

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 31/12/2019

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 31/12/19	6 - month 31/12/18	Change
Turnover	80,717	78,480	2.9%
Cost of sales	(64,325)	(61,823)	4.0%
Gross profit	16,392	16,657	-1.6%
Other operating income	979	891	9.9%
Distribution and selling expenses	(1,663)	(1,594)	4.3%
Administrative expenses	(7,706)	(6,767)	13.9%
Profit from operations	8,002	9,187	-12.9%
Finance costs	(66)	-	100.0%
Profit before tax	7,936	9,187	-13.6%
Income tax expense	(1,670)	(1,964)	-15.0%
Net profit attributable to equity holders of the Company	6,266	7,223	-13.2%
Other comprehensive income:			
Foreign currency translation	(568)	(2,324)	-75.6%
Total comprehensive income attributable to equity holders of the Company	5,698	4,899	16.3%

	Group		
	S\$'000		%
	6 - month	6 - month	
	31/12/19	31/12 /18	Change
Interest income	126	50	152.0%
Interest on lease liabilities	(66)	-	100.0%
Depreciation of property, plant and equipment	(4,495)	(4,323)	4.0%
Depreciation of right-of-use assets	(544)	-	100.0%
Impairment loss on trade receivables	-	(4)	-100.0%
Amortisation of land use right	(103)	(8)	1,187.5%
Write-back of inventories	24	10	140.0%
Write down of inventories,net	(113)	(13)	769.2%
Foreign exchange gain, net	283	343	-17.5%
Loss on disposal of property, plant and equipment	(1)	(50)	-98.0%

Notes:

1. NM = Not Meaningful
2. Administrative expenses increased by 14% mainly due to higher staff costs and IT consultancy fees.
3. Net foreign exchange gain was a result of the appreciation 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	
	31/12/19 S\$'000	30/06/19 S\$'000	31/12/19 S\$'000	30/06/19 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	107,751	105,860	15,605	18,095
Total equity	120,896	119,005	28,750	31,240
Non-current assets				
Property, plant and equipment	57,832	56,603	95	562
Right-of-use assets	2,828	-	509	-
Land use rights	5,866	1,861	-	-
Deferred tax assets	228	232	-	-
Investment in subsidiaries	-	-	16,483	16,483
	66,754	58,696	17,087	17,045
Current assets				
Inventories	26,405	24,894	1,006	166
Trade receivables	30,176	28,278	4,628	5,470
Other receivables and deposits	2,584	3,613	18	18
Prepayments	1,758	3,387	11	17
Due from subsidiaries (trade)	-	-	-	951
Due from subsidiaries (non-trade)	-	-	2,726	2,594
Cash and cash equivalents	38,571	42,277	9,067	10,550
	99,494	102,449	17,456	19,766
Current liabilities				
Trade payables	19,379	21,225	119	103
Other payables and accruals	16,650	15,057	2,046	2,908
Refund liabilities	1,451	1,799	983	946
Provision for defects	1,190	779	2	2
Due to subsidiaries (trade)	-	-	2,283	1,348
Due to subsidiaries (non-trade)	-	-	-	-
Lease liabilities	693	-	152	-
Loans and borrowings	528	54	-	54
Provision for tax	426	306	-	-
	40,317	39,220	5,585	5,361
Net current assets	59,177	63,229	11,871	14,405
Non-current liabilities				
Lease liabilities	1,999	-	201	-
Loans and borrowings	-	203	-	203
Deferred tax liabilities	2,861	2,546	7	7
Provision for restoration costs	175	171	-	-
	5,035	2,920	208	210
Net assets	120,896	119,005	28,750	31,240

Notes:

1. Stocks increased by 6% mainly due to more stock holding of raw materials as some of the increased forecast orders did not materialize.
2. Trade receivables increased by 7% mainly due to increase sales in the current quarter as compared to last quarter of FY2019.
3. Other receivables and deposits decreased by 28% mainly due to lower security deposit with customs.
4. Prepayments decreased by 48% mainly due to the transfer to property, plant and equipment in relation to the Hanoi factory under construction as well as the transfer to land use right for the Nantong plant.
5. Cash and cash equivalents including fixed deposits decreased by 9% mainly due to payments for capital expenditures, land use right as well as dividend payments.
6. The increase in other payables and accruals by 11% was mainly due to higher purchase of molds and fixtures on behalf of customers and staff bonuses.
7. Right-of-use assets and lease liabilities increased due to operating leases recognised on balance sheets per requirements under SFRS(I) 16.
8. Property, plant and equipment increased by 2% mainly due to transfer of Hanoi factory under construction and capital expenditures on machineries.
9. Land use rights increased by 215% due to the completion of land acquisition by Nantong plant.

