



BROADWAY INDUSTRIAL GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 199405266K)
(the “Company”)

**THE PROPOSED ACQUISITION OF A 55% EQUITY STAKE IN BEIJING ANT BROTHERS
TECHNOLOGY CO., LTD. FOR S\$5,000,000**

1. INTRODUCTION

- 1.1.** The Board of Directors (the “**Board**” or “**Directors**”) of Broadway Industrial Group Limited (the “**Company**”, and together with its subsidiaries and associated companies, the “**Group**”) wishes to announce that the Company has entered into an equity purchase agreement (“**EPA**”) on 21 January 2020 with Beijing Ant Brothers Technology Co., Ltd. (“**BAB**”), Weijie Wang, and Beijing Ant Home Information Consulting Center (Limited Partnership) (“**Ant Home**”), pursuant to which the Company will subscribe for a 55% equity interest in BAB for the total subscription price of S\$5,000,000 (the “**Proposed Acquisition**”).
- 1.2** The Proposed Acquisition, if undertaken and completed, is expected to constitute a “discloseable transaction” under Chapter 10 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (“**Listing Manual**”).

2. INFORMATION ON BAB, WEIJIE WANG AND ANT HOME

The information on BAB, Weijie Wang and Ant Home was provided by Weijie Wang. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

2.1 Information on BAB

BAB is a limited liability company established in the People’s Republic of China (the “**PRC**”) on 22 September 2017, with a registered capital of RMB 1,000,000. Weijie Wang and Ant Home are the founding shareholders of BAB (collectively, “**Founding Shareholders**”) and directly hold 60% and 40% of the equity interest of BAB, respectively. Weijie Wang’s spouse, Lv Ze, is the financial controller of BAB.

BAB is principally involved in the business of providing technical services, technology transfer, technology development, technology promotion, technical consultation and sales of computer software and accessory devices. In particular, BAB is developing a robotic cleaning machine targeted at the building façade cleaning market.

2.2 Information on Weijie Wang

Weijie Wang holds 60% of the equity interest of BAB and is also the executive director, founder and legal representative of BAB. Weijie Wang also holds 60% of the equity interest of Ant Brothers (Tianjin) Technology Co. Ltd. (“**Tianjin Ant Brothers**”). Tianjin Ant Brothers holds some of the intellectual property that is currently being used by BAB.

2.3 Information about Ant Home

Ant Home is a limited partnership established in the PRC. The partners of Ant Home are Weijie Wang and certain key employees of BAB. Ant Home holds 40% of the equity interest of Tianjin Ant Brothers.

3. KEY TERMS OF THE AGREEMENT

3.1 **Equity subscription**

Subject to the terms and conditions of the EPA, BAB shall increase its registered capital from RMB 1,000,000 to RMB 2,222,222 and the Company shall subscribe for the increased registered capital of BAB, which represents 55% of the equity interest in BAB ("**Equity Subscription**"), for a total subscription price of S\$5,000,000 ("**Subscription Price**"), of which the amount equivalent to RMB 1,222,222 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve.

The Company shall have the right to procure such other parties as co-investors to subscribe for the increased registered capital. The Group has incorporated a wholly-owned subsidiary in the PRC and intends to transfer all its rights and obligations under the EPA to such subsidiary.

3.2 **Subscription Price**

The Subscription Price shall be payable by the Company in four (4) tranches as follows:

