

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 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) %
		30-09-19 S\$'000	30-09-18 S\$'000		30-09-19 S\$'000	30-09-18 S\$'000	
Revenue		79,759	104,445	(23.6)	210,948	297,183	(29.0)
Cost of sales		(75,667)	(98,734)	(23.4)	(204,579)	(279,887)	(26.9)
Gross profit		4,092	5,711	(28.3)	6,369	17,296	(63.2)
Distribution expenses		(805)	(820)	(1.8)	(1,830)	(2,501)	(26.8)
Administrative expenses		(3,245)	(3,382)	(4.1)	(9,247)	(9,806)	(5.7)
Sales and marketing expenses		(180)	(183)	(1.6)	(545)	(406)	34.2
Other expenses	1	(1,225)	(717)	70.9	(2,920)	(702)	n.m.
Results from operating activities		(1,363)	609	n.m.	(8,173)	3,881	n.m.
Finance income		6	45	(86.7)	26	614	(95.8)
Finance costs		(511)	(445)	14.8	(1,419)	(1,488)	(4.6)
Net finance costs		(505)	(400)	26.3	(1,393)	(874)	59.4
(Loss)/Profit before income tax	2	(1,868)	209	n.m.	(9,566)	3,007	n.m.
Income tax income/(expense)	3	149	(476)	n.m.	(92)	(1,246)	(92.6)
(Loss)/Profit for the period		(1,719)	(267)	n.m.	(9,658)	1,761	n.m.
Other comprehensive (loss)/income :							
Items that are or may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations		1,147	124	n.m.	660	1,324	(50.1)
Total other comprehensive income		1,147	124	n.m.	660	1,324	(50.1)
Total comprehensive (loss)/income		(572)	(143)	n.m.	(8,998)	3,085	n.m.
(Loss)/Profit attributable to :							
Owners of the Company		(1,617)	(209)	n.m.	(9,470)	1,829	n.m.
Non-controlling interests		(102)	(58)	75.9	(188)	(68)	176.5
(Loss)/Profit for the period		(1,719)	(267)	n.m.	(9,658)	1,761	n.m.
Total comprehensive (loss)/income attributable to :							
Owners of the Company		(434)	(80)	n.m.	(8,787)	3,185	n.m.
Non-controlling interests		(138)	(63)	119.0	(211)	(100)	111.2
Total comprehensive (loss)/income		(572)	(143)	n.m.	(8,998)	3,085	n.m.

n.m. - not meaningful

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Notes to Income Statement	Group			Group		
	Quarter ended		Increase/	Year to date		Increase/
	30-09-19	30-09-18	(Decrease)	30-09-19	30-09-18	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
1) Other expenses						
Foreign exchange (losses)/gains, net	(985)	(222)	n.m.	(3,571)	294	n.m.
Unrealised fair value loss on financial derivatives	(423)	(151)	180.1	(242)	(327)	(26.0)
Gain on disposal of property, plant & equipment	19	73	(74.0)	85	86	(1.2)
Loss on disposal of assets held-for-sale	-	(73)	(100.0)	-	(117)	(100.0)
Redundancy costs	(207)	(809)	(74.4)	(844)	(2,325)	(63.7)
Scrap income	233	381	(38.8)	1,012	1,278	(20.8)
Government grant	135	47	189.5	398	323	23.4
Others	3	37	(91.9)	242	86	180.2
	(1,225)	(717)	70.9	(2,920)	(702)	n.m.
2) (Loss)/Profit before income tax included						
Depreciation	(3,919)	(3,951)	(0.8)	(11,485)	(11,007)	4.3
3) Income tax income/(expense)						
Current income tax	149	(244)	n.m.	(92)	(512)	(82.0)
Under provision in prior years	-	(232)	(100.0)	-	(734)	(100.0)
	149	(476)	n.m.	(92)	(1,246)	(92.6)

n.m. - not meaningful

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	
	30-09-19	31-12-18	30-09-19	31-12-18
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Property, plant and equipment	74,743	78,840	6	3
Right-of-use assets	3,604	-	22	-
Investments in subsidiaries	-	-	100,000	100,000
Other investments	102	101	47	47
Non-current assets	78,449	78,941	100,075	100,050
Asset held-for-sale	20,031	19,423	-	-
Inventories	39,874	21,354	-	-
Trade and other receivables	43,194	72,771	22,531	23,818
Other assets	1,368	1,005	13	17
Cash and cash equivalents	12,708	11,527	546	1,120
Current assets	117,175	126,080	23,090	24,955
Total assets	195,624	205,021	123,165	125,005
Equity				
Share capital	113,163	113,155	113,163	113,155
(Accumulated losses)/retained earnings	(25,178)	(15,708)	8,520	10,258
Other reserves	(13,016)	(13,639)	28	88
Equity, attributable to owners of the Company	74,969	83,808	121,711	123,501
Non-controlling interests	(1,783)	(1,572)	-	-
Total equity	73,186	82,236	121,711	123,501
Liabilities				
Other payables	2,002	2,311	-	-
Other liabilities	1,292	975	-	-
Loans and borrowings	89	-	-	-
Lease liabilities	2,329	-	-	-
Non-current liabilities	5,712	3,286	-	-
Income tax payable	3,950	4,035	5	5
Trade and other payables	79,718	75,822	1,429	1,499
Financial derivatives	483	235	-	-
Loans and borrowings	31,294	39,407	-	-
Lease liabilities	1,281	-	20	-
Current liabilities	116,726	119,499	1,454	1,504
Total liabilities	122,438	122,785	1,454	1,504
Total equity and liabilities	195,624	205,021	123,165	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 30-09-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
31,294	-	39,407	-

