

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".



SPINDEX INDUSTRIES LIMITED

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/12/2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | |
|---|-------------------------------|-------------------------------|---------------|
| | S\$'000 | | % |
| | 6 - month 31/12/20 | 6 - month 31/12/19 | Change |
| Turnover | 98,864 | 80,717 | 22.5% |
| Cost of sales | (74,745) | (64,325) | 16.2% |
| Gross profit | 24,119 | 16,392 | 47.1% |
| Other operating income | 1,725 | 979 | 76.2% |
| Distribution and selling expenses | (1,738) | (1,663) | 4.5% |
| Administrative expenses | (11,583) | (7,706) | 50.3% |
| Impairment loss on trade receivables | (182) | - | 100.0% |
| Profit from operations | 12,341 | 8,002 | 54.2% |
| Finance costs | (75) | (66) | 13.6% |
| Share of loss in joint venture | (91) | - | 100.0% |
| Profit before tax | 12,175 | 7,936 | 53.4% |
| Income tax expense | (2,584) | (1,670) | 54.7% |
| Net profit attributable to equity holders of the Company | 9,591 | 6,266 | 53.1% |
| Other comprehensive income: | | | |
| Foreign currency translation | 785 | (568) | NM |
| Total comprehensive income attributable to equity holders of the Company | 10,376 | 5,698 | 82.1% |

| | Group | | |
|--|-----------|-----------|--------|
| | S\$'000 | | % |
| | 6 - month | 6 - month | |
| | 31/12/20 | 31/12/19 | Change |
| Government grant income | 192 | - | 100.0% |
| Interest income | 196 | 126 | 55.6% |
| Interest expense | (12) | (3) | 300.0% |
| Interest expense – lease assets | (63) | (63) | - |
| Depreciation of property, plant and equipment | (4,617) | (4,495) | 2.7% |
| Depreciation of right-of-use assets | (544) | (647) | -15.9% |
| Impairment loss on trade receivables | (182) | - | 100.0% |
| Writeback/(Write down) of inventories, net | 241 | (113) | NM |
| Foreign exchange (loss)/gain, net | (2,731) | 283 | NM |
| Gain/(loss) on disposal of property, plant and equipment | 5 | (1) | NM |

Notes:

1. NM = Not Meaningful
2. Other operating income increased by 76% mainly due to increase in scrap income and government support grants received.
3. Administrative expenses increased by 50% mainly due to unfavourable exchange difference as compared with comparative period.
4. Net foreign exchange loss was a result of the depreciation of US dollar against the Asian currencies.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | GROUP | | COMPANY | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 31/12/20 S\$'000 | 30/06/20 S\$'000 | 31/12/20 S\$'000 | 30/06/20 S\$'000 |
| Share capital | 13,145 | 13,145 | 13,145 | 13,145 |
| Reserves | 121,792 | 114,646 | 18,200 | 18,552 |
| Total equity | 134,937 | 127,791 | 31,345 | 31,697 |
| Non-current assets | | | | |
| Property, plant and equipment | 62,185 | 56,524 | 353 | 416 |
| Right-of-use assets | 8,507 | 8,587 | 124 | 172 |
| Deferred tax assets | 296 | 288 | - | - |
| Investment in subsidiaries | - | - | 23,342 | 17,195 |
| Investment in joint venture | 759 | - | 850 | - |
| | 71,747 | 65,399 | 24,669 | 17,783 |
| Current assets | | | | |
| Inventories | 30,967 | 24,286 | 1,382 | 1,199 |
| Trade receivables | 37,531 | 21,636 | 5,423 | 4,090 |
| Other receivables and deposits | 1,336 | 1,190 | 186 | 137 |
| Prepayments | 9,061 | 3,390 | 8 | 17 |
| Due from subsidiaries (trade) | - | - | 10 | - |
| Due from subsidiaries (non-trade) | - | - | 1,992 | 5,895 |
| Cash and cash equivalents | 47,683 | 51,188 | 9,757 | 8,100 |
| | 126,578 | 101,690 | 18,758 | 19,438 |
| Current liabilities | | | | |
| Trade payables | 26,536 | 14,770 | 185 | 163 |
| Other payables and accruals | 19,683 | 15,207 | 2,086 | 2,618 |
| Refund liabilities | 2,612 | 1,377 | 1,530 | 1,018 |
| Provision for defects | 1,234 | 922 | - | - |
| Due to subsidiaries (trade) | - | - | 2,971 | 1,207 |
| Loans and borrowings | 1,054 | 54 | 1,054 | 54 |
| Lease liabilities | 1,035 | 838 | 96 | 99 |
| Deferred government grant | 1 | 133 | 1 | 133 |
| Provision for tax | 1,477 | 162 | - | - |
| | 53,632 | 33,463 | 7,923 | 5,292 |
| Net current assets | 72,946 | 68,227 | 10,835 | 14,146 |
| Non-current liabilities | | | | |
| Loans and borrowings | 4,122 | 149 | 4,122 | 149 |
| Lease liabilities | 1,795 | 1,992 | 30 | 76 |
| Deferred tax liabilities | 3,658 | 3,508 | 7 | 7 |
| Provision for restoration costs | 181 | 186 | - | - |
| | 9,756 | 5,835 | 4,159 | 232 |
| Net assets | 134,937 | 127,791 | 31,345 | 31,697 |

