

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 31/12/2016

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 31/12/16	6 - month 31/12/15	Change
Turnover	68,664	61,226	12.1%
Cost of sales	(53,258)	(47,076)	13.1%
Gross profit	15,406	14,150	8.9%
Other operating income	794	890	-10.8%
Distribution and selling expenses	(1,397)	(1,132)	23.4%
Administrative expenses	(4,522)	(4,766)	-5.1%
Profit from operations	10,281	9,142	12.5%
Financial expenses	(73)	(60)	21.7%
Profit before tax	10,208	9,082	12.4%
Income tax expense	(2,307)	(1,595)	44.6%
Net profit attributable to equity holders of the Company	7,901	7,487	5.5%
Other comprehensive income:			
Foreign currency translation	347	(1,797)	NM
Total comprehensive income attributable to equity holders of the Company	8,248	5,690	44.9%

	Group		
	S\$'000		%
	31/12/16	31/12/15	Change
Interest income	38	33	15.2%
Interest expense	(73)	(60)	21.7%
Depreciation of property, plant and equipment	(3,194)	(2,887)	10.6%
Impairment of property, plant and equipment	126	-	NM
Amortisation of land use right	(7)	(8)	-12.5%
Write-back/(Write-down) of inventories	59	(119)	NM
Foreign exchange gain, net	2,054	1,552	32.3%
Gain on disposal of property, plant and equipment	10	-	NM

Notes:

1. NM = Not Meaningful
2. Other operating income decreased by 11% mainly due to decrease in scrap income.
3. Interest expense increased by 22% mainly due to interest incurred on short term loan by the Company.
4. Administrative expenses decreased by 5% mainly due to overall favourable exchange difference.
5. The net foreign exchange gain was a result of the appreciation of US dollar against the Asian currencies.
6. Effective tax rate for the Group was higher at 22% mainly due to higher chargeable income of the China 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	
	31/12/16 S\$'000	30/06/16 S\$'000	31/12/16 S\$'000	30/06/16 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	79,893	74,298	10,409	10,601
Total equity	93,038	87,443	23,554	23,746
Non-current assets				
Property, plant and equipment	46,710	43,172	924	1,045
Land use rights	290	278	-	-
Deferred tax assets	262	256	-	-
Investment in subsidiaries	-	-	12,169	12,169
	47,262	43,706	13,093	13,214
Current assets				
Inventories	18,415	18,311	647	1,911
Trade receivables	28,750	28,999	5,271	5,492
Other receivables and deposits	1,726	1,461	-	9
Prepayments	2,633	3,565	21	43
Due from subsidiaries (trade)	-	-	-	1,022
Due from subsidiaries (non-trade)	-	-	4,539	372
Fixed deposits	1,022	756	515	515
Cash and cash equivalents	33,467	29,064	9,554	9,769
	86,013	82,156	20,547	19,133
Current liabilities				
Trade payables	17,144	15,802	377	865
Other payables and accruals	15,612	15,215	3,441	4,571
Provision for defects	1,201	1,038	198	198
Due to subsidiaries (trade)	-	-	2,729	2,960
Due to subsidiaries (non-trade)	-	-	11	-
Bank loans	3,323	3,834	3,323	-
Provision for tax	773	473	-	-
	38,053	36,362	10,079	8,594
Net current assets	47,960	45,794	10,468	10,539
Non-current liabilities				
Deferred tax liabilities	2,028	1,916	7	7
Provision for restoration costs	156	141	-	-
	2,184	2,057	7	7
Net assets	93,038	87,443	23,554	23,746

Notes:

1. Property, plant and equipment increased by 8% mainly due to more capital expenditures on machineries
2. The decrease in prepayments by 26% was mainly due to lesser down payments for capital expenditures.
3. Fixed deposits and cash and cash balances increased by 16% mainly due to improved collections from trade receivables.
4. The increase in trade payables by 8% was mainly due to more raw materials being purchased.

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

Amount repayable in one year or less, or on demand

As at 31/12/2016		As at 30/6/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,323	-	3,834	-

Amount repayable after one year

As at 31/12/2016		As at 30/6/2016	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

As at 31 December 2016, the Company utilised its banking facility to support one of its subsidiaries to enjoy a better interest rate.

The bank loan of S\$3,834,000 which is secured by the leasehold property of Shanghai subsidiary and a corporate guarantee from the Company has been fully repaid during the period.

