

BROADWAY INDUSTRIAL GROUP LIMITED
Company Registration No. 199405266K
Second Quarter Financial Statement Announcement For the Period Ended 30 June 2018
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group			Group		
		Quarter ended		Increase/ (Decrease) %	Year to date		Increase/ (Decrease) %
		30-06-18 S\$'000	30-06-17 S\$'000		30-06-18 S\$'000	30-06-17 S\$'000	
Revenue		101,321	79,035	28.2	192,738	168,512	14.4
Cost of sales		(95,341)	(73,653)	29.4	(181,153)	(157,019)	15.4
Gross profit		5,980	5,382	11.1	11,585	11,493	0.8
Distribution expenses		(897)	(817)	9.8	(1,681)	(1,826)	(7.9)
Administrative, sales and marketing expenses		(3,303)	(2,744)	20.4	(6,647)	(6,881)	(3.4)
Other income/(expenses)	1	309	(873)	n.m.	15	(1,151)	n.m.
Results from operating activities		2,089	948	120.4	3,272	1,635	100.1
Finance income		428	199	115.1	569	377	50.9
Finance costs		(566)	(367)	54.2	(1,043)	(808)	29.1
Net finance costs		(138)	(168)	(17.9)	(474)	(431)	10.0
Profit before income tax	2	1,951	780	150.1	2,798	1,204	132.4
Income tax expense	3	(498)	(601)	(17.1)	(770)	(953)	(19.2)
Profit from continuing operations, net of tax		1,453	179	n.m.	2,028	251	n.m.
Loss from discontinued operations, net of tax	4	-	(650)	(100.0)	-	(650)	(100.0)
Profit/(Loss) for the period		1,453	(471)	n.m.	2,028	(399)	n.m.
Other comprehensive income/(loss) :							
Items that are or may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations, net of tax		2,280	(1,123)	n.m.	1,200	(3,857)	n.m.
Total other comprehensive income/(loss), net of tax		2,280	(1,123)	n.m.	1,200	(3,857)	n.m.
Total comprehensive income/(loss)		3,733	(1,594)	n.m.	3,228	(4,256)	n.m.
Profit/(Loss) attributable to :							
Owners of the Company		1,450	(477)	n.m.	2,038	(317)	n.m.
Non-controlling interests		3	6	(50.0)	(10)	(82)	(87.8)
Profit/(Loss) for the period		1,453	(471)	n.m.	2,028	(399)	n.m.
Total comprehensive income/(loss) attributable to :							
Owners of the Company		3,783	(1,619)	n.m.	3,265	(4,240)	n.m.
Non-controlling interests		(50)	25	n.m.	(37)	(16)	131.3
Total comprehensive income/(loss)		3,733	(1,594)	n.m.	3,228	(4,256)	n.m.

n.m. - not meaningful

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	Group			Group		
	Quarter ended		Increase/ (Decrease) %	Year to date		Increase/ (Decrease) %
	30-06-18 S\$'000	30-06-17 S\$'000		30-06-18 S\$'000	30-06-17 S\$'000	
1) Other income/(expenses)						
Foreign exchange gains/(losses), net	587	(745)	n.m.	516	(1,944)	n.m.
Fair value (loss)/gain on financial derivatives	(174)	(10)	n.m.	(176)	1,351	n.m.
(Loss)/gain on disposal of property, plant & equipment	(46)	11	n.m.	13	50	(74.0)
Loss on disposal of assets held-for-sale	-	-	n.m.	(44)	-	n.m.
Redundancy costs	(798)	(793)	0.7	(1,516)	(1,970)	(23.0)
Scrap income	486	123	n.m.	897	314	185.7
Government grant	183	399	(54.1)	276	482	(42.7)
Others	71	142	(49.9)	49	566	(91.3)
	309	(873)	n.m.	15	(1,151)	n.m.
2) Profit before income tax included						
Depreciation of property, plant and equipment	(3,571)	(4,286)	(16.7)	(7,056)	(8,831)	(20.1)
3) Income tax expense						
Current tax	(257)	(150)	71.3	(268)	(247)	8.5
Under provision in prior years	(241)	(451)	(46.6)	(502)	(706)	(28.9)
	(498)	(601)	(17.1)	(770)	(953)	(19.2)

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- 1b(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

