

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 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) %
		30-09-18 S\$'000	30-09-17 S\$'000		30-09-18 S\$'000	30-09-17 S\$'000	
Revenue		104,445	105,171	(0.7)	297,183	273,683	8.6
Cost of sales		(98,734)	(97,635)	1.1	(279,887)	(254,654)	9.9
Gross profit		5,711	7,536	(24.2)	17,296	19,029	(9.1)
Distribution expenses		(820)	(900)	(8.9)	(2,501)	(2,726)	(8.3)
Administrative, sales and marketing expenses		(3,565)	(3,363)	6.0	(10,212)	(10,244)	(0.3)
Other expenses	1	(717)	(1,993)	(64.0)	(702)	(3,144)	(77.7)
Results from operating activities		609	1,280	(52.4)	3,881	2,915	33.1
Finance income		45	177	(74.6)	614	554	10.8
Finance costs		(445)	(510)	(12.7)	(1,488)	(1,318)	12.9
Net finance costs		(400)	(333)	20.1	(874)	(764)	14.4
Profit before income tax	2	209	947	(77.9)	3,007	2,151	39.8
Income tax expense	3	(476)	(596)	(20.1)	(1,246)	(1,549)	(19.6)
(Loss)/Profit from continuing operations, net of tax		(267)	351	n.m.	1,761	602	192.5
Profit/(Loss) from discontinued operations, net of tax		-	8	(100.0)	-	(642)	(100.0)
(Loss)/Profit for the period		(267)	359	n.m.	1,761	(40)	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		124	(816)	n.m.	1,324	(4,673)	n.m.
Total other comprehensive income/(loss), net of tax		124	(816)	n.m.	1,324	(4,673)	n.m.
Total comprehensive (loss)/income		(143)	(457)	(68.8)	3,085	(4,713)	n.m.
(Loss)/Profit attributable to :							
Owners of the Company		(209)	409	n.m.	1,829	92	n.m.
Non-controlling interests		(58)	(50)	16.0	(68)	(132)	(48.5)
(Loss)/Profit for the period		(267)	359	n.m.	1,761	(40)	n.m.
Total comprehensive (loss)/income attributable to :							
Owners of the Company		(80)	(422)	(81.1)	3,185	(4,662)	n.m.
Non-controlling interests		(63)	(35)	80.0	(100)	(51)	96.1
Total comprehensive (loss)/income		(143)	(457)	(68.8)	3,085	(4,713)	n.m.

n.m. - not meaningful

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2018

	Group			Group		
	Quarter ended 30-09-18 S\$'000	30-09-17 S\$'000	Increase/ (Decrease) %	Year to date 30-09-18 S\$'000	30-09-17 S\$'000	Increase/ (Decrease) %
1) Other expenses						
Foreign exchange (losses)/gains, net	(222)	(1,644)	(86.5)	294	(3,588)	n.m.
Fair value (loss)/gain on financial derivatives	(151)	(72)	109.7	(327)	1,279	n.m.
Gain on disposal of property, plant & equipment	73	151	(51.7)	86	201	(57.2)
Loss on disposal of assets held-for-sale	(73)	-	n.m.	(117)	-	n.m.
Redundancy costs	(809)	(1,023)	(21.0)	(2,325)	(2,993)	(22.3)
Scrap income	381	251	51.8	1,278	565	126.2
Government grant	47	111	(58.0)	323	593	(45.6)
Others	37	233	(84.1)	86	799	(89.2)
	(717)	(1,993)	(64.0)	(702)	(3,144)	(77.7)
2) Profit before income tax included						
Depreciation of property, plant and equipment	(3,951)	(3,882)	1.8	(11,007)	(12,713)	(13.4)
3) Income tax expense						
Current tax	(244)	(330)	(26.1)	(512)	(577)	(11.3)
Under provision in prior years	(232)	(266)	(12.8)	(734)	(972)	(24.5)
	(476)	(596)	(20.1)	(1,246)	(1,549)	(19.6)

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2018

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.

	Note	Group		Company	
		30-09-18 S\$'000	31-12-17 S\$'000	30-09-18 S\$'000	31-12-17 S\$'000
Assets					
Property, plant and equipment		79,452	77,112	4	9
Investments in subsidiaries		-	-	100,000	100,000
Non-current assets		79,452	77,112	100,004	100,009
Assets held-for-sale		19,538	19,413	47	47
Financial derivatives		-	2	-	-
Inventories		22,387	27,121	-	-
Trade and other receivables		80,136	72,765	24,383	24,594
Cash and cash equivalents		19,528	18,059	1,155	2,931
Current assets		141,589	137,360	25,585	27,572
Total assets		221,041	214,472	125,589	127,581
Equity					
Share capital		113,155	113,147	113,155	113,147
(Accumulated losses)/retained earnings		(12,726)	(14,555)	10,902	12,683
Other reserves		(13,401)	(14,686)	120	191
Equity, attributable to owners of the Company		87,028	83,906	124,177	126,021
Non-controlling interests		(1,483)	(1,383)	-	-
Total equity		85,545	82,523	124,177	126,021
Liabilities					
Other payables		3,517	2,992	-	-
Loans and borrowings		3,826	7,180	-	-
Non-current liabilities		7,343	10,172	-	-
Income tax payable		4,338	3,512	5	5
Trade and other payables		86,063	113,408	1,407	1,555
Financial derivatives		332	-	-	-
Loans and borrowings		37,420	4,857	-	-
Current liabilities		128,153	121,777	1,412	1,560
Total liabilities		135,496	131,949	1,412	1,560
Total equity and liabilities		221,041	214,472	125,589	127,581

