

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 31/12/2017

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 31/12/17	6 - month 31/12/16	Change
Turnover	74,176	68,664	8.0%
Cost of sales	(59,843)	(53,258)	12.4%
Gross profit	14,333	15,406	-7.0%
Other operating income	1,419	794	78.7%
Distribution and selling expenses	(1,844)	(1,397)	32.0%
Administrative expenses	(7,463)	(4,522)	65.0%
Profit from operations	6,445	10,281	-37.3%
Financial expenses	(8)	(73)	-89.0%
Profit before tax	6,437	10,208	-36.9%
Income tax expense	(1,889)	(2,307)	-18.1%
Net profit attributable to equity holders of the Company	4,548	7,901	-42.4%
Other comprehensive income:			
Foreign currency translation	713	347	105.5%
Total comprehensive income attributable to equity holders of the Company	5,261	8,248	-36.2%

	Group		
	S\$'000		%
	31/12/17	31/12/16	Change
Interest income	60	38	57.9%
Interest expense	(8)	(73)	-89.0%
Depreciation of property, plant and equipment	(3,541)	(3,194)	10.9%
Write-back/(impairment) of property, plant and equipment	126	(126)	NM
Amortisation of land use right	(7)	(7)	0%
Write-back of inventories	13	59	-78.0%
Foreign exchange (loss)/gain, net	(866)	2,054	NM
Gain on disposal of property, plant and equipment	518	10	NM

Notes:

1. NM = Not Meaningful
2. Other operating income increased by 79% mainly due to increase in scrap income and gain on disposal of fixed assets.
3. Interest expense decreased by 89% mainly due to repayment of short term loan during the period.
4. Administrative expenses increased by 65% mainly due to overall unfavourable exchange difference.
5. The net foreign exchange loss was a result of the depreciation of US dollar against the Asian currencies.
6. Effective tax rate for the Group was higher at 29% mainly due to higher chargeable income of the 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	
	31/12/17 S\$'000	30/06/17 S\$'000	31/12/17 S\$'000	30/06/17 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	86,193	84,393	9,488	11,398
Total equity	99,338	97,538	22,633	24,543
Non-current assets				
Property, plant and equipment	56,172	45,869	428	340
Land use rights	253	269	-	-
Deferred tax assets	258	257	-	-
Investment in subsidiaries	-	-	12,169	12,169
	56,683	46,395	12,597	12,509
Current assets				
Inventories	23,757	19,116	410	333
Trade receivables	31,816	30,054	4,727	4,660
Other receivables and deposits	2,356	2,245	21	23
Prepayments	2,969	1,800	15	13
Due from subsidiaries (trade)	-	-	41	16
Due from subsidiaries (non-trade)	-	-	2,041	5,328
Fixed deposits	988	759	518	517
Cash and cash equivalents	27,194	39,018	7,223	11,582
	89,080	92,992	14,996	22,472
Current liabilities				
Trade payables	20,204	19,103	279	234
Other payables and accruals	22,070	15,693	2,903	3,875
Provision for defects	879	718	55	57
Due to subsidiaries (trade)	-	-	1,715	3,097
Due to subsidiaries (non-trade)	-	-	1	-
Bank loans	-	3,168	-	3,168
Provision for tax	537	580	-	-
	43,690	39,262	4,953	10,431
Net current assets	45,390	53,730	10,043	12,041
Non-current liabilities				
Deferred tax liabilities	2,582	2,433	7	7
Provision for restoration costs	153	154	-	-
	2,735	2,587	7	7
Net assets	99,338	97,538	22,633	24,543

Notes:

1. Property, plant and equipment increased by 22% mainly due to more capital expenditures on machineries.
2. Stocks increased by 24% mainly due to slower sales at end of second quarter resulted in higher inventory.
3. The increase in prepayments by 65% was mainly due to more down payments for capital expenditures on machineries.
4. Fixed deposits and cash and cash balances decreased by 29% mainly due to dividend payments, repayment of term loan and payments for capital expenditures on machineries.
5. The increase in other payables and accruals by 41% was mainly due to balance payments on capital expenditure suppliers.

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

Amount repayable in one year or less, or on demand

As at 31/12/2017		As at 30/6/2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	3,168	-

Amount repayable after one year

As at 31/12/2017		As at 30/6/2017	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

During the period, the Company has fully settled the short term bank loan.

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

	31/12/17 S\$'000	31/12/16 S\$'000
Operating activities		
Profit before tax	6,437	10,208
Adjustments for:		
Depreciation of property, plant and equipment	3,541	3,194
(Write back)/impairment of property, plant and equipment	(126)	126
Reversal of provision for retrenchment benefits	(116)	-
Amortisation of land use right	7	7
Gain on disposal of property, plant and equipment	(518)	(10)
Interest expense	8	73
Interest income	(60)	(38)
Write-back of inventories	(13)	(59)
Write back of allowance of doubtful debts	(2)	-
Provision for defects	298	556
Reversal of provision for defects	(260)	(384)
Unrealised exchange loss/(gain)	132	(67)
Operating cash flow before working capital changes	9,328	13,606
(Increase) / decrease in:		
Inventories	(4,632)	(46)
Trade receivables	(1,760)	250
Other receivables and deposits	(78)	(620)
Prepayments	(1,169)	931
(Decrease) / increase in:		
Trade payables	1,100	1,342
Other payables and accruals	6,608	396
Cash flow from operations	9,397	15,859
Income taxes paid	(1,818)	(1,833)
Tax refund	-	336
Interest paid	(8)	(73)
Interest received	60	38
Net cash flows from operating activities	7,631	14,327
Investing activities		
Proceeds from sale of fixed assets	619	20
Purchase of property, plant and equipment	(13,046)	(7,194)
Net cash used in investing activities	(12,427)	(7,174)
Financing activities		
Dividends paid on ordinary shares	(3,461)	(2,653)
Proceeds from bank loan	-	3,323
Repayment of term loans	(3,168)	(3,834)
Net cash flows used in financing activities	(6,629)	(3,164)
Net (decrease)/increase in cash and cash equivalents	(11,425)	3,989
Cash and cash equivalents at beginning of financial period	39,777	29,820
Currency alignment on opening cash balances	(170)	680
Cash and cash equivalents at end of financial period	28,182	34,489

