

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

First Quarter Financial Statement And Dividend Announcement for the Period Ended 30/09/2019

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		%
	3 - month 30/09/19	3 - month 30/09/18	Change
Turnover	39,218	41,439	-5.4%
Cost of sales	(31,747)	(32,763)	-3.1%
Gross profit	7,471	8,676	-13.9%
Other operating income	448	496	-9.7%
Distribution and selling expenses	(740)	(806)	-8.2%
Administrative expenses	(2,852)	(2,829)	0.8%
Profit from operations	4,327	5,537	-21.9%
Financial expenses	(34)	-	-100.0%
Profit before tax	4,293	5,537	-22.5%
Income tax expense	(885)	(1,217)	-27.3%
Net profit attributable to equity holders of the Company	3,408	4,320	-21.1%
Other comprehensive income:			
Foreign currency translation	157	(2,437)	NM
Total comprehensive income attributable to equity holders of the Company	3,565	1,883	89.3%

	Group		
	S\$'000		%
	30/09/19	30/09/18	Change
Interest income	56	24	133.3%
Interest expense	(34)	-	100.0%
Depreciation of property, plant and equipment	(2,263)	(2,157)	4.9%
Depreciation of right-of-use assets	(251)	-	100.0%
Amortisation of land use right	(20)	(4)	400.0%
Write-back of inventories	24	10	140.0%
Foreign exchange gain, net	862	537	60.5%
Loss on disposal of property, plant and equipment	-	(50)	-100.0%

Notes:

1. NM = Not Meaningful
2. The 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	
	30/09/19 S\$'000	30/06/19 S\$'000	30/09/19 S\$'000	30/06/19 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	109,425	105,860	17,741	18,095
Total equity	122,570	119,005	30,886	31,240
Non-current assets				
Property, plant and equipment	58,063	56,603	522	562
Right-of-use assets	2,643	-	145	-
Land use rights	1,879	1,861	-	-
Deferred tax assets	229	232	-	-
Investment in subsidiaries	-	-	16,483	16,483
	62,814	58,696	17,150	17,045
Current assets				
Inventories	23,743	24,894	1,384	166
Trade receivables	29,779	28,278	4,897	5,470
Other receivables and deposits	2,925	3,613	19	18
Prepayments	2,981	3,387	12	17
Due from subsidiaries (trade)	-	-	999	951
Due from subsidiaries (non-trade)	-	-	2,431	2,594
Cash and cash equivalents	45,987	42,277	11,950	10,550
	105,415	102,449	21,692	19,766
Current liabilities				
Trade payables	19,926	21,225	143	103
Other payables and accruals	16,689	15,057	3,202	2,908
Refund liabilities	2,069	1,799	996	946
Provision for defects	855	779	2	2
Due to subsidiaries (trade)	-	-	3,205	1,348
Due to subsidiaries (non-trade)	-	-	12	-
Lease liabilities	573	-	61	-
Loans and borrowings	54	54	54	54
Provision for tax	370	306	-	-
	40,536	39,220	7,675	5,361
Net current assets	64,879	63,229	14,017	14,405
Non-current liabilities				
Lease liabilities	2,088	-	85	-
Loans and borrowings	189	203	189	203
Deferred tax liabilities	2,669	2,546	7	7
Provision for restoration costs	177	171	-	-
	5,123	2,920	281	210
Net assets	122,570	119,005	30,886	31,240

Notes:

1. Stocks decreased by 5% mainly due to lesser stock holding of finished goods.
2. Trade receivables increased by 5% mainly due to slower collections near period end.
3. Other receivables and deposits decreased by 19% mainly due to lower security deposit with customs.
4. Prepayments decreased by 12% mainly due to lower advance payments to suppliers.
5. Fixed deposits and cash and cash balances increased by 9% mainly due to cash generated from operating activities offset by payments made for capital expenditures.
6. The increase in other payables and accruals by 11% was mainly due to higher capital expenditures and staff bonuses.

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 30/09/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
54	-	54	-

Amount repayable after one year

As at 30/09/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
189	-	203	-

Details of any collateral

This is secured by the motor vehicle under hire purchase arrangement.

Lease liabilities arising from right-of-use assets

Amount repayable in one year or less, or on demand

As at 30/09/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
573	-	-	-

Amount repayable after one year

As at 30/09/2019		As at 30/6/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,088	-	-	-

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

	30/09/19 S\$'000	30/09/18 S\$'000
Operating activities		
Profit before tax	4,293	5,537
Adjustments for:		
Depreciation of property, plant and equipment	2,263	2,157
Depreciation of right-of-use assets	251	-
Amortisation of land use right	20	4
Loss on disposal of property, plant and equipment	-	50
Interest expense	34	-
Interest income	(56)	(24)
Write-back of inventories	(24)	(10)
Provision for defects	103	471
Reversal of provision for defects	(23)	(64)
Unrealised exchange gain	(98)	(391)
Operating cash flow before working capital changes	6,763	7,730
(Increase) / decrease in:		
Inventories	1,177	359
Trade receivables	(1,501)	122
Other receivables and deposits	434	(43)
Prepayments	406	941
(Decrease) / increase in:		
Trade payables	(1,299)	(1,423)
Other payables and accruals	1,902	1,061
Cash flow from operations	7,882	8,747
Income taxes paid	(393)	(859)
Interest paid	(2)	-
Interest received	56	24
Net cash flows from operating activities	7,543	7,912
Investing activities		
Proceeds from sale of fixed assets	-	4
Purchase of property, plant and equipment	(3,488)	(2,665)
Net cash used in investing activities	(3,488)	(2,661)
Financing activities		
Repayment of lease liabilities under right-of-use assets	(266)	-
Repayment of loans and borrowings	(14)	-
Net cash flows used in financing activities	(280)	-
Net increase in cash and cash equivalents	3,775	5,251
Cash and cash equivalents at beginning of financial period	42,277	29,191
Currency alignment on opening cash balances	(65)	(629)
Cash and cash equivalents at end of financial period	45,987	33,813

