

**BROADWAY INDUSTRIAL GROUP LIMITED**
**Company Registration No. 199405266K**
**First Quarter Financial Statement Announcement For the Period Ended 31 March 2019**
**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

- 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		Increase/ (Decrease) %
		Quarter ended		
		31-03-19	31-03-18	
		S\$'000	S\$'000	
Revenue		67,562	91,417	(26.1)
Cost of sales		(66,599)	(85,812)	(22.4)
Gross profit		963	5,605	(82.8)
Distribution expenses		(505)	(784)	(35.6)
Administrative expenses		(3,175)	(3,121)	1.7
Sales and marketing expenses		(170)	(223)	(23.8)
Other expenses	1	(1,773)	(294)	n.m.
Results from operating activities		(4,660)	1,183	n.m.
Finance income		8	141	(94.3)
Finance costs		(423)	(477)	(11.3)
Net finance costs		(415)	(336)	23.5
(Loss)/Profit before income tax	2	(5,075)	847	n.m.
Income tax expense	3	(151)	(272)	(44.5)
(Loss)/Profit for the period		(5,226)	575	n.m.
<b><u>Other comprehensive loss</u></b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations		(413)	(1,080)	(61.8)
<b>Total comprehensive loss</b>		(5,639)	(505)	n.m.
<b>(Loss)/Profit attributable to :</b>				
Owners of the Company		(5,141)	588	n.m.
Non-controlling interests		(85)	(13)	n.m.
(Loss)/Profit for the period		(5,226)	575	n.m.
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company		(5,564)	(518)	n.m.
Non-controlling interests		(75)	13	n.m.
<b>Total comprehensive loss</b>		(5,639)	(505)	n.m.

n.m. - not meaningful

	<b>Group</b>		
	Quarter ended 31-03-19 S\$'000	31-03-18 S\$'000	Increase/ (Decrease) %
<b>1 ) Other expenses</b>			
Foreign exchange loss	(1,887)	(71)	n.m.
Fair value gain/(loss) on financial derivatives	184	(2)	n.m.
Gain on disposal of property, plant & equipment	56	59	(5.1)
Loss on disposal of assets held-for-sale	-	(44)	(100.0)
Scrap income	228	411	(44.5)
Redundancy costs	(570)	(718)	(20.6)
Government grants	177	93	90.3
Others	39	(22)	n.m.
	<u>(1,773)</u>	<u>(294)</u>	<u>n.m.</u>
<b>2 ) (Loss)/Profit before income tax included</b>			
Depreciation	(3,709)	(3,485)	6.4
<b>3 ) Income tax expense</b>			
Current tax	(151)	(11)	n.m.
Under provision in prior years	-	(261)	(100.0)
	<u>(151)</u>	<u>(272)</u>	<u>(44.5)</u>

n.m. - not meaningful

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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.

	<b>Group</b>		<b>Company</b>	
	31-03-19	31-12-18	31-03-19	31-12-18
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Assets</b>				
Property, plant and equipment	76,992	78,840	8	3
Right-of-use assets	1,854	-	157	-
Investments in subsidiaries	-	-	100,000	100,000
Other investments	101	101	47	47
<b>Non-current assets</b>	<b>78,947</b>	<b>78,941</b>	<b>100,212</b>	<b>100,050</b>
Assets held-for-sale	19,424	19,423	-	-
Inventories	24,621	21,354	-	-
Trade and other receivables	49,644	72,771	23,696	23,818
Other assets	1,870	1,005	24	17
Cash and cash equivalents	10,581	11,527	922	1,120
<b>Current assets</b>	<b>106,140</b>	<b>126,080</b>	<b>24,642</b>	<b>24,955</b>
<b>Total assets</b>	<b>185,087</b>	<b>205,021</b>	<b>124,854</b>	<b>125,005</b>
<b>Equity</b>				
Share capital	113,155	113,155	113,155	113,155
(Accumulated losses)/retained earnings	(20,849)	(15,708)	9,798	10,258
Other reserves	(14,078)	(13,639)	74	88
<b>Equity attributable to owners of the Company</b>	<b>78,228</b>	<b>83,808</b>	<b>123,027</b>	<b>123,501</b>
<b>Non-controlling interests</b>	<b>(1,647)</b>	<b>(1,572)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>76,581</b>	<b>82,236</b>	<b>123,027</b>	<b>123,501</b>
<b>Liabilities</b>				
Other payables	2,354	2,311	-	-
Other liabilities	1,020	975	-	-
Loans and borrowings	1,488	-	-	-
Lease liabilities	781	-	-	-
<b>Non-current liabilities</b>	<b>5,643</b>	<b>3,286</b>	<b>-</b>	<b>-</b>
Income tax payable	3,938	4,035	5	5
Trade and other payables	65,946	75,822	1,685	1,499
Financial derivatives	49	235	-	-
Loans and borrowings	31,870	39,407	137	-
Lease liabilities	1,060	-	-	-
<b>Current liabilities</b>	<b>102,863</b>	<b>119,499</b>	<b>1,827</b>	<b>1,504</b>
<b>Total liabilities</b>	<b>108,506</b>	<b>122,785</b>	<b>1,827</b>	<b>1,504</b>
<b>Total equity and liabilities</b>	<b>185,087</b>	<b>205,021</b>	<b>124,854</b>	<b>125,005</b>

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

Amount repayable in one year or less, or on demand

As at 31-03-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
31,870	-	39,407	-

Amount repayable after one year

As at 31-03-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,488	-	-	-

Details of any collateral

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.

