

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Second Quarter Financial Statement Announcement For the Period Ended 30 June 2019

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)
		30-06-19 S\$'000	30-06-18 S\$'000	%	30-06-19 S\$'000	30-06-18 S\$'000	%
Revenue		63,627	101,321	(37.2)	131,189	192,738	(31.9)
Cost of sales		(62,313)	(95,341)	(34.6)	(128,912)	(181,153)	(28.8)
Gross profit		1,314	5,980	(78.0)	2,277	11,585	(80.3)
Distribution expenses		(520)	(897)	(42.0)	(1,025)	(1,681)	(39.0)
Administrative expenses		(2,827)	(3,120)	(9.4)	(6,002)	(6,241)	(3.8)
Sales and marketing expenses		(195)	(183)	6.6	(365)	(406)	(10.1)
Other income/(expenses)	1	78	309	(74.8)	(1,695)	15	n.m.
Results from operating activities		(2,150)	2,089	n.m.	(6,810)	3,272	n.m.
Finance income		12	428	(97.2)	20	569	(96.5)
Finance costs		(485)	(566)	(14.3)	(908)	(1,043)	(12.9)
Net finance costs		(473)	(138)	n.m.	(888)	(474)	87.3
(Loss)/Profit before income tax	2	(2,623)	1,951	n.m.	(7,698)	2,798	n.m.
Income tax expense	3	(90)	(498)	(81.9)	(241)	(770)	(68.7)
(Loss)/Profit for the period		(2,713)	1,453	n.m.	(7,939)	2,028	n.m.
Other comprehensive (loss)/income :							
Items that are or may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations		(72)	2,280	n.m.	(487)	1,200	n.m.
Total other comprehensive (loss)/income		(72)	2,280	n.m.	(487)	1,200	n.m.
Total comprehensive (loss)/income		(2,785)	3,733	n.m.	(8,426)	3,228	n.m.
(Loss)/Profit attributable to :							
Owners of the Company		(2,712)	1,450	n.m.	(7,853)	2,038	n.m.
Non-controlling interests		(1)	3	n.m.	(86)	(10)	n.m.
(Loss)/Profit for the period		(2,713)	1,453	n.m.	(7,939)	2,028	n.m.
Total comprehensive (loss)/income attributable to :							
Owners of the Company		(2,787)	3,783	n.m.	(8,353)	3,265	n.m.
Non-controlling interests		2	(50)	n.m.	(73)	(37)	97.8
Total comprehensive (loss)/income		(2,785)	3,733	n.m.	(8,426)	3,228	n.m.

n.m. - not meaningful

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Notes to Income Statement	Group			Group		
	Quarter ended		Increase/	Year to date		Increase/
	30-06-19	30-06-18	(Decrease)	30-06-19	30-06-18	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
1) Other income/(expenses)						
Foreign exchange (losses)/gains, net	(699)	587	n.m.	(2,586)	516	n.m.
Unrealised fair value gain/(loss) on financial derivatives	(3)	(174)	(98.3)	181	(176)	n.m.
Gain/(loss) on disposal of property, plant & equipment	10	(46)	n.m.	66	13	n.m.
Loss on disposal of assets held-for-sale	-	-	n.m.	-	(44)	(100.0)
Redundancy costs	(67)	(798)	(91.6)	(637)	(1,516)	(58.0)
Scrap income	602	486	23.8	779	897	(13.2)
Government grant	35	183	(80.9)	263	276	(4.7)
Others	200	71	181.3	239	49	n.m.
	78	309	(74.8)	(1,695)	15	n.m.
2) (Loss)/Profit before income tax included						
Depreciation	(3,857)	(3,571)	8.0	(7,566)	(7,056)	7.2
3) Income tax expense						
Current income tax	(90)	(257)	(65.0)	(241)	(268)	(10.1)
Under provision in prior years	-	(241)	(100.0)	-	(502)	(100.0)
	(90)	(498)	(81.9)	(241)	(770)	(68.7)

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.

	Group		Company	
	30-06-19	31-12-18	30-06-19	31-12-18
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Property, plant and equipment	74,948	78,840	7	3
Right-of-use assets	1,348	-	90	-
Investments in subsidiaries	-	-	100,000	100,000
Other investments	101	101	47	47
Non-current assets	76,397	78,941	100,144	100,050
Asset held-for-sale	19,469	19,423	-	-
Inventories	29,206	21,354	-	-
Trade and other receivables	36,230	72,771	23,045	23,818
Other assets	1,318	1,005	12	17
Cash and cash equivalents	11,066	11,527	787	1,120
Current assets	97,289	126,080	23,844	24,955
Total assets	173,686	205,021	123,988	125,005
Equity				
Share capital	113,163	113,155	113,163	113,155
(Accumulated losses)/retained earnings	(23,561)	(15,708)	9,318	10,258
Other reserves	(14,156)	(13,639)	71	88
Equity, attributable to owners of the Company	75,446	83,808	122,552	123,501
Non-controlling interests	(1,645)	(1,572)	-	-
Total equity	73,801	82,236	122,552	123,501
Liabilities				
Other payables	2,365	2,311	-	-
Other liabilities	1,178	975	-	-
Loans and borrowings	561	-	-	-
Lease liabilities	685	-	-	-
Non-current liabilities	4,789	3,286	-	-
Income tax payable	4,010	4,035	5	5
Trade and other payables	60,529	75,822	1,352	1,499
Financial derivatives	53	235	-	-
Loans and borrowings	29,845	39,407	-	-
Lease liabilities	659	-	79	-
Current liabilities	95,096	119,499	1,436	1,504
Total liabilities	99,885	122,785	1,436	1,504
Total equity and liabilities	173,686	205,021	123,988	125,005