- (a) the first tranche of S\$1,500,000 (the "**First Subscription Price**") shall be paid in two (2) instalments, namely, (i) S\$500,000 (of which an amount equivalent to RMB 122,222 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve) to be paid within seven (7) business days of signing the EPA; and (ii) S\$1,000,000 (of which an amount equivalent to RMB 244,444 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve) to be paid within 15 days from the date of receipt by the Company of the payment notice to be issued by BAB upon the fulfilment of certain conditions (please refer to Paragraph 3.3(b) below);
- (b) the second tranche of S\$1,500,000 (the "**Second Subscription Price**") (of which an amount equivalent to RMB 366,667 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve) shall be paid within 15 days from the date of receipt by the Company of the payment notice to be issued by BAB upon the fulfilment of certain conditions (please refer to Paragraph 3.3(c) below);
- (c) the third tranche of S\$1,000,000 (the "**Third Subscription Price**") (of which an amount equivalent to RMB 244,444 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve) shall be paid within 15 days from the date of receipt by the Company of the payment notice to be issued by BAB upon the fulfilment of certain conditions (please refer to Paragraph 3.3(d) below);
- (d) the fourth tranche of S\$1,000,000 (the "**Fourth Subscription Price**") (of which an amount equivalent to RMB 244,445 will be paid in to BAB's registered capital and the remaining amount will be added to BAB's capital reserve) shall be paid within 15 days from the date of receipt by the Company of the payment notice to be issued by BAB upon the fulfilment of certain conditions (please refer to Paragraph 3.3(e) below).

The Subscription Price was arrived at through arm's length, commercial negotiations and on a "willing-buyer, willing-seller" basis after taking into consideration, amongst others, the intellectual property and research and development capabilities of BAB, including its robotic cleaning machine development roadmap incorporating Artificial Intelligence (AI) applications; the state of readiness and leading edge design of BAB's robotic cleaning machine vis-a-vis competition; and the prospects of BAB, including the potential size and prospects of the building facade cleaning market and other potential addressable market and industries such as solar panel and transport.

3.3 **Conditions Precedent**

The obligation on the part of the Company to pay each tranche of the Subscription Price is conditional upon certain conditions being fulfilled or waived as follows:

(a) Conditions for the payment of the first instalment of the First Subscription Price:

- (i) Execution of the EPA, the shareholders agreement to be entered into amongst the parties, the amended articles of association of BAB and such other related documents.

(b) Conditions for the payment of the second instalment of the First Subscription Price:

- (i) BAB to have completed the registration of the changes in equity interest arising from the Equity Subscription and the directors as appointed by the Company and to have obtained the new business license as issued by AIC in accordance with applicable law;
- (ii) that all warranties in the EPA are true, correct, accurate, and not misleading in all material respects from the execution date of the EPA until the issuance date of the payment notice by BAB;
- (iii) BAB and the Founding Shareholders to have performed or complied with all agreements, obligations, warranties and conditions under the EPA required prior to or at the issuance date of the payment notice by BAB;
- (iv) until the Closing Date (as defined below), that BAB shall carry out its business in the ordinary course, and that there is no events causing a material adverse effect on the business operation, financial condition, management, labour and other aspects of BAB;
- (v) until the Closing Date, there is no Chinese government pending or possible action or procedure which is expected to limit or prohibit the EPA, and the completion of the EPA will not be made illegal by any laws, regulations or rules of any government department in China with jurisdiction;
- (vi) BAB has signed labour contracts with all key employees and such contracts are legitimate and reasonable;
- (vii) BAB and Tianjin Ant Brothers have signed an intellectual property transfer agreement which stipulates that all intellectual property owned by Tianjin Ant Brothers shall be transferred to BAB free of charge, and the application for such transfer has been submitted to the Trademark Office, Patent Office and Copyright Office in the PRC;
- (viii) the Founding Shareholders have terminated the entire equity entrustment arrangement in respect of the equity interest held such that the equity held by the Founding Shareholders directly are not held on behalf of other parties, and have issued a letter of undertaking on such issues;
- (ix) the subscribed capital corresponding to the equity held by the Founding Shareholders of BAB has been paid up in full; and
- (x) Weijie Wang and Lv Ze have drafted legitimate and reasonable equity incentive agreement for key employees in BAB and which has been approved by the board of directors of BAB in accordance with the amended articles of association of BAB.

