if circumstances call for it, to review the independence of an Independent Director in between the annual review.

Under Guideline 4.4 of the Code, the Board is to determine the maximum number of listed company board representations which any Director may hold. The NC, with the concurrence of the Board, has determined that the maximum number of listed company board representations which any Director of the Company may hold is five. All Directors have complied with this guideline. The Company has adopted internal guidelines to remind Directors that they have to ensure they are able to devote sufficient time to serve on Board and Board Committee(s) of the Company if they serve on multiple boards.

The NC would generally avoid recommending to the Board the appointment of alternate Director as it is of the view that alternate Director should only be appointed under special circumstances, for example, when a Director has a medical emergency. Under such circumstances, the alternate Director should only be appointed for a limited time period. The process for the appointment of an alternate Director will be the same as the appointment of any new Director, and he/she is expected to be appropriately qualified, knows the duties and responsibilities of a Director and is familiar with the Company's business affairs.

Mr Richard Eason was newly appointed during the year. Pursuant to Article 108 of the Constitution, he will have to retire at the forthcoming Annual General Meeting. Mr Eason will not be seeking for re-election at the AGM. He will, however, remain as the CEO of the Company. Pursuant to Article 104, Mr Chao Mun Leong shall retire at the forthcoming AGM by rotation. Being eligible, Mr Chao has offered himself for re-election. The NC, having assessed his performance and contributions to the Company, had recommended his nomination for re-election. The Board concurred with the NC's recommendation.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board

The NC has recommended and the Board has approved a formal system of evaluating Board performance and assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each Director to the effectiveness of the Board. The evaluation of Board performance is carried out on an annual basis through the use of evaluation forms. The assessment of the Board as a whole deals with matters such as Board composition, availability of Board information, Board processes, Board accountability, risk management, Board's contribution towards development of strategy, Board's response to problems and crisis and standards of conduct.

The evaluation of Director's performance is based on criteria such as the Director's attendance at meetings, Director's participation, contribution, knowledge, compliance of corporate governance rules, and ability to maintain independence in conflicting issues. The Board Committees' evaluation deals with the efficiency and effectiveness of each committee in assisting the Board.

The evaluation forms completed by each Director for the assessment of the Board, Board Committees and individual Directors are submitted to the Secretary who will assist to compile and summarise for presentation to the NC. The Chairman of the NC will then present the deliberations of the NC to the Board. Chairman of the Board would act based on the result of the evaluation, and in consultation with the NC, propose actions to be taken, if required, including where appropriate, the appointment of new Director(s) or seeking the resignation of Director(s).

The last Board performance evaluation was conducted in February 2019. Based on the review, the NC was satisfied that the Board was effective as a whole and that each and every Director had demonstrated commitment and had contributed to the effective functioning of the Board and the Board Committees. The Company did not engage any external consultant to facilitate the Board performance evaluation for FY2018.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The management is aware that it is their obligation to provide to the Directors, in a timely manner, complete and adequate information for the Directors to deliberate and make informed decisions. Board and Board Committee meeting papers and materials are circulated to the Directors, as far as possible, at least one week before the scheduled meetings so as to give Directors sufficient time to read and to raise questions or request for further information or materials before the meetings. As and when there are important matters that require the Board's attention, the information will be furnished to the Directors as soon as practicable, and if the need be, ad-hoc meetings will be convened for the Directors to discuss and make decisions. Information that is provided to the Directors include, amongst other things, such as quarterly financial report and analysis, yearly budgets and forecast and other relevant information for the agenda items tabled at the meetings.

All the Directors have full access to the Management for records and other information as they may require. Key management personnel or external consultants are invited to the Board and Board Committee meetings to make the relevant presentations and to answer any queries from the Directors. The Directors, either individually or as a group, may also seek such independent professional advice on any Company matters as he may require, at the Company's expense.

The Directors have separate and independent access to the outsourced Company Secretary, whose duties and responsibilities are defined in the letter of engagement. The Company Secretary and her assistant provide corporate secretarial support to the Board which includes attending all Board and Board Committees meetings, and the Company's general meetings, ensuring that all Board and general meeting procedures are followed, and facilitating good information flow between Management and the Board, as well as within the Board. The Company Secretary, together with the management, also ensures that applicable rules and regulations of the Companies Act and the listing requirements are adhered to. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC was established to assist the Board with in reviewing the framework of remuneration for the Directors and key management personnel, and in determining the specific remuneration packages for each Executive Director, Non-executive Director and key management personnel. The RC is comprised of Non-executive Directors, the majority of whom, including the Chairman, is independent. The composition is as follows:-

Dr Knut Unger	Chairman of the RC, Lead Independent Director
Mr Chao Mun Leong	Member, Independent Director
Mr Pang Xinyuan	Member, Non-independent Non-executive Director

The RC is regulated by a set of written terms of reference, which has been approved by the Board. The roles and responsibilities of the RC include, among other things, the following:-

- reviewing and recommending to the Board a general framework of remuneration for the Directors and key management personnel;
- reviewing and recommending to the Board the specific remuneration packages for each of the Directors and key management personnel; and
- reviewing the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

In determining the specific remuneration packages of the Executive Director(s) and key management personnel, the RC will consider all aspects, including but not limited to director's fees (if applicable), salaries, allowances, bonuses, options, share-based incentives and benefits in kind. None of the RC members or Directors is involved in the deliberations in respect of any form of remuneration or benefits to be granted to him. RC members have authority to engage external consultancy services on remuneration related matters to discharge their duties when necessary. No external consultant was engaged to advise the RC on remuneration matters in FY2018.

The RC had reviewed the termination clauses in the contracts of service of the Executive Director and key management personnel, and opined that the terms are fair and reasonable, and not overly generous. The RC will ensure that it is fair in rewarding the Executive Director and key management personnel, and poor performance will not be rewarded.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages for the Executive Director 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 Executive Director and that of the key management personnel are aligned with the interests of shareholders 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 Executive Director 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.

Independent directors are remunerated having taking into account their responsibilities and time spent on the affairs of the Company. Their fees are not excessive as to affect their independence and objectivity.

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 FY2018. 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.

Currently, the Group have not considered the use of contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Director and the key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group as the Company opines that there are sufficient safeguards in place.

Principle 9: Disclosure of Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The remuneration of the Directors for the FY2018 is shown to the nearest thousand dollars and that of the key management personnel is shown in the band of S$250,000:

Directors	Remuneration S$ '000	Fee %	Salary %	Allowances %	Bonus %	Post Employment Benefit %	Total %
Mr Richard Eason@	345	Nil	68	6	21	5	100
Ms Chen Yingzhu#	36	Nil	80	Nil	20	Nil	100
Dr Knut Unger	50	100	Nil	Nil	Nil	Nil	100
Mr Chao Mun Leong	50	100	Nil	Nil	Nil	Nil	100
Mr Pang Xinyuan*	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Mr Pang Xinyuan has waived his right to receive Director's fee for FY2018.

\# Ms Chen Yingzhu resigned as the CEO on 23 April 2018 and was re-designated from Executive Director to Non- Independent Non-Executive Director on 23 April 2018. She resigned as a Non-Independent Non-Executive Director on 16 July 2018.

@ Mr Richard Eason was appointed as the CEO on 23 April 2018 and as Executive Director on 16 July 2018.

Key management personnel	Fee %	Salary %	Allowances %	Bonus %	Post Employment Benefit %	Total %
Below S$250,000						
Mr Randy Connolly	Nil	55	30	15	Nil	100
Ms Shavy Kwan Wei Yee	Nil	80	Nil	10	10	100
Mr Simon Chung	Nil	55	16	15	14	100
Mr Paul Hopley	Nil	63	8	16	13	100

There are no employees of the Company who are immediate family members of a director or CEO.

The Company has determined that it only had 4 key management personnel (excluding the CEO). The aggregate total remuneration paid to these 4 key management personnel was S$555,504 in FY2018. There was one off severance payment of S$461,374 paid to a key management personnel in FY2018.

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ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board aims to provide a balanced and understandable assessment of the Company's performance and position through its quarterly and full year results announcement. In compliance with Rule 705(5) of the Listing Manual of SGX-ST, the Board provides negative assurance statement in respect of the interim financial statements. All Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

The Management also provides all members of the Board with monthly financial report or any information requested by the Board to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board, with the assistance from the Audit Committee ('AC'), is responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has in place an Enterprise Risk Management ('ERM') Framework which governs the risk management process of the Group. Through this framework, risks capabilities and competencies are continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, inter alia, financial, operational, compliance and IT risks faced by the Group. The key risks of the Group are deliberated by the Management and reported to the AC. The AC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-a-vis the external and internal environment which the Group operates in.

Complementing the ERM framework is a Group-wide system of internal controls. The Group has in place a risk management process that requires the Group to perform a Control Self Assessment ('CSA') to assess the effectiveness of its internal controls.

In addition, the AC, with the assistance of internal auditors, reviews the adequacy and effectiveness of the Group's internal control systems. Internal and external auditors would highlight material control findings from their field audit. These findings together with improvement recommendations are reported to the AC. The AC will review the internal and external auditors' comments and findings, ensure that there are adequate internal controls within the Group and that follow up actions are taken and recommendations from the auditors are implemented.

The risk management reports and the internal audit reports are submitted to the AC at least on a yearly basis for discussion. The AC may request for more regular reports if deemed necessary.

The Board has received assurance from the CEO and the Finance and Administration Manager that, as at 31 December 2018:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks.

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Based on the review of the key risks identified through the ERM process, and the internal controls established and maintained by the Group, work performed by the internal auditors, reviews performed by management and the AC; and the aforesaid assurances from the CEO and the Finance and Administration Manager, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and the risk management system were adequate and effective as at 31 December 2018.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authorities and duties.

The AC is comprised of the following three Non-executive Directors, majority of whom are independent, including the AC Chairman:-

Mr Chao Mun Leong	Chairman of the AC, Independent Director
Dr Knut Unger	Member, Lead Independent Director
Mr Pang Xinyuan	Member, Non-independent Non-executive Director

The AC is regulated by a set of written terms of reference endorsed by the Board. The duties and responsibilities of the AC include amongst others, the following:-

- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the quarterly and annual announcements relating to the company's financial performance;
- Reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance information technology controls at least annually;
- Reviewing the effectiveness of the company's internal audit function;
- Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors relating to audit and non-audit services provided by them; Making recommendations to the Board regarding the appointment, re-appointment and removal of the external auditors;
- Reviewing interested party transactions;and
- Determining the Group's level of risk tolerance and risk policies.

The AC has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board is of the view that all the members of the AC are appropriately qualified to discharge their responsibilities. The AC Chairman continues to upgrade his financial and accounting knowledge by attending relevant courses at least once a year.

During the financial year under review, the AC held separate private session with the external and internal auditors once without the presence of the Executive Director and the Management.

The Company confirms compliance with Rule 712 and 715 of the Listing Manual in relation to engagement of auditor. The AC reviews the independence of the external auditor annually.

The AC had reviewed the non-audit services performed by the external auditor for FY2018 and was of the opinion that the provision of such services had not affected the independence of the external auditor. The external auditor had affirmed their independence in this respect.

The aggregate amount of fees paid / payable to the Company's external auditor are as follows:-

	Financial Year Ended 31 December 2018 S$'000
Audit Services	181
Non-audit Services	7
	188

The AC is satisfied the independence of the external auditor has not been impaired. The AC has recommended the re-appointment of BDO LLP as the Company's external auditors for the financial year ending 31 December 2019.

The Company has in place the whistle blowing policy. The policy provides channels for staffs to feedback improprieties in matters of financial reporting, fraudulent behavior and other irregularities to the independent directors in confidence and in good faith without fear of reprisals. Any issue raise would be investigated independently by the AC and the appropriate follow up actions carried out. In FY2018, there were no reports received through the whistle blowing mechanism.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function for FY2018 was performed by the internal audit team of the Wolong Group, the Company's major shareholder. Wolong Electric Group Co., Ltd, is a company listed on Shanghai Stock Exchange.

The internal audit functions of Wolong Group were carried out according to the standards set by internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The internal audit team, which is independent of the Company's daily operations and accounting functions, has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The Internal Auditor is responsible for establishing the internal control framework, covering all material controls including financial and accounting matters, operational and compliance controls. The internal control framework also provides for identification and management of risk, including controls in the critical IT system. The internal audit team is staffed with persons with the relevant qualifications and experience. The Internal Auditor reports directly to the Chairman of the AC on all internal audit matters, although administratively, they report to the CEO.

The internal audit plan for FY2018 was reviewed and approved by the AC.

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. The AC also decides on an annual basis, whether the internal audit for the year would be performed by the internal audit function of the Wolong Group, the Company's major shareholder or to outsource the internal audit function to an external audit firm.

For FY2018, the AC is satisfied that the internal audit function was adequately resourced, and independent of the activities it audits with appropriate standing within the Company.

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SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights and responsibility

Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company recognizes the importance of accountability to shareholders and the Board ensures that all shareholders are treated fairly and equitably, included the non-controlling shareholders.

The Company ensures that all shareholders are informed of any material changes in the Group's businesses in a timely manner and that sufficient information is disclosed on all matters that are likely to affect the value of Company's price.

All shareholders are given opportunity to participate in the Company's Annual General Meeting (AGM) or Extraordinary General Meeting (EGM) and to ask questions relating to the motions that are proposed at the general meetings. Shareholders are informed of the rules, including voting procedures, governing general meeting of shareholders at the start of the meeting. Shareholders are also given the opportunity to interact with the Directors and Management of the Company on an informal basis immediately after the general meetings.

The Company allows all individual and corporate shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. For corporations which provide nominee and custodial services and the CPF Board they are allowed to appoint more than two proxies to attend the general meetings.

Principle 15: Communication with shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company values feedback and communication with shareholders and has established an investor relations policy that set out the principles and procedures in engaging its shareholders and communicating pertinent information to shareholders.

All material information, including quarterly and annual results, would be disclosed and announced through SGXNET on a timely manner. The Company does not practice selective disclosure. In an event that inadvertent disclosure was made to a select group, the Company will ensure that the same information is disclosed to the public via the SGXNET.

The Company does not have a fixed dividend policy. The frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow and general business condition, development plans and other factors as the directors may deem appropriate. Any pay-outs are clearly communicated via announcements through SGXNET.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

General meetings of the Company are the main channel where shareholders could interact with Directors and Senior Management to understand the Group's business and also for the Company to understand shareholders' concerns or their views. Members of the Board, the Board Committees and the Management will attend the general meetings to answer any queries address by the shareholders. The external auditor will also be present at the annual general meeting to answer questions pertaining to the external audit and the Auditor's report.

The Company avoids "bundling" of resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

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Minutes of the shareholders meeting are recorded by the Company Secretary, which includes substantive comments or queries from the shareholders and responses from the Board and the Management. The company will make available the minutes to the shareholders upon their request.

All the resolutions put forth at the general meetings will be voted on by way of a poll. Polling may be conducted either by the manual mode or electronic mode. In determining which mode to use, the Company takes into consideration cost and expected attendance at the general meetings. The detailed polling results are released via SGXNET.

