



**BROADWAY INDUSTRIAL GROUP LIMITED**  
(Company Registration Number: 199405266K)  
(Incorporated in Singapore)

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## PROPOSED JOINT VENTURE IN THE REPUBLIC OF KOREA

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### 1. INTRODUCTION

- 1.1 We refer to the announcement by the board of directors ("**Board**" or "**Directors**") of Broadway Industrial Group Limited ("**Company**" and together with its subsidiaries, the "**Group**") dated 2 September 2022 (the "**2 September 2022 Announcement**") in relation to, *inter alia*, the Company's wholly-owned subsidiary, BIGL Asia Pte. Ltd. ("**BIGL Asia**"), entering into a non-binding memorandum of understanding with ZIIU Corporation Co., Ltd. ("**ZIIU**") and its two (2) founders (the "**MOU**"), in relation to the proposed setting up of new operations in the Republic of Korea and Vietnam (the "**ZIIU Proposed Joint Venture**").
- 1.2 Further to the 2 September Announcement, the MOU had lapsed and there is no obligation on BIGL Asia to proceed with the ZIIU Proposed Joint Venture.
- 1.3 Following the lapse of the MOU, the Board would like to further update shareholders that BIGL Asia has on 11 November 2022 entered into a shareholders' agreement (the "**SHA**") with HSMJ Co., Ltd. ("**HSMJ**") (BIGL Asia and HSMJ are referred to herein collectively as the "**Parties**"), pursuant to which the Parties have agreed to, *inter alia*, (a) incorporate a joint venture company under the laws of the Republic of Korea (the "**JVCo**"); and (b) hold their shares in the capital of the JVCo ("**Shares**") and regulate their respective rights as shareholders of the JVCo (the "**Shareholders**") on the terms and conditions of the SHA (the "**Proposed Joint Venture**").

### 2. INFORMATION ON HSMJ

HSMJ is a company incorporated in the Republic of Korea, with Company Registration Number: 134111-0621826, and having its registered address at Building A Room 206, 230 Simindaero, Dongangu, Anyang, Kyunggido, Republic of Korea. HSMJ is founded and wholly owned by Mr. Kim Myoung Hak ("**KMH**", one of the founders of ZIIU) and its principal business activities are R&D, manufacture, export and import of electronic products and telecommunication equipment, management consulting and other business supporting services.

### 3. SALIENT TERMS OF THE SHA

#### 3.1 Conditions Precedent

The Proposed Joint Venture is conditional on the following conditions:

- (a) the completion of due diligence and investigations on HSMJ by BIGL Asia ("**Due Diligence**"), and the findings and results of such Due Diligence are to the satisfaction of BIGL Asia in its sole discretion;
- (b) the incorporation of the JVCo in the manner set out in paragraph 3.2 below;
- (c) the receipt of and maintenance in full force and effect of all relevant corporate and regulatory approvals (if any) required by the Parties and the JVCo, to consummate the transactions contemplated in the SHA;
- (d) the finalisation of all other definitive transaction documents (on terms acceptable to the Parties) that are deemed necessary or desirable by the Parties to consummate the transactions contemplated in the SHA (the "**Definitive Agreements**"); and

- (e) the execution of a non-compete deed of undertaking by KMH in such form satisfactory to BIGL in its sole discretion.

Each of the Parties are to use best endeavours to ensure the satisfaction of the conditions set out in paragraphs 3.1(b) to 3.1(d) as soon as reasonably practicable, and in any event, by such day falling eight (8) weeks from the date of the SHA or such later date as the Parties may mutually agree in writing (the “**Long Stop Date**”). HSMJ is also to use best endeavours to procure the satisfaction of the condition set out in paragraph 3.1(e) as soon as reasonably practicable, and in any event, by the Long Stop Date.