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

	31/12/16 S\$'000	31/12/15 S\$'000
Operating activities		
Profit before tax	10,208	9,082
Adjustments for:		
Depreciation of property, plant and equipment	3,194	2,887
Impairment of property, plant and equipment	126	-
Amortisation of deferred capital grants	-	(21)
Amortisation of land use right	7	8
Gain on disposal of property, plant and equipment	(10)	-
Interest expense	73	60
Interest income	(38)	(33)
Write-down/(write-back) of inventories	(59)	119
Provision for defects	556	553
Reversal of provision for defects	(384)	(648)
Unrealised exchange (gain)/loss	(67)	(608)
Operating cash flow before working capital changes	13,606	11,399
(Increase) / decrease in:		
Inventories	(46)	(664)
Trade receivables	250	2,229
Other receivables and deposits	(620)	969
Prepayments	931	346
(Decrease) / increase in:		
Trade payables	1,342	(302)
Other payables and accruals	396	(3,820)
Cash flow from operations	15,859	10,157
Income taxes paid	(1,833)	(1,308)
Tax refund	336	-
Interest paid	(73)	(60)
Interest received	38	33
Net cash flows from operating activities	14,327	8,822
Investing activities		
Proceeds from sale of fixed assets	20	-
Purchase of property, plant and equipment	(7,194)	(3,939)
Net cash used in investing activities	(7,174)	(3,939)
Financing activities		
Dividends paid on ordinary shares	(2,653)	(3,230)
Proceeds from bank loan	3,323	2,492
Repayment of term loans	(3,834)	(107)
Net cash flows used in financing activities	(3,164)	(845)
Net increase in cash and cash equivalents	3,989	4,038
Cash and cash equivalents at beginning of financial period	29,820	22,584
Currency alignment on opening cash balances	680	(65)
Cash and cash equivalents at end of financial period	34,489	26,557

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 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
	← 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 2015	13,145	(4,475)	3,368	72,260	71,153	84,2989
Total comprehensive income for the financial period	-	(1,797)	-	7,487	5,690	5,690
Appropriation to/(from) reserve fund/ accumulated profit	-	-	261	(261)	-	-
Dividends on ordinary shares	-	-	-	(3,230)	(3,230)	(3,230)
At 31 Dec 2015	13,145	(6,272)	3,629	76,256	73,613	86,758

← 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

← 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 2015	13,145	19,088	19,088	32,233
Total comprehensive income for the financial period	-	(1,358)	(1,358)	(1,358)
Dividends on ordinary shares	-	(3,230)	(3,230)	(3,230)
At 31 Dec 2015	13,145	14,500	14,500	27,645

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 2016.

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>31/12/16</u>	<u>31/12/15</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 2016.

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 2016.

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 2016. 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
	31/12/16	31/12/15
	(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	6.85	6.49
(ii) On a fully diluted basis	6.85	6.49

Basis earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 2015 : 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
	31/12/16	30/06/16	31/12/16	30/06/16
	(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	80.65	75.80	20.42	20.58

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 2016 (30 June 2016 : 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 FY2017, business conditions remained challenging due to prevailing uncertainties in the global economy. In spite of the challenges, the Group recorded revenue of \$68.7 million, an increase of 12% over the previous corresponding period.

Revenue by Business Sector	1H FY2017 S\$m	1H FY2016 S\$m	Change (%)
Machinery and Automotive Systems (MA)	30.0	29.5	+2%
Imaging & Printing (IP)	16.5	17.2	(4%)
Others	22.2	14.5	+53%
Total	68.7	61.2	+ 12%

Demand from customers was uneven across the various business sectors in 1H FY2017. While sales of automotive systems were boosted by the mass production for new projects, the increase was moderated by lower orders for machine tools. The resultant revenue from MA business sector rose 2% to \$30.0 million.

With the general weakness in demand from the IP industry, revenue from the IP business sector fell 4% from \$17.2 million in 1H FY2016 to \$16.5 million in 1H FY2017. However, revenue from the rest of the Group's businesses, categorised under "Others", saw a strong increase of 53% to \$22.2 million due to higher demand in the appliances business.

Profitability

With higher revenue, gross profit grew 9% to \$15.4 million with gross profit margin at 22%. Higher distribution and selling expenses were incurred to support the increase in sales. However, administrative expenses were lower due to the foreign exchange gain arising from the significant appreciation of the US Dollar against the Singapore Dollar.

With improved profitability and higher chargeable income from the China operations, the Group recorded additional income tax expenses and the effective income tax rate rose to 22%. Due to higher revenue and the foreign exchange gain, net profit attributable to shareholders rose 6% from \$7.5 million in 1H FY2016 to \$7.9 million in 1H FY2017.

Cash Flow & Balance Sheet

For the six months ended 31 December 2016, the Group generated net cash inflow from operating activities amounting to \$14.3 million. Together with the proceeds from bank loans, the cash was used to finance the purchase of productive assets to support a higher level of production as well as to pay dividends to shareholders.

The Group continued to maintain a solid balance sheet. Given the strong operational cash inflow generated, total fixed deposits, cash and cash equivalents rose to \$34.5 million. With the debt level remaining low, this placed the Group in a net cash position of \$31.2 million as at 31 December 2016.

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.**

Against the backdrop of prevailing and new uncertainties in the global economy, business sentiments are likely to remain challenging in 2H FY2017. The Group maintains a cautious market outlook and will continue to monitor macroeconomic developments closely so that timely measures can be implemented to mitigate any adverse impact on profitability.

The Group's long term commitment to support the growth of its existing customers remains its priority. For the rest of the current financial year, the Group will continue to work closely with customers and selectively add capacity on a prudent basis to support their production.

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 2016, 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 2017