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

Amount repayable in one year or less, or on demand

As at 30-09-18		As at 31-12-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
37,420	-	4,857	-

Amount repayable after one year

As at 30-09-18		As at 31-12-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,826	-	7,180	-

Details of any collaterals

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

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2018

- 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	
	30-09-18	30-09-17	30-09-18	30-09-17
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing operations</u>				
<u>Cash flows from operating activities</u>				
Profit before income tax	209	947	3,007	2,151
Depreciation of property, plant and equipment	3,951	3,882	11,007	12,713
Equity-settled share-based payment transactions	6	1	25	1
Fair value loss/(gain) on financial derivatives	151	72	327	(1,279)
Gain on disposal of property, plant and equipment	(73)	(151)	(86)	(201)
Loss on disposal of asset held-for-sale	73	-	117	-
Interest expense	445	510	1,488	1,318
Interest income	(45)	(177)	(614)	(554)
Operating cash flows before changes in working capital	4,717	5,084	15,271	14,149
Change in inventories	(65)	8,065	5,233	7,522
Change in trade and other receivables	(19,722)	(4,811)	(19,086)	(9,881)
Change in trade and other payables	1,339	8,901	(15,029)	(695)
Net cash flow (used in)/from operations	(13,731)	17,239	(13,611)	11,095
Income tax paid	(238)	(279)	(513)	(1,619)
Net cash flows (used in)/from operating activities	(13,969)	16,960	(14,124)	9,476
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(3,480)	(353)	(11,132)	(5,602)
Proceeds from disposal of property, plant and equipment	-	175	156	277
Proceeds from disposal of asset held-for-sale	137	-	312	-
Deferred consideration received	-	-	14,000	-
Interest income received	39	2	50	28
Net cash flows (used in)/from investing activities	(3,304)	(176)	3,386	(5,297)
<u>Cash flows from financing activities</u>				
Dividends paid to equity owners	-	-	-	(40,025)
Proceeds from bank borrowings	18,644	7,393	50,107	20,563
Repayments of bank borrowings	(2,257)	(18,685)	(21,407)	(104,027)
Payment of finance lease liabilities	(153)	(7)	(314)	(130)
Repurchase of own shares	(88)	-	(88)	-
Interest expense paid	(445)	(510)	(1,488)	(1,318)
Net cash flows from/(used in) financing activities	15,701	(11,809)	26,810	(124,937)
Net (decrease)/increase in cash and cash equivalents	(1,572)	4,975	16,072	(120,758)
<u>Discontinued operations</u>				
Net cash flows used in operating activities	-	(115)	(14,471)	(8,211)
Net (decrease)/increase in cash and cash equivalents	(1,572)	4,860	1,601	(128,969)
Cash and cash equivalents, beginning balance	21,143	9,344	18,054	145,230
Effect of exchange rate fluctuations on cash held	(48)	(605)	(132)	(2,662)
Restricted cash (fixed deposits pledged as security)	5	5	5	5
Cash and cash equivalents, ending balance	19,528	13,604	19,528	13,604

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.

	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	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-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 income/(loss) for the period	-	-	-	-	1,227	2,038	3,265	(37)	3,228
Share-based payment	8	40	-	(30)	-	-	18	-	18
At 30 June 2018	113,155	(259)	2,924	460	(16,574)	(12,517)	87,189	(1,420)	85,769
Total comprehensive income/(loss) for the period	-	-	-	-	129	(209)	(80)	(63)	(143)
Share-based payment	-	(88)	-	7	-	-	(81)	-	(81)
At 30 September 2018	113,155	(347)	2,924	467	(16,445)	(12,726)	87,028	(1,483)	85,545
At 1 January 2017	113,139	(237)	2,924	542	(11,696)	40,460	145,132	(1,356)	143,776
Total comprehensive loss for the period	-	-	-	-	(3,923)	(317)	(4,240)	(16)	(4,256)
Share-based payment	8	55	-	(63)	-	-	-	-	-
Dividends paid	-	-	-	-	-	(40,025)	(40,025)	-	(40,025)
At 30 June 2017	113,147	(182)	2,924	479	(15,619)	118	100,867	(1,372)	99,495
Total comprehensive (loss)/income for the period	-	-	-	-	(831)	409	(422)	(35)	(457)
Share-based payment	-	-	-	1	-	-	1	-	1
At 30 September 2017	113,147	(182)	2,924	480	(16,450)	527	100,446	(1,407)	99,039

