BROOK CROMPTON HOLDINGS LTD.

(the “Company”)
(Co. Reg. No. 194700172G)
(Incorporated in the Republic of Singapore)

RESPONSE TO SHAREHOLDERS’ QUESTIONS ON THE COMPANY’S ANNUAL REPORT 2021

Brook Crompton Holdings Ltd. ("BCHL" or the "Company" and together with its subsidiaries, the "Group") would like to thank Shareholders and the Securities Investors Association (Singapore) for submitting their questions on the Company’s Annual Report 2021 in advance of the Annual General Meeting ("AGM") which will be held by way of electronic means on 28 April 2022 at 3.00 p.m. (Singapore time).

As there were substantial overlaps in the questions received, we have, for shareholders' ease of reference summarised and grouped together some questions and provided consolidated responses. The Company wishes to seek Shareholders' kind understanding that the Company is unable to disclose certain information in its response to the questions due to the sensitive nature of the information.

The Company’s response to the substantial and relevant questions on the Company’s Annual Report 2021 are set out in the Appendix to this announcement.

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

Pang Xinyuan
Non-Independent Non-Executive Chairman

22 April 2022

APPENDIX

1. **With regards to increasing inventory levels that has contributed to better margins (e.g. in US where there are shortages in motors), what is the right level of inventory for the company?**

   With current supply chain issue, the Company needs to keep a least six months buffer stocks to meet the demand of the customers in North America.

2. **How will rising costs of motors affect the company? How does the company maintain its margin? (i.e. can the costs be fully passed to its customers?)**

   The sudden increased costs of motors will affect the existing sales orders of the Company. However, the Company managed to transfer the costs increased to the customers by increasing the selling price to the customers, to maintain the margin of the Company.

3. **Share buyback, company is trading way below its NAV, could the company consider a share buyback programme to address this issue of undervaluation. Buying shares at below NAV is accretive to the company.**

   At the moment, no share buyback plan for the Company. As the Company needs cash flow for strategic investment in new markets and acquisitions to facilitate its business expansion.

4. **Could the company consider adopting a dividend policy and perhaps paying a slightly higher dividend of say 3-5c?**

   The Company currently does not have a formal dividend policy. The form, frequency and amount of future dividends on our shares will depend on our cash and retained earnings, expected and actual future earnings, working capital requirements, general financing conditions, projected levels of capital expenditure and other investment plans, restrictions on payments of dividends imposed on the Company by the financial arrangements (if any) as well as general business conditions and other factors as the Board may, in their absolute discretion, deem appropriate.

5. **Thanks to Board and management for a good set of results. really appreciate the hard work of everyone in the company to sail through another year of challenges**

   (i) **Profit margins have yet to recover from pre-pandemic levels despite a larger top line. Can the group highlight the laggard operation(s)/division(s) and discuss plans to address the business profitability?**

   Main impact on profit margins is not related to the pandemic, but a change in product mix as a result of the pre-pandemic depression in oil, gas and coal prices which have been affecting what was formerly the Group's highest margin customers in the UK and Canada.

There has been a recent recovery and new investment in these industry segments, which together with the introduction of new product lines with a lower cost base will enable the Group to have the potential to achieve growth in revenue and gross margin %. These product lines will also enable the Group to enter new geographical regions.

(ii) Are product prices lowered to drive increased sales?

Product prices are not lowered to drive increased sales, however with the significant reduction in volume in the oil and gas industry over the past years, in order to sustain its revenue the Group has entered markets with higher volumes and lower unit cost.

(iii) Can the group protect its pricing power going forward? The group has a substantial amount of cash on its balance sheet. What is the opportunity cost of capital the group attaches to this cash, and how does the group weigh expansion options via organic growth vs strategic acquisitions?

The demand for motors and challenges in the raw material supply chain for manufacturers will allow the Group to maintain its pricing power in its core markets. The introduction of alternative products to specific markets will also support this.

The Group takes a balance approach to organic growth strategic investment in new markets and acquisitions to facilitate its expansion. The Group will continue to review and considered certain acquisition opportunities, and if deemed to be an appropriate use of the assets (cash and human resources) manageable, then the Group would proceed with acquisitions. Organic growth and strategic investments in inventory and sales locations in new geographical regions can have an advantage In the Group's expertise can be leveraged with the minimum human resource input, limiting the risk.

