

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 31/12/2013**

**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 31/12/13	6 - month 31/12/12	Change
Revenue	48,992	45,224	8%
Cost of sales	(37,624)	(36,407)	3%
Gross profit	11,368	8,817	29%
Other operating income	809	700	16%
Distribution and selling expenses	(769)	(804)	-4%
Administrative expenses	(5,282)	(5,771)	-8%
<b>Profit from operations</b>	<b>6,126</b>	<b>2,942</b>	<b>108%</b>
Financial expenses	(17)	(23)	-26%
<b>Profit before tax</b>	<b>6,109</b>	<b>2,919</b>	<b>109%</b>
Income tax expense	(1,170)	(813)	44%
<b>Net profit for the period</b>	<b>4,939</b>	<b>2,106</b>	<b>135%</b>
<b>Other comprehensive income:</b>			
Foreign currency translation	(419)	(770)	-46%
<b>Total comprehensive income for the period</b>	<b>4,520</b>	<b>1,336</b>	<b>238%</b>
<b>Profit attributable to:</b>			
Owners of the Company	4,963	2,106	136%
Non-controlling interest	(24)	-	NM
	<b>4,939</b>	<b>2,106</b>	<b>135%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	4,544	1,336	240%
Non-controlling interest	(24)	-	NM
	<b>4,520</b>	<b>1,336</b>	<b>238%</b>

	Group		
	S\$'000		%
	31/12/13	31/12/12	Change
Interest income	49	40	23%
Interest expense	(17)	(23)	-26%
Depreciation of property, plant and equipment	(1,877)	(1,931)	-3%
Amortisation of land use right	(7)	(7)	-0%
Allowance for inventories obsolescence	(139)	(275)	-49%
Write-back of allowance for inventories obsolescence	117	265	-56%
Inventories written off	(16)	(16)	-0%
Foreign exchange gain/(loss), net	10	(799)	NM
Loss on disposal of property, plant and equipment	7	6	17%

Notes:

1. NM = Not Meaningful
2. Other operating income increased by 16% mainly due to higher scrap income.
3. Administrative expenses decreased by 8% mainly due to overall favourable foreign exchange movement as compared to previous period.
4. Financial expenses decreased by 26% mainly due to decrease in bank borrowings.
5. The foreign exchange gain was a result of the appreciation of US dollar against the Asian currencies.
6. Effective tax rate for the Group was lower at 19% due to lower taxable income. This was due to re-investment allowances for deduction of chargeable income in Malaysia plant.

**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	
	31/12/13 S\$'000	30/06/13 S\$'000	31/12/13 S\$'000	30/06/13 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	57,867	55,400	15,848	19,280
<b>Equity attributable to owners of the Company</b>	<b>71,012</b>	<b>68,545</b>	<b>28,993</b>	<b>32,425</b>
<b>Non-controlling interest</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>71,138</b>	<b>68,545</b>	<b>28,993</b>	<b>32,425</b>
<b>Property, plant and equipment</b>	<b>30,183</b>	<b>29,759</b>	<b>1,903</b>	<b>2,131</b>
<b>Land use right</b>	<b>280</b>	<b>286</b>	<b>-</b>	<b>-</b>
<b>Investment in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>12,519</b>	<b>12,169</b>
<b>Loan due from a subsidiary</b>	<b>-</b>	<b>-</b>	<b>800</b>	<b>-</b>
<b>Current assets</b>				
Inventories	12,371	12,691	2,809	4,177
Trade receivables	19,885	21,507	5,824	6,533
Other receivables and deposits	992	1,095	121	71
Prepayments	2,084	601	92	137
Tax recoverable	-	-	-	-
Due from subsidiaries (trade)	-	-	3,935	2,686
Due from subsidiaries (non-trade)	-	-	407	294
Pledged bank balances	100	100	-	-
Fixed deposits	6,685	3,109	508	507
Cash and cash equivalents	20,137	22,199	10,301	12,445
	<b>62,254</b>	<b>61,302</b>	<b>23,997</b>	<b>26,850</b>
<b>Current liabilities</b>				
Trade payables	11,125	12,385	2,603	2,837
Other payables and accruals	7,019	7,117	1,797	1,851
Provision for defects	936	1,009	462	462
Due to subsidiaries (trade)	-	-	5,353	3,470
Due to subsidiaries (non-trade)	-	-	3	98
Long Term Loans—current portion	316	327	-	-
Provision for tax	879	462	-	-
	<b>20,275</b>	<b>21,300</b>	<b>10,218</b>	<b>8,718</b>
<b>Net current assets</b>	<b>41,979</b>	<b>40,002</b>	<b>13,779</b>	<b>18,132</b>
<b>Non-current liabilities</b>				
Long Term Loans—non-current portion	299	471	-	-
Deferred tax liabilities	897	923	8	7
Provision for restoration costs	108	108	-	-
	<b>1,304</b>	<b>1,502</b>	<b>8</b>	<b>7</b>
<b>Net assets</b>	<b>71,138</b>	<b>68,545</b>	<b>28,993</b>	<b>32,425</b>

