



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

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**UPDATE IN RELATION TO THE JOINT VENTURE IN THE REPUBLIC OF KOREA  
– WAIVER TO COMPLY WITH RULE 1014(2) OF THE LISTING MANUAL FOR THE PROPOSED  
ACQUISITION OF THE REMAINING SHARES IN THE CAPITAL OF BIGL KOREA CO., LTD.**

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## **1. INTRODUCTION**

The board of directors (the “**Board**”) of Broadway Industrial Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 11 November 2022, 2 December 2022, 28 April 2023, 28 May 2023, 1 July 2023, 14 July 2023 and 13 October 2023 in relation to the joint venture in the Republic of Korea (the foregoing announcements, collectively the “**Announcements**”).

*Unless defined otherwise, all capitalised terms used but not defined in this announcement shall have the meanings ascribed to them in the Announcements.*

Further to the Announcements, the Board wishes to update the shareholders that BIGL Asia, a wholly-owned subsidiary of the Company, intends to enter into a sale and purchase agreement with HSMJ (the “**SPA**”) pursuant to which BIGL Asia is to acquire the remaining shares in the capital of the JVCo from HSMJ, such shares representing 13.16% of the issued and paid-up share capital of the JVCo (such shares, the “**Sale Shares**”) for a proposed aggregate consideration of USD250,000 (the “**Proposed Acquisition**”).

Pursuant to Rule 1014(1) of the Listing Manual, where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the transaction is classified as a major transaction. In addition, pursuant to Rule 1014(2) of the Listing Manual, a major transaction must be made conditional upon approval by shareholders in a general meeting. Pursuant to Rule 1007 of the Listing Manual, if any of the relative figures computed pursuant to Rule 1006 involves a negative figure, Chapter 10 of the Listing Manual may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10.1 (“**PN 10.1**”), or if not so provided, at the discretion of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), in which case, issuers should consult the SGX-ST.

Based on the unaudited condensed interim financial statements of the Group for the financial year ended 31 December 2023 (“**FY2023**”) as announced by the Company on 29 February 2024, in respect of the Proposed Acquisition, while none of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, at least one of the relative figures involves a negative figure. As the Proposed Acquisition did not fall within all the situations in paragraphs 4.3 and 4.4 of PN 10.1, the Company had applied to the SGX-ST for a waiver with regard to compliance with Rule 1014(2) of the Listing Manual for the requirement of shareholders’ approval for the Proposed Acquisition (the “**Waiver**”).

## **2. GRANT OF WAIVER**

On 10 May 2024, the SGX-ST confirmed that it had no objection to the Waiver with regard to compliance with Rule 1014(2) of the Listing Manual subject to the following conditions:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions

have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;

- (b) disclosure via SGXNet announcement of the Proposed Acquisition pursuant to Rule 1010 of the Listing Manual;
- (c) disclosure via SGXNet announcement of the Board's opinion that the Proposed Acquisition does not result in the change in the Group's risk profile and the bases for its opinion;
- (d) submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company; and
- (e) submission of a written confirmation from the Company that the Waiver is/will not be in contravention of any laws and regulations governing the Company and its constitution.

The Waiver will not be effective if any of the conditions have not been fulfilled. Following the disclosures in this announcement, the Company has complied with conditions (a) and (c) of the Waiver set out above. The Company will make further announcements to update its shareholders on the Proposed Acquisition as appropriate or when there are material developments to the Proposed Acquisition.

### 3. REASONS FOR SEEKING THE WAIVER

The Company had sought the Waiver for the following reasons:

- (a) the Board is of the opinion that there is no material change in the risk profile of the Company arising from the Proposed Acquisition, given that:
  - (i) the Proposed Acquisition will not result in a reduction of the Group's net profits or net asset value by 20% or more, based on the audited financial statements of the Group for the financial year ended 31 December 2022, and assuming that the proposed acquisition had been effected at the end of that financial year. The negative relevant figure, computed pursuant to Rule 1006(b) of the Listing Manual, being the net loss attributable to the Sale Shares to be acquired, can be attributed to the nature of the JVCo and the JVCo's wholly-owned subsidiary in Vietnam (the "VietSub") being start-up companies in their initial and early stage of development, and against the backdrop of lower profits of the Group for FY2023, which were largely due to the losses attributable to the JVCo. Without such losses, the Group's net profits for FY2023 would be comparable to those for the financial year ended 31 December 2022. For illustrative purposes, the relative figure computed on the basis set out in Rule 1006(b) of the Listing Manual based on the Group's net profits for the financial years ended 31 December 2022 and 31 December 2021 are 8.24% and 3.65% respectively, in which case the Proposed Acquisition would fall within the situation set out in paragraph 4.4(a) of PN 10.1 and accordingly, shareholders' approval would not be required for the Proposed Acquisition;
  - (ii) the Company does not expect to put in additional investment into the new business that would change the risk profile of the Company, after the Proposed Acquisition. Prior to the occurrence of the event of default under the SHA and the Proposed Acquisition, it has always been part of the Company's long-term business plans to utilise internally generated funds, working capital loans and leasing arrangements to fund the new precision engineering business, including additional capital expenditure in the ordinary course of business to support growth, customer requirements and operational capabilities;
  - (iii) the Proposed Acquisition relates to the acquisition of a minority stake in the JVCo (13.16%), in relation to which the Company, through its wholly-owned subsidiary, BIGL Asia, already holds the majority of (being 86.84% of the JVCo);