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 31/12/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
528	-	54	-

Amount repayable after one year

As at 31/12/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	203	-

Details of any collateral

During the period, a short term bank loan amounting to S\$528,000 was taken up by one of the subsidiaries for the purchase of machineries. The loan is repayable within a year and is secured by Corporate Guarantee of the Company.

Lease liabilities arising from right-of-use assets

Amount repayable in one year or less, or on demand

As at 31/12/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
693	-	-	-

Amount repayable after one year

As at 31/12/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,999	-	-	-

The above lease liabilities include a loan amount of S\$230,000 which is secured by the motor vehicle under hire purchase arrangement.

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
	31/12/19	31/12/18
	S\$'000	S\$'000
Operating activities		
Profit before tax	7,936	9,187
Adjustments for:		
Depreciation of property, plant and equipment	4,495	4,323
Depreciation of right-of-use assets	544	-
Amortisation of land use right	103	8
Loss on disposal of property, plant and equipment	1	50
Finance costs	66	-
Interest income	(126)	(50)
Allowance of inventories	113	13
Impairment loss on trade receivables	-	4
Provision for defects	467	605
Reversal of provision for defects	(45)	(206)
Unrealised exchange (gain)/loss	52	(411)
Operating cash flow before working capital changes	13,606	13,523
(Increase) / decrease in:		
Inventories	(1,620)	(611)
Trade receivables	(1,898)	2,493
Other receivables and deposits	527	86
Prepayments	999	858
(Decrease) / increase in:		
Trade payables	(1,846)	(1,677)
Other payables and accruals	1,245	(2,014)
Cash flow from operations	11,013	12,658
Income taxes paid	(693)	(1,702)
Interest received	126	50
Net cash flows from operating activities	10,446	11,006
Investing activities		
Proceeds from sale of fixed assets	-	4
Purchase of land use right	(3,532)	-
Purchase of property, plant and equipment	(6,273)	(3,342)
Net cash used in investing activities	(9,805)	(3,338)
Financing activities		
Proceed from loans and borrowings	528	-
Repayment of lease liabilities under right-of-use assets	(772)	-
Dividends paid on ordinary shares	(3,807)	(3,461)
Net cash flows used in financing activities	(4,051)	(3,461)
Net (decrease)/increase in cash and cash equivalents	(3,410)	4,207
Cash and cash equivalents at beginning of financial period	42,277	29,191
Currency alignment on opening cash balances	(296)	(476)
Cash and cash equivalents at end of financial period	38,571	32,922

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 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
	← 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 2018	13,145	(6,971)	4,968	99,513	97,510	110,655
Total comprehensive income for the financial period	-	(2,324)	-	7,223	4,899	4,899
Appropriation to/(from) reserve fund/ accumulated profit	-	-	261	(261)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 December 2018	13,145	(9,295)	5,229	103,014	98,948	112,093

← 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

← 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 2018	13,145	15,371	15,371	28,516
Total comprehensive income for the financial period	-	(286)	(286)	(286)
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 December 2018	13,145	11,624	11,624	24,769

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 2019.

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>31/12/19</u>	<u>31/12/18</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 2019.

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 2019.

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 2019.

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 adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2019.

The following SFRS(I)s, amendments and interpretations of SFRS(I)s are relevant to the Group:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>SFRS(I) 16 Leases</i>	<i>1 January 2019</i>
<i>SFRS(I) INT 23 Uncertainty over Income Tax Treatments</i>	<i>1 January 2019</i>
<i>Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation</i>	<i>1 January 2019</i>
<i>Annual Improvements to SFRS(I)s 2015-2017 Cycle</i>	<i>1 January 2019</i>

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. The Group has applied the modified restrospective approach and does not restate comparative amounts for year prior to first adoption.

Under the new standard, an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) and a liability to make lease payments (i.e. the lease liability) are recognised. Interest expense on the lease liability and the depreciation expense on the right-of-use asset are recognised separately in the income statement.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

On the adoption of SFRS(I) 16, the Group has recognised an equal amount of right-of-use assets and lease liabilities of S\$2,880,000 for its leases previously classified as operating leases (excluding short-term leases and leases for which underlying assets are of low value) as at 1 July 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.