Notes:

1. Inventories decreased by 3% mainly due to lesser stock holding of raw materials.
2. Trade receivables decreased by 8% mainly due to improved collections.
3. Trade payables decreased by 10% mainly due to lesser raw materials being purchased.
4. Prepayments increased by 247% mainly due to downpayment for capital expenditures.
5. Fixed deposits and cash and cash balances increased by a total 6% mainly due to improved collections from trade receivables.
6. Decrease in term loans was due to repayments of bank loans during the period.
7. Loan due from a subsidiary pertains to the convertible loan granted to a new subsidiary which is incorporated in Singapore. The loan is secured, bears interest of 4.25% per annum and shall be repaid in full on 9 December 2018.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.  
Amount repayable in one year or less, or on demand**

As at 31/12/2013		As at 30/6/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
316	-	327	-

**Amount repayable after one year**

As at 31/12/2013		As at 30/6/2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
299	-	471	-

**Details of any collateral**

The bank loan is secured by the land & building of the Malaysian subsidiary and a corporate guarantee from the company.

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

	<b>31/12/13</b>	<b>31/12/12</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Operating activities</b>		
Profit before tax	6,109	2,919
Adjustments for:		
Depreciation of property, plant and equipment	1,877	1,931
Amortisation of land use right	7	7
Loss on disposal of property, plant and equipment	7	6
Interest expense	17	23
Interest income	(49)	(40)
Allowance for inventories obsolescence	139	275
Write-back of allowance for inventories obsolescence	(117)	(265)
Inventories written off	16	16
Reversal of impairment loss on doubtful trade receivables	-	(1)
Provision for defects	112	184
Write back of provision for defects	(111)	(60)
Unrealised exchange loss/(gain)	(52)	(201)
Operating cash flow before working capital changes	7,955	4,794
Decrease / (Increase) in:		
Inventories	280	1,060
Trade receivables	1,622	711
Other receivables and deposits	103	(373)
Prepayments	(1,482)	(417)
Trade payables	(1,260)	(2,077)
Other payables and accruals	(167)	1,452
Cash flow from operations	7,051	5,150
Income taxes paid	(878)	(765)
Tax refund	131	423
Interest paid	(17)	(23)
Interest received	49	40
Net cash flows from operating activities	6,336	4,825
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	56	6
Purchase of property, plant and equipment	(2,769)	(1,230)
Net cash flows used in investing activities	(2,713)	(1,224)
<b>Financing activities</b>		
Capital contribution from non controlling interest of a subsidiary	150	-
Dividends paid on ordinary shares	(2,077)	(2,077)
Repayment of term loans	(159)	(155)
Net cash flows used in financing activities	(2,086)	(2,232)
<b>Net increase in cash and cash equivalents</b>	<b>1,537</b>	<b>1,369</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>25,308</b>	<b>22,683</b>
<b>Currency alignment on opening cash balances</b>	<b>(23)</b>	<b>(303)</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>26,822</b>	<b>23,749</b>

