

BROADWAY INDUSTRIAL GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 199405266K)

RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 55,472,483 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “RIGHTS SHARES”) AT AN ISSUE PRICE OF S\$0.18 FOR EACH RIGHTS SHARE, ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIFTEEN (15) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS BEING DISREGARDED (THE “PROPOSED RIGHTS ISSUE”)

1. Introduction

The board of directors (the “**Board**”) of Broadway Industrial Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing a renounceable non-underwritten rights issue of up to 55,472,483 Rights Shares at an issue price of S\$0.18 for each Rights Share (the “**Issue Price**”) on the basis of two (2) Rights Shares for every fifteen (15) ordinary shares in the capital of the Company (“**Shares**”) held by the shareholders of the Company (“**Shareholders**”) as at a books closure date to be determined (the “**Books Closure Date**”), fractional entitlements being disregarded.

2. Principal Terms of the Proposed Rights Issue

- 2.1 Up to 55,472,483 Rights Shares will be offered at the Issue Price, on the basis of two (2) Rights Shares for every fifteen (15) Shares held by Shareholders as at the Books Closure Date, fractional entitlements being disregarded.
- 2.2 Entitled Shareholders (as defined below) will be at liberty to accept, decline, or otherwise renounce or trade their provisional allotments of Rights Shares on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) during the provisional allotment trading period prescribed by the SGX-ST and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Proposed Rights Issue. In the allotment of excess Right Shares not subscribed for in the Proposed Rights Issue (“**Excess Rights Shares**”), preference will be given to Shareholders for the rounding of odd lots, whereas directors of the Company (“**Directors**”) and substantial Shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Proposed Rights Issue, or have a representation (directly or through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.
- 2.3 The Rights Shares will be payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares.
- 2.4 The Issue Price represents a discount of approximately 29.4% to the theoretical ex-rights price of S\$0.255 per Share based on the closing price of S\$0.265 per Share on 31 July 2014, being the last trading day prior to the date of this Announcement.

- 2.5 The terms and conditions of the Proposed Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Proposed Rights Issue including procedures, acceptances and renunciations of applications for the Rights Shares will be contained in the offer information statement (“**OIS**”) to be despatched by the Company to Entitled Shareholders (as defined below) in due course.
- 2.6 After taking into consideration the costs of engaging an underwriter and having to pay commission in relation to the underwriting and taking into account the Irrevocable Undertakings (as defined below), the Directors decided that it is not feasible nor practical for the Proposed Rights Issue to be underwritten by a financial institution.
- 2.7 The Undertaking Shareholders (as defined below) have undertaken to subscribe for and pay in full for and/or procure the subscription and payment in full for their *pro rata* entitlements to the Rights Shares under the Proposed Rights Issue in relation to Shares held by the Undertaking Shareholders as at the Books Closure Date subject to the terms of their Irrevocable Undertakings (as defined below). Please refer to paragraph 7 of this Announcement for further details.

3. Rationale

- 3.1 The Company believes that the Proposed Rights Issue will strengthen the Company’s financing position through the repayment of debt, and allow the Group to continue with its restructuring plans and explore opportunities for business growth (as and when the opportunities arise).
- 3.2 In addition, the Proposed Rights Issue will also provide existing Shareholders who are confident of the future prospects of the Company with an opportunity to subscribe for additional Shares.

4. Use of Proceeds

- 4.1 On the assumption that:
- (a) none of the Shareholders except for the Undertaking Shareholders (as defined below) subscribe for the Rights Shares under the Proposed Rights Issue; and (ii) the Undertaking Shareholders subscribe for the Right Shares under the Proposed Rights Issue pursuant to the Irrevocable Undertakings (as defined below) (the “**Minimum Subscription Scenario**”), the Company expects to receive net proceeds from the Proposed Rights Issue of approximately S\$2.47 million (after deducting estimated expenses of approximately S\$0.22 million); and
 - (b) all Shareholders subscribe for their respective *pro rata* entitlements to Rights Shares under the Proposed Rights Issue (the “**Maximum Subscription Scenario**”) the Company expects to receive net proceeds from the Proposed Rights Issue of approximately S\$9.64 million (after deducting estimated expenses of approximately S\$0.35 million).
- 4.2 The Company intends to use the net proceeds from the Proposed Rights Issue (assuming the Maximum Subscription Scenario) (“**Net Proceeds**”) in the following manner:
- (a) approximately S\$2.64 million, amounting to 27.35% of the Net Proceeds, for the repayment of its current debts;