(iv) Can the group provide a breakdown of how it intends to deploy the cash reserves it currently has into growth opportunities/working capital?

The Group has a core focus to build its distribution network into targeted markets, through strategic investment, and acquisition. This requires cash investment into systems, inventory, human resources, and marketing. The Group does not feel that a detailed breakdown of the deployment of this cash reserve would be appropriate to share currently.

(v) Can the group discuss the rationale for expansion into the Oceania/Italy regions instead of focusing on optimizing the core BCUK business? Is there any reason to believe these expansion efforts will prove fruitful? Can the group discuss the product quality issues that surfaced in the HFY statement?

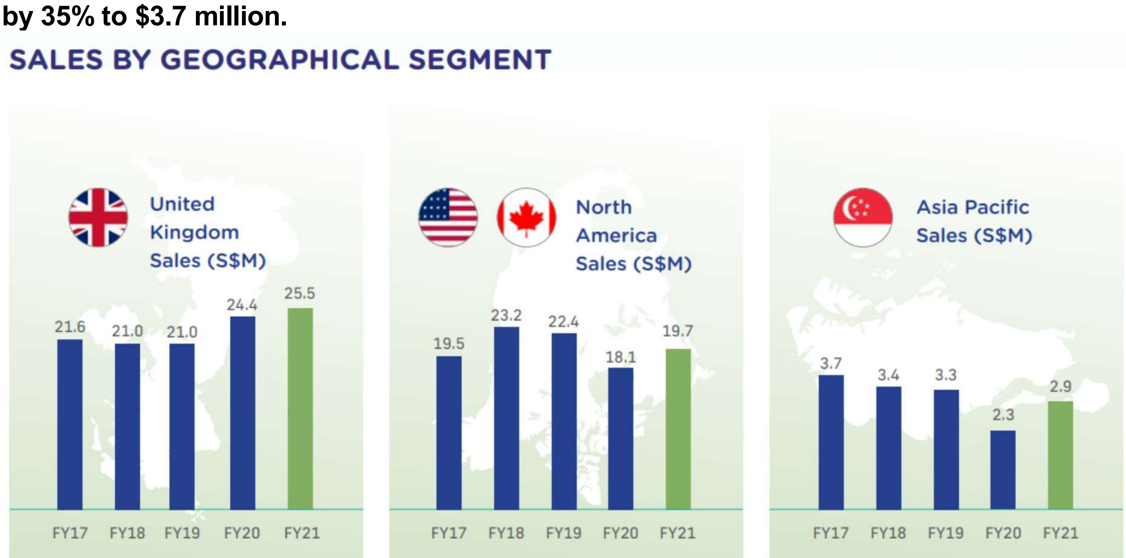
The Group continues to optimise all of its business units including BCUK with for instance investment into operational systems and the team. The UK market, whilst important for BCUK, is a market that has contracted substantially over the past years, according to independent researchers by as much as 30% since 2015 meaning that ongoing optimisation in BCUK has been required to sustain the Group's position.

The impact of Brexit has increased the time required and the costs involved to export into the EU and MENA regions from UK stock. In order to achieve growth globally, the Group has investigated markets where its brands are recognised, the Group has an installed base and market conditions allow potential for growth. With Australia and Italy, circumstances within the Wolong Electric Group also presented the BCH Group the opportunity to enter these markets with a wider product portfolio than would have been possible in other countries. The Company has invested in competent management for these operations with relevant market experience in order to maximise the chances of success.

The product quality issues mentioned in the HFY statement referred to a single item sold in high volume for a specific application. Prompt action by the Group with good support from both the manufacturing unit, and the customer have enabled the Group to manage this challenge with limited impact. The issue is now resolved to the satisfaction of all parties.

QUESTIONS RAISED BY SIAS:

6. **Q1. For the financial year ended 31 December 2021, revenue increase to $48.1 million, the highest in past 6 years. Despite the pandemic, all geographical segments showed healthy increases in sales. Profit before income tax increased by 35% to $3.7 million.**



(Source: company annual report)

(i) **Can management help shareholders understand the strategic importance of the expansion to the EU (Italy) and Australia? What is the expected capital expenditure for the new warehouses?**

Both Italy and Australia were formerly important markets for BC. In Italy, a change of strategy from the Group's master distributor and a strategic agreement with the Wolong Electric Group on the handling of warehoused products presented the Group with the opportunity to setup its own distribution warehouse and address directly a number of existing customers and to develop new customers.