		Group		Company	
	Note	30-06-18	31-12-17	30-06-18	31-12-17
		S\$'000	S\$'000	S\$'000	S\$'000
Assets					
Property, plant and equipment		78,426	77,112	6	9
Investments in subsidiaries		-	-	100,000	100,000
Non-current assets		78,426	77,112	100,006	100,009
Assets held-for-sale		19,602	19,413	47	47
Financial derivatives		-	2	-	-
Inventories		22,216	27,121	-	-
Trade and other receivables	1	59,761	72,765	24,632	24,594
Cash and cash equivalents		21,148	18,059	1,574	2,931
Current assets		122,727	137,360	26,253	27,572
Total assets		201,153	214,472	126,259	127,581
Equity					
Share capital		113,155	113,147	113,155	113,147
(Accumulated losses)/retained earnings		(12,517)	(14,555)	11,562	12,683
Other reserves		(13,449)	(14,686)	201	191
Equity, attributable to owners of the Company		87,189	83,906	124,918	126,021
Non-controlling interests		(1,420)	(1,383)	-	-
Total equity		85,769	82,523	124,918	126,021
Liabilities					
Other payables		2,171	2,992	-	-
Loans and borrowings	3	4,976	7,180	-	-
Non-current liabilities		7,147	10,172	-	-
Income tax payable		4,090	3,512	5	5
Trade and other payables	2	84,194	113,408	1,336	1,555
Financial derivatives		179	-	-	-
Loans and borrowings	3	19,774	4,857	-	-
Current liabilities		108,237	121,777	1,341	1,560
Total liabilities		115,384	131,949	1,341	1,560
Total equity and liabilities		201,153	214,472	126,259	127,581

Notes to statement of financial position:-

- 1) The decrease in the Group's trade and other receivables was mainly due to collection of deferred consideration receivable in 2Q2018.
- 2) The decrease in the Group's trade and other payables was mainly due to lower trade payables at 30 Jun 2018 and the payout in 1Q2018 pursuant to Deed of Payment as announced on 6 Feb 2018.
- 3) The increase in loans and borrowings was mainly due to working capital requirement.

1b(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30-06-18		As at 31-12-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
19,774	-	4,857	-

Amount repayable after one year

As at 30-06-18		As at 31-12-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,976	-	7,180	-

Details of any collaterals

The Group's borrowings and debt securities relate to bank loans and finance lease liabilities which are secured by machines of certain subsidiaries and guaranteed by one of the subsidiaries in the Group.

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- 1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	Quarter ended		Year to date	
	30-06-18	30-06-17	30-06-18	30-06-17
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing operations</u>				
<u>Cash flows from operating activities</u>				
Profit before income tax	1,951	780	2,798	1,204
Depreciation of property, plant and equipment	3,571	4,286	7,056	8,831
Equity-settled share-based payment transactions	8	(4)	19	-
Fair value loss/(gain) on financial derivatives	174	10	176	(1,351)
Loss/(gain) on disposal of property, plant and equipment	46	(11)	(13)	(50)
Loss on disposal of asset held-for-sale	-	-	44	-
Interest expense	566	367	1,043	808
Interest income	(428)	(199)	(569)	(377)
Operating cash flows before changes in working capital	5,888	5,229	10,554	9,065
Change in inventories	5,149	(1,323)	5,298	(543)
Change in trade and other receivables	(14,677)	(12,311)	636	(5,070)
Change in trade and other payables	1,273	(9,083)	(16,395)	(9,596)
Net cash flow (used in)/from operations	(2,367)	(17,488)	93	(6,144)
Income tax paid	(114)	(462)	(275)	(1,340)
Net cash flows used in operating activities	(2,481)	(17,950)	(182)	(7,484)
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(3,474)	(3,096)	(7,652)	(5,249)
Proceeds from disposal of property, plant and equipment	110	11	183	102
Proceeds from disposal of asset held-for-sale	-	-	175	-
Deferred consideration received	14,000	-	14,000	-
Interest income received	9	23	11	26
Net cash flows from/(used in) investing activities	10,645	(3,062)	6,717	(5,121)
<u>Cash flows from financing activities</u>				
Dividends paid to equity owners	-	-	-	(40,025)
Proceeds from bank borrowings	14,738	10,818	31,463	13,170
Repayments of bank borrowings	(10,346)	(586)	(19,150)	(85,342)
Payment of finance lease liabilities	(86)	(123)	(161)	(123)
Interest expense paid	(566)	(367)	(1,043)	(808)
Net cash flows from/(used in) financing activities	3,740	9,742	11,109	(113,128)
Net increase/(decrease) in cash and cash equivalents	11,904	(11,270)	17,644	(125,733)
<u>Discontinued operations</u>				
Net cash flows used in operating activities	-	(892)	(14,471)	(8,096)
Net increase/(decrease) in cash and cash equivalents	11,904	(12,162)	3,173	(133,829)
Cash and cash equivalents, beginning balance	9,474	21,742	18,054	145,230
Effect of exchange rate fluctuations on cash held	(235)	(236)	(84)	(2,057)
Restricted cash (fixed deposits pledged as security)	5	5	5	5
Cash and cash equivalents, ending balance	21,148	9,349	21,148	9,349

