

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

Second Quarter Financial Statement And Dividend Announcement for the Period Ended 31/12/2018

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		%
	2nd Quarter 31/12/18	2nd Quarter 31/12/17	Change	6 - month 31/12/18	6 - month 31/12/17	Change
Turnover	37,041	36,900	0.4%	78,480	74,176	5.8%
Cost of sales	(29,060)	(30,309)	-4.1%	(61,823)	(59,843)	3.3%
Gross profit	7,981	6,591	21.1%	16,657	14,333	16.2%
Other operating income	395	982	-59.8%	891	1,419	-37.2%
Distribution and selling expenses	(788)	(1,006)	-21.7%	(1,594)	(1,844)	-13.6%
Administrative expenses	(3,938)	(3,565)	10.5%	(6,767)	(7,463)	-9.3%
Profit from operations	3,650	3,002	21.6%	9,187	6,445	42.5%
Financial expenses	-	(4)	-100%	-	(8)	-100%
Profit before tax	3,650	2,998	21.7%	9,187	6,437	42.7%
Income tax expense	(747)	(893)	-16.3%	(1,964)	(1,889)	4.0%
Net profit attributable to equity holders of the Company	2,903	2,105	37.9%	7,223	4,548	58.8%
Other comprehensive income:						
Foreign currency translation	113	832	-86.4%	(2,324)	713	NM
Total comprehensive income attributable to equity holders of the Company	3,016	2,937	2.7%	4,899	5,261	-6.9%

	Group			Group		
	S\$'000		%	S\$'000		%
	2nd Quarter	2nd Quarter		6 - month	6 - month	
	31/12/18	31/12/17	Change	31/12/18	31/12/17	Change
Interest income	26	32	-18.8%	50	60	-16.7%
Interest expense	-	(4)	-100%	-	(8)	-100%
Depreciation of property, plant and equipment	(2,166)	(1,883)	15.0%	(4,323)	(3,541)	22.1%
Write back of property, plant and equipment	-	126	-100%	-	126	-100%
(Allowance)/write back of doubtful debts	(4)	2	NM	(4)	2	NM
Amortisation of land use right	(4)	(3)	33.3%	(8)	(7)	14.3%
(Write down)/write back of inventories, net	(23)	(22)	4.5%	(13)	13	NM
Foreign exchange (loss)/gain, net	(194)	(435)	-55.4%	343	(866)	NM
(Loss)/gain on disposal of property, plant and equipment	-	518	-100%	(50)	518	NM

Notes (refers to the quarter unless otherwise stated) :

1. NM = Not Meaningful
2. Other operating income decreased by 60% as there was no gain on disposal of property, plant and equipment.
3. Administrative expenses increased by 11% mainly due to additional staff costs.
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 lower at 20% mainly due to lower chargeable income in 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	
	31/12/18 S\$'000	30/06/18 S\$'000	31/12/18 S\$'000	30/06/18 S\$'000
Share capital	13,145	13,145	13,145	13,145
Reserves	98,948	97,510	11,624	15,371
Total equity	112,093	110,655	24,769	28,516
Non-current assets				
Property, plant and equipment	58,390	60,878	461	539
Land use rights	243	251	-	-
Deferred tax assets	252	250	-	-
Investment in subsidiaries	-	-	12,169	12,169
	58,885	61,379	12,630	12,708
Current assets				
Inventories	24,502	23,887	281	304
Trade receivables	30,638	33,132	6,016	5,459
Other receivables and deposits	2,879	3,114	19	19
Prepayments	1,216	2,074	12	22
Due from subsidiaries (trade)	-	-	131	188
Due from subsidiaries (non-trade)	-	-	2,243	2,505
Loan to subsidiary	-	-	4,094	4,092
Cash and cash equivalents	32,922	29,191	4,677	9,157
	92,157	91,398	17,473	21,746
Current liabilities				
Trade payables	20,046	21,723	237	358
Other payables and accruals	15,338	17,374	2,522	3,685
Provision for defects	956	549	49	28
Due to subsidiaries (trade)	-	-	2,516	1,860
Due to subsidiaries (non-trade)	-	-	3	-
Provision for tax	915	850	-	-
	37,255	40,496	5,327	5,931
Net current assets	54,902	50,902	12,146	15,815
Non-current liabilities				
Deferred tax liabilities	1,527	1,464	7	7
Provision for restoration costs	167	162	-	-
	1,694	1,626	7	7
Net assets	112,093	110,655	24,769	28,516