This was not possible to handle from BC UK due the post Brexit commercial complications. BC Italy will enable BC to continue its sales in the EU countries.
In Australia, the Group had been presented with a significant number of opportunities by service partners, distributors, and OEMs to maintain its installed base, and to supply new product. Lack of local presence, specifically inventory and customer facing expertise were identified as being significant block to the development of this business. Initial inventory level in the warehouses will be in the order of US$ 2.5 million total for Italy and Australia combined.

(ii) What is the impact on the group's operations and profitability from the increasingly high freight rates and the shipping delays? How much of the cost increases can be passed on to the customers?

The majority of the cost increases can be passed on to the customers, however there is some time lag in achieving this as orders placed at pre-increased rates are processed through the system, and the recovery takes place on new orders. This is normal in a cycle of increasing costs, and the converse happens in a cycle of falling costs.

The shipping delays have also had an impact resulting in "stock outs" of certain items from time to time in all sales entities, and therefore lost sales, or delayed sales. The Groups strong inventory position has had a smoothing effect on the impact of these challenges.

(iii) In addition, how cost-competitive are the new suppliers in Eastern Europe? How does the group maintain its product quality and quality assurance? Have the new suppliers been qualified by the group to meet the group's high standards?

The Eastern Europe suppliers are cost effective.
The Group has selected suppliers with audited quality systems and appropriate accreditation who can supply products to the Groups' specific technical requirements. Product samples have been audited by the Group, and the all manufacturing facilities visited and inspected by the Group. Ongoing reviews will be made of products.

(iv) Can management also help shareholders understand the opportunities in the electric vehicle industries, if any? With the recovery in oil and gas prices and coal prices, what are the opportunities for the group?

Brook Crompton does not have a product range suitable for the electric vehicle industry. The demands of the automotive manufacturers are such that BC would not be in a position to realistically develop these products. Wolong Electric Group has a specific division and a joint venture business focused on this and is better placed than BC to address this market.

The recovery in the oil and has market presents significant opportunities for the Group which has established plans for investment and growth in this market segment leveraging its position as an approved vendor to the majority of key players in this industry.

(v) **Has the board determined the group's optimal capital structure? Cash and cash equivalents increased by 10% to $21.2 million mainly resulting from net cash generation from operating activities. Did the board consider a special dividend/capital reduction to right-size its balance sheet?**

The Board has made due consideration of various options for the use of its cash to optimize the returns from the investments. The Group currently does not have a formal dividend policy. The form, frequency and amount of future dividends on our shares will depend on our cash and retained earnings, expected and actual future earnings, working capital requirements, general financing conditions, projected levels of capital expenditure and other investment plans, restrictions on payments of dividends imposed on the Group by the financial arrangements (if any) as well as general business conditions and other factors as the Board may, in their absolute discretion, deem appropriate.

7. **One of the independent directors of the board, Mr Chao Mun Leong, has 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 of WEG.**

Mr Chao Mun Leong was first appointed to the board on 1 July 2016 and has been engaged by WEG since April 2018.

(i) **Can Mr Chao Mun Leong help shareholders understand if his advisor role to the CEO of WEG was the result of his service as a director on the board?**

Mr. Chao has extensive working experience in the electronic industry having worked and participated in projects with a number of multi-national corporations such as General Electric, Varta Batteries, Philips Components and Vishay Inc, including his previous role as Senior VP managing a global sales organisation with revenue of US$800 million in a semiconductor corporation in Taiwan. Because of his vast experience in the electronic industry that earned him the advisor role to the CEO of WEG who wanted to tap on his expertise.

(ii) **Did the NC evaluate the relative size of the director fees ($50,000) and the advisory fees? Are there concerns that the director's independent judgment may be impaired if the advisory fees are relatively sizeable and potentially multiple times larger than the director fees?**

The type of advisory services Mr Chao Mun Leong provides to WEG includes the following:

a. Development of international sales strategies for aggressive growth;
b. Sales organization and structure realignment;
c. Redefining global key account management;
d. Developing global distribution strategies;
e. Developing and implementing sales training program for key talents; and
f. Introducing international sales contract and agreement policy.