Amount repayable after one year

As at 30-09-19		As at 31-12-18	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
89	-	-	-

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 Sep 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	
	30-09-19	30-09-18	30-09-19	30-09-18
	S\$'000	S\$'000	S\$'000	S\$'000
Continuing operations				
Cash flows from operating activities				
(Loss)/Profit before income tax	(1,868)	209	(9,566)	3,007
Depreciation of property, plant and equipment	3,475	3,951	10,026	11,007
Dpreciation on right-of-use assets	444	-	1,459	-
Equity-settled share-based payment transactions	(1)	6	(10)	25
Unrealised fair value loss on financial derivatives	423	151	242	327
Gain on disposal of property, plant and equipment	(19)	(73)	(85)	(86)
Loss on disposal of asset held-for-sale	-	73	-	117
Interest expense	511	445	1,419	1,488
Interest income	(6)	(45)	(26)	(614)
Operating cash flows before changes in working capital	2,959	4,717	3,459	15,271
Inventories	(9,952)	(65)	(18,017)	5,233
Trade and other receivables	(5,893)	(19,868)	30,141	(19,265)
Other assets	(23)	146	(346)	179
Trade and other payables	17,234	1,321	2,589	(15,082)
Other liabilities	89	18	301	53
Net cash flow from/(used in) operations	4,414	(13,731)	18,127	(13,611)
Income tax paid	-	(238)	(231)	(513)
Net cash flows from/(used in) operating activities	4,414	(13,969)	17,896	(14,124)
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,827)	(3,480)	(5,353)	(11,132)
Proceeds from disposal of property, plant and equipment	18	-	86	156
Proceeds from disposal of asset held-for-sale	-	137	-	312
Deferred consideration received	-	-	-	14,000
Interest income received	6	39	26	50
Net cash flows (used in)/from investing activities	(1,803)	(3,304)	(5,241)	3,386
Cash flows from financing activities				
Proceeds from bank borrowings	177,130	18,644	187,784	50,107
Repayments of bank borrowings	(178,193)	(2,257)	(197,527)	(21,407)
Payment of finance lease liabilities	-	(153)	(10)	(314)
Payment of lease liabilities	(335)	(88)	(1,363)	(88)
Repurchase of own shares	(42)	-	(42)	-
Interest expense paid	(511)	(445)	(1,419)	(1,488)
Net cash flows (used in)/from financing activities	(1,951)	15,701	(12,577)	26,810
Net increase/(decrease) in cash and cash equivalents	660	(1,572)	78	16,072
Discontinued operations				
Net cash flows used in operating activities	-	-	-	(14,471)
Net increase/(decrease) in cash and cash equivalents	660	(1,572)	78	1,601
Cash and cash equivalents, beginning balance	11,061	21,143	11,522	18,054
Effect of exchange rate fluctuations on cash held	982	(48)	1,103	(132)
Restricted cash (fixed deposits pledged as security)	5	5	5	5
Cash and cash equivalents, ending balance	12,708	19,528	12,708	19,528

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 2019	113,155	(386)	2,924	474	(16,651)	(15,708)	83,808	(1,572)	82,236
Total comprehensive loss for the period	-	-	-	-	(500)	(7,853)	(8,353)	(73)	(8,426)
Share-based payment	8	24	-	(41)	-	-	(9)	-	(9)
At 30 June 2019	113,163	(362)	2,924	433	(17,151)	(23,561)	75,446	(1,645)	73,801
Total comprehensive income/(loss) for the period	-	-	-	-	1,183	(1,617)	(434)	(138)	(572)
Share-based payment	-	-	-	(1)	-	-	(1)	-	(1)
Purchase of treasury shares	-	(42)	-	-	-	-	(42)	-	(42)
At 30 September 2019	113,163	(404)	2,924	432	(15,968)	(25,178)	74,969	(1,783)	73,186
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

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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	-	-	-	(940)	(940)
Share-based payment	8	24	(41)	-	(9)
At 30 June 2019	113,163	(362)	433	9,318	122,552
Total comprehensive loss for the period	-	-	-	(798)	(798)
Share-based payment	-	-	(1)	-	(1)
Purchase of treasury shares	-	(42)	-	-	(42)
At 30 September 2019	113,163	(404)	432	8,520	121,711
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	-	-	-	(660)	(660)
Share-based payment	-	(88)	7	-	(81)
At 30 September 2018	113,155	(347)	467	10,902	124,177

- 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 2019 to 30 Sep 2019. There was no exercise of share options under the BIGL Share Option Scheme 2001 during the period.