### 3.2 **Setting Up of the JVCo**

- (a) The JVCo shall be incorporated as a joint-stock company (*jusik hoesa*) under the laws of the Republic of Korea within eight (8) weeks from the date of the SHA, and the constitution of the JVCo shall be in a form satisfactory to BIGL Asia.
- (b) On the date on which the JVCo is incorporated (the “**Incorporation Date**”), BIGL Asia and HSMJ shall subscribe for 462,000 Shares and 42,000 Shares of Korean Republic won (“**KRW**”) 10,000 each respectively, representing 91.67% and 8.33% of Shares respectively, against the Phase 1A Subscription Price (as defined below).
- (c) HSMJ shall, before 31 December 2022, subscribe for 14,000 new Shares of KRW10,000 each against the Phase 1B Subscription Price (as defined below). Upon the completion of such subscription of new Shares by HSMJ, the percentage shareholding of BIGL Asia and HSMJ in the JVCo shall be 89.19% and 10.81% respectively.
- (d) HSMJ shall, before 30 April 2023, subscribe for 84,000 new Shares of KRW10,000 each against the Phase 1C Subscription Price (as defined below). Upon the completion of such subscription of new Shares by HSMJ, the percentage shareholding of BIGL Asia and HSMJ in the JVCo shall be 76.74% and 23.26% respectively.
- (e) HSMJ shall, before 30 November 2023, subscribe for 238,000 new Shares of KRW10,000 each against the Phase 2 Subscription Price (as defined below). Upon the completion of such subscription of new Shares by HSMJ, the percentage shareholding of BIGL Asia and HSMJ in the JVCo shall be 55% and 45% respectively.
- (f) The JVCo shall incorporate a wholly owned subsidiary under the laws of Vietnam (the “**Subsidiary**”), and whose affairs shall be managed in accordance with the SHA. The Parties and the JVCo shall procure, to the extent permissible by applicable laws, that:
  - (i) the Subsidiary shall enter into a factory lease agreement on terms satisfactory to the JVCo;
  - (ii) the Subsidiary shall obtain all necessary licences, permits and approvals for its operations;
  - (iii) the business and financial performance of the Subsidiary shall be managed by the Chief Executive Officer of the JVCo; and
  - (iv) the operations of the Subsidiary shall be managed by the General Manager of the Subsidiary under the direction of the Chief Executive Officer of the JVCo.

### 3.3 **Joint Venture Amount**

The aggregate cash investment for the Proposed Joint Venture will be KRW8,400,000,000 (which may be payable in United States dollars equivalent) in the form of capital contributions to the JVCo and shall be contributed by the Parties by way of cash in two (2) phases as follows:

(a) Phase 1A

On the Incorporation Date, the Parties shall collectively contribute the sum of KRW5,040,000,000 and incorporate the JVCo, payable by BIGL Asia and HSMJ in the sums set out as follows (collectively, the “**Phase 1A Subscription Price**”):

(i) BIGL Asia: KRW4,620,000,000; and

(ii) HSMJ: KRW420,000,000.

(b) Phase 1B

HSMJ shall contribute the additional sum of KRW140,000,000 on or before 31 December 2022 (“**Phase 1B Subscription Price**”).

(c) Phase 1C

HSMJ shall contribute the additional sum of KRW840,000,000 on or before 30 April 2023 (“**Phase 1C Subscription Price**”).

(d) Phase 2

HSMJ shall contribute the additional sum of KRW2,380,000,000 on or before 30 November 2023 (“**Phase 2 Subscription Price**”). For the avoidance of doubt, BIGL Asia shall not be required to make any contributions other than that provided under paragraph 3.3(a).

No Shareholder shall be required to provide any additional financing or any form of security or comfort unless it otherwise agrees.

### 3.4 **Business of the JVCo**

The Shareholders agree that:

- (a) the JVCo and its subsidiaries (collectively, the “**Joint Venture Group**”) shall be in the business of manufacturing, assembly and selling of parts and components to manufacturers of high-tech products including but not limited to wireless telecommunication products;
- (b) BIGL Asia shall provide machining and manufacturing expertise, and supply chain management knowledge, in relation to the products to be manufactured by the Joint Venture Group; and
- (c) HSMJ shall provide product technological, and selling and marketing expertise, in relation to the products to be manufactured by the Joint Venture Group.

## 4. **RATIONALE FOR THE PROPOSED INVESTMENT**

There are potential and beneficial synergies between the expertise of BIGL Asia and the expertise of HSMJ, and there will be opportunities for the Joint Venture Group to take advantage of this collaboration to manufacture, assemble and sell a broader range of parts and components, to a wider range of manufacturers of high-tech products including but not limited to wireless telecommunication products.