INTERESTED PERSON TRANSACTIONS (IPT)

The AC reviews the Group's IPT for assurance that the transactions are executed at normal commercial terms and do not prejudice the interests of the Group and its minority shareholders. At the Annual General Meeting held on 19 April 2018, shareholders of the Company approved a 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 interested person transactions presented in the format pursuant to Rule 907 of the Listing Manual of the SGX-ST is tabled below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	YTD		YTD	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
General Transactions				
ATB Nordenham Gmbh	-	-	202	792
ATB Sever d.o.o.	-	-	622	560
ATB Tamel S.A.	-	-	11,053	10,818
ATB Schorch GmbH	-	-	2,792	1,125
Wolong Electric Group Co Ltd	-	-	13,302	12,977
ATB Special Products Ltd	-	-	-	501
ATB Group UK	-	-	619	-
			28,590	26,773

The Company regularly conducts independent check for compliance of Interested Person Transactions under the Group.

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Financial Report Ended 31 December 2018

DEALING IN SECURITIES

The Company has adopted its own internal codes in line with Rule 1207(19) of the Listing Manual of the SGX-ST applicable to all its officers in relation to dealings in the Company's securities. The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. In addition, the Directors and officers of the Company are discouraged from dealing in the Company's securities on short term considerations.

MATERIAL CONTRACTS

Saved as disclosed under Corporate Governance, in the Directors' Report and in the Financial Statements, the Group did not enter into any material contracts involving the interests of the directors or controlling shareholder during the financial year and no such material contracts still subsist at the end of the financial year.

SUSTAINABILITY REPORT FY2018

1. BOARD STATEMENT

We affirm our commitment to sustainability with the publication of our sustainability report ("Report"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors and economic performance.

Whilst mindful of our profit oriented objective, we are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure the long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors has been established and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organizational and external developments.

2. VISION, MISSIONS AND CORE VALUES

Path to Sustainability

Core Values	Missions	Vision
• Passion driven • People focused • Principal centered	• To develop innovative, adaptable and robust product designs through our in-depth engineering knowledge while growing our customer partnerships and service network worldwide • To nurture our people and maintain a safe working environment • To be socially and environmentally responsible whilst maintaining economic growth	• To be a globally recognized brand that shapes the future of electronic motors by developing reliable and energy-efficient products that keep the wheels of industry turning

Our vision and missions are driven by our core values and our path to sustainability is closely aligned with our vision, missions and core values with our sustainability factors and strategies bringing us to where we envision ourselves to be. Refer to Section 8 for more details on the alignment of our material sustainability factors with our vision, missions and core values.

3. REPORTING FRAMEWORK

This Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to the Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711(A) and 711(B). We have chosen to report using GRI Standards: Core option as it is an internationally recognized reporting framework.

4. REPORTING PERIOD

This Report is applicable for our financial year from 1 January 2018 to 31 December 2018 ("FY2018" or "reporting period"). A sustainability report will be published annually in accordance with our SR Policy.

5. FEEDBACK

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: mgt@brookcromptonholdings.com

6. STAKEHOLDER ENGAGEMENT

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by our operations.

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel
1	Customer	Customers are continuously engaged through multiple channels such as face-to-face meetings, visits, email communications, phone calls and teleconferences.
2	Employee	Senior Management holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include regular staff evaluation sessions and periodic town hall meetings conducted by Senior Management with employees.
3	Regulator	We participate in consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange so as to better understand the regulatory requirements and furnish feedback on proposed regulatory changes that impact our business.
4	Shareholder	We convey timely, full and credible information to shareholders through announcements on SGXNET, our website (http://www.brookcromptonholdings.com/investormedia-centre), investor relations email account (mgt@brookcromptonholdings.com) annual general meetings, annual reports, and other channels such as business publications and investors' relation events.
5	Supplier	We maintain a good relationship with suppliers by establishing various communication platforms for all levels of personnel involved in dealing with the suppliers, such as face-to-face meetings, events, regular vendor conferences, annual review and feedback sessions.

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

7. POLICY, PRACTICE AND PERFORMANCE REPORTING

7.1 Reporting Structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. Our senior management, as led by our Chief Executive Officer, is tasked to develop the sustainability strategy, review our material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.

7.2 Sustainability Reporting Processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritized as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Processes involved are as shown in the chart below:

Identification	Identification of the material factors that are relevant to our Group's activities and data points for performance reporting
Prioritization	Prioritization of the material factors and identification of key sustainability factors to be reported
Validation	Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalize the sustainability report content
Review	Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organizational and external developments

7.3 Materiality Assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority are reported on in detail.
II	Medium	Factors with medium reporting priority are considered for inclusion in the Report. They may not be included in this Report if not material.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. They are not included in this Report if not material.

The reporting priority is supported by a material factor matrix which considers the level of concern to external stakeholders and potential impact on business.

8. MATERIAL FACTORS

The materiality assessment performed for FY2018 involved our Group's Senior Management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainable value for our stakeholders.

SUSTAINABILITY REPORT FY2018

Presented below are a list of material sustainability factors applicable to our Group:

List of material sustainability factors

S/N	Material factor	Mission	Key stakeholder	Reporting priority
General disclosure				
1	Customer satisfaction	• Develop innovative adaptable and robust product designs • Grow customer partnerships and service network	Customer	I
Environmental				
2	Energy-efficient products	• Develop innovative adaptable and robust product designs • Be environmentally responsible	• Customer • Community	I
Social				
3	Equality and diversity in the workplace	Nurture our people	Employee	II
4	Employee retention	Nurture our people	Employee	II
5	Safe working environment	Maintain safe working environment	Employee	I
Economic				
6	Sustainable business performance	Maintain economic growth	Shareholder	II
7	Proactive anti-corruption practices	Maintain economic growth	• Shareholder • Regulator	II
Governance				
8	Robust corporate governance framework	Maintain economic growth	• Shareholder • Regulator	II

Material factor matrix

We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholder's feedback and sustainability trends. The details of each material sustainability factor are presented as follows:

8.1 Customer Satisfaction

In line with our mission to develop innovative adaptable and robust product designs, grow our customer partnership and service network worldwide, we are committed to provide value to our customers through the following strategies:

Offer reliable and efficient products that minimise impact to the environment
We aim to deliver the best to our customers by providing them with reliable and efficient products.

On product reliability, our products are certified under various internationally recognized quality standards with details as follows:

Standard/ certification	Area
ISO 9001	Covers quality management systems and functions within the organization including designs, development, production, installation and servicing
IEC 60034-5	Demonstrate protection from particles and a good level of protection against water
ATEX certificate IEC Ex Certificate	Regulate product safety in explosive atmosphere
UL Certificate CSA Certificate	Regulate product safety in safe and explosive atmospheres

In keeping with our commitment to product quality, we are in the midst of formalizing a set of comprehensive supplier audit procedures to ensure that guidelines and customer specifications are adhered to. In addition, we track product defect level diligently and this is measured by the amount of warranty claims made to as a percentage of total purchases. During the reporting period, the product defect level was 1.1% (FY2017: 1.3%).

On product efficiency, we believe an efficient product helps our customers to achieve lower long term cost ownership and also to preserve the environment through lower emissions. Refer to 8.2 Energy-efficient products for more details.

Offer a comprehensive product range that meets customers' needs
We offer a wide range of electric motors for operations in safe area segments, hazardous atmospheres and hostile environments to meet our customers' varied needs. Refer to a comprehensive list of our products at our corporate website: http://www.brookcromptonholdings.com

Maintain presence and proximity
Through our global network of sales offices and warehouses in United Kingdom ("UK"), Middle East, North America and Asia Pacific (collectively referred to as "key markets"), we are able to better serve our customers through:

- Customising our products to meet the requirements of our customers so as to build trust and confidence in our brand and products. With our extensive technical knowledge and experience, we are able to design and manufacture bespoke products that meet individual customer's specifications.
- Providing efficient and effective post-sale customer care services

Our service centres are typically located alongside solution distribution centres in our key markets to bring us closer to our customers. Refer to page 3 of the annual report for our geographical presence.

Nurture a team of experienced employees
With over 110 years of technical and design expertise, our global footprint is driven by a core regional team and experienced professional staff that supports our operations in the development and delivery of complex end-to-end turnkey solutions to our customers.

For information on employees' years of service to our Group, refer to section 8.4.

Better products through gathering continuous feedback

We recognise the need to constantly develop new and better products that meet our customers' requirements. Customer feedback collected from various channels such as face-to-face meetings, visits, email communications, phone calls and teleconferences. Feedback collected is mined to gather valuable insights into current and future customers' requirements. Insights gathered are discussed during regular management meetings to drive product improvements, enhance service level and provide inputs for strategies.

8.2 Energy-Efficient Products

We believe in preserving our environment for business sustainability. Accordingly, we are committed to provide energy efficiency products that helps to preserve the environment.

In line with our commitments, we offer a complete range of energy efficient motors that comply with market recognised international standards as follows:

Organisation	Efficiency level	Percentage of products with the efficiency level	Region
International Electronical Commission ("IEC")	IE3 Premium Efficiency	100%	• UK • Middle East • Asia Pacific
National Electrical Manufacturers Association ("Nema")	Premium Standards	100%	North America

Efficiency level aims to measure the ratio of ratio of usable shaft power (output) to electric input power (Input). Our products have attained the IE3 Premium Efficiency and Premium Standards efficiency levels under IEC and Nema respectively. These are the highest level attainable under the relevant standards of the respective organisation.

Typically, electric motor systems consume large amounts of electrical energy with energy representing a high proportion of total motor operating costs over the motor's lifetime. An improvement in efficiency could result in significant energy and cost savings which will also reduce greenhouse gas emissions that contribute to climate change.

8.3 Equality and Diversity in the Workplace

To inspire and nurture our people, we are committed to the goals of diversity and equal opportunity in employment by providing a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender and age. The total number of full-time employees within our Group as at 31 December 2018 is 57 (FY2017: 55).

On gender diversity, the percentage of female to total permanent employees is 23% (FY2017: 15%) are females as at 31 December 2018.

On age diversity, matured workers are valued for their experience knowledge and skills. As at 31 December 2018, more than half (FY2017: above 50%) of our workforce is at least 40 years old.

Gender diversity	Age diversity
Male: 77% Female 23%	Mature workers: Above 50%

SUSTAINABILITY REPORT FY2018

To promote equal opportunity, we have implemented various human resource measures as follows:

- Staff assessment is performed regularly to evaluate the performance of staff and provides staff with sense of self-awareness to undertake training that will improve their skills and abilities.
- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirement.
- A discrimination and harassment guidelines is in place to support our overall commitment to equal employment opportunity without discrimination.

8.4 Employee Retention

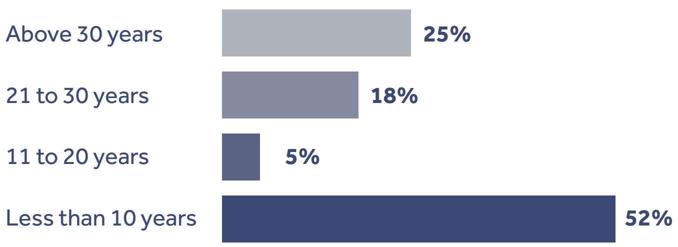
The continual success of our business depends on a team of professional, skilled and experienced employees and managers. In line with our mission to inspire and nurture our people, we are committed to employee retention through the following efforts:

Human resource processes to retain employees include:

- Employees are engaged regularly via various channels such as appraisal exercises which allows employee to gain feedback on their career progress.
- In-house and external training courses are organized regularly for employees to improve their professional skills. For example, a systematic training program is in place in UK and North America to equip employees with the needed product and service knowledge.

We believe a low turnover improves the sustainability of operations and allows us to contribute positively to the development of social and human capital in a wider community. In line with our mission to nurture our people, we are in the process of developing technical training programs for our employees in North America. As at 31 December 2018, 48% (FY2017: 51%) of the employees have more than 10 years of service with us.

Years of service



8.5 Safe Working Environment

In our daily operations, our workers have to handle heavy lifting equipment such as a forklift to transfer inventories at our warehouses and machineries to modify our motor products. Accordingly, we are committed to maintain a safety-conscious culture amongst our employees.

The measures implemented to manage health and safety in the workplace environment are as follows:

- A set of safety rules and regulations is in place.
- A safety committee is in place and safety inspections are performed regularly by safety officers and reported to senior managers.
- All new employees are briefed on safety procedures during orientation.
- Regularly track and monitor accidents at the workplace and corrective action plans are established to prevent recurrences of the accidents.

We recorded no (FY2017: zero) workplace fatality and one (FY2017: zero) non-fatal workplace injury[1] in FY2018 which involved minor injuries in the workplace. We will continuously work towards reducing both the occurrence and severity of workplace accidents.

1 A workplace injury is defined as one whereby an employee is injured in a work accident resulting in (i) hospitalization of at least 24 hours and/or (ii) an issuance of a medical certificate of more than 3 days (need not be consecutive)

SUSTAINABILITY REPORT FY2018

8.6 Sustainable Business Performance

We believe in creating long-term economic value for shareholders by rewarding shareholders by way of consistent profits and dividend payments.

For FY2018, our Group recorded revenue of SGD 47.6 million and generated SGD 3.6 million of net profit for the period attributable to equity holders of the Company. A tax-exempt dividends of SGD 2 cents per ordinary share were declared for FY2018.

SGD 3.6 MILLION Net profit for the financial period	**SGD 47.6 MILLION** Revenue for the financial period	**SGD 2 CENTS** per ordinary share declared for FY2018

Details of our Group's economic performance can be found in the financial contents and audited financial statements of this Annual Report.

8.7 Proactive Anti-Corruption Practices

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the Prevention of Corruption Act of Singapore.

We have implemented a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In addition, a code of conduct is in place to provide guidance on business culture and corporate behaviour. In FY2018, no serious offence was reported[2] (FY2017: zero incident).

2 A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

8.8 Robust Corporate Governance Framework

We are committed to high standards of corporate governance and believes a high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interests and maximizing long-term shareholder's value.

We have put in place a risk management framework ("ERM framework"). We regularly assess and review our Group's business and operational environment to better identify and manage emerging and strategic sustainability risks.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School was 53 for the year 2018 (Year 2017: 20).