(c) Conditions for the payment of the Second Subscription Price:

- (i) the conditions for the payment of the First Subscription Price have been fully satisfied and such conditions continue to be fulfilled;

- (ii) Tianjin Ant Brothers has transferred all of its intellectual property to the BAB and completed the relevant transfer procedures;
 - (iii) Tianjin Ant Brothers has applied to the AIC for dissolution; and
 - (iv) the performance of BAB for the period from the first month to third month after the date of execution of the EPA meets certain key performance indicators (“KPI”) as agreed among the parties.
- (d) Conditions for the payment of the Third Subscription Price:
- (i) the conditions for the payment of the First Subscription Price have been fully satisfied and such conditions continue to be fulfilled; and
 - (ii) the performance of BAB for the period from the fourth month to sixth month after the date of execution of the EPA meets certain KPIs as agreed among the parties.
- (e) Conditions for the payment of the Fourth Subscription Price:
- (i) the conditions for the payment of the First Subscription Price have been fully satisfied and such conditions continue to be fulfilled; and
 - (ii) the performance of BAB for the period from the seventh month to ninth month after the date of execution of the EPA meets certain KPIs as agreed among the parties.

3.4 Closing

Closing will take place as soon as practicable within fifteen (15) business days from the date of receipt of the payment notice for the second instalment of the First Subscription Price, or at such other date and time as the Company and BAB may mutually agree upon (the “Closing” and the date of the Closing, the “Closing Date”). The Company shall hold 55% of the equity interest of BAB after the Closing. BAB shall, at the time of Closing, add the Company to the register of shareholders and shall deliver to the Company a copy of such register of shareholders stamped with the Company’s official seal.

Notwithstanding that the Company shall hold 55% of the equity interest of BAB after the Closing, the voting rights and the income distribution rights of each shareholder of BAB shall be in proportion to their respective paid-in capital contribution (excluding the amount of BAB’s capital reserve fund).

3.5 Special Indemnification

The Founding Shareholders shall jointly and severally indemnify, defend and hold harmless the Company and their affiliates, officers, directors, agents and employees from any loss, damage, liability, claim, lawsuit, expense and payment arising out of the following non-compliance matters that occurred before the Closing Date:

- (a) any tax violations (including but not limited to, BAB or any of the Founding Shareholders failing to declare and pay taxes according to PRC law, failing to withhold personal income tax in the shares transfer history of BAB, and failing to withhold personal income tax when paying any fee, remuneration or price to any person) of BAB or any Founding Shareholder before the Closing;
- (b) any litigation, arbitration, administrative investigation or any other administrative penalty or judicial proceedings involving BAB in respect of any act or event on or before the Closing Date;

- (c) failing to obtain the necessary approvals, qualifications, permits or complete the necessary registration for BAB's business or failing to carry on BAB's business in accordance with all applicable laws and government orders;
- (d) BAB or any subsidiaries failing to pay (i) the salary to employees in full in accordance with the current applicable labour laws and regulations before the Closing Date; or (ii) the social insurance premium and housing provident fund to employees in full in accordance with the current applicable labour laws and regulations.
- (e) If the transfer of the intellectual property of Tianjin Ant Brothers is not approved or completed for any reason, then the Founding Shareholders shall procure the transfer of all equity in Tianjin Ant Brothers to BAB for RMB 1 and BAB shall hold 100% of the equity interest of Tianjin Any Brothers thereafter. Each of the Founding Shareholders shall jointly and severally indemnify BAB for any outstanding liabilities including contingent liabilities and any losses resulting from non-compliance by Tianjin Ant Brothers as at the date of such transfer.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board considers that the Proposed Acquisition is in the interest of the Company, taking into consideration the following factors:

- (a) as part of the Company's strategic review to diversify, expand the Group's existing business and enhance Shareholders' value, the Proposed Acquisition represents an opportunity for the Group to diversify its revenue stream from its current business in an industry which will allow the Group to leverage on its expertise in the manufacture of precision components for electronics and other industries; and
- (b) the Proposed Acquisition will potentially provide the Company with access to an industry which is expected to be a high margin, high growth industry.