- (iv) while the asset to be acquired (i.e. the Sale Shares) is a loss-making asset, it was not in a net liability position as of 31 December 2023;
  - (v) the Proposed Acquisition will not have a significant adverse impact on the Company's gearing. The Group generated a healthy net operating cash flow of S\$18.5 million for FY2023 as announced by the Company on 29 February 2024, even when the Company's core hard disk drive business was significantly impacted by the strong industry headwinds. The Company has sufficient internal resources to fund the Proposed Acquisition and any financing costs and operational capital expenditure incurred within the ordinary course of business of the New Business (as defined below); and
  - (vi) the Proposed Acquisition will not result in an expansion into a new competency or jurisdiction that will expose the Group to significant new risks, given that the new business is leveraging the Company's core competency in machining and the Company (through BIGL Asia) presently holds a majority stake (being the remaining 86.84%) in the JVCo and effectively owns all the management and voting powers in JVCo and the VietSub. Assuming the Proposed Acquisition is successful, with the Group effectively owning the entire shareholding of the JVCo and VietSub, the Group would enjoy the full control of and profitability from this new business, having leveraged on its core competency in manufacturing, management team, customer base and supply chain network. Therefore, with the Group's contributions to this new business, the Company remains of the view that not only will the Proposed Acquisition not change the risk profile of the Company, but it will also create greater value for its shareholders should the Company be able to complete the Proposed Acquisition;
- (b) the Proposed Acquisition involves a non-core asset that is not likely to affect the nature of the Group's principal business, given that the JVCo is a start-up company in the business of the manufacture and distribution of precision diecasting and machining parts primarily for the telecommunications equipment, industrial applications and automotive industries, as well as precision process toolings (the "**New Business**") which is: (i) not critical to the principal business activities of the Group; (ii) ancillary to the principal business activities of the Group; and (iii) not an existing principal business of the Group, such principal business activities of the Group being the provision of parts for the global hard disk drive industry (the "**Core Business**"). Based on the unaudited condensed interim financial statements of the Group for FY2023, the Core Business and the New Business constitute 94% and 6% respectively of the Group's net tangible assets as at 31 December 2023; and
- (c) the Group and HSMJ had come to an agreement for BIGL Asia to acquire the Sale Shares at 50% of HSMJ's total capital contributions to the JVCo thus far which, in the reasonable opinion of the Board, represents a favourable position for the Group given further that: (i) the JVCo, together with its wholly-owned subsidiary, the VietSub, are start-up companies in their initial and early stage of development for which additional funding is required to develop them further; and (ii) the Group will not need to incur further costs to seek legal advice and the attention and resources of the Group and its management can be deployed to manage the business of the JVCo and the VietSub, as wholly-owned subsidiaries of the Company.

In view of the foregoing, in the reasonable opinion of the Board, there is a need for the Proposed Acquisition to be expedited as there is a risk if the deal drags on for too long. The Company would highlight that while it has under the SHA until 31 December 2024 to request HSMJ to (A) sell the Sale Shares to BIGL Asia and/or its nominees at a price equivalent to 90% of the fair market value of the Sale Shares or (B) purchase all of BIGL Asia's shares in the JVCo at a price equivalent to 110% of the fair market value of BIGL Asia's shares, it is in the best interest of the Company and its shareholders that the Company closes the deal with HSMJ expediently, to avoid incurring costs to conduct an independent valuation and potential disputes relating to, among others, the determination of the fair market value.

#### **4. NO EXTRAORDINARY GENERAL MEETING**

As the SGX-ST has granted the Waiver, the Company will not be convening an extraordinary general meeting to seek shareholders' approval in relation to the Proposed Acquisition and accordingly, will not be dispatching a circular to the shareholders in relation thereto, subject to the fulfillment of the conditions of the Waiver.

#### **5. FURTHER ANNOUNCEMENTS**

As the Proposed Acquisition remains subject to the execution of the SPA, the Company will in due course provide further information on the Proposed Acquisition as required pursuant to Rule 1010 of the Listing Manual via subsequent announcements on SGXNet following the execution of the SPA. The Company will also in due course provide the confirmations to SGX-ST as required under conditions (d) and (e) as set out in paragraph 2 above.

#### **6. CAUTION IN TRADING**

Shareholders and potential investors of the Company should note that the Proposed Acquisition, at this juncture, remains subject to the execution of the SPA.

Shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company. In particular, shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that the SPA will be executed. Shareholders and potential investors are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

**Broadway Industrial Group Limited**

12 May 2024