## 5. **RELATIVE FIGURES**

The relative figures for the Proposed Joint Venture, computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) and based on the Group’s latest announced consolidated financial statements, being the unaudited interim financial statements for the six months ended 30 June 2022 are set out below:

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)<sup>(1)</sup></b>
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable <sup>(2)</sup>
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not meaningful <sup>(3)</sup>
(c)	Aggregate value of the consideration <sup>(4)</sup> given compared with the Company's market capitalisation <sup>(5)</sup> based on the total number of issued shares in the Company, excluding treasury shares	8.1%
(d)	Number of equity securities issued by the Company as consideration for the Proposed Joint Venture, compared with the number of equity securities previously in issue	Not applicable <sup>(6)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable <sup>(7)</sup>

**Notes:**

- (1) Percentage figures are rounded to the nearest one (1) decimal place.
- (2) Not applicable, as the Group is not disposing of any assets.
- (3) The JVCo has not been incorporated yet and there are no net profits attributable to it.
- (4) The consideration in respect of this transaction is the amount to be contributed by BIGL Asia to the capital of the JVCo, being KRW4,620,000,000 (or approximately S\$4,722,000 converted based on the foreign exchange rate of KRW978.47: S\$1 as at 10 November 2022 as extracted from the website of the Monetary Authority of Singapore).
- (5) “**market capitalisation**” is calculated by the number of ordinary shares in the capital of the Company (excluding treasury shares) multiplied by the weighted average market price of S\$0.129 per share as at 10 November 2022, being the market day immediately preceding the date of the SHA.
- (6) Not applicable, as the Company is not issuing any equity securities as consideration.
- (7) Not applicable, as the Company is not a mineral, oil and gas company.

As at least one of the relative figures computed based on Rule 1006(a) of the Listing Manual for the Proposed Joint Venture exceeds 5% but none of the relative figures exceeds 20%, the Proposed Joint Venture would constitute a “discloseable transaction” under Chapter 10 of the Listing Manual.

## **6. ILLUSTRATIVE FINANCIAL EFFECTS**

### **6.1. Illustrative Nature of Financial Effects**

The financial effects of the Proposed Joint Venture on the net tangible assets (“**NTA**”) per share and earnings per share (“**EPS**”) of the Company have been prepared based on the Group's audited financial statements for the financial year ended 31 December 2021. The financial effects below are purely for illustrative purposes and are not intended to reflect the actual future financial performance or position of the Group after completion of the Proposed Joint Venture.

## 6.2. NTA

Assuming that the Proposed Joint Venture had been effected on 31 December 2021 (being the end of the most recently completed financial year of the Group), the effects on the NTA per share of the Company would be as follows:

	Before the Proposed Joint Venture	After the Proposed Joint Venture
NTA (S\$'000)	86,859	86,859
Number of ordinary shares	458,284,561	458,284,561
NTA per ordinary share (cents)	18.95	18.95

## 6.3. EPS

Assuming that the Proposed Joint Venture had been effected on 1 January 2021 (being the beginning of the most recently completed financial year of the Group), the effects of the Proposed Joint Venture on the EPS of the Company would be as follows:

	Before the Proposed Joint Venture	After the Proposed Joint Venture
Profit attributable to shareholders (S\$'000)	15,269	15,269
Weighted average no. of ordinary shares – Basic	466,562,084	466,562,084
EPS (cents) – Basic	3.27	3.27

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or the controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Joint Venture, otherwise than through their respective shareholdings (if any) in the Company.

## 8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Joint Venture. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Joint Venture.

## 9. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Joint Venture, and/or to disclose further details of the Proposed Joint Venture as required under Chapter 10 of the Listing Manual, including upon the execution of any other Definitive Agreements.

## 10. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in dealing or trading in the shares of the Company as there is no certainty or assurance as at the date of this announcement that the Proposed Joint Venture will be completed.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubts about the actions they should take.

By Order of the Board

**Broadway Industrial Group Limited**

11 November 2022