Notes:

1. Inventories increased by 28% mainly due to more stock holding of finished goods.
2. Trade receivables increased by 73% mainly due to increase sales in the current half-year period as compared to last half-year period in FY2020 .
3. Other receivables and deposits increased by 12% mainly due to security deposits for building construction projects in Nantong plant.
4. Prepayments increased by 167% mainly due to payments for preliminary works for building construction projects in Nantong plant.
5. Cash and cash equivalents including fixed deposits decreased by 7% mainly due to payments for capital expenditures, preliminary payments for building construction projects in Nantong plant as well as dividend payments.
6. Trade payables increased by 80% mainly due to overall higher purchase of production related direct expenses in current half-year period.
7. The increase in other payables and accruals by 29% was mainly due to higher purchase of production related indirect expenses as well as more accrued staff bonuses.
8. Property, plant and equipment increased by 10% mainly due to capital expenditures on machineries.

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

Loans and borrowings

Amount repayable in one year or less, or on demand

| As at 31/12/2020 | | As at 30/6/2020 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 1,054 | - | 54 | - |

Amount repayable after one year

| As at 31/12/2020 | | As at 30/6/2020 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 4,122 | - | 149 | - |

Details of any collateral

The loans and borrowings include a Temporary Bridging Loan of S\$5M which was granted by Enterprise Singapore through a bank, bears interest 2% per annum and repayable over a period of 5 years.

Other loan amounting to S\$176K was secured by the motor vehicle under hire purchase arrangement.

Lease liabilities arising from right-of-use assets

Amount repayable in one year or less, or on demand

| As at 31/12/2020 | | As at 30/6/2020 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 1,035 | - | 838 | - |

Amount repayable after one year

| As at 31/12/2020 | | As at 30/6/2020 | |
|------------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 1,795 | - | 1,992 | - |

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | 6 - month | 6 - month |
|---|------------------|------------------|
| | 31/12/20 | 31/12/19 |
| | S\$'000 | S\$'000 |
| Operating activities | | |
| Profit before tax | 12,175 | 7,936 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 4,617 | 4,495 |
| Depreciation of right-of-use assets | 544 | 544 |
| Amortisation of land use right | - | 103 |
| (Gain)/loss on disposal of property, plant and equipment | (5) | 1 |
| Interest expense | 75 | 66 |
| Interest income | (196) | (126) |
| (Write back)/allowance of inventories | (241) | 113 |
| Impairment loss on trade receivables | 182 | - |
| Provision for defects | 453 | 467 |
| Reversal of provision for defects | (154) | (45) |
| Share of loss in joint venture | (91) | - |
| Unrealised exchange loss | 618 | 52 |
| Operating cash flow before working capital changes | 17,977 | 13,606 |
| (Increase) / decrease in: | | |
| Inventories | (6,465) | (1,620) |
| Trade receivables | (16,075) | (1,898) |
| Other receivables and deposits | (463) | 527 |
| Prepayments | (5,672) | 999 |
| Increase / (decrease) in: | | |
| Trade payables | 11,765 | (1,846) |
| Other payables and accruals | 5,711 | 1,245 |
| Deferred government grant | (131) | - |
| Cash flow from operations | 6,647 | 11,013 |
| Income taxes paid | (840) | (693) |
| Interest paid | (12) | - |
| Interest received | 196 | 126 |
| Net cash flows from operating activities | 5,991 | 10,446 |
| Investing activities | | |
| Investment in joint venture | (850) | - |
| Proceeds from sale of fixed assets | 15 | - |
| Purchase of land use right | - | (3,532) |
| Purchase of property, plant and equipment | (10,026) | (6,273) |
| Net cash used in investing activities | (10,861) | (9,805) |
| Financing activities | | |
| Proceed from loans and borrowings | 5,000 | 528 |
| Repayment of lease liabilities under right-of-use assets | (526) | (772) |
| Repayment of loans and borrowings | (27) | - |
| Dividends paid on ordinary shares | (3,230) | (3,807) |
| Net cash flows generated from/(used in) financing activities | 1,217 | (4,051) |
| Net decrease in cash and cash equivalents | (3,653) | (3,410) |
| Cash and cash equivalents at beginning of financial period | 51,188 | 42,277 |
| Currency alignment on opening cash balances | 148 | (296) |
| Cash and cash equivalents at end of financial period | 47,683 | 38,571 |