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

9. TARGET SETTING

For our material factors identified, we have set targets for FY2019 as follows:

S/N	Material factor	Target for FY2019
1	Customer satisfaction	Increase market presence and improve customer loyalty
2	Energy-efficient products	Improve products' energy efficiency
3	Equality and diversity in the workplace	Move towards a more balanced gender and age ratio
4	Employee retention	Improve performance measures identified on staff retention
5	Safe working environment	Maintain zero workplace accident
6	Sustainable business performance	Improve our financial performance whist maintaining our dividend rate where practicable
7	Proactive anti-corruption practices	Maintain zero incident of serious offence
8	Robust corporate governance framework	Improve our SGTI score

10 GRI CONTENT INDEX

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Cover page	-
102-2	Activities, brands, products, and services	• Corporate Profile • Product Application	1 10-11
102-3	Location of headquarters	Corporate Information	12
102-4	Location of operations	Geographical Presence	3
102-5	Ownership and legal form	• Financial Contents > Notes to the Financial Statements > General Corporate Information • Analysis of Shareholdings	58 119-120
102-6	Markets served	• Corporate Profile • Geographical Presence • Sustainability Report > Material Factors > Customer Satisfaction	1 3 34-35
102-7	Scale of the organization	• Financial Highlights • Sustainability Report > Material Factors > Equality and Diversity in the Workplace • Sustainability Report > Material Factors > Sustainable Business Performance • Financial Contents > Statement of Financial Position • Financial Contents > Consolidated Statement of Profit or Loss • Financial Contents > Consolidated Statement of Comprehensive Income	2 35-36 37 50-51 52 53
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	35-36
102-9	Supply chain	• Corporate Profile • Sustainability Report > Material Factors > Customer Satisfaction	1 34-35
102-10	Significant changes to the organization and its supply chain	There was no significant changes to the organization and its supply chain during the reporting period	-
102-11	Precautionary Principle or approach	None	-
102-12	External initiatives	None	-
102-13	Membership of associations	None	-
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	30
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	• Corporate Governance Report • Sustainability Report > Vision, Mission and Core Values • Sustainability Report > Material Factors > Robust Corporate Governance Framework	13-29 30 37

SUSTAINABILITY REPORT FY2018

Governance			
102-18	Governance structure of the organization	Corporate Governance Report	13-29
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	31
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	-
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	31
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	31
102-44	Key topics and concerns raised	• Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Customer Satisfaction	31 34-35
Reporting practice			
102-45	Entities included in the consolidated financial statements	• Corporate Structure • Financial Contents>Notes to the Financial Statements > Subsidiaries	3 75
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	32
102-47	List of material topics	Sustainability Report > Material Factors	32-34
102-48	Restatements of information	None	-
102-49	Changes in reporting	Sustainability factors added: • Sustainability Report > Material Factors > Customer Satisfaction • Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	 34-35 37
102-50	Reporting period	Sustainability Report > Reporting Period	30
102-51	Date of most recent report	FY2017 Sustainability Report	-
102-52	Reporting cycle	Sustainability Report > Reporting Period	30
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	31
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	Sustainability Report > Reporting Framework Sustainability Report > GRI Content Index	30 38-39
102-55	GRI content index	Sustainability Report > GRI Content Index	38-39
102-56	External assurance	We may seek external assurance in the future	-
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	32-34
103-2	The management approach and its components	• Sustainability Report > Board Statement • Sustainability Report > Policy, Practice and Performance Reporting • Sustainability Report > Material Factors	30 31-32 32-34
103-3	Evaluation of management approach	Sustainability Report > Material Factors	32-37
Category: Economic			
201-1	Direct economic value generated and distributed	• Financial Highlights • Sustainability Report > Material Factors > Sustainable Business Performance • Financial Contents > Statement of Financial Position • Financial Contents > Consolidated Statement of Profit or Loss • Financial Contents > Consolidated Statement of Comprehensive Income	2 37 50 - 51 52 53
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	37
Category: Environmental			
302-3	Reduction in energy requirements of products and services	Sustainability Report > Material Factors > Energy-Efficient Products	35
Category: Social			
401-1	New employee hires and employee turnover	Sustainability Report > Material Factors > Employee Retention	36
403-9	Work-related injuries	Sustainability Report > Material Factors > Safe Working Environment	36
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	35-36

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The Directors of Brook Crompton Holdings Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Pang Xinyuan
Dr Knut Unger
Chao Mun Leong
Richard Macindoe Eason (Appointed on 16 July 2018)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

Name of Directors and corporation in which interests held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
The Company				
Brook Crompton Holdings Ltd.				
(No. of ordinary shares)				
Dr Knut Unger	10,000	10,000	-	-
Pang Xinyuan	-	-	23,439,519	23,439,519
Ultimate Holding Company				
Wolong Holding Group Co., Ltd.				
(Capital contribution amount in Chinese renminbi)				
Pang Xinyuan	-	-	312,916,704*	312,916,704*

* The capital contribution represents 38.73% of the total paid capital contribution in the capital of Wolong Holding Group Co., Ltd.

By virtue of Section 7 of the Act, Pang Xinyuan is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the Register of Directors' Shareholding, the Directors' interests as at 21 January 2019 in the shares of the Company have not changed from those disclosed as at 31 December 2018.

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this statement are:

Chao Mun Leong (Chairman)	Independent
Dr Knut Unger	Independent
Pang Xinyuan	Non-executive non-independent

The Audit Committee performs the functions specified in Section 201B (5) of the Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

The Audit Committee has held four meetings since the last Directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the quarterly, half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's internal and external auditors; and

(f) the re-appointment of the internal and external auditors of the Company.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the external auditor, BDO LLP, be nominated for re-appointment as external auditor at the forthcoming Annual General Meeting of the Company.

In appointing our external auditor for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

7. INDEPENDENT AUDITOR

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Richard Macindoe Eason	**Pang Xinyuan**
Director	Director

Singapore
27 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Brook Crompton Holdings Ltd. (the "Company") and its subsidiaries (the "Group") as set out on page 50 to 109, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Net realisable value of inventories	
The Group holds inventories, comprising mainly electric motors held for resale, amounting to $14,375,000 which represents 33.2% of the Group's total assets as at 31 December 2018. During the financial year ended 31 December 2018, the write-down of inventories to net realisable values amounted to $90,000. Management exercises significant judgement in identifying and estimating the net realisable values of slow-moving, excess and obsolete inventories, and those inventories for which selling prices have declined below cost. This evaluation includes ageing analysis, technical assessment on the future demand of the types of electric motors and subsequent events such as new sales orders or revised selling prices. Give the significance of inventories to the Group and the extent of judgement involved in estimating its net realisable values, we have identified this as a key audit matter. Refer to Notes 2.4, 3.5 and 9 of the accompanying financial statements.	We performed the following audit procedures, amongst others: We tested the reliability of the inventory ageing report which management uses as a basis to determine the net realisable values of inventories. We performed an analysis of gross margin earned to independently identify any inventories that may be sold below cost. We evaluated and tested management's judgement and estimation of the net realisable values of the Group's electric motors, on a sample basis, by comparing against: • historical sales and write-off; and • subsequent sales or orders received.

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Recoverability of trade receivables	
The Group had net trade receivables amounting to $9,019,000 which represents 20.8% of the Group's total assets as at 31 December 2018. Management exercises significant judgement in estimating the recoverability of trade receivables. Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the Group determines the ECL based on historical credit loss experience and past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Given the significance of trade receivables to the Group and the extent of judgement involved in estimating the recoverability, we have identified this as a key audit matter. Refer to Notes 2.4, 3.7(a), 10 and 26 of the accompanying financial statements.	We performed the following audit procedures, amongst others: We tested the reliability of the trade receivables ageing report which management relied on in estimating the recoverability of trade receivables. We evaluated management's estimation of expected credit loss based on the expected credit loss model in SFRS(I) 9 by reviewing management's estimate on the expected credit loss for each significant debtor, based on their historical payment pattern calibrated for any current and future economic conditions. We checked to any subsequent collections from debtors with significant and/or long outstanding balances. We evaluated the adequacy of the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Brook Crompton Holdings Ltd.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is William Ng Wee Liang.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group			Company		
		31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	4	2,002	2,180	2,172	8	19	42
Subsidiaries	5	-	-	-	21,814	21,814	12,195
Intangible assets	6	-	-	-	-	-	-
Other receivables	7	-	-	-	-	-	-
Deferred tax assets	8	314	691	1,211	-	-	-
Total non-current assets		2,316	2,871	3,383	21,822	21,833	12,237
Current assets							
Inventories	9	14,375	14,244	15,020	-	-	-
Trade and other receivables	10	9,286	9,841	11,524	6,781	6,415	1,842
Prepayments		889	1,010	710	2	8	8
Cash and cash equivalents	11	16,469	14,767	8,676	1,966	1,277	1,670
Total current assets		41,019	39,862	35,930	8,749	7,700	3,520
Total assets		43,335	42,733	39,313	30,571	29,533	15,757
EQUITY AND LIABILITIES							
Equity							
Share capital	12	149,642	149,642	149,642	149,642	149,642	149,642
Accumulated losses	13	(134,656)	(136,632)	(139,139)	(137,888)	(138,938)	(152,750)
Other reserves	13	16,441	17,177	17,133	18,650	18,650	18,650
Total equity attributable to owners of the parent		31,427	30,187	27,636	30,404	29,354	15,542
Liabilities							
Non-current liabilities							
Borrowings	14	2	9	9	-	-	-
Retirement benefit liabilities	15	583	722	307	-	-	-
Deferred tax liabilities	8	2	67	72	-	-	-
Total non-current liabilities		587	798	388	-	-	-

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current liabilities							
Borrowings	14	1,083	1,820	1,841	-	-	-
Trade and other payables	16	9,461	9,466	9,050	164	176	213
Derivative financial instruments	17	-	4	179	-	-	-
Current tax liabilities		673	364	122	3	3	2
Provision for warranty	18	104	94	97	-	-	-
Total current liabilities		11,321	11,748	11,289	167	179	215
Total liabilities		11,908	12,546	11,677	167	179	215
Total equity and liabilities		43,335	42,733	39,313	30,571	29,533	15,757

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2018

	Note	Group	
		2018	2017
		$'000	$'000
Revenue	19	47,646	44,865
Cost of sales		(32,525)	(30,070)
Gross profit		15,121	14,795
Other income		975	749
Distribution and marketing expenses		(6,128)	(6,271)
Administrative expenses		(5,041)	(4,975)
Finance (expenses)/income	20	(161)	134
Other expenses		(246)	(116)
Profit before income tax	21	4,520	4,316
Income tax expense	22	(898)	(842)
Profit for the financial year, representing profit attributable to owners of the parent		3,622	3,474
Earnings per share			
Basic and diluted earnings per share (cents)	23	10.2	9.8

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Profit for the financial year		3,622	3,474
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Retirement benefit plan remeasurements	15	176	(352)
Income tax on items that will not be reclassified to profit or loss	8	(49)	94
		127	(258)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(736)	44
Other comprehensive income for the financial year, net of tax		(609)	(214)
Total comprehensive income for the financial year, representing total comprehensive income attributable to owners of the parent		3,013	3,260

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the parent				
	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total equity $'000
Group					
At 1 January 2018	149,642	18,650	(1,473)	(136,632)	30,187
Total comprehensive income for the financial year					
Profit for the financial year	-	-	-	3,622	3,622
Other comprehensive income for the financial year					
Retirement benefit plan remeasurements	-	-	-	176	176
Exchange differences on translation of foreign operations	-	-	(736)	-	(736)
Income tax on other comprehensive income	-	-	-	(49)	(49)
Total other comprehensive income	-	-	(736)	127	(609)
Total comprehensive income for the financial year	-	-	(736)	3,749	3,013
Total transactions with owners, recognised directly in equity					
Dividends (Note 24)	-	-	-	(1,773)	(1,773)
At 31 December 2018	149,642	18,650	(2,209)	(134,656)	31,427

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the parent				
	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total equity $'000
Group					
At 1 January 2017	149,642	18,650	(1,517)	(139,139)	27,636
Total comprehensive income for the financial year					
Profit for the financial year	-	-	-	3,474	3,474
Other comprehensive income for the financial year					
Retirement benefit plan remeasurements	-	-	-	(352)	(352)
Exchange differences on translation of foreign operations	-	-	44	-	44
Income tax on other comprehensive income	-	-	-	94	94
Total other comprehensive income	-	-	44	(258)	(214)
Total comprehensive income for the financial year	-	-	44	3,216	3,260
Total transactions with owners, recognised directly in equity					
Dividends (Note 24)	-	-	-	(709)	(709)
At 31 December 2017	149,642	18,650	(1,473)	(136,632)	30,187

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	**2017**
	$'000	**$'000**
Operating activities		
Profit for the financial year	3,622	3,474
Adjustments for:		
Depreciation	163	144
Income tax expense	898	842
Interest expense	86	77
Interest income	(9)	-
Loss on liquidation of subsidiary	95	-
Write-down/(Reversal of write-down) on inventories	90	(17)
Loss allowance for trade receivables	-	5
Provision of warranty	17	58
Retirement benefit plan expense	301	258
Net change in fair value of derivatives	(4)	(175)
Unrealised foreign exchange gain	(34)	(51)
	5,225	4,615
Changes in:		
Inventories	(675)	455
Trade and other receivables	188	1,551
Prepayments	96	(292)
Trade and other payables	398	888
Provision for warranty	(5)	(56)
Retirement benefit contribution paid	(215)	(193)
Cash from operating activities	5,012	6,968
Income tax paid	(289)	(52)
Net cash from operating activities	4,723	6,916
Investing activities		
Acquisitions of property, plant and equipment	(92)	(175)
Interest received	9	-
Net cash used in investing activities	(83)	(175)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group 2018 $'000	Group 2017 $'000
Financing activities		
Repayment of finance lease (Note A)	(11)	(8)
Interest paid	(86)	(75)
Dividend paid	(1,773)	(709)
Net cash used in financing activities	(1,870)	(792)
Net increase in cash and cash equivalents	2,770	5,949
Cash and cash equivalents as at the beginning of the financial year	12,956	6,841
Effects of exchange rate changes on cash and cash equivalents	(334)	166
Cash and cash equivalents as at the end of the financial year (Note 11)	15,392	12,956

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	1 January 2018 $'000	Cash flows $'000	Additions of property, plant and equipment under finance lease $'000	Accretion of interest $'000	31 December 2018 $'000
Finance lease payables (Note 14)	18	(11)	-	1	8

			Non-cash changes		
	1 January 2017 $'000	Cash flows $'000	Additions of property, plant and equipment under finance lease $'000	Accretion of interest $'000	31 December 2017 $'000
Finance lease payables (Note 14)	15	(8)	9	2	18

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL CORPORATE INFORMATION

Brook Crompton Holdings Ltd. (the "Company") (Registration Number: 194700172G) is a public limited company, incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is 19 Keppel Road, #08-01 Jit Poh Building, Singapore 089058.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 5 of the financial statements.

The immediate holding company is ATB Austria Antriebstechnik AG ("ATB"), incorporated in Austria. The ultimate holding company is Wolong Holding Group Co., Ltd. ("Wolong Holding"), incorporated in the People's Republic of China. The ultimate controlling party is Chen Jiancheng.

The statement of financial position of the Company as at 31 December 2018 and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 27 March 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)s"), including related interpretations of SFRS(I) ("SFRS(I) INTs").

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 First-time adoption of Singapore Financial Reporting Standards (International), the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect. The transition from FRSs to SFRS(I)s do not have material financial impact on the comparative information in these financial statements.

