

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

Third Quarter Financial Statement And Dividend Announcement for the Period Ended 31/03/2019

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			Group		
	S\$'000		%	S\$'000		%
	3 rd Quarter 31/03/19	3 rd Quarter 31/03/18	Change	9 - month 31/03/19	9 - month 31/03/18	Change
Turnover	37,440	38,050	-1.6%	115,920	112,226	3.3%
Cost of sales	(30,095)	(31,560)	-4.6%	(91,918)	(91,403)	0.6%
Gross profit	7,345	6,490	13.2%	24,002	20,823	15.3%
Other operating income	371	464	-20.0%	1,262	1,883	-33.0%
Distribution and selling expenses	(806)	(885)	-8.9%	(2,400)	(2,729)	-12.1%
Administrative expenses	(4,206)	(4,426)	-5.0%	(10,973)	(11,889)	-7.7%
Profit from operations	2,704	1,643	64.6%	11,891	8,088	47.0%
Financial expenses	-	-	-0%	-	(8)	-100%
Profit before tax	2,704	1,643	64.6%	11,891	8,080	47.2%
Income tax expense	(781)	(807)	-3.2%	(2,745)	(2,696)	1.8%
Net profit attributable to equity holders of the Company	1,923	836	130.0%	9,146	5,384	69.9%
Other comprehensive income:						
Foreign currency translation	540	1,713	-68.5%	(1,784)	2,426	NM
Total comprehensive income attributable to equity holders of the Company	2,463	2,549	-3.4%	7,362	7,810	-5.7%

	Group			Group		
	S\$'000		%	S\$'000		%
	3 rd Quarter	3 rd Quarter		9 - month	9 - month	
	31/03/19	31/03/18	Change	31/03/19	31/03/18	Change
Interest income	26	25	4.0%	76	85	-10.6%
Interest expense	-	-	0%	-	(8)	-100.0%
Depreciation of property, plant and equipment	(2,201)	(2,069)	6.4%	(6,525)	(5,610)	16.3%
Write back of property, plant and equipment	-	-	-	-	126	-100.0%
Write back/(allowance) of allowance of doubtful debts	2	-	100.0%	(2)	2	NM
Amortisation of land use right	(4)	(4)	-	(11)	(11)	-
Write back of inventories, net	16	13	23.1%	3	26	-88.5%
Foreign exchange loss, net	(438)	(938)	-53.3%	(95)	(1,804)	-94.7%
(Loss)/gain on disposal of property, plant and equipment	(35)	7	NM	(85)	525	NM

Notes (refers to the quarter unless otherwise stated):

1. NM = Not Meaningful
2. Other operating income decreased by 20% mainly due to decrease in scrap income.
3. Administrative expenses decreased by 5% mainly due to lower unfavourable exchange difference as compared with comparative period.
4. The net foreign exchange loss was a result of the depreciation of US dollar against the Asian currencies.
5. Effective tax rate for the Group was higher at 29% mainly due to higher chargeable income.

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	
	31/03/19 S\$'000	30/06/18 S\$'000	31/03/19 S\$'000	30/06/18 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	101,411	97,510	15,345	15,371
Total equity	114,556	110,655	28,490	28,516
Non-current assets				
Property, plant and equipment	57,588	60,878	604	539
Land use rights	238	251	-	-
Deferred tax assets	254	250	-	-
Investment in subsidiaries	-	-	16,482	12,169
	58,080	61,379	17,086	12,708
Current assets				
Inventories	23,842	23,887	235	304
Trade receivables	26,696	33,132	4,831	5,459
Other receivables and deposits	3,017	3,114	39	19
Prepayments	4,619	2,074	8	22
Due from subsidiaries (trade)	-	-	-	188
Due from subsidiaries (non-trade)	-	-	1,718	2,505
Loan to subsidiary	-	-	1,763	4,092
Cash and cash equivalents	36,422	29,191	8,876	9,157
	94,596	91,398	17,470	21,746
Current liabilities				
Trade payables	18,535	21,723	160	358
Other payables and accruals	15,441	17,374	2,759	3,685
Provision for defects	976	549	49	28
Due to subsidiaries (trade)	-	-	2,820	1,860
Due to subsidiaries (non-trade)	-	-	1	-
Loans and borrowings (current)	54	-	54	-
Provision for tax	975	850	-	-
	35,981	40,496	5,843	5,931
Net current assets	58,615	50,902	11,627	15,815
Non-current liabilities				
Loans and borrowings (non current)	216	-	216	-
Deferred tax liabilities	1,754	1,464	7	7
Provision for restoration costs	169	162	-	-
	2,139	1,626	223	7
Net assets	114,556	110,655	28,490	28,516