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.

| | ← Equity attributable to owners of the Company → | | | | | |
|--|--|--|----------------------------|----------------------------------|------------------------------|-------------------------|
| | Share Capital S\$'000 | Foreign Currency Translation Reserve S\$'000 | Reserve Fund S\$'000 | Accumulated Profit S\$'000 | Total Reserves S\$'000 | Total Equity S\$'000 |
| GROUP | | | | | | |
| At 1 July 2020 | 13,145 | (10,088) | 6,173 | 118,561 | 114,646 | 127,791 |
| Total comprehensive income for the financial period | - | 785 | - | 9,591 | 10,376 | 10,376 |
| Appropriation to/(from) reserve fund/ accumulated profit | - | - | 324 | (324) | - | - |
| Dividends on ordinary shares | - | - | - | (3,230) | (3,230) | (3,230) |
| At 31 December 2020 | 13,145 | (9,303) | 6,497 | 124,598 | 121,792 | 134,937 |
| | ← Equity attributable to owners of the Company → | | | | | |
| | Share Capital S\$'000 | Foreign Currency Translation Reserve S\$'000 | Reserve Fund S\$'000 | Accumulated Profit S\$'000 | Total Reserves S\$'000 | Total Equity S\$'000 |
| GROUP | | | | | | |
| At 1 July 2019 | 13,145 | (10,490) | 5,556 | 110,794 | 105,860 | 119,005 |
| Total comprehensive income for the financial period | - | (568) | - | 6,266 | 5,698 | 5,698 |
| Appropriation to/(from) reserve fund/ accumulated profit | - | - | 333 | (333) | - | - |
| Dividends on ordinary shares | - | - | - | (3,807) | (3,807) | (3,807) |
| At 31 December 2019 | 13,145 | (11,058) | 5,889 | 112,920 | 107,751 | 120,896 |

| ← Attributable to equity holders of the Company → | | | | |
|--|-----------------------------|----------------------------------|-----------------------------|-------------------------|
| | Share Capital S\$'000 | Accumulated Profit S\$'000 | Total Reserve S\$'000 | Total Equity S\$'000 |
| <u>COMPANY</u> | | | | |
| At 1 July 2020 | 13,145 | 18,552 | 18,552 | 31,697 |
| Total comprehensive income for the financial period | - | 2,878 | 2,878 | 2,878 |
| Dividends on ordinary shares | - | (3,230) | (3,230) | (3,230) |
| At 31 December 2020 | 13,145 | 18,200 | 18,200 | 31,345 |

| ← Attributable to equity holders of the Company → | | | | |
|--|-----------------------------|----------------------------------|-----------------------------|-------------------------|
| | Share Capital S\$'000 | Accumulated Profit S\$'000 | Total Reserve S\$'000 | Total Equity S\$'000 |
| <u>COMPANY</u> | | | | |
| At 1 July 2019 | 13,145 | 18,095 | 18,095 | 31,240 |
| Total comprehensive income for the financial period | - | 1,317 | 1,317 | 1,317 |
| Dividends on ordinary shares | - | (3,807) | (3,807) | (3,807) |
| At 31 December 2019 | 13,145 | 15,605 | 15,605 | 28,750 |

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 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.

The Company did not issue any shares during the financial period ended 31 December 2020.

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.

| | <u>31/12/20</u> | <u>31/12/19</u> |
|---|-----------------|-----------------|
| The total number of issued shares (excluding treasury shares) | 115,365,000 | 115,365,000 |

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.

There were no sales, transfers, cancellation and/or use of treasury shares for the financial period ended 31 December 2020.

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.

The Company has no subsidiary holdings as at 31 December 2020.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the 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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the current financial period as with those in the most recently audited financial statements as at 30 June 2020.

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.**

During the current financial period, the Group and Company has adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 July 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group and Company.

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.**

| | Latest period | Previous corresponding period |
|---|---------------|-------------------------------|
| | 6-month | 6-month |
| | 31/12/20 | 31/12/19 |
| | (cents) | (cents) |
| Earnings per ordinary share for the period after deducting any provision for preference dividends:- | | |
| (i) Based on weighted average number of ordinary shares in issue | 8.31 | 5.43 |
| (ii) On a fully diluted basis | 8.31 | 5.43 |

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 2019 : 115,365,000).

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

| | Group | | Company | |
|--|---------------|------------------------------|---------------|------------------------------|
| | Latest period | Immediately preceding period | Latest period | Immediately preceding period |
| | 31/12/20 | 30/06/20 | 31/12/20 | 30/06/20 |
| | (cents) | (cents) | (cents) | (cents) |
| Net tangible asset backing per ordinary share based on existing issued share capital as at the end of the period reported on | 116.97 | 110.77 | 27.17 | 27.48 |

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 2020 (30 June 2020 : 115,365,000).