	<b>Group</b>	
	<b>First quarter ended</b>	<b>31-03-18</b>
	31-03-19	31-03-18
	S\$'000	S\$'000
<b><u>Continuing operations</u></b>		
<b>Cash flows from operating activities</b>		
<b>(Loss)/Profit before income tax</b>	(5,075)	847
Depreciation on property, plant and equipment	3,200	3,485
Dpreciation on right-of-use assets	509	-
Equity-settled share-based payment transactions	(14)	11
Fair value (gain)/loss on financial derivatives	(184)	2
Gain on disposal of property, plant and equipment	(56)	(59)
Loss on disposal of assets held-for-sale	-	44
Interest expense	423	477
Interest income	(8)	(141)
<b>Operating cash flows before changes in working capital</b>	<b>(1,205)</b>	<b>4,666</b>
Inventories	(3,400)	149
Trade and other receivables	22,560	15,280
Other assets	(869)	33
Trade and other payables	(9,664)	(17,703)
Other liabilities	52	35
<b>Net cash flows from operations</b>	<b>7,474</b>	<b>2,460</b>
Income tax paid	(221)	(161)
<b>Net cash flows from operating activities</b>	<b>7,253</b>	<b>2,299</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,671)	(4,178)
Proceeds from disposal of property, plant and equipment	56	73
Proceeds from disposal of asset held-for-sale	-	175
Interest income received	8	2
<b>Net cash flow used in investing activities</b>	<b>(1,607)</b>	<b>(3,928)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	10,603	16,725
Repayments of bank borrowings	(16,356)	(8,804)
Payment of finance lease liabilities	(10)	(75)
Payment of lease liabilities	(481)	-
Interest expense paid	(423)	(477)
<b>Net cash flow (used in)/from financing activities</b>	<b>(6,667)</b>	<b>7,369</b>
Net (decrease)/increase in cash and cash equivalents	(1,021)	5,740
<b><u>Discontinuing operations</u></b>		
Net cash flow used in operating activities	-	(14,471)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,021)</b>	<b>(8,731)</b>
Cash and cash equivalents at 1 January	11,522	18,054
Effect of exchange rate fluctuations on cash held	75	151
Restricted cash (fixed deposits pledged as security)	5	5
<b>Cash and cash equivalents at 31 March</b>	<b>10,581</b>	<b>9,479</b>

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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.

The Group	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				
<b>At 1 January 2019</b>	113,155	(386)	2,924	474	(16,651)	(15,708)	83,808	(1,572)	82,236
Total comprehensive loss for the period	-	-	-	-	(425)	(5,141)	(5,566)	(75)	(5,641)
Share-based payment	-	-	-	(14)	-	-	(14)	-	(14)
<b>At 31 March 2019</b>	113,155	(386)	2,924	460	(17,076)	(20,849)	78,228	(1,647)	76,581
<b>At 1 January 2018</b>	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
<b>At 31 March 2018</b>	113,147	(299)	2,924	501	(18,907)	(13,967)	83,399	(1,370)	82,029

The Company	Other reserves					Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Share-based payment reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000	
<b>At 1 January 2019</b>	113,155	(386)	474	10,258	123,501	
Total comprehensive loss for the period	-	-	-	(460)	(460)	
Share-based payment	-	-	(14)	-	(14)	
<b>At 31 March 2019</b>	113,155	(386)	460	9,798	123,027	
<b>At 1 January 2018</b>	113,147	(299)	490	12,683	126,021	
Total comprehensive loss for the period	-	-	-	(352)	(352)	
Share-based payment	-	-	11	-	11	
<b>At 31 March 2018</b>	113,147	(299)	501	12,331	125,680	

- 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 31 Dec 2018 to 31 Mar 2019. There was no exercise of share options under the BIGL Share Option Scheme 2001 during the period.

As at 31 Mar 2019, there were 330,000 (31 Mar 2018 : 396,000) outstanding share options in respect of unissued ordinary shares under the BIGL Share Option Scheme 2001.

As at 31 Mar 2019, there were 537,500 (31 Mar 2018 : 875,000) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 31 Mar 2019, there were 2,958,550 (31 Mar 2018 : 1,734,650) shares held as treasury shares.

As at 31 Mar 2019 and 31 Mar 2018, there were no subsidiary holdings.

Total number of issued shares excluding treasury shares as at 31 Mar 2019 was 468,956,061 (31 Mar 2018 : 470,179,961).