SFRS(I)s and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	*: Leases*	1 January 2019
SFRS(I) 9 (Amendments)	*: Prepayment Features with Negative Compensation*	1 January 2019

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
SFRS(I) 1-28 (Amendments)	*: Long-term interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015 - 2017 Cycle		
- SFRS(I) 3 (Amendments)	*: Previously Held Interest in a Joint Operation*	1 January 2019
- SFRS(I) 11 (Amendments)	*: Previously Held Interest in a Joint Operation*	1 January 2019
- SFRS(I) 1-12 (Amendments)	*: Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	1 January 2019
- SFRS(I) 1-23 (Amendments)	*: Borrowing Costs eligible for Capitalisation*	1 January 2019
SFRS(I) 1-19 (Amendments)	*: Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) INT 23	*: Uncertainty over Income Tax Treatments*	1 January 2019
SFRS(I) 3 (Amendments)	*: Definition of a Business*	1 January 2020
SFRS(I) 1-1 and SFRS(I) 1-8 (Amendments)	*: Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in SFRS(I) Standards		1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements		1 January 2020
SFRS(I) 17	*: Insurance contracts*	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except as disclosed below, management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group expects to capitalise its operating leases on offices, warehouses and other operating facilities on the statement of financial position by recognising a 'right-of-use' assets of $3,155,000 and their corresponding lease liabilities for the present value of future lease payments of $3,155,000. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of compliance (Continued)

SFRS(I) 16 Leases (Continued)

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollar, which is the Company's functional currency. All financial information presented in Singapore dollar have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 - impairment of investments in subsidiaries
- Note 8 - utilisation of tax losses
- Note 9 - valuation of inventories
- Note 10 - recoverability of trade receivables

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I)s statements of financial position at 1 January 2017 for the purpose of the transition to SFRS(I)s, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is assessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

Loss of control

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the financial year, adjusted for effective interest and payments during the financial year, and the amortised cost in foreign currency translated at the exchange rate at the end of the financial year.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in foreign operations (see below) which are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollar at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollar at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost includes:

- the purchase price;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Building on freehold land	50 years
Improvement on leasehold land and buildings	Lower of useful life or lease term (not more than 50 years)
Plant, machinery and office equipment	4 to 12 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets

Computer software licences

Acquired computer software licences have finite useful lives and are initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 to 5 years.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

a) Financial assets

Accounting policy for financial asset on and after 1 January 2018

The Group classifies its financial assets as amortised cost in accordance with the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group's accounting policy for amortised cost is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding goods and service tax ("GST") recoverable) and cash and cash equivalents in the statements of financial position.

Accounting policy for financial assets prior to 1 January 2018

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated.

Non-derivative financial assets of the Group comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise trade and other receivables (excluding GST recoverable) and cash and cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

b) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities other than derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities of the Group comprise borrowings, and trade and other payables (excluding value-added tax ("VAT") payables).

c) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

d) Off setting

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

e) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. The Group does not trade derivative financial instruments for speculative purposes.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. All changes in fair value are recognised in profit or loss immediately.

f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

a) Financial assets

Accounting policy for financial assets on and after 1 January 2018

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The Group has assessed based on its historical credit loss experience, adjusted for forward-looking factors and the economic environment. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other expenses in the consolidated statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of profit or loss (operating profit).

Accounting policy for financial assets prior to 1 January 2018

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at end of each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each financial year. Loans and receivables are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

a) Financial assets (Continued)

Non-derivative financial assets (Continued)

Loans and receivables (Continued)

The carrying amounts of all loans and receivables are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ('CGU') exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Provisions (Continued)

Warranty

A provision for warranty is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.9 Revenue

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Distribution

The Group's distribution business is involved in selling electric motors to wholesalers and retailers. Revenue from the sales of these products is recognised at point in time when the products are delivered to customers. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within a credit term of 30 to 120 days.

The products sold by the Group include standard warranty which requires the Group either to replace or mend the defective product during the warranty period. The warranty against defect is not accounted for as separate performance obligation. Therefore, a provision is made for the costs of satisfying the warranties in accordance with SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets. Refer to Note 3.8 to the financial statements for the accounting policies.

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

Rental income from subleased of property is recognised as 'other income' on a straight-line basis over the term of the relevant lease.

Licence income

Licence income is recognised based on a pre-determined percentage on sales of Brook Crompton product sold by a related corporation and recognised as "other income".

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit pension plans other than a defined contribution plan. Defined benefit plans typically define the amount of benefits that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised on the statements of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for recognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.11 Finance expenses

Finance expenses comprise interest expenses on borrowings and net change in fair value of derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance expenses depending on whether foreign currency movements are in a net gain or net loss position.

3.12 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

<u>Current income tax</u>

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates (or tax laws) enacted or substantively enacted in countries where the Group operate at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Tax expense (Continued)

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflect the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Leases

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the statements of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specified asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Lessor

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.15 Dividends

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate segment results mainly arises from corporate expenses which are not directly attributable to a particular operating segment.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets.

3.17 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise of cash on hand and bank balances. For the purposes of the consolidated statement of cash flows, cash and cash equivalents also includes bank overdrafts. In the statements of financial position, bank overdrafts are presented within borrowings under current liabilities.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building on freehold land	Improvement on leasehold land and buildings	Plant, machinery and office equipment	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Cost					
At 1 January 2018	969	1,586	186	7,755	10,496
Additions	-	37	-	55	92
Disposal	-	-	-	(3)	(3)
Effects of movements in exchange rates	(70)	(132)	(7)	(193)	(402)
At 31 December 2018	899	1,491	179	7,614	10,183
Accumulated depreciation					
At 1 January 2018	-	886	186	7,244	8,316
Depreciation for the financial year	-	42	-	121	163
Disposal	-	-	-	(3)	(3)
Effects of movements in exchange rates	-	(99)	(7)	(189)	(295)
At 31 December 2018	-	829	179	7,173	8,181
Net carrying amount					
At 31 December 2018	899	662	-	441	2,002
Cost					
At 1 January 2017	966	1,570	183	7,514	10,233
Additions	-	-	-	184	184
Effects of movements in exchange rates	3	16	3	57	79
At 31 December 2017	969	1,586	186	7,755	10,496
Accumulated depreciation					
At 1 January 2017	-	807	183	7,071	8,061
Depreciation for the financial year	-	44	-	100	144
Effects of movements in exchange rates	-	35	3	73	111
At 31 December 2017	-	886	186	7,244	8,316
Net carrying amount					
At 1 January 2017	966	763	-	443	2,172
At 31 December 2017	969	700	-	511	2,180

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant, machinery and office equipment $'000
Company	
Cost	
At 1 January 2018	199
Additions	7
At 31 December 2018	206
Accumulated depreciation	
At 1 January 2018	180
Depreciation	18
At 31 December 2018	198
Net carrying amount	
At 31 December 2018	8
Cost	
At 1 January 2017 and 31 December 2017	199
Accumulated depreciation	
At 1 January 2017	157
Depreciation	23
At 31 December 2017	180
Net carrying amount	
At 1 January 2017	42
At 31 December 2017	19

The carrying amount of plant, machinery and office equipment held by the Group under finance lease amounted to $8,000 (31 December 2017: $12,000, 1 January 2017: $16,000).

For the purpose of the consolidated statement of cash flows, the Group's additions to plant and equipment during the financial year comprised:

	Group	
	2018 $'000	2017 $'000
Additions of plant and equipment	92	184
Acquired under finance lease	-	(9)
Net cash payment made	92	175

Security

As at 31 December 2018, the freehold land and building on a freehold land of the Group with a total carrying amount of $1,561,000 (31 December 2017: $1,669,000, 1 January 2017: $1,729,000) were pledged as security to secure bank borrowings (Note 14).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. SUBSIDIARIES

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unquoted equity shares, at cost	65,702	65,702	65,702
Impairment losses	(44,080)	(44,080)	(53,699)
	21,622	21,622	12,003
Discount implicit in interest-free loan to a subsidiary	192	192	192
	21,814	21,814	12,195

Discount implicit in interest-free loan to a subsidiary represents the difference between fair value of the interest-free loan to its subsidiary and the loan amount at inception. The loan has been fully repaid in 2014.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal and incorporation place of business	Proportion of ownership interest held by the Group		
			31 December		1 January
			2018	2017	2017
			%	%	%
Held by the Company					
Brook Crompton UK Limited [1]	Distribution of electric motors	United Kingdom	100	100	100
Brook Crompton Limited [2]	Distribution of electric motors	Canada	100	100	100
Brook Crompton USA, Inc [2]	Distribution of electric motors	United States of America	100	100	100
Brook Crompton Asia Pacific Pte. Ltd. [3]	Distribution of electric motors	Singapore	100	100	100
Held by subsidiary					
Brook Crompton BV Breda	Dormant	Netherlands	-*	100	100

(1) Audited for consolidation purpose by BDO China Shu Lun Pan CPAs LLP, a member firm of BDO International Limited

(2) Audited by BDO Canada LLP, a member firm of BDO International Limited

(3) Audited by BDO LLP, Singapore, a member firm of BDO International Limited

* This subsidiary has been liquidated during the financial year.

5. SUBSIDIARIES (CONTINUED)

Movement in impairment losses in respect of investments in subsidiaries of the Company during the financial year was as follows:

	Company	
	2018	2017
	$'000	$'000
At 1 January	44,080	53,699
Reversal of impairment losses	-	(9,619)
At 31 December	44,080	44,080

During the financial year ended 31 December 2017, a reversal of an allowance for impairment loss of $9,619,000 was recognised relating to investments in Brook Crompton Limited and Brook Crompton USA, Inc in the North America distribution segment amounted to $4,461,000 and $5,158,000 respectively following an improvement in market conditions that resulted in an increase in the value in use of these investments. The recoverable amount of the investments in Brook Crompton Limited and Brook Crompton USA, Inc amounted to $6,749,000 and $13,567,000 respectively. The key assumptions used in measuring value in use of Brook Crompton Limited and Brook Crompton USA Inc, included discount rate of 7.3% and 8.2%, revenue growth rates ranging from -12% to 5% and 10% to 39%, and expense growth rate ranging from -7.1% to 2.3% and -2.7% to 2.9% respectively.

6. INTANGIBLE ASSETS

	Group and Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Computer software licenses			
Cost			
At 1 January and 31 December	46	46	46
Accumulated amortisation			
At 1 January and 31 December	46	46	46
Net carrying amount			
At 1 January and 31 December	-	-	-

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. OTHER RECEIVABLES - NON-CURRENT

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Amounts due from subsidiaries	2,136	2,350	4,695
Loss allowance	(2,136)	(2,350)	(4,695)
	-	-	-

The amounts due from subsidiaries are unsecured, interest-free and repayments are not expected within the next 12 months. As at 31 December 2017, a reversal of an allowance for impairment loss of $2,345,000 was recognised relating to the receivable from Brook Crompton USA, Inc following the improvement in market conditions that strengthened Brook Crompton USA, Inc's ability to repay the amount owing. As such, the Company has also reclassified this amount to other receivables-current as it expects the amount to be repaid within the next 12 months.

As at 31 December 2018 and 2017, there is no realistic prospect of a recovery of an amount due from a subsidiary amounting to $2,136,000. Accordingly, no reversal of loss allowance was made in the current financial year.

Movements in loss allowance in respect of other receivables of the Company during the financial year were as follows:

	Company	
	2018	2017
	$'000	$'000
At 1 January	2,350	4,695
Utilisation of loss allowance	(214)	-
Loss allowance reversed	-	(2,345)
At 31 December	2,136	2,350

8. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) are attributable to the following:

	Group					
	Assets			Liabilities		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	-	(284)	(384)	(312)
Retirement benefit liabilities	155	191	81	-	-	-
Provision for warranty	10	9	32	-	-	-
Unutilised tax losses	431	808	1,338	-	-	-
Deferred tax assets/(liabilities)	596	1,008	1,451	(284)	(384)	(312)
Set-off tax	(282)	(317)	(240)	282	317	240
Net deferred tax assets/(liabilities)	314	691	1,211	(2)	(67)	(72)

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movements in deferred tax assets/(liabilities) of the Group during the financial year were as follows:

	At 1 January 2017	Recognised in profit of loss (Note 22)	Recognised in other comprehensive income*	Effect of movements in exchange rates	At 31 December 2017	Recognised in profit of loss (Note 22)	Recognised in other comprehensive income*	Effect of movements in exchange rates	At 31 December 2018
Group									
Deferred tax assets									
Provision for warranty	32	(22)	-	(1)	9	1	-	-	10
Retirement benefit liabilities	81	17	94	(1)	191	23	(49)	(10)	155
Unutilised tax losses	1,338	(472)	-	(58)	808	(378)	-	1	431
	1,451	(477)	94	(60)	1,008	(354)	(49)	(9)	596
Deferred tax liabilities									
Property, plant and equipment	(312)	(75)	-	3	(384)	81	-	19	(284)

* Net recorded in other comprehensive income amounting to $49,000 (31 December 2017: $94,000).

8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. These tax losses expire between 2027 and 2030 (1 January 2017: between 2025 and 2030).

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unutilised tax losses	219	-	1,495

Unrecognised deferred tax liabilities

There are no temporary differences recognised in connection with investment in subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

9. INVENTORIES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Goods for resale	14,043	13,905	14,727
Spare parts	332	339	293
	14,375	14,244	15,020

In 2018, the cost of inventories recognised as an expense and included in cost of sales amounted to $32,345,000 (2017: $29,951,000).

A review is made periodically of inventory for excess stocks, obsolescence and decline in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write-down include ageing analysis, technical assessment on the future demand of the types of electric motors and subsequent events such as new sales orders or revised selling prices. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the reporting date. Possible changes in these estimates could result in revisions to the valuation of inventory.

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For the financial year ended 31 December 2018

9. INVENTORIES (CONTINUED)

In 2018, the write-down of inventories to net realisable value, due to management's reassessment of the inventories ageing profiles in accordance with the Group's policy, amounted to $90,000 (2017: reversal of written-down of inventories to net realisable value amounted to $17,000) for the Group. These are included under "cost of sales".

10. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables						
- third parties	8,980	9,606	11,415	-	-	-
- related corporations	40	428	399	-	-	-
Loss allowance - third parties	(1)	(433)	(407)	-	-	-
	9,019	9,601	11,407	-	-	-
Non-trade amounts due from:						
- third parties	29	30	97	29	30	56
- subsidiaries	-	-	-	6,652	6,240	1,770
- immediate holding company	-	19	-	-	19	-
- related corporations	235	188	15	100	126	11
	264	237	112	6,781	6,415	1,837
GST recoverable	3	3	5	-	-	5
	9,286	9,841	11,524	6,781	6,415	1,842

The Group's and the Company's exposure to credit, foreign currency and liquidity risks are disclosed in Note 26.

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 days' credit terms. Non-trade amounts due from subsidiaries, immediate holding company and related corporations are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

The Group has applied the simplified approach in accordance with SFRS(I) 9 to measure the loss allowance of trade receivables using lifetime Expected Credit Loss ("ECL"). The Group determines the ECL based on historical credit loss experience and past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group has measured the ECL on the trade receivables to be insignificant.

For non-trade amounts due from subsidiaries and related corporations, the Group and the Company assessed the latest performance financial performance and position of the subsidiaries and related corporations, adjusted for future outlook of the industry and jurisdiction in which they operate in, and concluded there has been no significant increase in credit risk since the initial recognition of the non-trade receivables. Accordingly, the Group and the Company measured the loss allowance using 12-month ECL and determined that the ECL is insignificant as at 31 December 2018.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of trade and other receivables at the reporting date is:

	Gross	Loss allowance	Gross	Impairment losses	Gross	Impairment losses
	31 December 2018		31 December 2017		1 January 2017	
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Not past due	5,036	-	5,617	-	6,741	-
Past due 1 - 90 days	3,528	-	3,844	(5)	3,684	-
Past due 91 - 180 days	339	-	150	-	959	-
Past due more than 180 days	384	(1)	663	(428)	547	(407)
	9,287	(1)	10,274	(433)	11,931	(407)
Company						
Not past due	6,781	-	6,415	-	1,842	-

Movements in loss allowance in respect of trade receivables of the Group during the financial year were as follows:

	Group	
	2018	2017
	$'000	$'000
At 1 January	433	407
Loss allowance made during the financial year (Note 21)	-	5
Reversal of loss allowance due to liquidation of a subsidiary	(420)	-
Effect of movements in exchange rates	(12)	21
At 31 December	1	433

11. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and in hand	16,469	14,767	8,676	1,966	1,277	1,670
Bank overdrafts (Note 14)	(1,077)	(1,811)	(1,835)			
Cash and cash equivalents as per consolidated statement of cash flows	15,392	12,956	6,841			

12. SHARE CAPITAL

	Group and Company		
	31 December		1 January
	2018	2017	2017
	No. of shares '000	No. of shares '000	No. of shares '000
Issued and fully-paid with no par value			
In issue at 31 December	35,459	35,459	35,459

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group is able to continue as a going concern through the optimisation of the debt and total equity attributable to owners of the Company.