- (b) approximately S\$4.40 million, amounting to 45.67% of the Net Proceeds, for general working capital purposes as follows:
 - (i) approximately S\$1.70 million to be earmarked for the precision machining section of the Group's HDD business as part of the continuing business requirements following the Group's ongoing restructuring process and for the operation of the non-HDD business;
 - (ii) approximately S\$1.50 million to be earmarked for costs incurred for operating the Group's headquarters; and
 - (iii) approximately S\$1.20 million to be earmarked for supporting the operations of the Group's foam plastics business; and
- (c) approximately S\$2.60 million, amounting to 26.98% of the Net Proceeds, for the capital expenditure as follows :
 - (i) approximately S\$1.10 million to be earmarked to acquire machines for the automation of the Group's HDD business;
 - (ii) approximately S\$0.10 million to be earmarked to acquire back-end processing machines for the Group's non-HDD business; and
 - (iii) approximately S\$1.40 million to acquire machines to support process and product efficiency improvements for the Group's foam plastics business.

The Directors are of the view that the net proceeds raised in the event of a Minimum Subscription Scenario will be sufficient to meet the Company's present funding requirements.

- 4.3 As and when any significant amount of the proceeds is disbursed or deployed, the Company will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such proceeds in its annual report. Pending the deployment of the proceeds for the use mentioned above, the proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

5. Financial Effects

The financial effects of the Proposed Rights Issue as presented herein:

- (a) are purely for illustrative purposes only and is not a projection of the actual future financial performance or financial position of the Group after the Proposed Rights Issue;
- (b) are based on the unaudited consolidated financial statements of the Group for 30 June 2014; and
- (c) assume the Minimum Subscription Scenario and Maximum Subscription Scenario.

Share Capital

	Minimum Subscription Scenario		Maximum Subscription Scenario	
	No. of Shares	S\$'000	No. of Shares	S\$'000
Issued share capital as at 30 June 2014	416,036,128	103,444	416,036,128	103,444
Issued share capital before Proposed Rights Issue	416,036,128	103,444	416,036,128	103,444
Add: Rights Shares to be issued	14,948,699	2,471	55,472,483	9,635
Issued share capital after Proposed Rights Issue	430,984,827	105,915	471,508,611	113,079

Net Tangible Assets ("NTA")

	Minimum Subscription Scenario	Maximum Subscription Scenario
NTA as at 30 June 2014 (S\$'000)	214,677	214,677
Add: Rights proceeds (S\$'000)	2,471	9,635
NTA after Proposed Rights Issue (S\$'000)	217,148	224,312
Number of Shares as at 30 June 2014	416,036,128	416,036,128
NTA per Share as at 30 June 2014 (cents)	51.60	51.60
Number of Shares after Proposed Rights Issue	430,984,827	471,508,611
NTA per Share after Proposed Rights Issue (cents)	50.38	47.57

Gearing

The effects of the Proposed Rights Issue on the gearing of the Group based on the unaudited consolidated balance sheet of the Group as at 30 June 2014 are as follows:

S\$'000	Minimum Subscription Scenario	Maximum Subscription Scenario
Total borrowings as at 30 June 2014	159,988	159,988
Shareholders' funds as at 30 June 2014	214,677	214,677
Add: Net proceeds of the Proposed Rights Issue	2,471	9,635
Adjusted Shareholders' Funds	<u>217,148</u>	<u>224,312</u>

Gearing (times)

As at 30 June 2014	0.75	0.75
Immediately after Proposed Rights Issue	0.74	0.71

The expression "**gearing**" means the ratio of Total Borrowings to Shareholders' Funds. The expression "**Total Borrowings**" means the amount of liabilities arising from all the borrowings from banks and other financial institutions. The expression "**Shareholders' Funds**" means the aggregate of the issued and paid-up share capital, and reserves of the Group.

Earnings Per Share ("EPS")

	Minimum Subscription Scenario	Maximum Subscription Scenario
Net profit attributable to Shareholders for the financial period ended 30 June 2014 (S\$'000)	508	508
Weighted average number of Shares for the financial period ended 30 June 2014	415,859,327	415,859,327
Weighted average number of Shares after Proposed Rights Issue	430,808,026	471,331,810
Basic EPS for the financial period ended 30 June 2014 (cents)	0.122	0.122
Diluted EPS for the financial period ended 30 June 2014 (cents)	0.122	0.122
Basic EPS after Proposed Rights Issue (cents)	0.118	0.108
Diluted EPS after Proposed Rights Issue (cents)	0.117	0.107