	Latest period	Previous corresponding period
	6-month	6-month
	31/12/19	31/12/18
Earnings per ordinary share for the period after deducting any provision for preference dividends:-	(cents)	(cents)

(i) Based on weighted average number of ordinary shares in issue	5.43	6.26
(ii) On a fully diluted basis	5.43	6.26

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 2018 : 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
	31/12/19	30/06/19	31/12/19	30/06/19
	(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	104.79	103.16	24.92	27.08

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 2019 (30 June 2019 : 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

In H1 FY2020, business uncertainties prevailed due to the continuing trade dispute between China and the United States. Business sentiment remained subdued under challenging market conditions. For the 6 months ended December 2019, the Group's turnover rose 2.9% to \$80.7 million but net profit declined 13.2% to \$6.3 million.

Turnover by Business Sector	H1 FY2020 S\$m	H1 FY2019 S\$m	Change (%)
Machinery and Automotive Systems (MA)	36.7	36.9	(0.5%)
Imaging & Printing (IP)	18.0	18.7	(3.7%)
Others	26.0	22.9	13.5%
Total	80.7	78.5	2.9%

With the continuing slowdown in economic growth in China, demand for machine tools and automotive systems remained subdued in H1 FY2020. Some stability in orders for automotive systems in recent months has cushioned the decline in turnover for the MA business sector to

0.5% at \$36.7 million.

The market for imaging and printing components has weakened in recent months and lower shipments to existing customers has resulted in the turnover for the IP business sector declining 3.7% to \$18 million in H1 FY2020. The rest of the Group's business, categorised under "Others", recorded a respectable growth of 13.5% with turnover rising to \$26.0 million for the half year. Higher shipment of components for domestic appliances was recorded in response to year end consumer demand in the United States.

Profitability

On a modest growth in turnover in H1 FY2020, gross profit dropped 1.6% to \$16.4 million. Gross profit margin eased to 20.3% from 21.2% in the previous corresponding period. Distribution and selling expenses increased marginally in line with the higher turnover but administrative expenses rose 13.9% to \$7.7 million due to higher staff costs and IT consultancy fees. Finance costs of \$66,000 was attributable to the recognition of interest on lease liabilities pursuant to the adoption of SFRS(I) 16 Leases.

Due to the higher administrative expenses, profit before tax declined 13.6% to \$7.9 million. The group effective tax rate remained consistent at 21%. The Group achieved a net profit attributable to shareholders of \$6.3 million in H1 FY2020, 13.2% lower than H1 FY2019.

Cash Flow & Balance Sheet

For the six months ended 31 December 2019, the Group's operations generated a net cash inflow of \$10.4 million, while its investing activities had a cash outflow of \$9.8 million, of which \$3.5 million and \$6.3 million was used in the purchase of land use right and property, plant and equipment respectively. There were also dividends payment amounting to \$3.8 million for the six months ended 31 December 2019. As a result, the Group recorded a net decrease of \$3.4 million in cash and cash equivalents for the six months ended 31 December 2019.

Following the adoption of SFRS (I) 16, the right-of-use assets and a corresponding lease liabilities were reflected on the balance sheet as at 31 December 2019. Compared to 30 June 2019, trade receivables were higher as at 31 December 2019 due to higher sales in the few months before December 2019. With continual prudent cash management, cash and cash equivalents remained high at \$38.6 million. Total loans and borrowings rose to \$0.5 million due to a short term machinery loan. The Group continued to maintain a strong balance sheet with a comfortable net cash position of \$38.1 million as at 31 December 2019.

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.

Although the recent conclusion of phase one of the trade agreement between China and the United States has prevented a further deterioration of the dispute, existing tariffs would continue to increase cost pressures from customers. Furthermore, with the recent outbreak of the novel coronavirus, there will be negative financial impact to the Group as it derives a significant proportion of revenue directly or indirectly from China, and has a substantial operation base in China.

The Group will continue to manage cost and pricing pressures through constant improvement in efficiency to enhance its long-term competitiveness. Recent plans to build new plants in China

and Vietnam will enhance the Group's long-term capability and operational flexibility in better serving its customers.

The Group will monitor the macroeconomic environment and take necessary measures to mitigate its risks.

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 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 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 2020