The capital structure of the Group consists of net debt and total equity attributable to owners of the Company, comprising share capital, accumulated losses and other reserves (Note 13).

There were no changes in the Group's approach to capital management during the financial year.

Externally imposed capital requirement of the Group relates to a covenant included in an overdraft facility which requires a subsidiary to maintain tangible net worth of not less than US$1,750,000.

The Group was subject to and has complied with externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

13. ACCUMULATED LOSSES AND OTHER RESERVES

Accumulated losses

Movements in the accumulated losses of the Company were as follows:

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
At 1 January	(138,938)	(152,750)	(152,356)
Total comprehensive income for the financial year	2,823	14,521	(394)
Dividends (Note 24)	(1,773)	(709)	-
At 31 December	(137,888)	(138,938)	(152,750)

13. ACCUMULATED LOSSES AND OTHER RESERVES (CONTINUED)

Other reserves

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Translation reserve	(2,209)	(1,473)	(1,517)	-	-	-
Capital reserve	18,650	18,650	18,650	18,650	18,650	18,650
	16,441	17,177	17,133	18,650	18,650	18,650

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Capital reserve are non-distributable and represent:

(i) the deemed capital injection arising from the waiver by its former ultimate holding company of amounts paid on behalf of the Company in 2008; and

(ii) the difference between fair value of the interest-free loan from its intermediate holding company and the loan amount at inception in 2012.

14. BORROWINGS

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Current			
Bank overdrafts (Note 11)	1,077	1,811	1,835
Finance lease payables	6	9	6
	1,083	1,820	1,841
Non-current			
Finance lease payables	2	9	9

The Group's and the Company's exposure to foreign currency, interest rate and liquidity risks are disclosed in Note 26.

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For the financial year ended 31 December 2018

14. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2018 Face value $'000	31 December 2018 Carrying amount $'000	31 December 2017 Face value $'000	31 December 2017 Carrying amount $'000	1 January 2017 Face value $'000	1 January 2017 Carrying amount $'000
Group									
Bank overdrafts	USD	Prime Lending Rate+1.25%	N/A	1,077	1,077	1,811	1,811	1,835	1,835
Finance lease	CAD	5.8	2020	8	8	20	18	17	15
				1,085	1,085	1,831	1,829	1,852	1,850

The bank overdrafts of $1,077,000 (31 December 2017: $1,811,000; 1 January 2017: $1,835,000) are secured on properties held by a subsidiary with carrying amounts of $1,561,000 (31 December 2017: $1,669,000, 1 January 2017: $1,729,000) (Note 4).

Finance lease

At 31 December, the Group had obligations under finance leases that are repayable as follows:

	31 December 2018 Not later than one year $'000	31 December 2018 Later than one year and not later than five year $'000	31 December 2017 Not later than one year $'000	31 December 2017 Later than one year and not later than five year $'000	1 January 2017 Not later than one year $'000	1 January 2017 Later than one year and not later than five year $'000
Group						
Future minimum lease payments	6	2	10	10	7	10
Interest	*	*	(1)	(1)	(1)	(1)
Present value of minimum lease payments	6	2	9	9	6	9

* Less than $1,000.

15. RETIREMENT BENEFIT LIABILITIES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Present value of retirement benefit obligations	(2,613)	(3,222)	(2,645)
Fair value of plan assets	2,030	2,500	2,338
	(583)	(722)	(307)

The Group operates a post-employment defined benefit plan for its employees in Canada. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method". There is no change in the method of actuarial calculation during the financial year.

The Brook Crompton Pension Plan for Canadian employees was established on 1 February 2002 as a successor plan to the BTR Pension Plan for Canadian employees and the Registered Pension Plan for the employees of Brook Hansen (Canada) Inc. No assets or liabilities were transferred from these prior plans; however this Plan is responsible for the increase in pre 1 February 2002 benefits stemming from the increase in final average earnings in respect of credited service from 1 January 1996 (or their date of entry in a prior plan with defined benefits if it is an executive personnel) to 1 February 2002. The Plan has been amended to comply with the Income Tax Act and evolving pension legislation and to clarify the maximum benefit provisions.

The plan assets are invested in a pooled balanced fund managed by external parties.

Movement in the present value of retirement benefit obligations

	Group	
	2018	2017
	$'000	$'000
Retirement benefit obligations at 1 January	(3,222)	(2,645)
Included in profit or loss (Note 21)		
Current service costs	(271)	(240)
Interest costs	(118)	(113)
	(389)	(353)
Included in other comprehensive income		
Remeasurements - actuarial gain/(loss)*	306	(392)
Others		
Benefits paid by the plan	495	148
Effects of movement in exchange rate	197	20
	692	168
Retirement benefit obligations at 31 December	(2,613)	(3,222)

Retirement benefit obligations relate to a funded pension plan of a subsidiary. The obligation is the actuarial present value of benefits due to past and present employees.

15. RETIREMENT BENEFIT LIABILITIES (CONTINUED)

Movement in the fair value of plan assets

	Group	
	2018 $'000	2017 $'000
Fair value of plan assets at 1 January	2,500	2,338
Included in profit or loss (Note 21)		
Interest income	88	95
Included in other comprehensive income		
Return on plan assets, excluding interest income*	(130)	40
Others		
Contributions paid in the plan	215	193
Benefits paid by the plan	(495)	(148)
Effects of movement in exchange rate	(148)	(18)
	(428)	27
Fair value of plan assets at 31 December	2,030	2,500

* Net recorded in other comprehensive income amounting to $176,000 (2017: $352,000).

The plan assets are invested in the following areas:

	Group		
	31 December		1 January
	2018 %	2017 %	2017 %
Equity	63	59	65
Bond	33	31	31
Cash	4	10	4
Total	100	100	100

Expense recognised in profit or loss

	Group	
	2018 $'000	2017 $'000
Current service costs	(271)	(240)
Net interest on net retirement benefit liabilities	(30)	(18)
Total included in employee benefits expense (Note 21)	(301)	(258)

15. RETIREMENT BENEFIT LIABILITIES (CONTINUED)

Expense recognised in profit or loss (Continued)

The expense is recognised in the following line items in the profit and loss:

	Group 2018 $'000	Group 2017 $'000
Distribution and marketing expenses	(215)	(99)
Administrative expenses	(86)	(159)
	(301)	(258)

The financial actuarial assumptions used are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	%	%	%
Discount rate	4.0	3.5	4.0
Future pension increment	3.0	3.0	3.0
Longevity at retirement age	22.4	22.3	20.0

The schemes are exposed to a number of risks, including:

- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Salary risk: increases in future salaries increase the gross retirement benefit obligations.

The weighted-average duration of the defined benefit obligation at 31 December 2018 was 22.82 years (31 December 2017: 21.52 years, 1 January 2017: 24.64 years).

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

Actuarial assumption	Change in actuarial assumption	Defined benefit obligation Increase $'000	Defined benefit obligation Decrease $'000
31 December 2018			
Discount rate	1%	(467)	596
31 December 2017			
Discount rate	1%	(537)	693
1 January 2017			
Discount rate	1%	(521)	652

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For the financial year ended 31 December 2018

16. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables						
- third parties	2,047	3,725	1,428	-	-	-
- related corporations	5,640	3,541	4,887	-	-	-
	7,687	7,266	6,315	-	-	-
Non-trade amounts due to:						
- immediate holding company	-	6	-	2	6	-
- a subsidiary	12	-	-	12	-	1
- related corporations	112	146	88	-	2	4
	124	152	88	14	8	5
Accrued staff costs	584	729	722	29	37	50
Accrued operating expenses	678	722	1,557	121	131	158
Value-added tax ("VAT") payables	388	597	368	-	-	-
Trade and other payables	9,461	9,466	9,050	164	176	213

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 days' credit terms.

The non-trade amounts due to immediate holding company, a subsidiary and related corporations are unsecured, non-interest bearing and repayable on demand.

The Group's and the Company's exposure to foreign currency and liquidity risks are disclosed in Note 26.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Derivative liabilities			
Foreign exchange forward contracts	-	(9)	99
Foreign exchange call options	-	13	80
	-	4	179

The Group is a party to a variety of foreign exchange forward contracts in the management of its exchange rate exposures arising from its foreign currency denominated business transactions. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2018, the Group do not have outstanding forward contracts. The settlement dates on open forward contracts as at 31 December 2017 and 1 January 2017 ranged between 1 to 6 months and 3 to 9 months, respectively. The contracted notional principal amount to be bought and sold and contractual exchange rates of the Group's outstanding contracts as at each reporting date are:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Foreign exchange forward contracts			
- Buy Euro at an average rate of GBP/EUR Nil (31 December 2017: GBP/EUR 0.8898, 1 January 2017: GBP/EUR 0.8742)	-	2,803	5,444

18. PROVISION FOR WARRANTY

The Group provides after sales support for warranty claims by customers. A provision is recognised for after sales support of warranty claims based on past experience of the level of support provided for repairs and returns for warranty not provided by the Group's suppliers.

Movements in provision for warranty of the Group during the financial year are as follows:

	Group	
	2018	2017
	$'000	$'000
At 1 January	94	97
Provision made during the financial year	17	58
Provision utilised during the financial year	(5)	(56)
Effects of movement in exchange rate	(2)	(5)
At 31 December	104	94

19. REVENUE

	Group	
	2018	2017
	$'000	$'000
Sale of electric motors	47,646	44,865

19. REVENUE (CONTINUED)

The Group has disaggregated revenue to reflect the operations of the business segments identified by management. The segment information together with other information utilised for the purpose of management monitoring of operating results of the segment, which includes the geographical markets are disclosed in Note 28 to the financial statements.

Segment	Distribution	
	2018	2017
	$'000	$'000
Type of good		
Electric motors	47,646	44,865
Timing of transfer of goods		
Point in time	47,646	44,865

20. FINANCE EXPENSES/(INCOME)

	Group	
	2018	2017
	$'000	$'000
Interest expenses:		
- bank overdrafts	85	75
- finance lease	1	2
Net foreign exchange loss/(gain)	79	(36)
Net change in fair value of derivatives	(4)	(175)
	161	(134)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	Group	
	2018	2017
	$'000	$'000
Audit fees paid/payable to auditors:		
- auditor of the Company	93	78
- other auditors	88	80
Non-audit fees paid/payable to auditors:		
- other auditors	7	15
Spare parts and goods for resale	32,476	29,174
Changes in inventories of spare parts and goods for resale	(131)	777
Depreciation	163	144
Employee benefits expense*	6,011	6,111
Loss allowance for trade receivables	-	5
Interest income	(9)	-
Loss on liquidation of subsidiary	95	-
Operating lease expense	924	775
Operating lease income	(48)	(54)
Write-down/(Reversal of write-down) on inventories	90	(17)

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense*		
Salaries, wages and other benefits	4,930	4,998
Employer's contributions to defined contribution plans including Central Provident Funds and social security charges	780	855
Employer's contribution to retirement benefits plan (Note 15)	301	258
	6,011	6,111

The employee benefits expense is recognised in the following line items in profit or loss:

	Group	
	2018	2017
	$'000	$'000
Distribution and marketing expenses	3,494	3,702
Administrative expenses	2,517	2,409
	6,011	6,111

* Included in the employee benefits expense were key management remuneration as disclosed in Note 27 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current tax expense		
- Singapore	12	12
- Foreign	615	277
	627	289
Deferred tax expense	273	552
	900	841
(Over)/Underprovision of current tax expense in prior years	(2)	1
	898	842

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective tax rate

	Group	
	2018	2017
	$'000	$'000
Profit before income tax	4,520	4,316
Tax calculated at Singapore tax rate	768	734
Effects of different tax rates in other countries	80	107
Tax effect of income not subject to tax	(203)	(223)
Tax effect of expenses not deductible for tax purposes	227	460
Tax incentive	(17)	(18)
Changes in tax rate	-	160
Recognition of deferred tax benefits from previously unrecognised unutilised tax losses	-	(405)
Changes in unrecognised temporary differences	45	26
(Over)/Underprovision of current tax expense in prior years	(2)	1
	898	842

23. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and an actual number of ordinary shares outstanding calculated as follows:

	Group	
	2018	2017
	$'000	$'000
Basic and diluted earnings per share is based on:		
Profit attributable to ordinary shareholders	3,622	3,474

	Number of ordinary shares	
	2018	2017
	'000	'000
Actual number of ordinary shares during the year applicable to basic and diluted earnings per shares (Note 12)	35,459	35,459

As the Group has no dilutive potential ordinary shares, the diluted earnings per share is also the basic earnings per share.

24. DIVIDENDS

During the financial year ended 31 December 2018, the Company declared and paid a final one-tier tax exempt dividend of $0.05 (2017: $0.02) per ordinary share of the Company totaling $1,773,000 (2017: $709,000) in respect of the financial year ended 31 December 2017 (2017: 31 December 2016).

The Directors of the Company recommend a final tax-exempt cash dividend of $0.02 (2017: $0.05) per share amounting to approximately $709,000 (2017: $1,773,000) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the forthcoming Annual General Meeting of the Company.

25. OPERATING LEASES COMMITMENTS

As lessee

The below operating lease commitments are based on existing rental rates at the end of the financial year. The Group and the Company lease various offices, warehouses and other operating facilities under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. There is no contingent rental charged to the Group and the Company. The Group and the Company do not have any restrictions imposed by the lease agreement.

As at each reporting date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	702	692	780	113	68	117
Later than one year and not later than five years	2,328	2,075	1,691	405	-	68
Later than five years	355	736	1,087	-	-	-
	3,385	3,503	3,558	518	68	185

As lessor

The Group has entered into office building sub-lease on its leasehold building. The non-cancellable lease has remaining lease terms of less than a year. There is no contingent rental charged to its lessee.

As at each reporting date, the future minimum lease receivable under non-cancellable leases are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than one year	-	-	18

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's and the Company's activities expose it to the following financial risks:

- market risk
- credit risk
- liquidity risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit Committee is entrusted for the development and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by outsourced Internal Audit which undertakes both regular and ad hoc reviews of risk management.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily the United States dollar ("USD"), Euro ("EUR") and British pound sterling ("GBP").