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

As at 30 Sep 2019, there were 310,000 (30 Sep 2018 : 812,500) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Sep 2019, there were 3,768,050 (30 Sep 2018 : 2,502,950) shares held as treasury shares.

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

Total number of issued shares excluding treasury shares as at 30 Sep 2019 was 468,146,561 (30 Sep 2018 : 469,411,661).

- 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 2019 was 468,146,561 (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 Sep 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 Sep 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	
	30-09-19	30-09-18	30-09-19	30-09-18
Based on weighted average number of ordinary shares in issue (cents)	(0.34)	(0.04)	(2.02)	0.39
On a fully diluted basis (cents)	(0.34)	(0.04)	(2.02)	0.39

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 468,765,453 ordinary shares (30 Sep 2018 : 470,251,986 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 469,250,339 ordinary shares (30 Sep 2018 : 471,101,665 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 30-09-19	As at 31-12-18
Group (cents)	16.01	17.87
Company (cents)	26.00	26.34

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Sep 2019 of 468,146,561 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 23.6% to S\$79.8 million in 3Q2019 as compared to S\$104.4 million in 3Q2018, mainly due to lower sales.

Gross profit margin declined to 5.1% in 3Q2019 as compared to 5.5% in 3Q2018, due to lower revenue as well as product mix.

Operating Expenses

Administrative expenses had declined by 4.2% yoy to S\$3.2 million in 3Q2019 from S\$3.4 million in 3Q2018.

Other expenses increased to S\$1.2 million in 3Q2019 as compared to S\$0.7 million in 3Q2018 mainly due to the higher foreign exchange losses and unrealised fair value loss on financial derivatives offset against the lower redundancy costs in 3Q2019.

Tax Income/(Expense)

The Group recorded a tax income of S\$0.1 million in 3Q2019 as compared a tax expense of S\$0.5 million in 3Q2018. In 3Q2019, the tax income was due to a reversal of overprovision of income tax expense for prior quarters.

Net Loss

The Group recorded a loss after tax of S\$1.7 million in 3Q2019 as compared to a loss of S\$0.3 million in 3Q2018 mainly due to the lower revenue and higher foreign exchange losses in 3Q2019.

Balance Sheet

In line with lower revenue generated and also increase in trade receivable financing in 3Q2019, the Group's trade and other receivables decreased to S\$43.2 million as at 30 September 2019 from S\$72.8 million as at 31 December 2018 and the Group's trade and other payables increased to S\$79.7 million as at 30 September 2019 from S\$75.8 million as at 31 December 2018.

The Net Asset Value per share of the Group decreased to 16.01 cents as at 30 September 2019 from 17.87 cents as at 31 December 2018.

Cash Flow

The Group recorded net cash from operating activities of S\$4.4 million in 3Q2019 as compared to net cash used in operating activities of S\$14.0 million in 3Q2018 largely explained by the changes in working capital.

Net cash used in investing activities decreased to S\$1.8 million in 3Q2019 as compared to S\$3.3 million in 3Q2018 following lower capital expenditure.

Net cash used in financing activities was S\$2.0 million in 3Q2019 as compared to net cash from financing activities of S\$15.7 million in 3Q2018 mainly due to higher net proceeds from bank borrowings in 3Q2018.

Cash and cash equivalents as at 30 September 2019 stood at S\$12.7 million as compared to S\$19.5 million as at 30 September 2018 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.

In 2Q2019, management stated that it "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."

With the efforts of the restructuring to improve the costs of manufacturing, the Group's loss reduced to S\$1.7 million in 3Q2019 from losses of S\$5.2 million in 1Q2019 and S\$2.7 million in 2Q2019.

- 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

For 2019, Trendfocus' long term forecast (August 2019) projected HDD volume to decline by 16.5% to 313.5 million units compared to 375.6 million units in 2018. However, the industry has estimated a strong HDD Exabyte total addressable market ("TAM") growth for the next 5 years of compounded annual growth rate ("CAGR") at 35% from 2019 to 2024 driven by the mass capacity storage demand. Higher capacity hard disk drive with the advance recording technology and mechanism are needed to meet the growing demand which would benefit the Group.

The Group is continuing its efforts to improve 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.

- 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 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

4 November 2019