Notes:

1. Inventories increased by 3% mainly due to higher stock holdings of finished goods.
2. The decrease in prepayments by 41% was mainly due to less down payments for capital expenditures on machineries.
3. Cash and cash equivalents increased by 13% mainly due to improved collections and lower cash outflow from overall lower capital expenditures on machineries.
4. The decrease in other payables and accruals by 12% was mainly due to payments for capital expenditure on machineries and staff bonuses.

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

Amount repayable in one year or less, or on demand

As at 31/12/2018		As at 30/6/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 31/12/2018		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.

	2nd Quarter	2nd Quarter	6 - month	6 - month
	31/12/18	31/12/17	31/12/18	31/12/17
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	3,650	2,998	9,187	6,437
Adjustments for:				
Depreciation of property, plant and equipment	2,166	1,883	4,323	3,541
Write back of property, plant and equipment	-	(126)	-	(126)
Reversal of provision for retrenchment benefits	-	(116)	-	(116)
Amortisation of land use right	4	3	8	7
Loss/(gain) on disposal of property, plant and equipment	-	(518)	50	(518)
Interest expense	-	4	-	8
Interest income	(26)	(32)	(50)	(60)
(Write back)/write down of inventories	23	22	13	(13)
(Write back)/allowance of doubtful debts	4	(2)	4	(2)
Provision for defects	134	183	605	298
Reversal of provision for defects	(142)	(139)	(206)	(260)
Unrealised exchange loss/(gain)	(20)	132	(411)	132
Operating cash flow before working capital changes	5,793	4,292	13,523	9,328
(Increase) / decrease in:				
Inventories	(970)	(3,259)	(611)	(4,632)
Trade receivables	2,371	(2,289)	2,493	(1,760)
Other receivables and deposits	129	(122)	86	(78)
Prepayments	(83)	654	858	(1,169)
(Decrease) / increase in:				
Trade payables	(254)	655	(1,677)	1,100
Other payables and accruals	(3,075)	4,017	(2,014)	6,608
Cash flow from operations	3,911	3,948	12,658	9,397
Income taxes paid	(843)	(910)	(1,702)	(1,818)
Interest paid	-	(4)	-	(8)
Interest received	26	32	50	60
Net cash flows from operating activities	3,094	3,066	11,006	7,631
Investing activities				
Proceeds from sale of fixed assets	-	619	4	619
Purchase of property, plant and equipment	(676)	(8,289)	(3,342)	(13,046)
Net cash used in investing activities	(676)	(7,670)	(3,338)	(12,427)
Financing activities				
Dividends paid on ordinary shares	(3,461)	(3,461)	(3,461)	(3,461)
Repayment of term loans	-	-	-	(3,168)
Net cash flows used in financing activities	(3,461)	(3,461)	(3,461)	(6,629)
Net increase/(decrease) in cash and cash equivalents	(1,043)	(8,065)	4,207	(11,425)
Cash and cash equivalents at beginning of financial period	33,813	36,290	29,191	39,777
Currency alignment on opening cash balances	152	(43)	(476)	(170)
Cash and cash equivalents at end of financial period	32,922	28,182	32,922	28,182

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	-	(2,324)	-	7,223	4,899	4,899
Appropriation to/(from) reserve fund/ accumulated profit	-	-	261	(261)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 December 2018	13,145	(9,295)	5,229	103,014	98,948	112,093
	← 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	-	713	-	4,548	5,261	5,261
Appropriation to/(from) reserve fund/ accumulated profit	-	-	250	(250)	-	-
Dividends on ordinary shares	-	-	-	(3,461)	(3,461)	(3,461)
At 31 December 2017	13,145	(8,779)	4,645	90,327	86,193	99,338

← 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	-	(286)	(286)	(286)
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 December 2018	13,145	11,624	11,624	24,769

← 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	-	1,551	1,551	1,551
Dividends on ordinary shares	-	(3,461)	(3,461)	(3,461)
At 31 December 2017	13,145	9,488	9,488	22,633

