



SPINDEX INDUSTRIES LIMITED

(Registration No. 198701451M)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS IN RELATION TO THE 2021 ANNUAL REPORT

The Board of Directors (the “**Board**”) of Spindex Industries Limited (the ‘**Company**’) and its subsidiaries (the “**Group**”) wishes to announce the following in response to the questions raised by shareholders:

- 1. What are the near term challenges for the Company, and what actions can the Company take to mitigate them?**

Company’s Response:

There are multiple challenges faced by the Group in the near term. Unprecedented factors such as raw material prices surging, shortage of chips that our end customer products need, delays and increased costs in shipments of material or goods, production impacts on the Group, its suppliers and customers due to government implemented measures are just some of the challenges being faced. New challenges are surfacing frequently, the most recent being the power shortages in China which affect the environment that our facilities, supplier and customer operate in. These factors affect efficiency, costs of production and demand from our customers and add to cost or pricing pressure. The impact of the factors mentioned above are expected to be negative, but the Group will try to mitigate it by working closely with our customers and selectively adding new customers to expand our base of customers. We also strive to constantly improve our efficiency through selective investment in capex and enhancing our work processes. Our increased network of manufacturing facilities enables flexibility to support our customers competitively and remain relevant to them in the long term.

- 2. Would the dividend be maintained in the coming years?**

Company’s Response:

The Group does not have a fixed dividend policy. The decision on dividends is proposed by the Board, taking into account multiple considerations, including but not limited to profitability, cash management, capex and working capital needs.

- 3. How does the Company determine its annual capital expenditure on property, plant and equipment, and how will this be funded in future?**

Company’s Response:

To stay relevant to our customers, we need to be price competitive and to have extra capacity to be able to respond, especially during a volatile demand and supply period. The capex in the past year was driven by addition of equipment (for capacity, replacement and new processes) and construction of a new facility. Such capital investments in property, plant and equipment are intended to improve our efficiency and selectively add to overall capacity or flexibility, and the amount would vary from year to year depending on our future needs and market conditions, rather than having a specific target per year. We pay for our PPEs in stages; for equipment we would

place a deposit when we order, and make subsequent payments upon delivery and commissioning. For property and plant, we would buy the land and often build the facilities in stages, making payments according to the progress of construction. In our profit and loss statement, these PPEs would be depreciated annually according to their respective depreciation schedules. We would continue to fund our capital investments using our internal resources and bank borrowings.

4. Did the Company's Vietnam JV record a loss in FY2021?

Company's Response:

Yes. It is not uncommon for new businesses to register losses in the initial years when the business is in the building stage. We will continue to develop our Vietnam JV to serve the requirements of our customers.

5. What is the nature of consignment sales in the group revenue?

Company's Response:

Consignment sales in the Group refers to how the sales is recognized under the accounting principles. Under consignment, the Group produces goods for its customers and ships the goods to warehouses located near to the customer, with inventory still considered under the Group's assets. The customer will draw the goods from the warehouse when they need them, and revenue is recognized only at this point as title passes to the customer. Such arrangements are getting more common in the manufacturing supply chain, as customers transfer their operational burdens. This requires higher working capital but also enhances our overall value proposition to our customers.

6. Can the Company provide more information on the customers whose contributions are more than 10% to the Group's revenue?

Company's Response:

We have a base of customers and from time to time, some of them may individually account for more than 10% of group revenue in a given year. Depending on the supply chain complexity of the products, this may not always be most relevant as our customers could be OEMs, or Tier 1 and Tier 2 companies that support the same end customer. However, all our customers are well established names in their respective industries, and most of them have been with us for many years. We work closely with all our customers to support their requirements and we actively manage any concentration risks that may arise from time to time.

BY ORDER OF THE BOARD

Tan Choo Pie @ Tan Chang Chai

Chairman

26 October 2021