The NC has noted that the advisory fee is larger than the director's fee of S$50,000 per annum. However, the advisory fee received from WEG covers a much wider and comprehensive scope of works for Wolong Global sales organisation (with sales revenue approximately US$2 billion), that has no direct relation and influence on his role as independent director of the Company. The NC, save for Mr Chao, had evaluated Mr Chao's performance on the Board and Board Committees, and had observed that he had at all times discharged his duties with professionalism and objectivity, and had constantly challenged management's proposals in a constructive manner. The NC, save for Mr Chao, had therefore concluded that Mr Chao is capable of exercising independent judgement on the affairs of the Company and making decisions in the best interest of the Company. The Board, save for Mr Chao, had concurred with the NC's view on Mr Chao's independence.

(iii) Would Mr Chao Mun Leong, as a director of the company, be put in a position where he is always at risk of self-review?

Mr Chao has always abstained from discussion, deliberation and voting on matters that concern him. There being 3 members on the Board Committees and the Board, matters concerning Mr Chao would be decided by the other two directors.

(iv) In addition, would his effectiveness as a check on management be severely impaired?

The NC, save for Mr Chao, had evaluated Mr Chao's performance on the Board and Board Committees and had opined that his effectiveness as a check on management had not been in any way impaired by his advisory role to the CEO of WEG. The Board, save for Mr Chao, had concurred with the NC's view on this assessment.

(v) Has the NC considered re-designating Mr Chao Mun Leong as non-independent non-executive director?

Mr Chao had declared his independence annually via a prescribed declaration form and had confirmed that he met the criteria of independence as set out in the SGX mainboard listing rules 210(5)(d) and Provision 2.1 of the Code of Corporate Governance 2018. As mentioned in our response to questions 7(ii) and (iv) above, the NC save for Mr Chao had also assessed Mr Chao's independence and had concluded that he is capable of exercising independent judgment and making decisions in the interest of the Company. The Board, save for Mr Chao, had concurred with the NC's assessment in that Mr Chao is independent. The NC has not considered re-designating Mr Chao as a non-independent non-executive director.

8. **The group's internal audit function has been outsourced to Yang Lee & Associates (IA). The internal audit function is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors. The internal audit team, 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 audit committee (AC). The IA reports directly to the chairman of the AC on all internal audit matters.**

The AC is satisfied that the internal audit function was effective, adequately resourced, staffed by qualified and experienced personnel, and independent of the activities it audits, with appropriate standing within the company.

(i) **What was the scope of the internal audit plan?**

For financial year ("FY") ended 31 December 2021 ("FY 2021"), an internal audit was performed on the key operating cycles of Brook Crompton USA, Inc and Brook Crompton Limited, the Group's key operating subsidiaries in the United States of America and Canada.

(ii) **Were all the major operating subsidiaries (including all the foreign entities) included in the internal audit?**

A 3-year internal audit rotational plan, commencing from FY 2019 ("FY 2019 IA rotational plan"), was set up to cover the Group's key operating entities. Besides the entities covered in FY 2021 as mentioned above, other entities covered under the FY 2019 IA rotational plan were Brook Crompton Holdings Ltd and Brook Crompton Asia Pacific Pte Ltd (based in Singapore) in FY 2019 and Brook Crompton UK Limited (based in United Kingdom) in FY 2020. The FY 2019 IA rotational plan covered the key operating entities (including key foreign entities) of the Group.

(iii) **How were the scope and the effectiveness of the IA affected by the COVID-19 related measures, such as remote working and closure of national borders?**

Due to the serious pandemic situation in North America, the Audit Committee approved an off-site arrangement for the internal audit of FY 2021. Accordingly, the IA conducted its internal audit by using technological tools such as virtual meeting software, emails and telecommunication devices. The Audit Committee approved the off-site review in FY 2021 out of practical considerations although on-site reviews are preferred. The Audit Committee also noted that the IA did not raise any significant unresolved issue or scope limitation during its meeting with the IA. Going forward, on-site reviews will be arranged where practicable.

(iv) **What were the key findings and recommendations by the IA?**

For the internal audit of FY 2021 on Brook Crompton USA, Inc and Brook Crompton Limited, key findings and recommendations made included segregation of duties for credit control function, restrict access to IT system, formalisation of delegation of authority, policies and procedures.