The Proposed Acquisition will be funded by the Group's internal resources.

5. VALUE OF THE EQUITY SUBSCRIPTION AND NET PROFITS ATTRIBUTABLE TO THE EQUITY SUBSCRIPTION

Based on the unaudited financial statements of BAB for the nine-month period ended 30 September 2019, the negative book value and negative net tangible asset value attributable to the Equity Subscription is approximately RMB 436,409 (approximately S\$85,000) and RMB 436,409 (approximately S\$85,000), respectively.

No valuation was conducted in respect of BAB for the purpose of the Proposed Acquisition.

Based on the unaudited financial statements of BAB for the nine-month period ended 30 September 2019, the net loss attributable to the Equity Subscription is approximately RMB 112,365 (approximately S\$22,000).

6. FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the Group set out below is purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion of the Proposed Acquisition.

The financial effects of the Proposed Acquisition on the Group are prepared based on the latest announced audited consolidated financial statements of the Group for financial year ended 31

December 2018 and the latest unaudited consolidated financial statements of BAB for the nine-month period ended 30 September 2019 and the following assumptions:

- (a) the Proposed Acquisition had been effected at the end of the financial year ended 31 December 2018 for the computation on the effect on the net tangible assets (“NTA”) per share; and
- (b) the Proposed Acquisition had been effected at the beginning of the financial year ended 31 December 2018 for the computation on the effect on the earnings per share (“EPS”).

6.1 NTA per share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to owners of the Company (S\$'000)	83,808	83,808
Number of shares in issue (excluding treasury shares)	468,956,061	468,956,061
NTA per Share (Singapore cents)	17.87	17.87

6.2 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit/(loss) after tax (S\$'000)	1,810	1,788
Weighted average number of shares in issue (excluding treasury shares)	468,956,061	468,956,061
Earnings/(loss) per share (Singapore cents)	0.385	0.380

7. THE PROPOSED ACQUISITION AS A DISCLOSEABLE TRANSACTION

Based on the latest announced unaudited consolidated financial statements of the Group for the nine-month period ended 30 September 2019 and BAB’s unaudited financial statements for the nine-month period ended 30 September 2019, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as the Company will not be disposing of any assets pursuant to the Proposed Acquisition
Rule 1006(b)	The net loss attributable to the assets acquired, compared with the Group’s net loss	0.23% ⁽¹⁾

Rule 1006(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	10% ⁽²⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities will be issued by the Company as consideration for the Proposed Acquisition
Rule 1006(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 as the Company is not a mineral, oil and gas company.

Notes:

- (1) Based on BAB's unaudited financial statements for the nine-month period ended 30 September 2019, BAB had a net loss of approximately S\$40,000. The net loss attributable to the Equity Subscription is approximately S\$22,000. Based on the latest announced unaudited consolidated financial statements of the Group for the nine-month period ended 30 September 2019, the Group had a net loss of approximately S\$9,566,000.
- (2) Calculated based on the Company's market capitalisation of approximately S\$51.496 million as at 20 January 2020, being the market day preceding the date of the EPA.

As the relative figures computed on the bases set out in Rule 1006(c) of the Listing Manual exceeds 5% but is less than 20%, the Proposed Acquisition constitutes a "discloseable transaction" as defined under Chapter 10 of the Listing Manual.

8. NO SERVICE CONTRACTS

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

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ACQUISITION

None of the Directors and as far as the Directors are aware, none of the Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition other than through their shareholdings in the Company.

10. DOCUMENTS FOR INSPECTION

A copy of the EPA will be made available for inspection during normal business hours at the registered office of the Company at 3 Fusionopolis Way, #13-26 Symbiosis Tower, Singapore 138633 for a period of three (3) months from the date of this announcement.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Acquisition.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who have been delegated supervision of this announcement) 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 Acquisition, the Company and its subsidiaries, 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 such sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

BROADWAY INDUSTRIAL GROUP LIMITED

21 January 2020