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1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Other reserves					(Accumulated losses)/ retained earnings S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Share-based payment reserve S\$'000	Translation reserve S\$'000				
The Group									
At 1 January 2018	113,147	(299)	2,924	490	(17,801)	(14,555)	83,906	(1,383)	82,523
Total comprehensive (loss)/income for the period	-	-	-	-	(1,106)	588	(518)	13	(505)
Share-based payment	-	-	-	11	-	-	11	-	11
At 31 March 2018	113,147	(299)	2,924	501	(18,907)	(13,967)	83,399	(1,370)	82,029
Total comprehensive income/(loss) for the period	-	-	-	-	2,333	1,450	3,783	(50)	3,733
Share-based payment	8	40	-	(41)	-	-	7	-	7
At 30 June 2018	113,155	(259)	2,924	460	(16,574)	(12,517)	87,189	(1,420)	85,769
At 1 January 2017	113,139	(237)	2,924	542	(11,696)	40,460	145,132	(1,356)	143,776
Total comprehensive (loss)/income for the period	-	-	-	-	(2,781)	160	(2,621)	(41)	(2,662)
Share-based payment	-	-	-	4	-	-	4	-	4
Dividends paid	-	-	-	-	-	(40,025)	(40,025)	-	(40,025)
At 31 March 2017	113,139	(237)	2,924	546	(14,477)	595	102,490	(1,397)	101,093
Total comprehensive (loss)/income for the period	-	-	-	-	(1,142)	(477)	(1,619)	25	(1,594)
Share-based payment	8	55	-	(67)	-	-	(4)	-	(4)
At 30 June 2017	113,147	(182)	2,924	479	(15,619)	118	100,867	(1,372)	99,495

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		Other reserves			
	Share capital S\$'000	Treasury shares S\$'000	Share-based payment reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
The Company					
At 1 January 2018	113,147	(299)	490	12,683	126,021
Total comprehensive loss for the period	-	-	-	(352)	(352)
Share-based payment	-	-	11	-	11
At 31 March 2018	113,147	(299)	501	12,331	125,680
Total comprehensive loss for the period	-	-	-	(769)	(769)
Share-based payment	8	40	(41)	-	7
At 30 June 2018	113,155	(259)	460	11,562	124,918
At 1 January 2017	113,139	(237)	542	50,563	164,007
Total comprehensive loss for the period	-	-	-	(581)	(581)
Share-based payment	-	-	4	-	4
Dividend paid	-	-	-	(40,025)	(40,025)
At 31 March 2017	113,139	(237)	546	9,957	123,405
Total comprehensive income	-	-	-	16	16
Share-based payment	8	55	(67)	-	(4)
At 30 June 2017	113,147	(182)	479	9,973	123,417

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the period, 232,500 treasury shares were issued to our employees pursuant to the BIGL Share Plan. There was no exercise of share options under the BIGL Share Option Scheme 2001 during the period.

As at 30 Jun 2018, there were 396,000 (30 Jun 2017 : 396,000) outstanding share options in respect of unissued ordinary shares under the BIGL Share Option Scheme 2001.

As at 30 Jun 2018, there were 852,500 (30 Jun 2017 : 1,030,000) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Jun 2018, there were 1,502,150 (30 Jun 2017 : 790,150) shares held as treasury shares.

As at 30 Jun 2018 and 30 Jun 2017, there were no subsidiary holdings.

Total number of issued shares excluding treasury shares as at 30 Jun 2018 was 470,412,461 (30 Jun 2017 : 471,124,461).

- 1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares excluding treasury shares as at 30 Jun 2018 was 470,412,461 (31 Dec 2017 : 470,179,961).

- 1(d) (iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

From 1 Jan 2018 to 30 Jun 2018, 232,500 treasury shares were issued to our employees pursuant to the BIGL Share Plan.

