



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Broadway Industrial Group Limited

Stock code: B69

Meeting details:

Date: 27 April 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the message from the chairman & CEO, the total capacity shipped by the global hard disk drive (HDD) industry exceeded 1 ZB¹ of capacity in 2020. The surge continued in 2021, reaching 1.34 ZB in 2021, an increase of 31% year-over-year.

Following the termination of the agreement to sell the HDD business, the group is now focused on growing the HDD business.

Revenue increased by 17.7% from \$400.7 million in FY2020 to \$471.4 million in FY2021, mainly due to an increase in shipment volume and higher average selling price of the group's HDD products arising from a shift in the product mix shift from the personal and mobile computing segments to the high performance enterprise segment.

On 16 March 2022, the company announced that BIGL Technologies (Shenzhen) Co., Ltd. temporarily suspended its operations until 20 March 2022 in line with the local government's directive to shut down all non-essential manufacturing operations in Shenzhen.

- (i) **Can management help shareholders understand the current situation on the ground as a new wave of COVID-19 spreads through China?**
- (ii) **Similarly, what is the situation in Ayutthaya, Thailand?**
- (iii) **What are the safeguards put in place to ensure the safety of its employees?**
- (iv) **How have the group's operations and workflow been improved/changed in the past 2 years?**

It was noted that the group's key customer provided the market with a solid outlook, projecting revenue growth of 12% to 14% for 2022, with high capacity nearline products for the enterprise HDD segment driving the growth.

- (v) **What is the board/management's view of the demand moving forward? Is it sustainable? Separately, how much lead time is needed/given by the key customer on its orders?**

Page 7 shows the group's financial highlights for the past 5 years. The gross profit margin was as low as 3.4% in FY2019, before the recent reversal. In FY14-FY16, the gross profit margin was around 10%.

- (vi) **When considering future capital expenditure/investments in the HDD segment, what are the criteria used by the board in its approval process?**

¹ A zettabyte is 1,000,000,000,000,000,000 bytes (or 1 sextillion bytes). To put that into perspective, a zettabyte is equivalent to a million petabytes, a billion terabytes, or a trillion gigabytes.

Q2. The group received an arbitration notice dated 8 October 2021 from the China International Economic and Trade Arbitration Commission in relation to an arbitration initiated by the purchasers against two wholly-owned subsidiaries in the group, namely, BIGL Asia Pte. Ltd. and BIGL Technologies (Shenzhen) Co., Ltd. and the company.

The purchasers alleged that they have suffered severe losses due to the alleged breach of the sale agreement and they are seeking compensation for the termination of the agreement, expenses incurred and expected damages suffered.

The contingent liabilities relating to the termination of the disposal of the HDD business is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements (pages 32 & 33).

- (i) **Was the board/management in discussion with the purchasers prior to the notice of arbitration?**
- (ii) **How much time is management/board spending on the arbitration?**
- (iii) **Have the group's operations or the group's reputation in China been affected?**
- (iv) **In addition, has the proposed (but terminated) sale of the HDD business by the group affected the business dealings and relationship with the major customer?**

In addition, as shown in Note 33B (Disposal of foam plastics solutions and flow control device businesses), the group paid the tax authorities in China a sum of RMB 6 million that included interest and penalties. The group also entered into a settlement agreement for \$1.5 million with BH III.

- (v) **Would the board consider it timing to review the group's tax matters, internal controls and systems and deal structuring?**

Q3. As noted in the corporate governance report, the search and nomination process for new directors is conducted through contacts, recommendations and executive search firms.

The directors are Lew Syn Pau, Basil Chan, Teo Ho Pin, Jen Kwong Hwa and Wong Yi Jia.

Mr Teo Ho Pin and Mr Jen Kwong Hwa were first appointed to the board on 17 May 2021 and 20 December 2021 respectively. Mr Jen Kwong Hwa is a first-time director with no prior experience as a director of a listed company.

Ms Wong Yi Jia served as the corporate legal counsel of the group from July 2012 to March 2015 before being appointed as the non-executive director on 30 March 2015.

- (i) The announcement relating to Mr Teo Ho Pin is shown below. Details of the search and nomination process, along with rationale and selection criteria, are required in the SGX template for notice of appointment of director (as highlighted).

What was the search and nomination process that led to the appointments of Mr Teo Ho Pin and Mr Jen Kwong Hwa?

Date Of Appointment	17/05/2021
Name Of Person	Teo Ho Pin
Age	61
Country Of Principal Residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria and the search and nomination process)	<p>The Board has considered the recommendation of the Nomination Committee based on Dr Teo's background, qualifications, experience and credentials, and approved the appointment of Dr Teo as an Independent Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.</p> <p>Dr Teo is considered independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.</p>

The profiles of the directors can be found on pages 5 and 6.

- (ii) **Can the NC help shareholders understand if the non-executive directors have the appropriate balance and mix of skills, knowledge, experience, especially in HDD, manufacturing, doing business in China to engage in effective and constructive debate with the management team?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)