Purchases of electric motors in non-functional currencies formed bulk of the currency risk exposure of one of its subsidiaries, i.e., Brook Crompton UK Limited. Management minimises such risk through purchasing of foreign exchange forward contracts and foreign exchange call options based on forecasted purchases within a fixed period.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

The Group's and the Company's currency exposures to various currencies are as follows:

	EUR $'000	USD $'000	GBP $'000
Group			
31 December 2018			
Cash and cash equivalents	4,999	1,828	980
Trade and other receivables	675	4,509	2,636
Borrowings	-	(1,077)	-
Trade and other payables	(1,718)	(3,381)	(1,445)
Net financial assets/(liabilities)	3,956	1,879	2,171
Foreign exchange forward contracts	-	-	-
Currency exposures	3,956	1,879	2,171
31 December 2017			
Cash and cash equivalents	6,531	1,718	462
Trade and other receivables	1,168	6,237	3,672
Borrowings	-	(1,811)	-
Trade and other payables	(1,741)	(3,759)	(2,851)
Net financial assets/(liabilities)	5,958	2,385	1,283
Foreign exchange forward contracts	(2,803)	-	-
Currency exposures	3,155	2,385	1,283
1 January 2017			
Cash and cash equivalents	3,073	1,441	1,150
Trade and other receivables	2,523	4,936	682
Borrowings	-	(1,835)	-
Trade and other payables	(2,609)	(3,489)	(4,550)
Net financial assets/(liabilities)	2,987	1,053	(2,718)
Foreign exchange forward contracts	(5,444)	-	-
Currency exposures	(2,457)	1,053	(2,718)
Company			
31 December 2018			
Cash and cash equivalents	1	958	958
Trade and other receivables	-	3,182	2,632
Currency exposures	1	4,140	3,590
31 December 2017			
Cash and cash equivalents	1	214	456
Trade and other receivables	-	3,095	1,837
Trade and other payables	(6)	-	-
Currency exposures	(5)	3,309	2,293

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (Continued)

The Group's and the Company's currency exposures to various currencies are as follows (Continued):

	EUR $'000	USD $'000	GBP $'000
Company			
1 January 2017			
Cash and cash equivalents	1	232	1,145
Trade and other receivables	-	749	8
Trade and other payables	-	(1)	(4)
Currency exposures	1	980	1,149

Sensitivity analysis

Except for GBP which assumes a strengthening of 1% (31 December 2017: 4%, 1 January 2017: 15%), a 2% (31 December 2017: 2%, 1 January 2017: 5%) strengthening of EUR and USD against Singapore dollar at the reporting date would increase/(decrease) profit or loss by the amounts shown below. There is no impact on equity. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
EUR	79	63	(123)	-	-	-
USD	38	48	53	83	66	49
GBP	22	51	(408)	36	92	172

Except for GBP which assumes a weakening of 1% (31 December 2017: 4%, 1 January 2017: 15%), a 2% (31 December 2017: 2%, 1 January 2017: 5%) weakening of the above currencies against Singapore dollar would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's exposure to changes in interest rates related primarily to borrowings. The Directors monitor the interest rates of the Group's borrowings, where possible, in order to maintain the best borrowings interest rates that the Group can obtain in order to reduce interest expense. The ability of the Group to manage the impact of changes in market interest rates on the Group's borrowings is dependent on the support of the Group's bankers and other financial institutions.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing borrowings was:

	Group		
	Carrying amount		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Fixed rate instruments			
Financial liabilities	8	18	15
Variable rate instruments			
Financial liabilities	1,077	1,811	1,835

Cash flow sensitivity analysis for variable rate instruments

A change of 1.5% in interest rates at the end of the financial year would (decrease)/increase profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	Profit before tax	
	1.5% Increase	1.5% Decrease
	$'000	$'000
31 December 2018		
Variable rate instruments		
Financial liabilities/cash flow sensitivity	(16)	16
31 December 2017		
Variable rate instruments		
Financial liabilities/cash flow sensitivity	(27)	27
1 January 2017		
Variable rate instruments		
Financial liabilities/cash flow sensitivity	(28)	28

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount each of financial asset in the statement of financial position.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group limits its exposure to credit risk from trade receivables by adopting the policy of dealing only with customers of good credit history and obtaining sufficient security where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limit that is approved by the responsible officer based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the responsible officer.

Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region is as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
By geographical area:			
Singapore	34	52	74
Asia Pacific (excluding Singapore)	604	354	548
United Kingdom	4,710	5,378	5,445
North America	3,347	3,020	3,010
Europe	285	674	2,264
Middle East	39	123	66
	9,019	9,601	11,407

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

The Group and Company do not have any significant credit exposures to any single counterparty or any group of counterparties having similar characteristics.

Non-trade amounts due from subsidiaries and related corporations

For non-trade amounts due from subsidiaries and related corporations, the management monitors and assess at each reporting date on any indicator of significant increase in credit risk on these balances. In the assessment for indicators, management took into account information that it has available internally about the subsidiaries' and related corporations' past, current and expected operating performance, and if the subsidiaries and related corporations had any default in external debts. Loss allowances on these balances has been measured on the 12-month expected loss basis. The maximum credit exposure, net of loss allowances on these balances are disclosed in Note 7 and Note 10.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $16,469,000 and $1,966,000 respectively as at 31 December 2018 (31 December 2017: $14,767,000 and $1,277,000, 1 January 2017: $8,676,000 and $1,670,000 respectively). The cash and cash equivalents are held with banks, which are rated Aa3 to Aa1, based on Moody's ratings.

Expected credit loss on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of allowance on cash and cash equivalents was negligible.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To maintain liquidity, apart from relying on funds generated from its operations, the Group also maintains a continuing relationship with the bankers and other financial institutions for their continuing support and pursues options to raise additional working capital when the need arises.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000
Group				
31 December 2018				
Non-derivative financial liabilities				
Bank overdrafts	1,077	(1,133)	(1,133)	-
Finance lease	8	(8)	(6)	(2)
Trade and other payables*	9,073	(9,073)	(9,073)	-
	10,158	(10,214)	(10,212)	(2)
31 December 2017				
Non-derivative financial liabilities				
Bank overdrafts	1,811	(1,833)	(1,833)	-
Finance lease	18	(20)	(10)	(10)
Trade and other payables*	8,869	(8,869)	(8,869)	-
	10,698	(10,722)	(10,712)	(10)
Derivative financial instruments				
Foreign exchange forward contracts used for hedging (gross-settled):				
- Outflow	2,803	(2,803)	(2,803)	-
- Inflow	(2,812)	2,812	2,812	-
Foreign exchange call options	13	(13)	(13)	-
	4	(4)	(4)	-
	10,702	(10,726)	(10,716)	(10)
1 January 2017				
Non-derivative financial liabilities				
Bank overdrafts	1,835	(1,908)	(1,908)	-
Finance lease	15	(17)	(7)	(10)
Trade and other payables*	8,682	(8,682)	(8,682)	-
	10,532	(10,607)	(10,597)	(10)

* VAT excluded.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000
Group				
1 January 2017 (Continued)				
Derivative financial instruments				
Foreign exchange forward contracts used for hedging (gross-settled):				
- Outflow	5,444	(5,444)	(5,444)	-
- Inflow	(5,345)	5,345	5,345	-
Foreign exchange call options	80	(80)	(80)	-
	179	(179)	(179)	-
	10,711	(10,786)	(10,776)	(10)
Company				
31 December 2018				
Non-derivative financial liabilities				
Trade and other payables	164	(164)	(164)	-
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	176	(176)	(176)	-
1 January 2017				
Non-derivative financial liabilities				
Trade and other payables	213	(213)	(213)	-

Estimation of fair value

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting dates. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

In prior financial year, the fair value of derivative instruments is determined using broker quote at the end of the relevant reporting period.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values

The fair value of the financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	Note	Fair value - hedging instruments $'000	Amortised cost / Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group						
31 December 2018						
Financial assets not measured at fair value						
Trade and other receivables**	10	-	9,283	-	9,283	9,283
Cash and cash equivalents	11	-	16,469	-	16,469	16,469
		-	25,752	-	25,752	25,752
Financial liabilities not measured at fair value						
Trade and other payables*	16	-	-	(9,073)	(9,073)	(9,073)
Bank overdrafts	14	-	-	(1,077)	(1,077)	(1,077)
Finance lease	14	-	-	(8)	(8)	(8)
		-	-	(10,158)	(10,158)	(10,158)
31 December 2017						
Financial liabilities at fair value						
Derivatives financial instruments	17	(4)	-	-	(4)	(4)
Financial assets not measured at fair value						
Trade and other receivables**	10	-	9,838	-	9,838	9,838
Cash and cash equivalents	11	-	14,767	-	14,767	14,767
		-	24,605	-	24,605	24,605
Financial liabilities not measured at fair value						
Trade and other payables*	16	-	-	(8,869)	(8,869)	(8,869)
Bank overdrafts	14	-	-	(1,811)	(1,811)	(1,811)
Finance lease	14	-	-	(18)	(18)	(18)
		-	-	(10,698)	(10,698)	(10,698)

* VAT excluded.

** GST excluded.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values (Continued)

	Note	Fair value - hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group						
1 January 2017						
Financial liabilities at fair value						
Derivatives financial instruments	17	(179)	-	-	(179)	(179)
Financial assets not measured at fair value						
Trade and other receivables**	10	-	11,519	-	11,519	11,519
Cash and cash equivalents	11	-	8,676	-	8,676	8,676
		-	20,195	-	20,195	20,195
Financial liabilities not measured at fair value						
Trade and other payables*	16	-	-	(8,682)	(8,682)	(8,682)
Bank overdrafts	14	-	-	(1,835)	(1,835)	(1,835)
Finance lease	14	-	-	(15)	(15)	(15)
		-	-	(10,532)	(10,532)	(10,532)

* VAT excluded.

** GST excluded.

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2018					
Financial assets not measured at fair value					
Trade and other receivables	10	6,781	-	6,781	6,781
Cash and cash equivalents	11	1,966	-	1,966	1,966
		8,747	-	8,747	8,747
Financial liabilities not measured at fair value					
Trade and other payables	16	-	(164)	(164)	(164)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values (Continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2017					
Financial assets not measured at fair value					
Trade and other receivables	10	6,415	-	6,415	6,415
Cash and cash equivalents	11	1,277	-	1,277	1,277
		7,692	-	7,692	7,692
Financial liabilities not measured at fair value					
Trade and other payables	16	-	(176)	(176)	(176)
1 January 2017					
Financial assets not measured at fair value					
Trade and other receivables	10	1,837	-	1,837	1,837
Cash and cash equivalents	11	1,670	-	1,670	1,670
		3,507	-	3,507	3,507
Financial liabilities not measured at fair value					
Trade and other payables	16	-	(213)	(213)	(213)

Fair value measurement

The following table presents financial assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy.

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 $'000
Group	
31 December 2018	
Derivative financial instruments	-
31 December 2017	
Derivative financial instruments	(4)
1 January 2017	
Derivative financial instruments	(179)

There were no transfers between levels during the period.

27. RELATED PARTIES

Key management personnel compensation

Key management personnel of the Group and the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company, directors of subsidiaries and members of the management team are considered as key management of the Group.

The remuneration of key management personnel of the Group and the Company for the financial year are as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Salaries, fees and other short-term employee benefits	972	1,175	323	211
Termination benefits	461	-	-	-
Post-employment benefits	64	96	12	-
	1,497	1,271	335	211

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

Other related party transactions

	Group	
	2018	2017
	$'000	$'000
Administrative fee income from related corporations	248	140
Commission income from related corporations	65	96
License fee income from a related corporation	601	620
Management fee income from a related corporation	8	-
Purchase of inventories from related corporations	(29,685)	(22,590)
Recharge of expenses by immediate holding company	(14)	(13)
Recharge of expenses by related corporations	(79)	(48)
Rental income received from a related corporation	36	36
Sale of motors to related corporations	21	226

The related corporations refer to fellow subsidiaries outside the Group but under the ultimate holding company.

Outstanding balances as at 31 December 2018, arising from sale/purchase of goods and services, are set out in Notes 10 and 16, respectively.

28. OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker.

The Group's primary business is in the distribution of electric motors. Management manages and monitors the business from a geographical segment perspective. The following are the three main geographical segments for the Group:

- Asia Pacific
- United Kingdom
- North America

Sales are based on the region in which the entity is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

Information regarding the results of each reportable segment is included below. Performance is measured based on the geographical segment's profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	United Kingdom $'000	North America $'000	Asia Pacific $'000	Corporate $'000	Total $'000
Group					
2018					
Total segment sales	21,060	26,596	3,443	-	51,099
Elimination of intersegment sales	(13)	(3,440)	-	-	(3,453)
Sales to external parties	21,047	23,156	3,443	-	47,646
Segment results	3,105	2,191	318	(858)	4,756
Interest income	9	-	-	-	9
Interest expense	(5)	(81)	-	-	(86)
Depreciation	(31)	(111)	(3)	(18)	(163)
Net change in fair value of derivatives	4	-	-	-	4
Profit/(Loss) before income tax	3,082	1,999	315	(876)	4,520
Segment assets	20,992	17,883	2,356	2,104	43,335
Included in the segment asset:					
Addition of property, plant and equipment	15	70	-	7	92
Segment liabilities	3,724	7,149	878	157	11,908

28. OPERATING SEGMENTS (CONTINUED)

	United Kingdom $'000	North America $'000	Asia Pacific $'000	Corporate $'000	Total $'000
Group					
2017					
Total segment sales	21,638	22,810	3,716	-	48,164
Elimination of intersegment sales	(7)	(3,292)	-	-	(3,299)
Sales to external parties	21,631	19,518	3,716	-	44,865
Segment results	3,959	390	114	(101)	4,362
Interest expense	-	(77)	-	-	(77)
Depreciation	(33)	(84)	(3)	(24)	(144)
Net change in fair value of derivatives	175	-	-	-	175
Profit/(Loss) before income tax	4,101	229	111	(125)	4,316
Segment assets	21,985	16,801	2,546	1,401	42,733
Included in the segment asset:					
Addition of property, plant and equipment	12	163	9	-	184
Segment liabilities	4,150	7,519	698	179	12,546

The distribution business is operated in the following countries:

	Group	
	2018 $'000	2017 $'000
Revenue		
Singapore	3,443	3,716
United Kingdom	21,047	21,631
United States	14,940	11,413
Canada	8,216	8,105
	47,646	44,865
Non-current assets (excluded deferred tax asset)		
Singapore	15	29
United Kingdom	116	136
United States	258	278
Canada	1,613	1,737
	2,002	2,180

29. CONVERGENCE TO SFRS(I)S

The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

Optional exemptions applied

The Group has applied short-term exemption on adoption of SFRS(I) 9 Financial Instruments on 1 January 2018, in preparing their first set of financial statements in accordance with SFRS(I)s.

As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure on the disclosure requirements in relation to SFRS(I) 9.

LETTER TO SHAREHOLDERS

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

Directors:	**Registered Office:**
Mr Pang Xinyuan	19 Keppel Road
Mr Richard Macindoe Eason	#08-01 Jit Poh Building
Dr Knut Unger	Singapore 089058
Mr Chao Mun Leong	

To: The Shareholders of Brook Crompton Holdings Ltd.