6. Eligibility to Participate in the Proposed Rights Issue

- 6.1 The Company proposes to provisionally allot Rights Shares to all Shareholders who are eligible to participate in the Proposed Rights Issue on the basis of their shareholdings in the Company as at the Books Closure Date ("**Entitled Shareholders**"). The Entitled Shareholders comprise Entitled Depositors and Entitled Scripholders (both as defined below).
- 6.2 Entitled Depositors are Shareholders whose securities accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date, provided that such Entitled Depositors have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided CDP, at 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 139589, with a registered address in Singapore no later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days (being a day on which the SGX-ST is open for trading in securities) prior to the Books Closure Date.
- 6.3 Entitled Scripholders are Shareholders whose share certificates are not deposited with CDP and who have tendered to Boardroom Corporate & Advisory Services Pte. Ltd ("**Share Registrar**") valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date, provided that such Entitled Scripholders have registered addresses in Singapore with the Share Registrar as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided the Share Registrar, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, with a registered address in Singapore no later than 5.00 pm. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date.

7. Irrevocable Undertakings

- 7.1 As at the date of this announcement, Mr Wong Sheung Sze and Mr Lew Syn Pau (the "**Undertaking Shareholders**"), have direct and deemed interests in 150,148,774 Shares and 39,328,800 Shares respectively, representing approximately 36.09% and 9.45% of the existing issued and paid-up share capital (excluding treasury shares) of the Company respectively.
- 7.2 As an indication of their support and commitment to the Company:
- (a) Mr Wong Sheung Sze, a Director and controlling Shareholder, has provided an irrevocable undertaking dated 25 July 2014 to the Company, *inter alia*:
 - (i) to subscribe and pay and/or procure subscription and payment for his *pro rata* entitlement to the Rights Shares, provided that he (together with any person acting in concert with him) will not be placed in a position of incurring a mandatory general offer obligation under the Singapore Code on Takeovers and Mergers following the completion of the Proposed Rights Issue, in accordance with the terms and conditions of the Proposed Rights Issue; and
 - (ii) that as at Books Closure Date, the number of Shares held by him will not be less than the number of Shares held by him as at the date of such undertaking; and
 - (b) Mr Lew Syn Pau, a Director and substantial Shareholder has provided an irrevocable undertaking dated 30 July 2014 to the Company, *inter alia*,
 - (i) to subscribe and pay and/or procure subscription and payment for his *pro rata* entitlement to the Rights Shares, in accordance with the terms and conditions of the Rights Issue; and

- (ii) that as at Books Closure Date, the number of shares held by him will not be less than the number of shares held by him as at the date of such undertaking,

(collectively, the “**Irrevocable Undertakings**”).

- 7.3 Each of the Undertaking Shareholders shall procure confirmations from financial institutions that he has sufficient financial resources to fulfil his obligations under the Irrevocable Undertakings.
- 7.4 The Irrevocable Undertakings are conditional upon the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST and such approval not having been withdrawn or revoked as at the date of completion of the Proposed Rights Issue.

Resultant Shareholdings based on Maximum Subscription Scenario and Minimum Subscription Scenario

- 7.5 Assuming the Maximum Subscription Scenario, the aggregate voting rights of Mr Wong Sheung Sze and Mr Lew Syn Pau after the close of the Proposed Rights Issue will remain unchanged at approximately 36.09% and 9.45% of the Company’s aggregate voting rights (based on the enlarged share capital of the Company after the Proposed Rights Issue) respectively.
- 7.6 However, assuming the Minimum Subscription Scenario, the aggregate voting rights of the Undertaking Shareholders after the close of the Proposed Rights Issue will increase as follows:
 - (a) in respect of Mr Wong Sheung Sze, from approximately 36.09% of the Company’s aggregate voting rights as at the date of this Announcement to approximately 37.09%; and
 - (b) in respect of Mr Lew Syn Pau, from approximately 9.45% of the Company’s aggregate voting rights as at the date of this Announcement to approximately 10.34%,

of the Company’s aggregate voting rights following the completion of the Proposed Rights Issue.

8. Approvals

- 8.1 Shareholders should note that the Proposed Rights Issue is subject to, *inter alia*, the following conditions:
 - (a) receipt by the Company of the approval in-principle from the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST; and
 - (b) the lodgment of the OIS with the Monetary Authority of Singapore.
- 8.2 An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST. The Company will make an appropriate announcement upon the receipt of the in-principle approval of the SGX-ST.

9. Interests of Directors and Substantial Shareholders

None of the Directors nor any substantial Shareholder (in so far as the Directors are aware) has any interest, whether direct or indirect, in the Proposed Rights Issue, other than through their shareholdings in the Company (if any).

10. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Rights Issue and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

By Order of the Board

Broadway Industrial Group Limited

1 August 2014