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	-	157	-	3,408	3,565	3,565
Appropriation to/(from) reserve fund/ accumulated profit	-	-	174	(174)	-	-
At 30 September 2019	13,145	(10,333)	5,730	114,028	109,425	122,570
	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	-	(2,437)	-	4,320	1,883	1,883
Appropriation to/(from) reserve fund/ accumulated profit	-	-	149	(149)	-	-
At 30 September 2018	13,145	(9,408)	5,117	103,684	99,393	112,538

← 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	-	(354)	(354)	(354)
At 30 September 2019	13,145	17,741	17,741	30,886

← 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	-	317	317	317
At 30 September 2018	13,145	15,688	15,688	28,833

- 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 30 September 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>30/09/19</u>	<u>30/09/18</u>
The total number of issued shares (excluding treasury shares)	115,365,000	115,365,000

There were no treasury shares as at 30 September 2019 and 30 September 2018.

- 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 30 September 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.**

There were no sales, transfers, cancellation and/or use of subsidiary holdings for the financial period ended 30 September 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 July 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 retrospective 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
	30/09/19	30/09/18
	(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	2.95	3.74
(ii) On a fully diluted basis	2.95	3.74

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (30 September 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
	30/09/19	30/06/19	30/09/19	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	106.25	103.16	26.77	27.08

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 30 September 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 Q1 FY2020, market conditions continued to be challenging. Business sentiment remains weak under a general slowdown in demand. For the quarter, the Group's turnover and net profit declined 5% and 21% to \$39.2 million and \$3.4 million respectively.

Turnover by Business Sector	Q1 FY2020 S\$m	Q1 FY2019 S\$m	Change (%)
Machinery and Automotive Systems (MA)	16.9	20.3	(16.7%)
Imaging & Printing (IP)	10.1	9.8	3.1%
Others	12.2	11.3	8.0%
Total	39.2	41.4	(5.4%)

Consistent with the slowdown in economic growth in China, market demand for machine tools and automotive systems continued to weaken in Q1 FY2020. With lower orders from customers during the quarter, turnover from the MA business sector declined 16.7% to \$16.9 million.

The Group continued to benefit from higher orders for imaging and printing components from existing customers and the IP business sector recorded a turnover growth of 3.1% to \$10.1 million in Q1 FY2020. The rest of the Group's business, categorised under "Others", recorded a reasonable turnover growth of 8% for the quarter. In particular, higher sales were achieved for domestic appliances with rising production for existing customers and aided by new product launches.

Profitability

With a lower turnover, gross profit declined 13.9% to \$7.5 million. Gross profit margin eased from 20.9% in Q1 FY2019 to 19.0% in Q1 FY2020 on a changing product mix and tariff related pricing pressure. Overall operating expenses remained well controlled, with a lower distribution and selling expenses tracking the lower turnover. Interest expense on hire purchase and leased assets contributed to the financial expense of \$34,000.

Due to the lower turnover and gross profit, the profit before tax for Q1 FY2020 declined 22.5% to \$4.3 million. With an income tax expense of \$0.9 million, the effective tax rate of 21% is marginally lower due to tax incentives in some plants. The net profit attributable to equity holders of the Company dropped 21% to \$3.4 million.

Cash Flow & Balance Sheet

For the quarter ended 30 September 2019, continuing profitability enabled the Group to generate net cash inflow of \$7.9 million from operations. A portion of this cash amounting to \$0.4 million was used to pay income tax, \$3.5 million deployed for the purchase of property, plant and equipment and \$0.3 million used in the repayment of lease liabilities. At the end of the quarter, the Group recorded a net increase of \$3.8 million in cash and cash equivalents.

Following the adoption of SFRS (I) 16, the right-of-use assets and a corresponding lease liabilities were reflected on the balance sheet. Compared to 30 June 2019, inventories, trade and other receivables remained stable as at 30 September 2019. Trade payables declined whereas other payables and accruals rose due to the additional purchase of equipment. Due to prudent cash management, cash and cash equivalents rose to \$46.0 million. Total loans and borrowings remained negligible at \$0.2 million. The Group continued to maintain a strong balance sheet with a comfortable net cash position of \$45.8 million as of 30 September 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.**

The slowdown in economic growth across the world, in conjunction with the trade disputes between US and China has given rise to even greater trade uncertainties in the Group's operating environment. The Group continued to experience challenges of slowing demand and pricing pressures from customers. Although talks are ongoing to resolve the trade disputes, the Group remains cautious of its business outlook for FY2020.

The Group will continue to manage cost and pricing pressures through constant improvement in efficiency to enhance long-term competitiveness. Recent investments in China and Vietnam will continue to allow the Group operating flexibilities in both capability and capacity to better 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 first quarter ended 30 September 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

25 October 2019