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE GENERAL MANDATE FOR TRANSACTIONS WITH INTERESTED PERSONS OF THE COMPANY (THE GENERAL MANDATE)

1. BACKGROUND

We refer to (a) the Notice of the 71st Annual General Meeting ("2019 AGM") of Brook Crompton Holdings Ltd. (the "Company") dated 10 April 2019 (the "Notice of AGM") accompanying the Annual Report of the Company for the financial year ended 31 December 2018 (the "2018 Annual Report") in relation to the convening of the 2019 AGM of the Company which is scheduled to be held on 25 April 2019, and (b) Ordinary Resolution 6 in relation to the renewal of the General Mandate under the heading "Special Business" set out in the Notice of the 2019 AGM.

2. THE PROPOSED RENEWAL OF THE GENERAL MANDATE

2.1 The Existing General Mandate

At the General Meeting held on 19 April 2018 (the "AGM"), shareholders of the Company ("Shareholders") approved the renewal of the General Mandate to enable the Company, its subsidiaries and associated companies to enter into any transactions falling within the categories of ATB Interested Person Transactions described in the Company's circular to Shareholders dated 29 November 2006.

2.2 Proposed Renewal of the General Mandate

The General Mandate was expressed to continue to be in force until the conclusion of the next Annual General Meeting of the Company, being the forthcoming 2019 AGM. Accordingly, the directors of the Company (the "Directors") propose that the General Mandate be renewed at the forthcoming 2019 AGM. The particulars of the interested person transactions in respect of which the General Mandate is sought to be renewed remained unchanged.

2.3 Details of the General Mandate

Details of the General Mandate, including the rationale for and the benefits to the Company, the review procedures for determining transaction prices with interested persons and other general information in relation to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), are set out in the Appendix to this letter.

2.4 Confirmation of Audit Committee

Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee of the Company confirms that:

(a) the methods or procedure for determining the transaction prices under the General Mandate have not changed subsequent to the 2019 AGM; and

(b) the methods or procedure referred to paragraph 2.4(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 The interest of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	No. of Shares	%[(1)]	No. of Shares	%[(1)]
Directors				
Knut Unger	10,000	0.03	-	-
Pang Xinyuan	-	-	23,439,519[(11)]	66.10
Richard Macindoe Eason	-	-	-	-
Chao Mun Leong	-	-	-	-
Substantial Shareholders				
ATB Austria Antriebstechnik AG	-	-	23,439,519[(2)]	66.10
Wolong Investments Gmbh	-	-	23,439,519[(3)]	66.10
Wolong Holding Group Gmbh	-	-	23,439,519[(4)]	66.10
Hongkong Wolong Holding Group Co Ltd	-	-	23,439,519[(5)]	66.10
Wolong Electric Group Co Ltd	-	-	23,439,519[(6)]	66.10
Wolong Shunyu Investment Co Ltd	-	-	23,439,519[(7)]	66.10
Wolong Holding Group Co Ltd	-	-	23,439,519[(8)]	66.10
Chen Jiancheng	-	-	23,439,519[(9)]	66.10
Chen Yanni	-	-	23,439,519[(10)]	66.10

(1) The percentage shareholding interest is based on the issued share capital of 35,458,818 shares as at the Latest Practicable Date.

(2) ATB Austria Antriebstechnik AG ("ATB") is deemed to be interested in the 23,439,519 ordinary shares held under the name of nominee - CGS-CIMB Securities (S) Pte Ltd..

(3) Wolong Investments Gmbh (Wolong Investments) holds 100% shares in ATB and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Companies Act, Cap. 50. ("the Act").

(4) Wolong Holding Group Gmbh ("Wolong Holding") is the sole shareholder of Wolong Investments and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(5) Hongkong Wolong Holding Group Co Ltd ("Hongkong Wolong") is the sole shareholder of Wolong Holding and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(6) Wolong Electric Group Co Ltd ("Wolong Electric") is the sole shareholder of HongKong Wolong and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(7) Wolong Shunyu Investment Co. Ltd ("Wolong Shunyu") holds 32.80% shares in Wolong Electric and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(8) Wolong Holding Group Co Ltd ("WHGCL") is the sole shareholder of Wolong Shunyu and holds 12.96% shares in Wolong Electric, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(9) Chen Jiancheng holds 48.93% equity interest in WHGCL and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(10) Chen Yanni holds 38.73% equity interest in WHGCL and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(11) Pang Xinyuan is spouse of Chen Yanni, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

3.2 ABSTENTION FROM VOTING

ATB, Wolong and their respective associates (as defined in the Listing Manual) will abstain from voting in respect of the Ordinary Resolution relating to the proposed renewal of the General Mandate at the forthcoming 2019 AGM.

Further, each of the persons mentioned in this paragraph 3.2 undertakes to decline to accept appointment to act as proxies for other Shareholders of the Company at the 2019 AGM or Ordinary Resolution 6 unless the Shareholder concerned shall have been given specific instructions as to the manner in which his votes are to be cast.

LETTER TO SHAREHOLDERS

4. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the General Mandate (the "Independent Directors") are Dr Knut Unger, and Mr Chao Mun Leong. The Independent Directors having considered, inter alia, the terms, the rationale and the benefits of the General Mandate, are of the view that the General Mandate is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution 6 relating to the General Mandate set out in the Notice of AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors jointly and severally accept responsibility for the accuracy of the information contained in this letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts and opinions expressed in this letter are fair and accurate and that there are no material facts the omission of which would make any statement in this letter misleading.

6. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisor immediately.

7. SGX-ST

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this letter.

Yours faithfully

BROOK CROMPTON HOLDINGS LTD.
Chao Mun Leong

Singapore

THE APPENDIX

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual ("Chapter 9") governs transactions which a listed company or any of its subsidiaries or associated companies proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its minority shareholders.

1.2 For the purposes of Chapter 9:

(a) an "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9;

(b) an "associate" in relation to any director, chief executive officer or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, stepchild, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary or in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An "associate" in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

(c) an "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;

(d) a "controlling shareholder" is a person who holds directly or indirectly 15% or more of all voting shares in a listed company (unless otherwise excepted by SGX-ST) or in fact exercises control over the listed company;

(e) an "entity at risk" means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, or an associated company of the listed group that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;

(f) an "interested person" means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;

(g) an "interested person transaction" means a transaction between an entity at risk and an interested person; and

(h) a "transaction" includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of products and services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business and whether or not entered into directly or indirectly.

1.3 Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds. In particular, an immediate announcement is required where:

(a) the value of a proposed transaction is equal to or exceeds 3% of the listed group's latest audited consolidated net tangible assets ("NTA"); or

(b) the aggregate value of all transactions entered into with the same interested person during the same financial year is equal to or more than 3% of the listed group's latest audited consolidated NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year, and shareholders' approval (in addition to an immediate announcement) is required where:

(c) the value of a proposed transaction is equal to or exceeds 5% of the listed group's latest audited consolidated NTA; or

(d) the aggregate value of all transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the listed group's latest audited consolidated NTA. The aggregate will exclude any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

For the purposes of aggregation, interested person transactions below S$100,000 each are to be excluded.

1.4 Part VIII of Chapter 9 allows a listed company to seek a General Mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A General Mandate granted by shareholders is subject to annual renewal.

2. RATIONALE FOR THE GENERAL MANDATE

2.1 The Directors believe that the General Mandate is in the interests of the Group for the following reasons:-

(a) The ATB/Wolong Interested Persons are in a similar business as the Group and as such, there are opportunities for the Group to leverage on the products and services provided by the ATB/Wolong Interested Persons. In fact, one of the reasons stated by ATB for acquiring control of the Group was to acquire a significant stake in a complementary business with regard to product range and market presence. The General Mandate will allow the Group to take advantage of such opportunities, thereby increasing its revenue.

(b) Timely delivery is an essential element in the Group's business. If the Company were required to seek Shareholders' approval on each occasion it deals with the ATB/Wolong Interested Persons, it would make it unviable for the ATB/Wolong Interested Persons to transact with the Group.

The General Mandate would facilitate such transactions with the ATB/Wolong Interested Persons being carried out in a timely manner.

(c) If the Company is constantly required to seek Shareholders' approval for transactions with the ATB/Wolong Interested Persons, the Company would have to expand administrative time and resources as well as incur additional expenses associated therewith. The proposed General Mandate would allow such resources and time to be channelled towards the Company's other objectives.

2.2 The General Mandate and the renewal thereof on an annual basis are intended to facilitate the ATB/Wolong Interested Person Transactions in the ordinary course of business of the Group which the Directors envisage likely to be transacted with some frequency from time to time with the ATB/Wolong Interested Persons, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. CLASSES OF ATB/WOLONG INTERESTED PERSONS

The proposed General Mandate will apply to the transactions set out in paragraph 4.2 below proposed to be carried out with the following classes of persons: (a) ATB; (b) Wolong Group Holding Co. Ltd ("Wolong"), who is holding company of ATB; and (c) any associate (as defined in the Listing Manual) of ATB or Wolong.

4. SCOPE OF THE GENERAL MANDATE

4.1 Chapter 9 of the Listing Manual governs transactions by a listed company as well as transactions by its subsidiaries and associated companies that are considered to be at risk with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregation with all other transactions conducted with the same interested person during the financial year exceeds certain materiality thresholds, the listed company is required to seek its shareholders' approval for that transaction.

The materiality thresholds are:-

(a) 5% of the listed group's latest audited consolidated NTA; or

(b) 5% of the listed group's latest audited consolidated NTA, when aggregated with all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

However, Chapter 9 of the Listing Manual permits a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials that may be carried out with the listed company's interested persons.

As mentioned, in light of the fact that the Group and the ATB/Wolong Interested Persons are in similar businesses, it is envisaged that in the ordinary course of their businesses, certain transactions (as more particularly set out in paragraph 4.2 below) between the Group Companies and the ATB/Wolong Interested Persons may occur from time to time. Such ATB/Wolong Interested Person Transactions would be transactions in the ordinary course of business in the Group.

Accordingly, the General Mandate is being proposed to enable the group of companies (Group Companies) to, in the ordinary course of business, enter into the categories of ATB/Wolong Interested Person Transactions set out in paragraph 4.2 below with the ATB/Wolong Interested Persons, provided such transactions are entered into on an arm's length basis and on normal commercial terms, and are not prejudicial to the interest of the Company and its minority Shareholders.

The General Mandate does not cover any transaction between a Group Company and any ATB/Wolong Interested Person that is below S$100,000 in value, as the threshold and aggregation requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

4.2 Types of Transactions under the Scope of the General Mandate

The ATB/Wolong Interested Person Transactions to be covered by the General Mandate would include the following classes of transactions which are entered into during the Group's normal course of business. The General Mandate does not cover any purchase or sale of assets, undertakings or businesses from or to the ATB/Wolong Interested Persons.

(a) Trading of electric motors and components

As the Group Companies and the ATB/Wolong Group each specialise in the manufacture and trading of different categories of electric motors, occasions may arise from time to time where it is necessary for the Group Companies to sell or purchase electric motors and components from the ATB/Wolong Group. Currently, the Group Companies are in the business of trading high voltage and low voltage industrial electric motors whereas the ATB/Wolong Group specialises in the production of electric motors.

The sale and purchase prices for such electric motors and components to be sold or bought from the ATB/Wolong Group are determined by the sales or purchasing departments of the relevant Group Companies on the same bases as if the relevant Group Company were dealing with an unrelated third party.

The Group will benefit from having access to a wide range of electric motors and components at competitive quotes from the ATB/Wolong Group, in addition to obtaining quotes from or transacting with unrelated third parties.

(b) **Production and sub-contracting services**

Transactions in this category of services include the provision of sub-contracting services by companies within the Group to the ATB/Wolong Group at an agreed contracted price for the contract period. As both the ATB/Wolong Group and the Group Companies are in a similar business of producing electric motors, the ATB/Wolong Group may on occasions outsource the production of certain electric motors to a Group Company. Such sub-contracting arrangements would benefit the Group, as it would enable excess production capacities of any Group Company to be utilised more effectively in providing a source of additional income for the Group. The price would be based on a cost-plus-margin formula or on a fixed cost (inclusive of margin) per unit motor or component to be produced during the specific contract period.

(c) **Storage and warehousing of electric motors and components**

Transactions falling within this category are the provision of storage services for electric motors and components to the ATB/Wolong Group by the Group Companies at an agreed storage fee. Such fees are negotiated for the contractual period and are based on the prevailing rental rates for similar storage and warehouse space available on the market.

It is expected that the sharing of storage and warehousing facilities with the ATB/Wolong Group would enable the Group Companies to save on rental costs.

(d) **Receipt of financial assistance**

This category covers transactions between companies within the Group and the ATB/Wolong Interested Persons, which may include (i) the borrowing of money from the ATB/Wolong Interested Persons and (ii) the provision of guarantees, indemnities or security by the ATB/Wolong Interested Persons in favour of the Group's creditors in respect of borrowings which are incurred by the Group. The Group may seek financial assistance from the ATB/Wolong Interested Persons in cases where there are insufficient funds for the Group's operations.

The cost of borrowing will be based on the prevailing rates of interest had the relevant company within the Group borrowed from the market. Commission rates (if any) which are charged by the ATB/Wolong Interested Persons for the provision of such guarantees or indemnities will be benchmarked against commission rates quoted by reputable financial institutions.

As any interest payable by the Group Companies to the ATB/Wolong Interested Persons would be no less favourable than what is offered in the market, the provision of financial assistance by the ATB/Wolong Interested Persons would also allow the Group Companies ready access to funds in an expedient manner to meet the Group Companies' liquidity and working capital needs.

(e) **Management support services**

The Group may, from time to time, receive or provide management and support services from/to the ATB/Wolong Interested Persons in the areas of financial and treasury advice, investment risk review, governmental relations, strategic development, management information systems, internal audit and human resources management and development ("management support services"). By having access to and providing such management support services, the Group will derive operational and financial leverage in its dealings with third parties as well as benefits from the global network of the ATB/Wolong Interested Persons.

5. REVIEW PROCEDURES FOR THE ATB/WOLONG INTERESTED PERSON TRANSACTIONS

To ensure that the ATB/Wolong Interested Person Transactions are conducted on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, as a general practice, the relevant company within the Group will only enter into an ATB/Wolong Interested Person Transaction if the terms offered by/extended to an ATB/Wolong Interested Person are no less/more favourable than terms offered by/extended to unrelated third parties. To this end, the Group will adopt the procedures set out below.

THE APPENDIX

5.1 All ATB/Wolong Interested Person Transactions (except storage and warehousing and financial assistance)

The Company will monitor the ATB/Wolong Interested Person Transactions which are covered by the General Mandate by implementing the following review and approval procedures:

(a) Quotations will be obtained from the relevant ATB/Wolong Interested Person and at least two other similar unrelated third party providers to determine if the price and terms offered by such ATB/Wolong Interested Person are fair and reasonable. In determining if the price and terms offered by the relevant ATB/Wolong Interested Person are fair and reasonable, factors such as (but not limited to) quality, specification compliance, track record, experience and expertise, preferential rates, rebates or discounts accorded for bulk purchases may also be taken into account.

(b) Where it is not possible to obtain quotations from unrelated third parties and in order to determine whether the terms of the transaction with the relevant ATB/Wolong Interested Person are fair and reasonable, the designated approving party will assess whether the pricing and terms of the transaction is in accordance with the Group's usual business practices and pricing policy, the prevailing industry norms and whether they are consistent with the usual margins for the same or substantially similar types of transactions entered into with unrelated third parties. A written recommendation will be submitted to the designated approving parties by the relevant sales or purchasing personnel of the relevant Group Company.

