

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 31/03/2018

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			Group		
	S\$'000		%	S\$'000		%
	3 rd Quarter 31/03/18	3 rd Quarter 31/03/17	Change	9 - month 31/03/18	9 - month 31/03/17	Change
Turnover	38,050	36,832	3.3%	112,226	105,496	6.4%
Cost of sales	(31,560)	(28,369)	11.2%	(91,403)	(81,627)	12.0%
Gross profit	6,490	8,463	-23.3%	20,823	23,869	-12.8%
Other operating income	464	507	-8.5%	1,883	1,301	44.7%
Distribution and selling expenses	(885)	(665)	33.1%	(2,729)	(2,062)	32.3%
Administrative expenses	(4,426)	(4,037)	9.6%	(11,889)	(8,559)	38.9%
Profit from operations	1,643	4,268	-61.5%	8,088	14,549	-44.4%
Financial expenses	-	(54)	-100%	(8)	(127)	-93.7%
Profit before tax	1,643	4,214	-61.0%	8,080	14,422	-44.0%
Income tax expense	(807)	(812)	-0.6%	(2,696)	(3,119)	-13.6%
Net profit attributable to equity holders of the Company	836	3,402	-75.4%	5,384	11,303	-52.4%
Other comprehensive income:						
Foreign currency translation	1,713	(2,187)	NM	2,426	(1,840)	NM
Total comprehensive income attributable to equity holders of the Company	2,549	1,215	109.8%	7,810	9,463	-17.5%

	Group			Group		
	S\$'000		%	S\$'000		%
	3 rd Quarter	3 rd Quarter		9 - month	9 - month	
	31/03/18	31/03/17	Change	31/03/18	31/03/17	Change
Interest income	25	50	-50.0%	85	88	-3.4%
Interest expense	-	(54)	-100%	(8)	(127)	-93.7%
Depreciation of property, plant and equipment	(2,069)	(1,648)	25.5%	(5,610)	(4,842)	15.9%
Write back/(impairment) of property, plant and equipment	-	-	-	126	(126)	NM
Write back of allowance of doubtful debts	-	-	-	2	-	NM
Amortisation of land use right	(4)	(4)	-	(11)	(11)	-
Write back/(write down) of inventories, net	13	(12)	NM	26	47	-44.7%
Foreign exchange (loss)/gain, net	(938)	(747)	25.6%	(1,804)	1,307	NM
Gain on disposal of property, plant and equipment	7	174	-96.0%	525	184	185.3%

Notes:

1. NM = Not Meaningful
2. Other operating income increased by 45% mainly due to increase in scrap income and gain on disposal of fixed assets.
3. Interest expense decreased by 94% mainly due to repayment of short term loan during the period.
4. Administrative expenses increased by 39% 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 33% mainly due to timing differences in tax estimation for 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	
	31/03/18 S\$'000	30/06/17 S\$'000	31/03/18 S\$'000	30/06/17 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	88,742	84,393	11,734	11,398
Total equity	101,887	97,538	24,879	24,543
Non-current assets				
Property, plant and equipment	60,532	45,869	397	340
Land use rights	245	269	-	-
Deferred tax assets	263	257	-	-
Investment in subsidiaries	-	-	12,169	12,169
	61,040	46,395	12,566	12,509
Current assets				
Inventories	23,345	19,116	407	333
Trade receivables	30,131	30,054	5,372	4,660
Other receivables and deposits	3,295	2,245	21	23
Prepayments	2,766	1,800	10	13
Due from subsidiaries (trade)	-	-	103	16
Due from subsidiaries (non-trade)	-	-	2,315	5,328
Loan to subsidiary	-	-	2,621	-
Cash and cash equivalents	23,910	39,777	6,099	12,099
	83,447	92,992	16,948	22,472
Current liabilities				
Trade payables	19,533	19,103	282	234
Other payables and accruals	18,553	15,693	3,035	3,875
Provision for defects	918	718	55	57
Due to subsidiaries (trade)	-	-	1,255	3,097
Due to subsidiaries (non-trade)	-	-	1	-
Bank loans	-	3,168	-	3,168
Provision for tax	738	580	-	-
	39,742	39,262	4,628	10,431
Net current assets	43,705	53,730	12,320	12,041
Non-current liabilities				
Deferred tax liabilities	2,705	2,433	7	7
Provision for restoration costs	153	154	-	-
	2,858	2,587	7	7
Net assets	101,887	97,538	24,879	24,543

