

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 30/09/2018

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 30/09/18	3 - month 30/09/17	Change
Turnover	41,439	37,276	11.2%
Cost of sales	(32,763)	(29,534)	10.9%
Gross profit	8,676	7,742	12.1%
Other operating income	496	437	13.5%
Distribution and selling expenses	(806)	(838)	-3.8%
Administrative expenses	(2,829)	(3,898)	-27.4%
Profit from operations	5,537	3,443	60.8%
Financial expenses	-	(4)	-100.0%
Profit before tax	5,537	3,439	61.0%
Income tax expense	(1,217)	(996)	22.2%
Net profit attributable to equity holders of the Company	4,320	2,443	76.8%
Other comprehensive income:			
Foreign currency translation	(2,437)	(119)	1,947.9%
Total comprehensive income attributable to equity holders of the Company	1,883	2,324	-19.0%

	Group		
	S\$'000		%
	30/09/18	30/09/17	Change
Interest income	24	28	-14.3%
Interest expense	-	(4)	-100.0%
Depreciation of property, plant and equipment	(2,157)	(1,658)	30.1%
Amortisation of land use right	(4)	(4)	-
Write-back of inventories	10	35	-71.4%
Foreign exchange gain/(loss), net	537	(431)	NM
Loss on disposal of property, plant and equipment	(50)	-	100.0%

Notes:

1. NM = Not Meaningful
2. Administrative expenses decreased by 27% mainly due to overall favourable exchange difference.
3. The net foreign exchange gain was a result of the appreciation of US dollar against the Asian currencies.
4. Effective tax rate for the Group fell from 29% in Q1 FY2018 to 22% in Q1 FY2019 mainly due to lower chargeable income from its operations in Malaysia.

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	
	30/09/18 S\$'000	30/06/18 S\$'000	30/09/18 S\$'000	30/06/18 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	99,393	97,510	15,688	15,371
Total equity	112,538	110,655	28,833	28,516
Non-current assets				
Property, plant and equipment	59,833	60,878	498	539
Land use rights	248	251	-	-
Deferred tax assets	250	250	-	-
Investment in subsidiaries	-	-	12,169	12,169
	60,331	61,379	12,667	12,708
Current assets				
Inventories	23,556	23,887	320	304
Trade receivables	33,010	33,132	6,200	5,459
Other receivables and deposits	2,936	3,114	19	19
Prepayments	1,133	2,074	14	22
Due from subsidiaries (trade)	-	-	196	188
Due from subsidiaries (non-trade)	-	-	3,007	2,505
Loan to subsidiary	-	-	4,104	4,092
Cash and cash equivalents	33,813	29,191	8,365	9,157
	94,448	91,398	22,225	21,746
Current liabilities				
Trade payables	20,300	21,723	180	358
Other payables and accruals	18,413	17,374	3,785	3,685
Provision for defects	958	549	28	28
Due to subsidiaries (trade)	-	-	2,059	1,860
Provision for tax	931	850	-	-
	40,602	40,496	6,052	5,931
Net current assets	53,846	50,902	16,173	15,815
Non-current liabilities				
Deferred tax liabilities	1,473	1,464	7	7
Provision for restoration costs	166	162	-	-
	1,639	1,626	7	7
Net assets	112,538	110,655	28,833	28,516

Notes:

1. The decrease in prepayments by 45% was mainly due to lesser down payments for capital expenditures on machineries.
2. Fixed deposits and cash and cash balances increased by 16% mainly due to improved collections coupled with lower cash outflow from overall lower capital expenditures on machineries.
3. The increase in other payables and accruals by 6% was mainly due to higher purchase of machineries towards period end.

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

Amount repayable in one year or less, or on demand

As at 30/09/2018		As at 30/6/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 30/09/2018		As at 30/6/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

NIL

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

	30/09/18 S\$'000	30/09/17 S\$'000
Operating activities		
Profit before tax	5,537	3,439
Adjustments for:		
Depreciation of property, plant and equipment	2,157	1,658
Amortisation of land use right	4	4
Loss on disposal of property, plant and equipment	50	-
Interest expense	-	4
Interest income	(24)	(28)
Write-back of inventories	(10)	(35)
Provision for defects	471	115
Reversal of provision for defects	(64)	(121)
Unrealised exchange (gain)/loss	(391)	-
Operating cash flow before working capital changes	7,730	5,036
(Increase) / decrease in:		
Inventories	359	(1,373)
Trade receivables	122	529
Other receivables and deposits	(43)	44
Prepayments	941	(1,823)
(Decrease) / increase in:		
Trade payables	(1,423)	445
Other payables and accruals	1,061	2,591
Cash flow from operations	8,747	5,449
Income taxes paid	(859)	(908)
Interest paid	-	(4)
Interest received	24	28
Net cash flows from operating activities	7,912	4,565
Investing activities		
Proceeds from sale of fixed assets	4	-
Purchase of property, plant and equipment	(2,665)	(4,757)
Net cash used in investing activities	(2,661)	(4,757)
Financing activities		
Repayment of term loans	-	(3,168)
Net cash flows used in financing activities	-	(3,168)
Net increase/(decrease) in cash and cash equivalents	5,251	(3,360)
Cash and cash equivalents at beginning of financial period	29,191	39,777
Currency alignment on opening cash balances	(629)	(129)
Cash and cash equivalents at end of financial period	33,813	36,288