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	Share Option Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Reserve Fund S\$'000	Accumulated Profit S\$'000	Total Reserves S\$'000	Non-controlling interest S\$'000	Total Equity S\$'000	
<b>GROUP</b>									
At 1 July 2013	13,145	411	(3,151)	2,778	55,362	55,400	-	68,545	
Capital contribution by non controlling interest	-	-	-	-	-	-	150	150	
Total comprehensive income for the financial period	-	-	(419)	-	4,963	4,544	(24)	4,520	
Appropriation to/(from) reserve fund/ accumulated profit	-	-	-	155	(155)	-	-	-	
Expiry of employee share options(*)	-	(411)	-	-	411	-	-	-	
Dividends on ordinary shares	-	-	-	-	(2,077)	(2,077)	-	(2,077)	
At 31 Dec 2013	13,145	-	(3,570)	2,933	58,504	57,867	126	71,138	
	← Equity attributable to owners of the Company →								
	Share Capital S\$'000	Share Option Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Reserve Fund S\$'000	Accumulated Profit S\$'000	Total Reserves S\$'000	Non-controlling interest S\$'000	Total Equity S\$'000	
<b>GROUP</b>									
At 1 July 2012	13,145	411	(3,607)	2,523	50,672	49,999	-	63,144	
Capital contribution by non controlling interest	-	-	-	-	-	-	-	-	
Total comprehensive income for the financial period	-	-	(770)	-	2,106	1,336	-	1,336	
Appropriation to/(from) reserve fund/ accumulated profit	-	-	-	103	(103)	-	-	-	
Dividends on ordinary shares	-	-	-	-	(2,077)	(2,077)	-	(2,077)	
At 31 Dec 2012	13,145	411	(4,377)	2,626	50,598	49,258	-	62,403	

← Attributable to equity holders of the Company →					
	Share Capital S\$'000	Share Option Reserve S\$'000	Accumulated Profit S\$'000	Total Reserve S\$'000	Total Equity S\$'000
<b><u>COMPANY</u></b>					
At 1 July 2013	13,145	411	18,869	19,280	32,425
Total comprehensive income for the financial period	-	-	(1,355)	(1,355)	(1,355)
Expiry of employee share options(*)	-	(411)	411	-	-
Dividends on ordinary shares	-	-	(2,077)	(2,077)	(2,077)
At 31 Dec 2013	13,145	-	15,848	15,848	28,993

← Attributable to equity holders of the Company →					
	Share Capital S\$'000	Share Option Reserve S\$'000	Accumulated Profit S\$'000	Total Reserve S\$'000	Total Equity S\$'000
<b><u>COMPANY</u></b>					
At 1 July 2012	13,145	411	17,896	18,307	31,452
Total comprehensive income for the financial period	-	-	(2,107)	(2,107)	(2,107)
Dividends on ordinary shares	-	-	(2,077)	(2,077)	(2,077)
At 31 Dec 2012	13,145	411	13,712	14,123	27,268

\* During the financial period, adjustment has been made from Share Option Reserve to Accumulated Profit after the share options for employees expired on 30 September 2013.

**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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

The Company did not issue any shares during the financial period ended 31 December 2013.

During the financial period, 1,020,000 unissued ordinary shares under options granted to eligible employees under the Company's Employees' Share Option Scheme which have yet to be exercised has expired.

**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>31/12/13</u>	<u>30/06/13</u>
The total number of issued shares (excluding treasury shares)	115,365,000	115,365,000

**1(d)(iv) A statement showing all shares, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares for the financial period ended 31 December 2013.

**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 2013.



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.**

In the current period, the Group has adopted all the new/revised Financial Reporting Standards which took effect for annual periods beginning on or after 1 July 2013. The adoption of the above FRS did not result in any substantial change in the Group's accounting policies.

