

Issuer: Broadway Industrial Group Limited

Security: Broadway Industrial Group Limited

Meeting details:

Date: 27 April 2018

Time: 4.00 p.m.

Venue: Raffles Marina, Level 2, Ballroom, 10 Tuas West Drive, Singapore 638404

Company Description

Broadway Industrial Group Limited, an investment holding company, manufactures and distributes precision machined components for products used in automotive, customer device, and semi-conductor sectors. It also manufactures and distributes actuator arms and related assembly parts for the hard disk drive industry. The company has operations in the People's Republic of China, Singapore, Thailand, the United States, and internationally. Broadway Industrial Group Limited was founded in 1969 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B69)

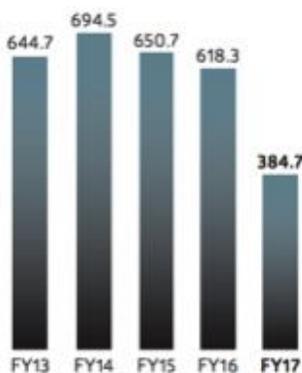
1. As noted in the Chairman’s Statement and Executive Review, FY2017 saw the further restructuring and consolidation of the group’s remaining significant Hard Disk Drive (HDD) business through elevated efforts in cost optimisation by strengthening operation control, lean manufacturing systems, supply chain management and strategic sourcing initiatives.

- (i) **With gross margin showing an improvement from 0.7% in FY2016 to 7.2% in FY2017, what is management’s target for the group’s gross profit margin following the streamlining of its operations? How much more cost savings can the group achieve?**
- (ii) **Has the board/management carried out a review to find out the reason(s) for the gross profit margin of 0.7% in FY2016? What improvements has the group made to the operations to ensure that the profit margins are maintained/improved?**
- (iii) **With the HDD total addressable market expected to decline by 4.6% per annum for the next 5 years until 2022, what are the group’s growth plans? Has the board/management shortlisted possible businesses or areas that the group could explore?**
- (iv) **Are there plans to diversify away from HDD/manufacturing given the competitive landscape?**

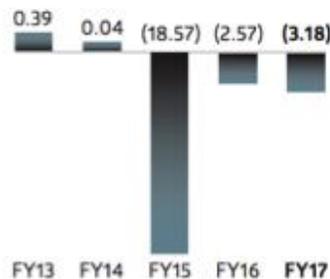
2. As seen in the Financial Highlights (page 6 of the annual report), revenue has declined and the group has suffered losses in the past three years. Earnings per share (EPS) has ranged from (18.57) cents to (2.57) cents over the same period.

FINANCIAL HIGHLIGHTS

TURNOVER (S\$ MIL)



EPS (S CENTS)



(Source: Company annual report)

Based on the disclosure of remuneration of directors as shown in the Corporate Governance Report, the executive directors received remuneration of \$250,000 to \$499,999. In addition, the remuneration package of the executive directors included a bonus component of 14% - 15% in FY2017 when the group reported a loss attributable to owners of the parent of \$(14.99) million.

In FY2016, when the loss attributable to owners of the parent was \$(12.10) million, the bonus component ranged from 7% - 20% for the then-three executive directors.

In FY2015, it was 3% - 4% for the then-two executive directors when the loss attributable to owners of the parent was \$(87.4) million.

In the Corporate Governance Report, under the remuneration section, it was also disclosed that:

“The RC performs critical roles in support of sound Corporate Governance principles in the areas of Board compensation and senior executive compensation and rewards management [...] The Company adopts a remuneration policy that comprises a base salary and benefits, along with a variable discretionary bonus and grant of shares under the Company’s share plan” (page 14).

- (i) **Would the RC elaborate further on how it had assessed the performance of the executive directors?**
- (ii) **What were the qualitative and the quantitative factors used, and how was the performance assessed and measured?**
- (iii) **Are variable discretionary bonus tied to the group’s and the individual’s performance?**
- (iv) **Would the RC also justify the variable bonuses paid when the group continues to suffer losses amounting to \$(115) million in the past three years?**

3. The nomination committee (NC) comprises Mr Eu Yee Ming Richard (as chairman), Mr Lew Syn Pau, Mr Lee Chow Soon and Mr Wong Yi Jia. The principal functions of the NC include, inter alia, to review the structure, size and composition of the Board and to assess the independence of the Directors.

Each of Mr Lee Chow Soon and Mr Eu Yee Ming Richard have served on the Board for more than nine years. Mr Lee joined the Board on 24 October 1994, the year the company was listed on the Singapore Exchange, and Mr Eu joined the Board on 15 September 2005.

- (i) **Given that Mr Eu is the NC chairman and Mr Lee is a NC member, and they are each subject to a particularly rigorous review of their independent, how effective was the NC in discharging its duties?**
- (ii) **Can the NC further elaborate on how it had carried out the particularly rigorous review?**

Notwithstanding that the NC has determined that Mr Lew Syn Pau and Mr Eu Yee Ming Richard continue to be independent, Guideline 2.4 of the 2012 Code of Corporate Governance calls for the board to “also take into account the need for progressive refreshing of the Board”.

- (i) **What are the board’s near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**