- 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 31 Mar 2019 was 468,956,061 (31 Dec 2018 : 468,956,061).

- 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.

As at 31 Mar 2019, there were no sales, transfers, cancellation and/or use of treasury shares.

- 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 31 Mar 2019, 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)") 16 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 2018.

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- 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.

The Group has adopted SFRS(l) 16, the new accounting standard for leases which is effective for annual reporting period beginning on or after 1 January 2019. The Group adopted SFRS(l) 16 using the modified retrospective approach and recognised right-of-use assets and lease liabilities of S\$2.3 million for its leases previously classified as operating leases as of 1 January 2019.

- 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	
	31-03-19	31-03-18
Based on weighted average number of ordinary shares in issue (cents)	(1.10)	0.13
On a fully diluted basis (cents)	(1.09)	0.12

a) Earnings per ordinary share is calculated based on the weighted average number of ordinary shares (excluding treasury shares) of 468,956,061 ordinary shares (31 Mar 2018 : 470,179,961 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on the weighted average number of ordinary shares (excluding treasury shares) of 469,606,061 ordinary shares (31 Mar 2018 : 471,061,705 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 31-03-19	As at 31-12-18
Group (cents)	16.68	17.87
Company (cents)	26.23	26.34

Net asset value per ordinary share is calculated based on 468,956,061 ordinary shares as at 31 Mar 2019 (31 Dec 2018 : 468,956,061 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 by 26.1% to S\$67.6 million in 1Q2019 as compared to S\$91.4 million in 1Q2018, reflecting the unexpected weakness in the hard disk drive market.

Gross profit margin declined to 1.4% in 1Q2019 as compared to 6.1% in 1Q2018, due to lower revenue as well as product mix.

**Operating Expenses**

The Group's distribution expenses decreased by 35.6% to S\$0.5 million in 1Q2019 as compared to S\$0.8 million in 1Q2018 explained by the lower revenue in 1Q2019.

Administrative expenses increased marginally by 1.7% to S\$3.2 million in 1Q2019 as compared to S\$3.1 million in 1Q2018.

Sales and marketing expenses decreased by 23.8% to S\$0.17 million in 1Q 2019 as compared to S\$0.22 million in 1Q2018, mainly due to lower staff costs.



Other expenses increased to S\$1.8 million in 1Q2019 from S\$0.3 million in 1Q2018 mainly due to the higher foreign exchange loss resulting from the strengthening of Thai baht against US dollar.

#### **Tax Expense**

The Group recorded a tax expense of S\$0.15 million in 1Q2019 as compared to S\$0.27 million in 1Q2018 mainly due to additional provision recorded in 1Q2018.

#### **Net Loss/ Profit**

The Group recorded a loss after tax of S\$5.2 million in 1Q2019 as compared to a profit of S\$0.6 million in 1Q2018. The key reasons for this loss are the lower revenue and the foreign exchange loss for the quarter.

#### **Balance Sheet**

In line with lower revenue generated in 1Q2019, the Group's trade and other receivables decreased to S\$49.6 million as at 31 March 2019 from S\$72.8 million as at 31 December 2018 and the Group's trade and other payables decreased to S\$65.9 million as at 31 March 2019 from S\$ 75.8 million as at 31 December 2018.

The Net Asset Value per share of the Group decreased to 16.68 cents as at 31 March 2019 from 17.87 cents as at 31 December 2018.

#### **Cash Flow**

The Group recorded net cash from operating activities of S\$7.3 million in 1Q2019 as compared to S\$2.3 million in 1Q2018 largely explained by the changes in working capital.

Net cash used in investing activities decreased to S\$1.6 million in 1Q2019 as compared to S\$3.9 million in 1Q2018 following lower investment in capital expenditure.

Net cash used in financing activities was S\$6.7 million in 1Q2019 as compared to net cash from financing activities of S\$7.4 million in 1Q2018 mainly due to higher net repayments of loans in 1Q2019.

Cash and cash equivalents as at 31 March 2019 stood at S\$10.6 million as compared to S\$9.5 million as at 31 March 2018.

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

The Company announced a Performance Guidance for 1Q2019 on 3 May 2019. The unaudited loss after tax for 1Q2019 was S\$5.2 million.

- 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' April 2019 report on the 1Q2019 quarterly update of the HDD Industry, HDD volume decreased by 11.8% as compared to 4Q2018, due mainly to seasonal lower sales for both mobile and desktop, as well as unexpected weakness in the SSD market, which affected the HDD volume as well.

The outlook for HDD is expected to stabilize in the 2nd half of 2019 with demand and product mix changes.

Given the uncertainties and challenges in our business environment, the Group will continue with its cost optimization and other initiatives to improve productivity and efficiency.

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- 11 Dividend
- (a) Current financial period reported on  
Any dividend declared for the present 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 Confirmation by the Board pursuant to Rule 705 (5)  
  
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 ended 31 March 2019, 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  
15 May 2019