



Securities Investors Association (Singapore)

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Issuer: Brook Crompton Holdings Ltd

Security: Brook Crompton Holdings Ltd

Meeting details:

Date: 25 April 2019

Time: 9.30 a.m.

Venue: Amara Hotel, Connection 3, Level 3, 165 Tanjong Pagar Road, Singapore 088539

Company Description

Brook Crompton Holdings Ltd, formerly Lindeteves-Jacoberg Limited, is a Singapore-based company engaged in the distribution of electric motors. The principal activities of the Company consist of investment holding and provision of management services to its subsidiaries. The Company's segments include Asia Pacific, United Kingdom and North America. The Company's subsidiaries are engaged in the distribution of electric motors. The Company offers products that are deployed in sectors ranging from marine, mining, and oil and gas to heating, ventilation, air conditioning (HVAC). Under its Brook Crompton brand, the Company's subsidiary, 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.

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

1. In the chairman and CEO statement, it was mentioned that the group is poised for growth with new innovative products and a wider inventory range to support new industries. The group is also venturing outside its core markets to acquire new customers.

The group serves or is trying to penetrate a variety of industries and sectors such as, fire suppression systems, recycling, emissions control, HVAC, the winter sports industry, the recreational swimming market, petrochemical, water and wastewater and infrastructure. In Asia, the group is also making in-roads to reach out to water and irrigation markets where motors are required to run 24/7.

The group operates in the four main regions (United Kingdom, Canada, USA and Asia) through its four subsidiaries.

- (i) Can the board/management help shareholders understand how much coordination is there between the operating subsidiaries? How much synergy is there among the four operating subsidiaries?**
- (ii) What is the strategy to acquire customers in the new industries?**
- (iii) How much innovation/R&D does the group carry out to customise or to configure the products for different applications/customers?**

2. The directors have declared a final tax-exempt cash dividend of \$0.02 per share for the financial year ended 31 December 2018, totaling \$709,000.

This was a drop from the dividend of \$0.05 per share for FY2017, for a total of \$1.77 million.

As disclosed in the Corporate governance report, 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 such as the directors may deem appropriate.

It is observed that the net cash from operating activities remained strong at \$4.7 million (2017: \$6.9 million) and cash and cash equivalent amounted to \$15.39 million as at 31 December 2018, the highest level in 5 years.

The strong financial position of the group is shown in the summary below:

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

(Source: Company annual report)

- (i) **Would the board help shareholders understand if the group is making sufficient investment to keep up with technology and perhaps to automate its manufacturing?**
- (ii) **What are the major capital investments in the next 1-2 years?**
- (iii) **Would the board help shareholders understand the reason for the drop in dividend?**
- (iv) **Would the board consider it opportune to consider a dividend policy for the group?** This can be a signal to the market that the company is in a strong financial position and is making sustainable progress.

3. The group experienced some changes in the key management team and in the board during the financial year.

In April 2018, Ms Chen Yingzhu resigned as the CEO and was re-designated from executive director to non-independent non-executive director. Ms Chen subsequently resigned as a non-independent non-executive director on 16 July 2018 as part of management restructuring to focus on distribution sales and customer services of the ultimate holding company.

- (i) **Can the board help shareholders understand if there has been a restructuring at the holding company and how has the group been affected?**
- (ii) **What is the support and commitment provided to the group by the ultimate holding company?**

In addition, Mr Richard Eason was appointed as CEO on 23 April 2018 and as executive director and a member of nominating committee on 16 July 2018.

As Mr Richard Eason has no prior experience as a director of a listed company, the company has announced that Mr Eason will attend the appropriate training to help him understand the roles and responsibilities of a director of a listed company.

(iii) With his appointment approximately nine months ago, has the company/Mr Eason found an appropriate time to schedule the relevant training?

In the financial year, there were changes to the key management team, as follows:

- Cessation of Mr Simon Chung as VP of Finance and Operations for Brook Compton Ltd and Brook Compton USA Inc with effect from 3 August 2018
- The promotion of Mr Randy Connolly from Vice President (VP), Sales for Brook Compton North America (BCNA) to General Manager and Director of BCNA with effect from 27 February 2018
- Appointment of Ms Shavy Kwan Wei Yee as the Finance and Administration Manager of the Company with effect from 1 November 2017
- Resignation of Ms Chin Yeen Vine as Finance and Administration Manager of the Company with effect from 30 November 2017

(iv) Is the group looking for a replacement for the VP of Finance and Operations?

(v) Is the board satisfied that the necessary resources, especially human resources, are in place for the company to meet its objectives of enhancing long-term shareholders' value?

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Brook%20Crompton%20Holdings%20Ltd&cid=6557,4522>

The company's response could be found here: -----