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 2017	13,145	(9,492)	4,395	89,490	84,393	97,538
Total comprehensive income for the financial period	-	713	-	4,548	5,261	5,261
Appropriation to/(from) reserve fund/ accumulated profit	-	-	250	(250)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 Dec 2017	13,145	(8,779)	4,645	90,327	86,193	99,338
	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 2016	13,145	(8,205)	3,866	78,637	74,298	87,443
Total comprehensive income for the financial period	-	347	-	7,901	8,248	8,248
Appropriation to/(from) reserve fund/ accumulated profit	-	-	282	(282)	-	-
Dividends on ordinary shares	-	-	-	(2,653)	(2,653)	(2,653)
At 31 Dec 2016	13,145	(7,858)	4,148	83,603	79,893	93,038

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 2017	13,145	11,398	11,398	24,543
Total comprehensive income for the financial period	-	1,551	1,551	1,551
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 Dec 2017	13,145	9,488	9,488	22,633

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 2016	13,145	10,601	10,601	23,746
Total comprehensive income for the financial period	-	2,461	2,461	2,461
Dividends on ordinary shares	-	(2,653)	(2,653)	(2,653)
At 31 Dec 2016	13,145	10,409	10,409	23,554

- 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 2017.

- 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>31/12/17</u>	<u>31/12/16</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 2017.

- 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 2017.

- 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 2017.

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 2017. 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.**

	Latest period	Previous corresponding period
	31/12/17	31/12/16
	(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	3.94	6.85
(ii) On a fully diluted basis	3.94	6.85

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 2016 : 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
	31/12/17	30/06/17	31/12/17	30/06/17
	(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	86.11	84.55	19.62	21.27

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 2017 (30 June 2017 : 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.

Revenue

In 1H FY2018, the Group continued to operate in a challenging environment where market conditions are volatile. In spite of these challenges, the Group recorded an 8% increase in total turnover from \$68.7 million in 1H FY2017 to \$74.2 million in 1H FY2018.

Revenue by Business Sector	1H FY2018 S\$m	1H FY2017 S\$m	Change (%)
Machinery and Automotive Systems (MA)	35.9	30.0	+ 20%
Imaging & Printing (IP)	17.4	16.5	+ 5%
Others	20.9	22.2	(6%)
Total	74.2	68.7	+ 8%

For the MA business sector, sales of machine tools and automotive systems were boosted by unscheduled replacement projects secured under automotive systems. These new projects are to replace projects that are being gradually phased out.

The Group also recorded higher orders for imaging and printing components in 1H FY2018 through prior year efforts in developing the IP market. However, turnover from "Others", a category that encompasses the rest of the Group's businesses, declined 6% with lower sales of components for domestic appliances during the period. The Group's customers for domestic appliances have periodically rebalanced their inventories to match market demand.

Profitability

Despite the increase in revenue, gross profit fell 7% to \$14.3 million in 1H FY2018. Due to a change in the revenue mix with replacement projects having lower yields, gross profit margin declined from 22% in 1H FY2017 to 19% in 1H FY2018. The higher shipping costs in relation to new projects in the automotive sector also contributed to the increase in distribution and selling expenses. Owing to the weakened US dollar against Asian currencies, the Group recorded a net foreign exchange loss of \$0.9 million during the half year. This is a reversal of the net foreign exchange gain of \$2.1 million recorded in the previous corresponding period of 1H FY 2017. Foreign exchange volatility resulted in administrative expenses rising 54% or \$2.4 million to \$6.9 million in 1H FY2018.

With lower gross profit and higher operating expenses, profit from operation declined to \$6.4 million. Although income tax expense declined with reduced profitability, the effective income tax rate was higher due to higher chargeable income from the Malaysian plant. The Group concluded 1H FY2018 with a lower net profit attributable to shareholders of \$4.5 million.

Cash Flow & Balance Sheet

For the six months ended 31 December 2017, the Group generated a positive cash inflow of \$7.6 million from operations. In addition to dividend payment of \$3.5 million and repayment of term loans amounting to \$3.2 million, cash was also channeled to purchase new machines to replace and improve manufacturing efficiency. In view of these outflows, the Group recorded a decrease in cash and cash equivalents to \$28.2 million as at 31 December 2017.

On the balance sheet, the increase in trade receivables and higher inventory were due to slowdown in collection and lower sales toward the end of second quarter. Although fixed deposits, cash and cash equivalents were lower at \$28.2 million, there was no debt. The Group's balance sheet remained very healthy as at 31 December 2017.

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 general global economy continues to be uncertain and challenges remain. Continuous pricing pressure and volatility in macroeconomic factors such as adverse foreign exchange rates will affect business profitability. The Group is experiencing a slowdown in the automotive sector that it serves. The Group maintains a cautious outlook for the rest of FY2018.

The Group will continue to monitor market developments closely and manage risks prudently. With a strong balance sheet and no debt, the Group possesses considerable financial flexibility in managing market challenges as well as exploiting business opportunities. The Group will continue to invest in its long-term competitiveness to serve its customers.

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 2017, 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
9 February 2018