

Issuer: Brook Crompton Holdings Ltd.

Security: Brook Crompton Holdings Ltd.

Meeting details:

Date: 19 April 2018

Time: 9.30 a.m.

Venue: 10 Anson

Road, #36-05A, International Plaza, Singapore 079903

Company Description

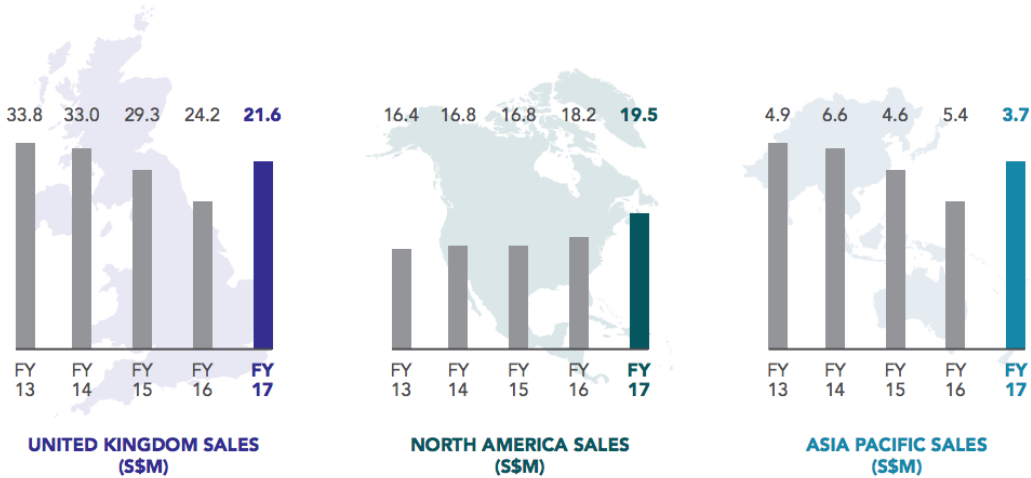
Brook Crompton Holdings Ltd., an investment holding company, distributes electric motors. The company offers driving fans, pumps, compressors, conveyors, and other products under the Brook Crompton brand. It serves marine, mining, oil and gas, heating, ventilation, and air conditioning sectors in Singapore, the Asia-Pacific, the United Kingdom, North America, Europe, the Middle East, and internationally. The company was formerly known as Lindeteves-Jacoberg Limited and changed its name to Brook Crompton Holdings Ltd. in April 2016. Brook Crompton Holdings Ltd. was incorporated in 1947 and is based in Singapore. Brook Crompton Holdings Ltd. is a subsidiary of ATB Austria Antriebstechnik AG.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AWC)

1. As noted in the Chairman and CEO Statement (page 5 of the annual report), Brook Crompton UK Limited (“BCUK”) which contributes almost 50% of the group’s revenue was affected a slower economy and the loss of customers from the United Kingdom. While the Brook Crompton North America (“BCNA”) has showed some improvement, the Asia Pacific subsidiary, Brook Crompton Asia Pacific Pte Ltd (“BCAP”), was said to have been resilient to the global economy slow down.

The Five-year historical breakdown of revenue by region is shown on page 2, and is reproduced below:

SALES BY GEOGRAPHICAL SEGMENT



(Source: Company annual report)

- (i) **Would the company and the board consider updating the charts so that the bars are drawn to scale and show the actual relative performance year-on-year?**
- (ii) **With regard to the group’s largest market, can management elaborate further on the impact of Brexit and if the exit of major OEM customers from the UK was a result of that?**
- (iii) **Sales from Asia Pacific remain low and account for approximately 8% of the group’s total revenue. Given that Asia is the manufacturing hub of the world and that it is growing at a relatively healthy pace, why is the group not able to grow Asia Pacific sales faster?**

2. The group’s gross profit margin in the past three years is calculated and shown in the table below:

	2015 \$'000	2016 \$'000	2017 \$'000
Revenue	50,764	47,806	44,865
Cost of sales	(32,905)	(31,582)	(30,070)
Gross profit	17,859	16,224	14,795
Gross profit margin	35.2%	33.9%	33.0%

- (i) **What are management’s plans to stop and reverse the slide in the gross profit margin of the group?**

- (ii) **As a distributor of electric motors, how does the group differentiate itself from other OEM suppliers which compete based on price?**
- (iii) **What kinds of modification services and value-add products are offered to customers?**
- (iv) **Going forward, what is the impact on the net profit margin of BCUK due to the full utilisation of tax credits? And how will BCNA benefit from the tax cuts in the US?**

3. The company is seeking shareholders' approval of the proposed renewal of the General mandate for interested person transactions (Resolution 7) at the Annual General Meeting to be held on 19 April 2018.

As disclosed in the Appendix to the Letter to Shareholders dated 4 April 2018, the review procedures for the ATB/Wolong Interested Person Transactions have the following threshold limits and approval authority:

Transaction value	Approval authority
Transactions less than €100,000 each in value	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	Managing Director and the Financial Controller
Transactions exceeding €300,000 but less than €1,000,000 each in value	Group Chief Executive Officer
Transactions exceeding €1,000,000 each in value	Audit Committee

As shown in the Corporate Governance Report, the aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 amounted to \$26.8 million in FY2017 and \$26.0 million in FY2016.

Given the review procedures as shown in the table above, can the audit committee (AC) help shareholders understand how many transactions (and their total value) were reviewed by the AC itself?