Notes:

1. Trade receivables decreased by 19% mainly due to improved collection.
2. The increase in prepayments by 123% was mainly due to advance payments for new leasehold land by Hanoi plant for factory expansion.
3. Cash and cash equivalents increased by 25% mainly due to improved collections and lower cash outflow on payments for capital expenditures on machineries.
4. The decrease in trade payables by 15% was mainly due to lower purchase of raw materials.
5. The decrease in other payables and accruals by 11% was mainly due to payments on capital expenditure on machineries and staff bonuses.
6. During the period, the Company injected cash of SGD4.3 million equivalent as its initial capital injection to the wholly-owned Nantong subsidiary for the subsequent acquisition of land.

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

Amount repayable in one year or less, or on demand

As at 31/03/2019		As at 30/6/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
54	-	-	-

Amount repayable after one year

As at 31/03/2019		As at 30/6/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
216	-	-	-

Details of any collateral

This 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.

	3rd Quarter	3rd Quarter	9 - month	9 - month
	31/03/19	31/03/18	31/03/19	31/03/18
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	2,704	1,643	11,891	8,080
Adjustments for:				
Depreciation of property, plant and equipment	2,201	2,069	6,525	5,610
Write back of property, plant and equipment	-	-	-	(126)
Reversal of provision for retrenchment benefits	-	-	-	(116)
Amortisation of land use right	4	4	11	11
Loss/(gain) on disposal of property, plant and equipment	35	(7)	85	(525)
Interest expense	-	-	-	8
Interest income	(26)	(25)	(76)	(85)
Write back of inventories	(16)	(13)	(3)	(26)
(Write back)/allowance of doubtful debts	(2)	-	2	(2)
Provision for defects	14	259	620	557
Reversal of provision for defects	-	(238)	(206)	(498)
Unrealised exchange loss/(gain)	85	231	(327)	363
Operating cash flow before working capital changes	4,999	3,923	18,522	13,251
(Increase) / decrease in:				
Inventories	673	413	61	(4,219)
Trade receivables	3,944	1,684	6,436	(76)
Other receivables and deposits	(127)	(899)	(41)	(977)
Prepayments	(3,403)	204	(2,545)	(965)
(Decrease) / increase in:				
Trade payables	(1,511)	(671)	(3,188)	429
Other payables and accruals	103	(3,517)	(1,911)	3,091
Cash flow from operations	4,678	1,137	17,334	10,534
Income taxes paid	(499)	(539)	(2,201)	(2,357)
Interest paid	-	-	-	(8)
Interest received	26	25	76	85
Net cash flows from operating activities	4,205	623	15,209	8,254
Investing activities				
Proceeds from sale of fixed assets	573	7	577	626
Purchase of property, plant and equipment	(1,393)	(5,145)	(4,735)	(18,191)
Net cash used in investing activities	(820)	(5,138)	(4,158)	(17,565)
Financing activities				
Dividends paid on ordinary shares	-	-	(3,461)	(3,461)
Repayment of term loans	-	-	-	(3,168)
Net cash flows used in financing activities	-	-	(3,461)	(6,629)
Net increase/(decrease) in cash and cash equivalents	3,385	(4,515)	7,590	(15,940)
Cash and cash equivalents at beginning of financial period	32,922	28,182	29,191	39,777
Currency alignment on opening cash balances	115	243	(359)	73
Cash and cash equivalents at end of financial period	36,422	23,910	36,422	23,910

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 2018	13,145	(6,971)	4,968	99,513	97,510	110,655
Total comprehensive income for the financial period	-	(1,784)	-	9,146	7,362	7,362
Appropriation to/(from) reserve fund/ accumulated profit	-	-	354	(354)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 March 2019	13,145	(8,755)	5,322	104,844	101,411	114,556
	← 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	-	2,426	-	5,384	7,810	7,810
Appropriation to/(from) reserve fund/ accumulated profit	-	-	372	(372)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 March 2018	13,145	(7,066)	4,767	91,041	88,742	101,887

← 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	-	3,435	3,435	3,435
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 March 2019	13,145	15,345	15,345	28,490

← 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	-	3,797	3,797	3,797
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 March 2018	13,145	11,734	11,734	24,879

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 March 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>31/03/19</u>	<u>31/03/18</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 March 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 sales, transfers, cancellation and/or use of subsidiary holdings for the financial period ended 31 March 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 annual financial statements as at 30 June 2018.

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.