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.

The Spindex Group is an integrated solution provider of precision-machined components and assemblies for use in machinery & automotive systems, imaging & printing equipment, consumer-lifestyle and healthcare products.

Turnover

For the 6 months ended 31 December 2020, the Group's turnover rose 22.5% to \$98.9 million. Although market conditions were generally uncertain and challenging during the 6-month period, there was higher demand for our products.

In some cases, working from home requires new or additional office equipment at home. Time spent on new hobbies at home and work around the house have contributed to additional demand for some domestic appliances. Some backlog of orders, changes in the global supply chain and some forward stocking in anticipation of supply chain disruptions have also contributed to the growth in the Group's turnover in H1 FY2021.

| Turnover by Business Sector | H1 FY2021 S\$m | H1 FY2020 S\$m | Change (%) |
|---------------------------------------|---------------------------|---------------------------|-----------------------|
| Machinery and Automotive Systems (MA) | 45.3 | 36.7 | 23.4% |
| Imaging & Printing (IP) | 23.7 | 18.0 | 31.7% |
| Others | 29.9 | 26.0 | 15.0% |
| Total | 98.9 | 80.7 | 22.5% |

The growth in group turnover was broad based across all the business sectors. Higher orders from existing customers, as well as some contributions from new customers led to the overall improvement.

Within the MA business sector which recorded an improvement in turnover of 23.4%, both machinery tools and automotive systems registered good turnover growth. Turnover for the IP business sector rose 31.7% to \$23.7 million. The rest of the Group's business, categorised under "Others", recorded a turnover growth of 15.0% in H1 FY2021 with good demand coming from domestic appliances.

Profitability

In H1 FY2021, higher group turnover contributed to a 47.1% rise in gross profit to \$24.1 million. The Group's gross profit margin improved from 20.3% in H1 FY2020 to 24.4% in H1 FY2021. This was contributed by a lower material price environment during the initial pandemic period of lower forecasted demand, as well as the effect of scale with higher turnover and product mix in the latter part of the period. Other operating income jumped 76% to \$1.7 million due to government support grant received and higher scrap income.

During H1 FY2021, overall operating expenses remained well under controlled. However, a weaker US Dollar against the Asian currencies resulted in a foreign exchange reversal, from a small gain in the previous corresponding period to a loss of \$2.7 million in H1 FY2021 and this contributed mostly to the 50% jump in administrative expenses to \$11.6 million. With marginal change in finance costs, a small loss from the Group's share in a joint venture and constant effective tax rate for the Group, net profit attributable to shareholders of the Company rose 53.1% to \$9.6 million in H1 FY2021.

Cash Flow & Balance Sheet

For the six months ended 31 December 2020, the profitable operations of the Group generated a net cash inflow of \$6.0 million. Proceeds from bank borrowings amounted to \$5.0 million. The two main cash outflow items under investing and financing activities were purchase of property, plant and equipment and payment of dividends totaling \$13.3 million. As a result of the higher cash outflows, the Group's cash and cash equivalents decreased from \$51.2 million to \$47.7 million as at 31 December 2020.

Compared to 30 June 2020, inventories and trade receivables were higher as at 31 December 2020 due to the strong growth in turnover. The Group continued to target an optimal balance between investing in productive assets and prudence in cash management, with cash and cash equivalents remaining at a healthy level of \$47.7 million. Total loans and borrowings increased due to the \$5 million in temporary bridging loan which the Group secured from Enterprise Singapore to provide additional financial buffer against market uncertainties. The Group continued to maintain a strong balance sheet with a comfortable net cash position as of 31 December 2020.

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

The result is in line with the sentiments expressed in the prospect statement disclosed in the previous results announcement.

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.

The recent roll-out of vaccines against the Covid-19 virus offers hope that the pandemic will come under control sometime in the future. However, the containment and its consequential impact on the Group's business may not necessarily be correlated. In view of such uncertainty, the near term market conditions are likely to remain volatile. Furthermore, countries that the Group operates in are also subject to varying measures of control, such as lockdowns, which may impact its operations. The Group will continue to monitor market developments closely and manage the business prudently.

The Group's strong balance sheet will provide financial stability during this period of market volatility. With a strong balance sheet, the Group has invested prudently in plant and machinery in an optimal network across Asia. While remaining cautious, the Group is well placed to capitalise on business opportunities during these uncertain times.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared or recommended in the current reporting period.

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.

The Group does not have an interested person transaction mandate.

14. Confirmation by the Board of Directors pursuant to Rule 705(5) of the listing manual.

The Board confirms that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the half year ended 31 December 2020, 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 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual .

BY ORDER OF THE BOARD

Tan Choo Pie @ Tan Chang Chai

Chairman

10 February 2021