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

Amount repayable in one year or less, or on demand

As at 30-06-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
29,845	-	39,407	-

Amount repayable after one year

As at 30-06-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
561	-	-	-

Details of any collaterals

The Group's borrowings and debt securities at 31 Dec 2018 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.

The Group's borrowings and debt securities at 30 Jun 2019 relate to bank loans which are guaranteed by a subsidiary 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 Quarter ended		Group Year to date	
	30-06-19	30-06-18	30-06-19	30-06-18
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing operations</u>				
<u>Cash flows from operating activities</u>				
(Loss)/Profit before income tax	(2,623)	1,951	(7,698)	2,798
Depreciation of property, plant and equipment	3,351	3,571	6,551	7,056
Dpreciation on right-of-use assets	506	-	1,015	-
Equity-settled share-based payment transactions	5	8	(9)	19
Unrealised fair value loss/(gain) on financial derivatives	3	174	(181)	176
Loss/(gain) on disposal of property, plant and equipment	(10)	46	(66)	(13)
Loss on disposal of asset held-for-sale	-	-	-	44
Interest expense	485	566	908	1,043
Interest income	(12)	(428)	(20)	(569)
Operating cash flows before changes in working capital	1,705	5,888	500	10,554
Inventories	(4,665)	5,149	(8,065)	5,298
Trade and other receivables	13,474	(14,823)	36,034	457
Other assets	546	146	(323)	179
Trade and other payables	(4,981)	1,255	(14,645)	(16,448)
Other liabilities	160	18	212	53
Net cash flow from/(used in) operations	6,239	(2,367)	13,713	93
Income tax paid	(10)	(114)	(231)	(275)
Net cash flows from/(used in) operating activities	6,229	(2,481)	13,482	(182)
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(1,855)	(3,474)	(3,526)	(7,652)
Proceeds from disposal of property, plant and equipment	12	110	68	183
Proceeds from disposal of asset held-for-sale	-	-	-	175
Deferred consideration received	-	14,000	-	14,000
Interest income received	12	9	20	11
Net cash flows (used in)/from investing activities	(1,831)	10,645	(3,438)	6,717
<u>Cash flows from financing activities</u>				
Proceeds from bank borrowings	51	14,738	10,654	31,463
Repayments of bank borrowings	(2,978)	(10,346)	(19,334)	(19,150)
Payment of finance lease liabilities	-	(86)	(10)	(161)
Payment of lease liabilities	(547)	-	(1,028)	-
Interest expense paid	(485)	(566)	(908)	(1,043)
Net cash flows (used in)/from financing activities	(3,959)	3,740	(10,626)	11,109
Net increase/(decrease) in cash and cash equivalents	439	11,904	(582)	17,644
<u>Discontinued operations</u>				
Net cash flows used in operating activities	-	-	-	(14,471)
Net increase/(decrease) in cash and cash equivalents	439	11,904	(582)	3,173
Cash and cash equivalents, beginning balance	10,576	9,474	11,522	18,054
Effect of exchange rate fluctuations on cash held	46	(235)	121	(84)
Restricted cash (fixed deposits pledged as security)	5	5	5	5
Cash and cash equivalents, ending balance	11,066	21,148	11,066	21,148

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			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	(Accumulated losses)/retained earnings S\$'000			
The Group									
At 1 January 2019	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)
At 31 March 2019	113,155	(386)	2,924	460	(17,076)	(20,849)	78,228	(1,647)	76,581
Total comprehensive (loss)/income for the period	-	-	-	-	(75)	(2,712)	(2,787)	2	(2,785)
Share-based payment	8	24	-	(27)	-	-	5	-	5
At 30 June 2019	113,163	(362)	2,924	433	(17,151)	(23,561)	75,446	(1,645)	73,801
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

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	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 2019	113,155	(386)	474	10,258	123,501
Total comprehensive loss for the period	-	-	-	(460)	(460)
Share-based payment	-	-	(14)	-	(14)
At 31 March 2019	113,155	(386)	460	9,798	123,027
Total comprehensive loss for the period	-	-	-	(480)	(480)
Share-based payment	8	24	(27)	-	5
At 30 June 2019	113,163	(362)	433	9,318	122,552
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 income	-	-	-	(769)	(769)
Share-based payment	8	40	(41)	-	7
At 30 June 2018	113,155	(259)	460	11,562	124,918

- 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, 182,500 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 2019, there were 330,000 (30 Jun 2018 : 396,000) outstanding share options in respect of unissued ordinary shares under the BIGL Share Option Scheme 2001.