(c) Threshold Limits

Transactions less than €100,000 each in value will be reviewed and approved by the designated management levels in accordance with the Group's procedures on the delegation of authority.

Transactions exceeding €100,000 but less than €300,000 each in value will be reviewed and approved by the Managing Director and the Financial Controller of the relevant company within the Group.

Transactions exceeding €300,000 but less than €1,000,000 each in value will be reviewed and approved by the Group Chief Executive Officer.

Transactions exceeding €1,000,000 each in value will be reviewed and approved by the Audit Committee.

The aforementioned approvals shall be obtained before the transactions are entered into or carried out.

5.2 Storage and warehousing

In relation to storage and warehousing services for electric motors and components, the agreed storage fees should be no less favourable than prevailing rental rates. In the event that market rental rates are not readily available, the relevant company within the Group shall adopt the procedures set out in paragraph 5.1(b).

The threshold limits as set out in paragraph 5.1(c) shall also apply for purposes of reviewing and approving any ATB/Wolong Interested Person Transaction which involves the provision of storage and warehousing services.

5.3 Financial Assistance

In relation to financial assistance, the borrowing of funds from any ATB/Wolong Interested Person should be at rates and on conditions no less favourable than those quoted by a reputable financial institution licensed by the Monetary Authority of Singapore or, in the case of borrowings made by the Group's foreign subsidiaries, at rates quoted by reputable financial institutions located in the relevant foreign jurisdictions.

In relation to the provision of guarantees, indemnities or security by the ATB/Wolong Interested Persons in favour of the Group's creditors, in respect of borrowings which are incurred by the Group, any commission rates (if any) which are chargeable by the ATB/Wolong Interested Persons for the provision of such guarantees or indemnities shall be at rates no less favourable than that quoted by reputable financial institutions.
In cases where, for any reason, information relating to the prevailing interest/commission rates chargeable by such financial institutions is unavailable, the relevant company within the Group shall adopt the procedures set out in paragraph 5.1(b) above.

All financial assistance transactions will be reviewed and approved by the Group Chief Executive Officer. Any financial assistance transaction which exceeds €3,000,000 each in value will be reviewed and approved by the Audit Committee.

5.4 General Administrative Procedures for the ATB/Wolong Interested Person Transactions

The Company will also implement the following administrative procedures in respect of transactions proposed to be entered into with the ATB/Wolong Interested Persons:-

(a) A register will be maintained by each company within the Group to record all ATB/Wolong Interested Person Transactions which are entered into pursuant to the General Mandate. The annual internal audit plan shall incorporate a review of all ATB/Wolong Interested Person Transactions entered into pursuant to the General Mandate.

(b) The person authorised to approve those transactions must not have a direct or indirect interest in the transactions. In instances where the authorised person has a direct or indirect interest in any ATB/Wolong Interested Person Transaction, he/she shall not take part in the approval process for such ATB/Wolong Interested Person Transactions. Such ATB/Wolong Interested Person Transactions shall be subject to the approval of such other non-interested persons who are authorised to approve transactions within that threshold limit or the next higher approving authority who has no direct or indirect interest in such transactions.

(c) On a quarterly basis, the Audit Committee will review all ATB/Wolong Interested Person Transactions.

The managing director and the financial controller of the relevant company within the Group shall submit a declaration form to the Head Office of the Group at the end of each financial quarter, stating that all ATB/Wolong Interested Persons Transactions have been fairly and reasonably executed and are consistent with the guidelines and review procedures for ATB/Wolong Interested Person Transactions. Persons authorised to approve the relevant ATB/Wolong Interested Person Transactions shall also make a declaration when approving the relevant ATB/Wolong Interested Person Transactions, confirming that he/she does not have a direct or indirect interest in the relevant ATB/Wolong Interested Person Transactions.

(d) The Internal Auditor/management of the Company will periodically review the established guidelines and procedures for the ATB/Wolong Interested Person Transactions to ensure compliance. The results of these reviews will be reported to the Audit Committee.

(e) On the basis of these periodic reviews by the Internal Auditor/management and in the event the Audit Committee is of the view that the guidelines and procedures as stated above are not sufficient to ensure that the ATB/Wolong Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the ATB/Wolong Interested Persons.

(f) The Audit Committee has the overall responsibility for determining the review procedures with the authority to delegate to individuals within the Company as they deem appropriate.

For the purpose of the approval process, if any member of the Audit Committee has an interest in a transaction to be reviewed by the Audit Committee, he will abstain from any decision making by the Audit Committee in respect of the transaction. Accordingly, where any member of the Audit Committee has an interest in the transaction to be reviewed by the Audit Committee, the approval of that transaction will be undertaken by the remaining member(s) of the Audit Committee.

6. DISCLOSURE IN ANNUAL REPORT

Disclosure has been made in the section on Interested Person Transactions in this Annual Report of the aggregate value of transactions in excess of S$100,000 conducted with Interested Persons (as described in paragraph 3 of the appendix to this letter) pursuant to the existing General Mandate during the financial year ended 31 December 2018 and disclosure shall be made in the Annual Reports for subsequent financial years that the General Mandate continues in force in accordance with the requirements of Chapter 9.

ANALYSIS OF SHAREHOLDINGS

As at 18 March 2019

BROOK CROMPTON HOLDINGS LTD.
ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2019

Number of shares issued	:	35,458,818
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	798	17.75	49,263	0.14
100 - 1000	2,630	58.51	1,005,166	2.83
1,001 - 10,000	931	20.71	3,073,645	8.67
10,001 - 1,000,000	133	2.96	5,490,930	15.49
1,000,001 AND ABOVE	3	0.07	25,839,814	72.87
TOTAL	**4,495**	**100.00**	**35,458,818**	**100.00**

TWENTY LARGEST SHAREHOLDERS
(as shown in the Depository Register)

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	23,487,443	66.24
2	LIU WENYING	1,239,600	3.50
3	DBS NOMINEES PTE LTD	1,112,771	3.14
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	267,220	0.75
5	OCBC SECURITIES PRIVATE LTD	255,302	0.72
6	PHILLIP SECURITIES PTE LTD	234,127	0.66
7	CHIN MIN KWONG	204,000	0.58
8	CITIBANK NOMINEES SINGAPORE PTE LTD	195,851	0.55
9	TEH CHIN HUAT	178,400	0.50
10	IYER ANJALI SUBRAMANIAN	176,175	0.50
11	LEE HANG SENG	158,000	0.45
12	OCBC NOMINEES SINGAPORE PTE LTD	140,455	0.40
13	GO MEI LIN	129,350	0.36
14	HO SIN CHAN	112,000	0.32
15	KOH BENG LING	107,149	0.30
16	CHAN SEK KEONG	100,000	0.28
17	CHONG SOHHAR HAROLD	100,000	0.28
18	SIM LAI HEE	93,550	0.26
19	SEAH CHYE ANN (XIE CAI'AN)	89,100	0.25
20	HO SIOK HWA EILEEN	87,350	0.25
	TOTAL	**28,467,843**	**80.29**

ANALYSIS OF SHAREHOLDINGS

As at 18 March 2019

Register of Substantial Shareholders as at 18 March 2019

Name	DIRECT INTERESTS		DEEMED INTERESTS	
	No. of Shares	%	No. of Shares	%
ATB Austria Antriebstechnik AG	-	0.00%	23,439,519[1]	66.10
Wolong Investments Gmbh	-	0.00%	23,439,519[2]	66.10
Wolong Holding Group Gmbh	-	0.00%	23,439,519[3]	66.10
Hongkong Wolong Holding Group Co Ltd	-	0.00%	23,439,519[4]	66.10
Wolong Electric Group Co Ltd	-	0.00%	23,439,519[5]	66.10
Zhejiang Wolong Shunyu Investment Co. Ltd	-	0.00%	23,439,519[6]	66.10
Wolong Holding Group Co Ltd	-	0.00%	23,439,519[7]	66.10
Chen Jiancheng	-	0.00%	23,439,519[8]	66.10
Chen Yanni	-	0.00%	23,439,519[9]	66.10
Pang Xinyuan	-	0.00%	23,439,519[10]	66.10

Note :

(1) ATB Austria Antriebstechnik AG's ("ATB") interest in the 23,439,519 shares were held under the name of nominees - CGS-CIMB Securities (Singapore) Pte Ltd.

(2) Wolong Investments Gmbh (Wolong Investments) holds 100% shares in ATB and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Companies Act, Cap. 50. ("the Act").

(3) Wolong Holding Group Gmbh ("Wolong Holding") is the sole shareholder of Wolong Investments and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(4) Hongkong Wolong Holding Group Co Ltd ("Hongkong Wolong") is the sole shareholder of Wolong Holding and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(5) Wolong Electric Group Co Ltd ("Wolong Electric") is the sole shareholder of HongKong Wolong and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(6) Zhejiang Wolong Shunyu Investment Co. Ltd ("Zhejiang Wolong Shunyu") holds 32.69% shares in Wolong Electric and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(7) Wolong Holding Group Co Ltd ("WHGCL") is the sole shareholder of Zhejiang Wolong Shunyu and holds 12.96% shares in Wolong Electric, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(8) Chen Jiancheng holds 48.93% equity interest in WHGCL, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(9) Chen Yanni holds 38.73% equity interest in WHGCL, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

(10) Pang Xinyuan is spouse of Chen Yanni and son-in-law of Chen Jiancheng, and is therefore deemed to be interested in the shares held by ATB by virtue of Section 7(4) of the Act.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 18 March 2019, 33.87% of the issued capital of the Company was held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 71st Annual General Meeting of Brook Crompton Holdings Ltd. (the "Company") will be held at Amara Hotel, Connection 3, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on Thursday, 25 April 2019 at 9.30am to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and the Directors' Statement and Auditors' Report for the financial year ended 31 December 2018. **(Resolution 1)**

2. To declare a final tax exempt one-tier dividend of 2.0 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the payment of Directors' fees of up to S$100,000 for the financial year ending 31 December 2019 (31 December 2018: S$100,000). **(Resolution 3)**

4. To re-elect Mr Chao Mun Leong, retiring pursuant to Article 104 of the Company's Constitution. **(Resolution 4)**

   Mr Chao will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

5. To record the retirement of Mr Richard Macindoe Eason who is retiring pursuant to Article 108 of the Constitution of the Company.

6. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolutions with or without modifications:-

8. APPROVAL OF THE RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

"That :

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in the Appendix to the Company's letter to shareholders dated 10 April 2019 (the "Letter"), with any party who is of the Classes of Interested Persons described in the Appendix to the Letter, provided that such transactions are carried out in the ordinary course of business and on normal commercial terms and in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Appendix to the Letter (the "General Mandate");

(b) such General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(c) the Directors of the Company be and are 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 General Mandate and/or this Resolution". (See Explanatory Note) **(Resolution 6)**

BY ORDER OF THE BOARD

Ang Siew Koon
Company Secretary
Singapore, 10 April 2019

Explanatory Note:-

Resolution 6 is to renew effective up to the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by the Company in general meeting) the General Mandate to enable the Company, its subsidiaries and associated companies that are considered to be "entities at risk" to enter, in the ordinary course of business, into the types of mandated transactions with specific classes of the Company's interested persons. The General Mandate which was previously approved by shareholders at the Annual General Meeting of the Company held on 19 April 2018 will be expiring at the forthcoming 71st Annual General Meeting. Particulars of the General Mandate and the Audit Committee's confirmation (pursuant to Rule 920(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited) in respect of the proposed renewal of the General Mandate, are contained in the Company's letter to shareholders dated 10 April 2019.

Books Closure Date and Payment Date for Final Dividend

Subject to the approval of the shareholders at this AGM, the Share Transfer Books and Register of Members of the Company will be closed on 22 May 2019 ("**Book Closure Date**") for the purpose of determining Shareholders' entitlement to the dividend ("**Dividend**").

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) of 80 Robinson Road, #02-00, Singapore 068898, up to 5.00 p.m. on 21 May 2019 will be registered to determine shareholders' entitlement to the Dividend. In respect of the shares in the securities accounts with The Central Depository (Pte) Limited ("**CDP**"), the Dividend will be paid by the Company to CDP which will distribute the Dividend to holders of the securities accounts.

The final dividend, if approved by the shareholders at the AGM, will be paid on 31 May 2019.

Notes:

1. A member who is not a relevant intermediary may appoint not more than two proxies to attend and vote at the Meeting.

2. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy, failing which, the first named proxy may be treated as representing 100% of the shareholding and the second name proxy as an alternate to the first named.

3. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act Chapter 289 of Singapore who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. A proxy need not be a member of the Company.

5. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

6. The instrument appointing a proxy must be deposited at the registered office of the Company at 19 Keppel Road, #08-01 Jit Poh Building, Singapore 089058 not later than 48 hours before the time appointed for the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) or proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company(or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty."

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Chao Mun Leong is the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 April 2019 ("**AGM**") (a "**Retiring Directo**r").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR CHAO MUN LEONG
Date of Appointment	01 July 2016
Date of last re-appointment	27 April 2017
Age	65
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Chao Mun Leong for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Chao Mun Leong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.
Professional qualifications	1. Graduate in Polymer Technology - Singapore Polytechnic 1976 2. Diploma in Business Administration 1990
Working experience and occupation(s) during the past 10 years	1. Managing Director - Profit Velocity Solutions USA. 2012 to current 2. VP - Global Sales and Marketing, Walsin Technology Corporation, Taiwan. 2004-2012.
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHAO MUN LEONG
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	Independent Director of Profit Velocity Solutions Pte Ltd. CAYTECH International LLP - Partner
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
c) Whether there is any unsatisfied judgment against him?	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHAO MUN LEONG
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHAO MUN LEONG
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR CHAO MUN LEONG
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Disclosure applicable to the appointment of Director only	
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.

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

PROXY FORM

IMPORTANT
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

*I/We____ (Name) NRIC/Passport No.____

of____(Address)
being * a member/members of Brook Crompton Holdings Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing him, Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, at the 71st Annual General Meeting of the Company to be held at Amara Hotel, Connection 3, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on Thursday, 25 April 2019 at 9.30am and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements and the Directors' Statement and Auditors' Report for the financial year ended 31 December 2018.		
2.	To approve the final tax exempt one-tier dividend of 2.0 Singapore cents per ordinary share for the financial year ended 31 December 2018.		
3.	To approve the payment of Directors' fees of up to S$100,000 for the financial year ending 31 December 2019.		
4.	To re-elect Mr Chao Mun Leong as a Director.		
5.	To re-appoint Messrs BDO LLP as Auditors.		
6.	To approve the renewal of the General Mandate for interested person transactions.		

Dated this ________day of ____________________ 2019

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal
** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 19 Keppel Road, #08-01 Jit Poh Building, Singapore 089058 not later than 48 hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

AFFIX
STAMP

The Company Secretary
BROOK CROMPTON HOLDINGS LTD.
19 Keppel Road
#08-01 Jit Poh Building
Singapore 089058

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) or proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company(or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty."

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BROOK
CROMPTON
a WOLONG company

BROOK CROMPTON HOLDINGS LTD.
CO. REG. NO: 194700172G

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#08-01, Jit Poh Building
Singapore 089058