Notes:

1. Property, plant and equipment increased by 32% mainly due to more capital expenditures on machineries.
2. Inventories increased by 22% mainly due to higher stock holdings arising from consignment orders not utilised as at period end.
3. The increase in prepayments by 54% was mainly due to more down payments for capital expenditures on machineries.
4. Cash and cash equivalents decreased by 40% 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 18% was mainly due to balance payments on capital expenditure.

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

Amount repayable in one year or less, or on demand

As at 31/03/2018		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 31/03/2018		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.

	3rd Quarter	3rd Quarter	9 - month	9 - month
	31/03/18	31/03/17	31/03/18	31/03/17
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	1,643	4,214	8,080	14,422
Adjustments for:				
Depreciation of property, plant and equipment	2,069	1,648	5,610	4,842
(Write back)/impairment of property, plant and equipment	-	-	(126)	126
Reversal of provision for retrenchment benefits	-	-	(116)	-
Amortisation of land use right	4	4	11	11
Gain on disposal of property, plant and equipment	(7)	(68)	(525)	(78)
Interest expense	-	54	8	127
Interest income	(25)	(50)	(85)	(88)
(Write back)/write down of inventories	(13)	12	(26)	(47)
Write back of allowance of doubtful debts	-	-	(2)	-
Provision for defects	259	121	557	677
Reversal of provision for defects	(238)	(149)	(498)	(533)
Unrealised exchange loss/(gain)	231	(552)	363	(619)
Operating cash flow before working capital changes	3,923	5,234	13,251	18,840
(Increase) / decrease in:				
Inventories	413	1,930	(4,219)	1,884
Trade receivables	1,684	(2,321)	(76)	(2,071)
Other receivables and deposits	(899)	229	(977)	(391)
Prepayments	204	448	(965)	1,379
(Decrease) / increase in:				
Trade payables	(671)	(415)	429	927
Other payables and accruals	(3,517)	(2,056)	3,091	(1,660)
Cash flow from operations	1,137	3,049	10,534	18,908
Income taxes paid	(539)	(850)	(2,357)	(2,683)
Tax refund	-	(4)	-	332
Interest paid	-	(54)	(8)	(127)
Interest received	25	50	85	88
Net cash flows from operating activities	623	2,191	8,254	16,518
Investing activities				
Proceeds from sale of fixed assets	7	232	626	252
Purchase of property, plant and equipment	(5,145)	(2,141)	(18,191)	(9,335)
Net cash used in investing activities	(5,138)	(1,909)	(17,565)	(9,083)
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	(4,515)	282	(15,940)	4,271
Cash and cash equivalents at beginning of financial period	28,182	34,489	39,777	29,820
Currency alignment on opening cash balances	243	(754)	73	(74)
Cash and cash equivalents at end of financial period	23,910	34,017	23,910	34,017

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	-	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
	← 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	-	(1,840)	-	11,303	9,463	9,463
Appropriation to/(from) reserve fund/ accumulated profit	-	-	421	(421)	-	-
Dividends on ordinary shares	-	-	-	(2,653)	(2,653)	(2,653)
At 31 March 2017	13,145	(10,045)	4,287	86,866	81,108	94,253

← 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

← 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 March 2017	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 March 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>31/03/18</u>	<u>31/03/17</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 31 March 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 31 March 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 annual 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 FRSs 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	Latest period	Previous corresponding period
	3 rd Quarter	3 rd Quarter	9-month	9-month
	31/03/18	31/03/17	31/03/18	31/03/17
	(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	0.72	2.95	4.67	9.80
(ii) On a fully diluted basis	0.72	2.95	4.67	9.80

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
	31/03/18	30/06/17	31/03/18	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	88.32	84.55	21.57	21.27

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

Business conditions for the Group continued to remain challenging in Q3 FY2018. During the quarter, the Group recorded turnover of \$38.1 million, a slight improvement of 3.3% over Q3 FY2017. For the 9 months ended 31 March 2018, group turnover grew 6.4% to \$112.2 million.