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	-	(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
	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	-	(119)	-	2,443	2,324	2,324
Appropriation to/(from) reserve fund/ accumulated profit	-	-	130	(130)	-	-
At 30 September 2017	13,145	(9,611)	4,525	91,803	86,717	99,862

← 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

← 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	-	1,595	1,595	1,595
At 30 September 2017	13,145	12,993	12,993	26,138

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 2018.

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>30/09/18</u>	<u>30/09/17</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 30 September 2018.

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 30 September 2018.

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 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 first quarter ended 30 September 2018. 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 2017 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 result in any substantial change to the Group's accounting policies nor 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
	30/09/18	30/09/17
Earnings per ordinary share for the period after deducting any provision for preference dividends:-	(cents)	(cents)
(i) Based on weighted average number of ordinary shares in issue	3.74	2.12
(ii) On a fully diluted basis	3.74	2.12

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (30 September 2017 : 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
	30/09/18	30/06/18	30/09/18	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	97.55	95.92	24.99	24.72

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 30 September 2018 (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 recorded a higher turnover of \$41.4 million for the quarter, a healthy growth of 11% compared to Q1 FY2018. Growth was again broad-based across all business sectors, achieved under challenging market conditions of heightened uncertainties in the global trading environment and increasing cost pressures.

Revenue by Business Sector	Q1 FY2019 S\$m	Q1 FY2018 S\$m	Change (%)
Machinery and Automotive Systems (MA)	20.3	18.0	+ 13%
Imaging & Printing (IP)	9.8	8.4	+ 17%
Others	11.3	10.9	+ 4%
Total	41.4	37.3	+ 11%

In Q1 FY2019, revenue from the MA business sector rose 13% to \$20.3 million and growth was bolstered by higher sales of components for automotive systems. However, demand from automotive systems remains volatile due to changes in the global economic sentiment.

Demand for components for imaging and printing equipment improved with the continued recovery of the IP market. The Group benefited from higher allocation of business from customers, and this contributed to revenue from the Group's IP business sector rising 17% over the previous corresponding quarter. As for the rest of the Group's businesses categorised under "Others, revenue grew 4% with higher orders for components used in home appliances segment.

Profitability

Due to higher turnover, gross profit rose 12% to \$8.7 million with gross profit margin maintaining at about 21%. The yields of new components which started manufacturing in the last two quarters have generally stabilised. Overall operating expenditure declined, with distribution and selling expenses being marginally lower but administrative expenses declined by a significant 27% due to the reversal of a net foreign exchange loss in Q1 FY2018 to a net gain in Q1 FY2019 as the US dollar strengthened against Asian currencies.

With higher gross profit and lower operating expenses, profit from operations increased 61% to \$5.5 million. Although income tax expense rose with higher profitability, the effective tax rate fell from 29% in Q1 FY2018 to 22% in Q1 FY2019 as the Group recorded lower chargeable income from its operations in Malaysia. Consequently, net profit attributable to shareholders increased 77% to \$4.3 million.

Cash Flow & Balance Sheet

For the three months ended 30 September 2018, the Group generated net cash inflow of \$7.9 million from operating activities of which \$2.7 million was used to purchase fixed assets. As a result, the Group recorded a net increase in cash and cash equivalents of \$5.2 million at the end of Q1 FY2019.

The Group's balance sheet remained strong as at 30 September 2018. With the net cash inflow generated during the quarter, total cash and cash equivalents rose 16% to \$33.8 million. As there was no bank borrowing, the strong cash position provided the Group with ample financial flexibility to operate in an increasing volatile and competitive environment.

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 global economic environment moving forward remains challenging. The ongoing trade tariffs between US and China will negatively impact some of our product lines, and slowing economic growth persists in certain economies that the Group operates in. Any further uncertainty could dampen business confidence and restrain consumer demand as well as increase cost pressures to the Group's business as end customers compete for market share. The Group maintains a cautious outlook and will continue to monitor market developments closely.

The Group will continue to make selective investments in site location, machinery, equipment and processes to maintain our competitiveness. This will enable the Group to increase its portfolio of services and improve operating efficiency. Coupled with a strong balance sheet, the Group remains positioned to capitalise on market opportunities.

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 2018, 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
26 October 2018