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.**

	Group	
	Latest period	Previous corresponding period
	31/12/13	31/12/12
	(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	4.30	1.83
(ii) On a fully diluted basis	4.30	1.83

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 2012: 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
	31/12/13	30/06/13	31/12/13	30/06/13
	(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	61.55	59.42	25.13	28.11

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 2013 (30 June 2013: 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 imaging & printing equipment, machinery & automotive systems, consumer-lifestyle and healthcare products.

### **Revenue**

Economic conditions have remained challenging and cautious business sentiments continue to prevail in 1H FY2014. For the six months ended 31 December 2013, the Group recorded an 8.3% improvement in revenue to \$49.0 million under competitive conditions.

<b>Revenue by Business Sector</b>	<b>1H FY2014 S\$m</b>	<b>1H FY2013 S\$m</b>	<b>Change (%)</b>
Imaging & Printing (IP)	17.5	15.1	+15.9%
Machinery and Automotive Systems (MA)	21.5	18.9	+ 13.8%
Others	10.0	11.2	(10.7%)
<b>Total</b>	<b>49.0</b>	<b>45.2</b>	<b>+ 8.3%</b>

In the IP business sector, the Group has undertaken efforts to address the trend of lower business volume following a restructuring of supplier base by some customers in prior years. In 1H FY2014, these efforts have resulted in higher business volume and revenue from the IP business sector rose 15.9% to \$17.5 million.

Demand from the MA business sector remained strong and broad based in 1H FY2014. The Group recorded higher business allocations from customers in both the machinery and automotive industry. As a result, revenue from the MA business sector grew 13.8% to \$21.5 million during the half year.

A mixed performance was recorded for the business sector that encompasses the sale of components for domestic appliances, consumer electronics, health and leisure related products. With lower demand from customers in healthcare and leisure, revenue from "Others" declined 10.7% in 1H FY2014.

### **Profitability**

Following the higher revenue, the Group recorded a 29% increase in gross profit to \$11.4 million in 1H FY2014. Gross profit margin also improved from 19.5% in 1H FY2013 to 23.2% in 1H FY2014 as a result of better product mix, lower prices of raw materials and better cost management.

During 1H FY2014, Group operating expenses continued to be under prudent control. With a stronger US dollar relative to the Asian currencies, the Group's foreign exchange loss of \$0.8 million in the preceding half year turned into a small gain in 1H FY2014. This contributed to the 8% decline in administrative expenses for the half year.

As the result of the above, Group profit before tax rose 109% to \$6.1 million in 1H FY2014. Re-investment allowances in the Malaysia plant have contributed to a lower effective group tax rate in

the first half year. The net profit attributable to equity holders of the Company rose 136% to \$4.9 million.

### **Cash Flow & Balance Sheet**

With higher profitability and better collection of trade receivables, the Group generated higher cash flow from operating activities for the six months ended 31 December 2013. After investment in fixed assets, payment of dividend and taxes, the Group achieved a net increase in cash and cash equivalents of \$1.5 million.

As at 31 December 2013, the Group's balance sheet remained strong and well managed. The Group invested in a new 70% owned subsidiary Spindex Energy to address business opportunities in the oil & gas sector. A loan of \$0.8 million was made to this subsidiary as at the end of the first half year. With the healthy net cash inflows from operations, fixed deposits, cash and bank balances amounted to \$26.9 million against total bank loans of \$0.6 million as at 31 December 2013. With the overall strong net cash position, the Group is well positioned to meet the challenges in the marketplace.

**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.**

In the second half of FY2014, the Group expects the business conditions to remain competitive. The Group will continue to manage the prevailing challenges in foreign exchange fluctuations, raw material cost volatility and pricing pressures.

Ongoing efforts to develop new products with existing and potential customers have led to the incorporation of a new subsidiary Spindex Energy in December 2013 to address the long term business opportunities in the oil & gas sector.

**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 Interested Person Transactions, 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 Company does not have any general mandate from shareholders for Interested Person Transactions pursuant to Rule 920 of the Listing Manual.

**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 2013, to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Tan Choo Pie @ Tan Chang Chai

Chairman

11 February 2014