Revenue by Business Sector	Q3 FY2018 S\$m	Q3 FY2017 S\$m	Chg (%)	9M FY2018 S\$m	9M FY2017 S\$m	Chg (%)
Machinery and Automotive Systems (MA)	17.8	18.3	-3%	53.1	48.3	10%
Imaging & Printing (IP)	7.8	6.8	15%	25.1	23.3	8%
Others	12.5	11.7	7%	34.0	33.9	-
Total	38.1	36.8	4%	112.2	105.5	6%

In Q3 FY2018, revenue from the MA business sector declined by about 3% to \$17.8 million YOY. Over this period, the Group recorded lower level of sales from automotive systems as it experienced volatile market conditions in the automotive industry. Some old projects which the Group had been supplying to were phased out earlier than expected. Although this was largely replaced by new projects, the switch over in programs have affected production yields. The decrease in revenue from automotive systems was partially offset by higher sales of machine tools.

The Group's efforts in developing the IP market continued to bear fruit in Q3 FY2018. The IP business sector registered healthy revenue growth of 15% to \$7.8 million in Q3 FY2018 due to consistent business allocation from customers in a recovering industry.

For the rest of the Group's businesses categorised under "Others", higher deliveries of components for domestic appliances to customers in Q3 FY2018 boosted revenue by 7% to \$12.5 million.

Profitability

Notwithstanding higher turnover, gross profit declined 23% to \$6.5 million in Q3 FY2018. The decrease was due to a change in the revenue mix as new replacement projects that have yet to attain stable production have yielded lower margins. Gross profit margin for Q3 FY2018 was lower at 17%.

During Q3 FY2018, the Group supported new projects with ad hoc shipments and this contributed to higher distribution and selling expenses. In addition, the depreciation of the US dollars against the Asian currencies resulted in higher net foreign exchange losses and

correspondingly higher administrative expenses. Due to lower gross profit and higher operating expenses, profit from operations decreased to \$1.6 million in Q3 FY2018 and to \$8.1 million in 9M FY2018.

Despite a lower chargeable income, effective tax rate is higher due to timing differences in tax estimation from the Malaysia plant. The Group recorded a net profit attributable to shareholders of \$0.8 million and \$5.4 million in Q3 FY2018 and 9M FY2018 respectively.

Cash Flow & Balance Sheet

The Group generated a net cash inflow of \$0.6 million from operating activities in Q3 FY2018. As part of the Group's strategy to improve longer term capabilities and competitiveness, about \$5 million was used to finance the purchase of new equipment and machinery to enhance production efficiency and capacity. With the cash outlay, the Group recorded a net decrease in cash and cash equivalents.

For 9M FY2018, the Group generated net cash of \$8.3 million from operations. Besides the investment in new machinery, cash was also utilised to pay dividends and repay term loans. As at 31 March 2018, cash and cash equivalents declined to \$23.9 million.

Notwithstanding the net decrease in cash and cash equivalents, the Group maintained a debt-free balance sheet with a cash position of \$23.9 million. While inventories has seen an increase, trade receivables and payables remained stable. The Group's balance sheet remained healthy as at 31 March 2018.

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 market uncertainties arising from the current US-China trade tension, which may add to the volatility of trading conditions as customers make adjustments to their production commitments. In view of the increasingly competitive business environment, the Group maintains a cautious outlook for FY2018. The Group remains vigilant in monitoring market developments and managing business risks as it continues to work closely with its key 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 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
12 May 2018