- 1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

As at 30 Jun 2018, there were no sales, transfers, cancellation and/or use of subsidiary holdings.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Other than adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") as mentioned in paragraph 5 below, there were no changes in the accounting policies and methods of computation adopted in the financial statements of the Group for the current reporting period as compared to the most recently audited financial statements for the reporting year ended 31 December 2017.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2018, the Group adopted SFRS(I), the equivalent to the International Financial Reporting Standards, as required by the listing requirements of the Singapore Exchange. Accordingly the financial statements have been prepared based in this new reporting framework. The adoption of SFRS(I) did not result in any substantial change to the Group's accounting policies as the accounting policies adopted by the Group under the previous accounting framework are consistent with SFRS(I).

- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends :-

Earnings/(loss) per ordinary share	Quarter ended		Year to date	
	30-06-18	30-06-17	30-06-18	30-06-17
Based on weighted average number of ordinary shares in issue (cents)	0.31	(0.10)	0.43	(0.07)
On a fully diluted basis (cents)	0.31	(0.10)	0.43	(0.07)

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 470,247,764 ordinary shares (30 Jun 2017 : 470,959,274 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 471,097,122 ordinary shares (30 Jun 2017 : 472,091,685 ordinary shares).

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-
(a) current period reported on; and
(b) immediately preceding financial year.

Net asset value per ordinary share	As at 30-06-18	As at 31-12-17
Group (cents)	18.53	17.85
Company (cents)	26.55	26.80

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Jun 2018 of 470,412,461 ordinary shares (31 Dec 2017 : 470,179,961 ordinary shares).

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue and Gross Profit

The Group's revenue increased by 28.2% from S\$79.0 million in 2Q2017 to S\$101.3 million in 2Q2018 mainly due to higher value products from customers.

Gross profit margin declined to 5.9% in 2Q2018 as compared to 6.8% in 2Q2017, mainly due to higher material costs and product mix in 2Q2018.

Operating Expenses

Administration, sales and marketing expenses increased to S\$3.3 million in 2Q2018 as compared to S\$2.7 million in 2Q2017 mainly due to the write back of unutilized incentives in 2Q2017.

Tax Expense

The Group recorded a tax expense of S\$0.5 million in 2Q2018 as compared to S\$0.6 million in 2Q2017.

Net Profit

Due to the above factors, the Group recorded a profit after tax of S\$1.5 million in 2Q2018 as compared to S\$0.2 million for continuing operations in 2Q2017.

Statement of financial position

The Net Asset Value (NAV) per share of the Group increased to 18.53 cents as at 30 June 2018 from 17.85 cents as at 31 December 2017.

Cash Flow

The Group recorded net cash used in operating activities of S\$2.5 million in 2Q2018 as compared to S\$18.0 million in 2Q2017.

Net cash from investing activities amounted to S\$10.6 million in 2Q2018 as compared to net cash used in investing activities of S\$3.1 million in 2Q2017 mainly due to collection of deferred consideration receivable in 2Q2018.

Net cash from financing activities was S\$3.7 million in 2Q2018 as compared to S\$9.7 million in 2Q2017 mainly due to higher net proceeds from bank borrowings in 2Q2017.

Cash and cash equivalents were S\$21.1 million as at 30 June 2018 as compared to S\$9.3 million as at 31 Mar 2018 mainly due to collection of deferred consideration receivable, increase in bank borrowings and offset by payments for capital expenditure in 2Q2018.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No prospect statement has been previously disclosed.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Per Trendfocus' July 2018 report on the preliminary 2Q2018 results of the HDD Industry, HDD volume increased by between 0.6% and 2.7% as compared to 1Q2018. However, the outlook for 2H2018 remains uncertain.

In view of the above, the Group will continue its streamlining efforts to maintain its profitability despite increasing cost of operations especially labour cost and pricing pressures from customers. Such initiatives include lean activities upstream and downstream and consolidation of machining activities.

The Group is also actively looking for new business opportunities for the future growth of the Group.

- 11 Dividend

- (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

- (b) Corresponding Period of the Immediately Preceding Financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

- (c) Date payable

NIL

- (d) Books closure date

N.A.

- 12 If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended by the Company.

- 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There is no IPT mandate.

- 14 Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The Directors confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of the Group for the financial period ended 30 June 2018, to be false or misleading in any material aspect.

- 15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

By Order of the Board

Lew Syn Pau

Chairman

6 August 2018