As at 30 Jun 2019, there were 355,000 (30 Jun 2018 : 852,500) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Jun 2019, there were 2,776,050 (30 Jun 2018 : 1,502,150) shares held as treasury shares.

As at 30 Jun 2019 and 30 Jun 2018, there were no subsidiary holdings.

Total number of issued shares excluding treasury shares as at 30 Jun 2019 was 469,138,561 (30 Jun 2018 : 470,412,461).

- 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 2019 was 469,138,561 (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.

From 1 Jan 2019 to 30 Jun 2019, 182,500 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 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.

- 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(I) 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(I) 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		Year to date	
	30-06-19	30-06-18	30-06-19	30-06-18
Based on weighted average number of ordinary shares in issue (cents)	(0.58)	0.31	(1.67)	0.43
On a fully diluted basis (cents)	(0.58)	0.31	(1.67)	0.43

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 469,008,271 ordinary shares (30 Jun 2018 : 470,247,764 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 469,557,045 ordinary shares (30 Jun 2018 : 471,097,122 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 30-06-19	As at 31-12-18
Group (cents)	16.08	17.87
Company (cents)	26.12	26.34

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Jun 2019 of 469,138,561 ordinary shares (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 37.2% to S\$63.6 million in 2Q2019 as compared to S\$101.3 million in 2Q2018, mainly due to the continued weakness in the hard disk drive market.

Gross profit margin declined to 2.1% in 2Q2019 as compared to 5.9% in 2Q2018, due to lower revenue as well as product mix.

Operating Expenses

The Group's distribution expenses decreased by 42.0% to S\$0.5 million in 2Q2019 as compared to S\$0.9 million in 2Q2018 explained by the lower revenue in 2Q2019.

Administrative expenses decreased by 9.4% to S\$2.8 million in 2Q2019 as compared to S\$3.1 million in 2Q2018 mainly due to lower salary related costs in 2Q2019.

Other income decreased to S\$0.08 million in 2Q2019 from S\$0.3 million in 2Q2018 mainly due to the higher foreign exchange loss resulting from the strengthening of Thai baht against US dollar in 2Q2019.

Income Tax Expense

The Group recorded a tax expense of S\$0.09 million in 2Q2019 as compared to S\$0.5 million in 2Q2018 mainly due to additional provision recorded in 2Q2018.

Net Loss/Profit

The Group recorded a loss after tax of S\$2.7 million in 2Q2019 as compared to a profit of S\$1.5 million in 2Q2018. The key reasons for this loss are the lower revenue and the lower gross profit margin resulting from product mix for the quarter.

Balance Sheet

In line with lower revenue generated and also increase in trade receivable financing in 2Q2019, the Group's trade and other receivables decreased to S\$36.2 million as at 30 June 2019 from S\$72.8 million as at 31 December 2018 and the Group's trade and other payables decreased to S\$60.5 million as at 30 June 2019 from S\$75.8 million as at 31 December 2018.

The Net Asset Value per share of the Group decreased to 16.08 cents as at 30 June 2019 from 17.87 cents as at 31 December 2018.

Cash Flow

The Group recorded net cash from operating activities of S\$6.2 million in 2Q2019 as compared to net cash used in operating activities of S\$2.5 million in 2Q2018 largely explained by the changes in working capital.

Net cash used in investing activities of S\$1.8 million in 2Q2019 as compared to net cash from investing activities of S\$10.6 million in 2Q2018 was mainly due to one-off collection of deferred consideration receivable of S\$14.0 million in 2Q2018.

Net cash used in financing activities was S\$4.0 million in 2Q2019 as compared to net cash from financing activities of S\$3.7 million in 2Q2018 was mainly due to higher net repayments of loans in 2Q2019.

Cash and cash equivalents as at 30 June 2019 stood at S\$11.1 million as compared to S\$21.1 million as at 30 June 2018 mainly due to one-off collection of deferred consideration receivable of S\$14.0 million in 2Q2018.

- 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 2Q2019 on 30 July 2019. The unaudited loss after tax for 2Q2019 was S\$2.7 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.
- Looking forward, management expects the 2nd half of 2019 to perform better as compared to 1st half of 2019 based on historical trend as HDD manufacturers are expected to ramp-up for the seasonal year end.
- The Group is continuing its efforts in improving the utilization of its assets, cost optimization and right sizing across all sites to improve its overall financial performance. It will also continue to explore new business opportunities.
- The Group maintains a cautious view on its prospects for FY2019.
- 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 June 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

5 August 2019