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 July 2018 and has prepared its financial information under SFRS(I)s for the third quarter and nine months ended 31 March 2019. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The Group has not elected any optional exemption on the first-time adoption of SFRS(I)s. There is no significant impact to the Group's opening balance sheet as at 1 July 2018 on the date of transition to SFRS(I)s.

In addition, 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 2018.

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) 9 Financial Instruments</i>	<i>1 January 2018</i>
<i>SFRS(I) 15 Revenue from Contracts with Customers</i>	<i>1 January 2018</i>
<i>SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration</i>	<i>1 January 2018</i>

The adoption of the above SFRS(I) did not have any significant impact on the financial statements.

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	Latest period	Previous corresponding period
	3 rd Quarter	3 rd Quarter	9-month	9-month
	31/03/19	31/03/18	31/03/19	31/03/18
	(cents)	(cents)	(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	1.67	0.72	7.93	4.67
(ii) On a fully diluted basis	1.67	0.72	7.93	4.67

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 March 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
	31/03/19	30/06/18	31/03/19	30/06/18
	(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	99.30	95.92	24.70	24.72

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 March 2019 (30 June 2018 : 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.

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

The Group operated under challenging business conditions in Q3 FY2019 as demand for certain key components weakened during this period. Group turnover declined 2% from \$38.1 million in Q3 FY2018 to \$37.4 million in Q3 FY2019. For the nine months ended 31 March 2019, the Group recorded a turnover of \$115.9 million, an improvement of 3% compared to the previous corresponding period.

Turnover by Business Sector	Q3 FY2019 S\$m	Q3 FY2018 S\$m	Change (%)	9M FY2019 S\$m	9M FY2018 S\$m	Change (%)
Machinery and Automotive Systems (MA)	16.5	17.8	(7%)	53.3	53.1	0.4%
Imaging & Printing (IP)	8.1	7.8	4%	26.9	25.1	7%
Others	12.8	12.4	3%	35.7	34.0	5%
Total	37.4	38.1	(2%)	115.9	112.2	3%

Due to a slowdown in demand from China, sales for both automotive systems and machine tools were lower in Q3 FY2019. As a result, the Group saw turnover from the MA business sector declined by 7% to \$16.5 million.

This decrease was cushioned by higher sales from the IP business sector and the rest of the Group's businesses categorised under "Others". Orders from customers for the Group's imaging and printing components increased with the recovery in IP, leading to a 4% improvement in turnover from IP to \$8.1 million during the quarter. As for Others, stronger demand for home appliances resulted in a 3% increase in turnover to \$12.8 million.

In 9M FY2019, turnover from MA remained stable at \$53.3 million. Turnover from IP and Others rose 7% and 5% to \$26.9 million and \$35.7 million respectively.

Profitability

In Q3 FY2018, the Group incurred additional costs to support new projects which had yet to achieve stable yields. As the production for these projects stabilised subsequently, higher yields contributed to the higher gross profit of \$7.3 million despite marginally lower turnover in Q3 FY2019. Gross profit margin improved from 17% in Q3 FY2018 to 20% in Q3 FY2019.

Distribution and selling expenses declined with lower sales and more optimal shipment of components. In addition, the Group recorded lower net foreign exchange loss during the quarter and this resulted in lower administrative expenses. With the reduction in total operating costs, profit from operations jumped 65% to \$2.7 million.

Consequently, net profit attributable to shareholders rose 130% to \$1.9 million in Q3 FY2019. With this increase, net profit for 9M FY2019 amounted to \$9.1 million, an increase of 70% over the previous corresponding period.

Cash Flow & Balance Sheet

For the three months ended 31 March 2019, the Group generated positive net cash flow of \$4.2 million from operating activities, of which \$1.4 million was used to finance investment in fixed assets. Accordingly, the Group recorded a net increase in cash and cash equivalents of \$3.4 million.

The Group maintained a strong balance sheet as at 31 March 2019. While inventories remained stable, the decrease in trade receivables and trade payables benefited cash inflow. Due to improved collection and a decrease in cash used in investing activities, cash and cash equivalents rose 25% to \$36.4 million. With negligible borrowings, the Group maintained a net cash position of \$36.2 million as at 31 March 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 Group expects uncertain business conditions to persist for the rest of the current financial year. In maintaining a cautious outlook, the Group will continue to monitor market developments closely and manage business risks prudently.

In line with the Group's strategy to position itself in the long term in China and Vietnam, the Group recently acquired land in Hanoi and Nantong to expand its production capacity and services for 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 third quarter ended 31 March 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 May 2019