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2018

	Other reserves			Retained earnings S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Share-based payment reserve S\$'000		
The Company					
At 1 January 2018	113,147	(299)	490	12,683	126,021
Total comprehensive loss for the period	-	-	-	(1,121)	(1,121)
Share-based payment	8	40	(30)	-	18
At 30 June 2018	113,155	(259)	460	11,562	124,918
Total comprehensive loss for the period	-	-	-	(660)	(660)
Share-based payment	-	(88)	7	-	(81)
At 30 September 2018	113,155	(347)	467	10,902	124,177
At 1 January 2017	113,139	(237)	542	50,563	164,007
Total comprehensive loss for the period	-	-	-	(565)	(565)
Share-based payment	8	55	(63)	-	-
Dividend paid	-	-	-	(40,025)	(40,025)
At 30 June 2017	113,147	(182)	479	9,973	123,417
Total comprehensive loss	-	-	-	(459)	(459)
Share-based payment	-	-	1	-	1
At 30 September 2017	113,147	(182)	480	9,514	122,959

- 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.

There was no change in the Company's issued capital during the period from 30 Jun 2018 to 30 Sep 2018. There was no exercise of share options under the BIGL Share Option Scheme 2001 during the period.

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

As at 30 Sep 2018, there were 812,500 (30 Sep 2017 : 915,000) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Sep 2018, there were 2,502,950 (30 Sep 2017 : 790,150) shares held as treasury shares.

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

Total number of issued shares excluding treasury shares as at 30 Sep 2018 was 469,411,661 (30 Sep 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 Sep 2018 was 469,411,661 (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 Sep 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 Sep 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	
	30-09-18	30-09-17	30-09-18	30-09-17
Based on weighted average number of ordinary shares in issue (cents)	(0.04)	0.09	0.39	0.02
On a fully diluted basis (cents)	(0.04)	0.09	0.39	0.02

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 470,251,986 ordinary shares (30 Sep 2017 : 471,014,942 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 471,101,665 ordinary shares (30 Sep 2017 : 472,108,922 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 30-09-18	As at 31-12-17
Group (cents)	18.54	17.85
Company (cents)	26.45	26.80

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Sep 2018 of 469,411,661 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 declined marginally 0.7% to S\$104.4 million in 3Q2018 as compared to S\$105.2 million in 3Q2017.

Gross profit margin declined 1.7 percentage points to 5.5% in 3Q2018 as compared to 7.2% in 3Q2017, mainly due to product mix in 3Q2018.

Operating Expenses

The Group's distribution expenses decreased by 8.9% to S\$0.8 million in 3Q2018 as compared to S\$0.9 million in 3Q2017 mainly due to lower carriage cost incurred in 3Q2018.

Administration, sales and marketing expenses increased to S\$3.6 million in 3Q2018 as compared to S\$3.4 million in 3Q2017 mainly due to higher professional fees in 3Q2018.

Other expenses decreased to S\$0.7 million in 3Q2018 from S\$2.0 million in 3Q2017 mainly due to the lower foreign exchange loss in 3Q2018.

Tax Expense

The Group recorded a tax expense of S\$0.5 million in 3Q2018 as compared to S\$0.6 million in 3Q2017.

Net Loss/Profit

Due to the above factors, the Group recorded a loss after tax of S\$0.3 million in 3Q2018 as compared to a profit after tax of S\$0.4 million for continuing operations in 3Q2017.

Statement of financial position

The increase in the Group's trade and other receivables from S\$72.8 million at 31 December 2017 to S\$80.1 million at 30 September 2018 was mainly due to low utilisation of trade receivable financing.

The decrease in the Group's trade and other payables from S\$116.4 million at 31 December 2017 to S\$89.6 million at 30 September 2018 was mainly due to lower trade payables at 30 September 2018 and the payout in 1Q2018 pursuant to Deed of Payment as announced on 6 Feb 2018.

The increase in the Group's loans and borrowings from S\$12.0 million at 31 December 2017 to S\$41.2 million at 30 September 2018 is explained by the change in financing method from account receivables financing to short term loans which are less expensive.

The Net Asset Value (NAV) per share of the Group increased to 18.54 cents as at 30 September 2018 from 17.85 cents as at 31 December 2017.

Cash Flow

The Group recorded net cash used in operating activities of S\$13.9 million in 3Q2018 as compared to net cash from operating activities of S\$17.0 million in 3Q2017 mainly due to changes in working capital.

Net cash used in investing activities increased to S\$3.3 million in 3Q2018 as compared S\$0.2 million in 3Q2017 mainly due to increased capital expenditure.

Net cash from financing activities was S\$15.7million in 3Q2018 as compared to net cash used in financing activities of S\$11.8 million in 3Q2017 mainly due to higher net proceeds from bank borrowings in 3Q2018.

- 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 2nd November 2018 report on the 3Q2018 volume of the HDD Industry, the increase in HDD volume by 1.1% as compared to 2Q2018 was mainly due to higher seasonal demand for game consoles.

The HDD Industry has stayed resilient through 3Q2018, and the outlook for 4Q2018 is not expected to be different.

In view of the above, the Group will continue its streamlining efforts to maintain its operating profitability.

The Group is also on the lookout for new growth opportunities in order to enhance shareholders' value.

- 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 quarter period ended 30 September 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

9 November 2018