Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Broadway Industrial Group Limited

Stock code: B69

Meeting details:
Date: 24 Apr 2025
Time: 10.30 a.m.
Venue: Holiday Inn Singapore Atrium, 317 Outram Road, Singapore 169075

Q1. As disclosed in the chairman and CEO's message, following a share purchase agreement and a mandatory cash offer, Taiwan-listed Patec Group acquired 93.05% of the issued shares of the company at the close of the offer on 24 December 2024.

As at 21 March 2025 (latest practicable date), the new controlling shareholders had further increased its stake to 95.69% (437,397,212 shares). Accordingly, only 4.31% of shares are now held by public shareholders, and the company no longer meets the SGX's free float requirement for trading.

(i) **What is the ongoing level of engagement between the independent directors and the offeror, given that the company is suspended from trading and the free float is below the 10% threshold required under SGX Rule?**

It is noted that the independent financial adviser (IFA) opined that the offer was not fair but reasonable [1]. Despite this, the independent directors concurred with the IFA and recommended shareholders to accept the offer, one which was deemed "not fair".

(ii) **What was the basis of the independent directors' recommendation? What independent analysis, if any, was undertaken beyond the IFA's opinion to safeguard minority shareholders' interests?**

(iii) **What is the role of the independent directors in ensuring timely compliance with Rule 724(2), and what specific actions have they proposed?**

(iv) **Given the new controlling shareholder's stated intention to make the company a wholly owned subsidiary, how are the independent directors safeguarding the rights and interests of the 660+ minority shareholders who continue to believe in the company's prospects?**

[1] https://links.sgx.com/FileOpen/BIGL%20-%20Circular.ashx?App=Announcement&FileID=826035

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Q2. For the financial year ended 31 December 2024, the group achieved strong revenue growth of 36.2%, rising from $258.7 million to $352.2 million. Management has attributed this to robust demand in the enterprise HDD segment. The strong underlying demand in traditional services, advertising, e-commerce and emerging GenAI-related applications fuelled this growth.

Net profit after tax increased from $2.9 million in FY2023 to $11.8 million in FY2024. The top customer in the HDD segment accounted for 93% of the group's total revenue (2023: 92%).

(i) **What was the average utilisation rate of the group's manufacturing facilities across China, Thailand and Vietnam in FY2024?**

(ii) **To what extent does the group have forward visibility into the ordering patterns or volume commitments from its key customer in the HDD segment? Is there a formal supply agreement or indicative forecasts provided?**

(iii) **With operations spanning China, Thailand, and Vietnam, how does the board assess the group's exposure to geopolitical risks such as rising tariffs, US-China tech tensions, or localisation pressures?**

The precision engineering segment commenced mass production and shipment in FY2024 after securing several major customer qualifications.

(iv) **Is the segment now strongly positioned for exponential growth, and does it have the potential to deliver superior margins compared to the HDD segment?**

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Q3. The sale of the Shenzhen property has been discussed by management as a way to unlock value for shareholders.

(i) **Has the board or management taken any concrete steps in recent months to monetise the Shenzhen property? What specific actions are being pursued to ensure that all shareholders, including minorities, are able to realise this value—especially given the controlling shareholder's stated intention to acquire all remaining shares and delist the company?**

Separately, the company did not declare a final dividend for FY2024, citing the need to conserve cash for ongoing operations and future growth. It is noted that the group generated operating healthy cash flows, while increasing secured bank loans from $3.9 million to $10.5 million as at 31 Decemeber 2024. Cash and cash equivalents rose marginally to $34.1 million.

(ii) **What were the board's deliberations in deciding not to declare a final dividend for FY2024? Given the company's dividend policy of distributing approximately 30% of annual net attributable profit—subject to funding requirements for M&A and capex—how does the board justify the deviation?**

(iii) **Given the group's strong financial position, would the non-declaration of the FY2024 final dividend be perceived as an attempt to frustrate shareholders who chose not to accept the offer by Patec?**

(iv) **What are the group's major capital expenditure plans over the next 18 to 24 months? Has the board considered how the company can balance returning capital to shareholders through dividends while funding strategic growth initiatives?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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