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 December 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>31/12/18</u>	<u>31/12/17</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 December 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 December 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 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 second quarter ended 31 December 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 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
	2nd Quarter	2nd Quarter	6-month	6-month
	31/12/18	31/12/17	31/12/18	31/12/17
Earnings per ordinary share for the period after deducting any provision for preference dividends:-	(cents)	(cents)	(cents)	(cents)
(i) Based on weighted average number of ordinary shares in issue	2.52	1.82	6.26	3.94
(ii) On a fully diluted basis	2.52	1.82	6.26	3.94

Basic earnings per share is computed based on the weighted average number of ordinary shares in issue of 115,365,000 (31 December 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
	31/12/18	30/06/18	31/12/18	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	97.16	95.92	21.47	24.72

Net asset value per ordinary share is computed on 115,365,000 ordinary shares in issue as at 31 December 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.

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

Against the background of uncertainties in the global trading environment and cautious business sentiments, the Group recorded a stable turnover of \$37.0 million in Q2 FY2019. For the half year ended 31 December 2018, group turnover rose 6% to \$78.5 million with broad-based increase across all business sectors.

Revenue by Business Sector	Q2 FY2019 S\$m	Q2 FY2018 S\$m	Chg (%)	1H FY2019 S\$m	1H FY2018 S\$m	Chg (%)
Machinery and Automotive Systems (MA)	16.3	17.3	(6%)	36.9	35.9	3%
Imaging & Printing (IP)	9.1	9.0	1%	18.7	17.4	7%
Others	11.6	10.6	9%	22.9	20.9	10%
Total	37.0	36.9	0.4%	78.5	74.2	6%

In Q2 FY2019, turnover from MA dropped 6% as orders from customers slowed amidst a weaker business environment. The decline in turnover from the MA business sector was due to lower sales of machine tools and this was moderated by a slight improvement in the sales of automotive systems. In 1H FY2019, the Group managed to achieve 3% growth in turnover from MA.

While turnover from IP remained stable in Q2 FY2019 with consistent sales of components for

imaging and printing, the revenue growth of 7% in 1H FY2019 came from expanded business allocation from customers as market demand improved with the recovery of the IP industry. Revenue from the rest of the Group's businesses, categorised under "Others", rose 9% and 10% in Q2 and 1H FY2019 respectively due to higher sales of components for home appliances.

Profitability

In Q2 FY2018, the Group incurred additional expenses in the early stages of executing new projects. As the yield of these projects stabilised with mass production, the resultant reduction in cost of sales contributed to the increase in gross profit by 21% to \$8.0 million in Q2 FY2019. As a result, gross profit margin improved to 22%.

During Q2 FY2019, distribution and selling expenses declined as the Group incurred lower handling charges due to less time sensitive shipments. However, administrative expenses rose with additional staff costs. Despite higher total operating expenses, profit from operations rose 22% to \$3.7 million. As the Group recorded lower chargeable income from the Malaysian plant, income tax expenses declined 16% and effective tax rate of the Group was reduced from 30% in Q2 FY2018 to 20% in Q2 FY2019.

Driven by the improvement in gross profit, net profit attributable to shareholders increased by 38% to \$2.9 million and 59% to \$7.2 million respectively in Q2 and 1H FY2019.

Cash Flow & Balance Sheet

For the three months ended 31 December 2018, the Group's operating activities generated a positive net cash flow of \$3.1 million. This was used for the payment of dividends and purchase of fixed assets. At the end of the quarter, the Group recorded a net decrease in cash and cash equivalents of \$1 million.

On the balance sheet, inventories, trade and other receivables as well as trade and other payables were maintained at prudent levels to support the Group's business. As of 31 December 2018, the Group's balance sheet remained in a strong position with cash and cash equivalents totaling \$33.0 million and no debt.

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.

In view of the ongoing geopolitical uncertainties, business conditions are likely to remain challenging for the rest of this financial year. The Group maintains a cautious outlook and will continue to manage its business prudently. In addition, the Group will continue its selective marketing to potential customers and as well as invest to improve the long term competitiveness of its businesses.

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 second quarter ended 31 December 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
13 February 2019