SPINDEX INDUSTRIES LIMITED

(Registration No. 198701451M)

RESPONSE TO QUESTIONS FROM SIAS AND SHAREHOLDERS IN RELATION TO THE 2024 ANNUAL REPORT

The Board of Directors (the "**Board**") of Spindex Industries Limited (the '**Company**') and its subsidiaries (the "**Group**") refer to the questions raised by Securities Investors Association (Singapore) ("SIAS") and shareholders in relation to the Company's Annual Report for the financial year ended 30 June 2024 (the "Annual Report"), and wishes to provide the Company's response to the questions as follows:

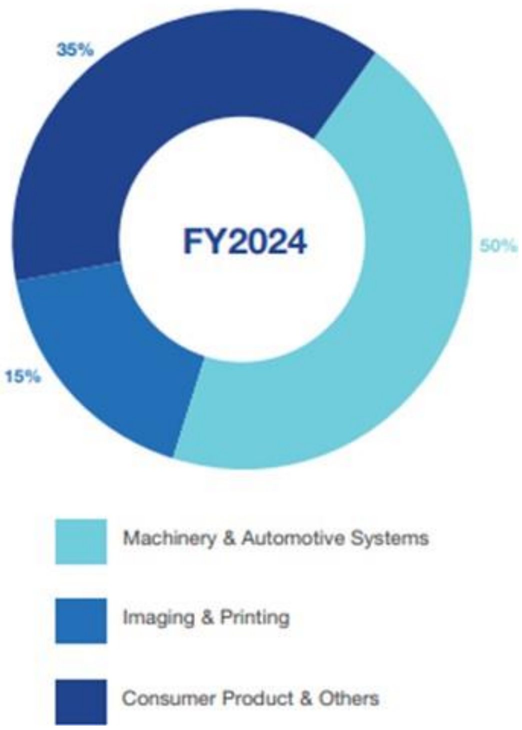
1. As highlighted in the chairman's statement, despite uneven demand across the group's business sectors, revenue decreased slightly by 1.7%. However, due to prudent cost management, an improved product mix, and low material costs, the group achieved higher a gross profit, with net profit rising to $15.6 million for FY2024.

   Revenue by segment is as follows:

   FINANCIAL HIGHLIGHTS

   TURNOVER BY BUSINESS SEGMENTS ($'000)

	FY2024	FY2023
Machinery & Automotive Systems	90,699	81,372
Imaging & Printing	26,584	31,790
Consumer Product & Others	63,004	70,287
	180,287	183,449

   (Adapted from company annual report)

   In the Imaging & Printing segment, revenue in FY2024 was just $26.6 million. For comparison, in FY2015, the group recorded $36.2 million in segment revenue and in FY2021, segment revenue was as high as $48.0 million.

   i. **Could management provide further insights into the growth prospects for the imaging & printing segment? How is management adjusting its strategy in response to the broader shift towards digitalisation and paperless environments? What steps are being taken to ensure this segment's relevance in an evolving marketplace?**

Company's Response:

i)	Although the imaging & printing segment is generally viewed as a mature business, there is still ongoing demand for these products. Spindex will continue to improve its work processes and production efficiencies to deliver value added services to customers in this segment.

ii. **What are the main products in the machinery & automotive systems segment that have driven revenue growth? Could management outline the contribution of specific product launches that have bolstered this segment's performance?**

Company's Response:

ii)	The Group's machinery and automotive products are very diverse, and range from powertrain (engine, transmission and thermal management systems) both in the ICE and NEV market. The machinery products range from corded and cordless products. The contribution from these products changes from period to period depending on the requirements of customers.

iii. **Can management also help shareholders better understand if the group is well positioned to benefit from some of the mega-trends, such as data centers, vehicle electrification, artificial intelligence, sustainability?**

Company's Response:

iii)	The Group produces precision components that are widely used in many products across a broad range of industries. By constantly improving our manufacturing efficiencies and capabilities, we are well positioned to support our customers in existing and emerging industries. The group will continue to evaluate opportunities in emerging technologies like data centres, vehicle electrification, AI and sustainability.

2. On 9 October 2024, the company announced the incorporation of a wholly-owned subsidiary, Nantong Wanwei Intelligent Technology Co., Ltd (南通万威智能科技有限公司), in the People's Republic of China on 27 September 2024. The issued registered capital is US$12.0 million. Its principal activities include research and development, manufacturing, sales, import and export of automation equipment, components, and related services

   i. **Could management provide insights into the specific strategic focus of Nantong Wanwei Intelligent Technology Co., Ltd? How does this subsidiary align with the group's overall growth strategy?**

Company's Response:

i)	Nantong Wanwei Intelligent Technology Co. Ltd will focus on developing processes that Spindex Precision Technologies (Nantong) Co. Ltd does not currently possess, including but not limited to automation design, cold forming etc. As it may involve acquisitions or JV, incorporating it as a separate subsidiary was determined to be ideal.

ii. **How will Nantong Wanwei's operations differ from those of Spindex Precision Technologies (Nantong) Co., Ltd? What unique capabilities or market opportunities will Nantong Wanwei be pursuing that complement or enhance the group's existing presence in the region?**

Company's Response:

ii)	See reply in 2(i) above.

iii. **Given the ongoing global market uncertainties and elevated volatility, what hurdle rate or return on investment (ROI) threshold did the board use to justify this new investment?**

Company's Response:

iii)	Under current market uncertainties and elevated volatility, Spindex has to constantly improve its production efficiencies and broaden its range of services to deliver a comprehensive range of value added services to its customers through collaboration with partners as well as new investments.

iv. **As protectionism and trade barriers continue to rise, how does the board view the strategic risks associated with global trends such as "reshoring", "nearshoring", and "friendshoring"? What are the strategic implications for the group's investments in China?**

Company's Response:

iv)	Reshoring, localisation and trade tariffs globally represents both challenges and opportunities for the Group locations, not limited to only China. The Group will monitor the implications of the above and adapt accordingly to support the requirements the Group's customers.

3. According to SGX StockFacts, the company trades at a price-to-book value of 0.67 times and it has a price-to-earnings ratio of just 7.15 times. The company is also in a net cash position of $55.4 million.

   The company's share price performance over the past five years has been mixed (see stock price chart below).

Spindex Ind (564/SNEX.SI) 0.965 (No price change)

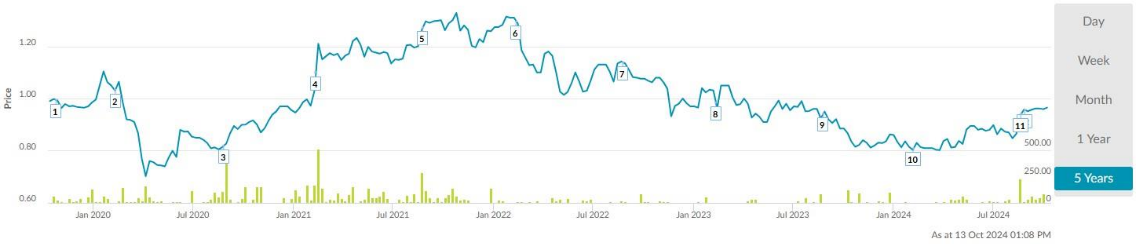
Industry: Industrial Goods, Industrial Machinery & Equipment

This company reports in this currency: SGD

For latest update, please refer to Company Announcements.

Cum Dividend/ Distribution

Prices & Chart | Company Information & News | Financial Statements | Company Announcements | GTI



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Consensus

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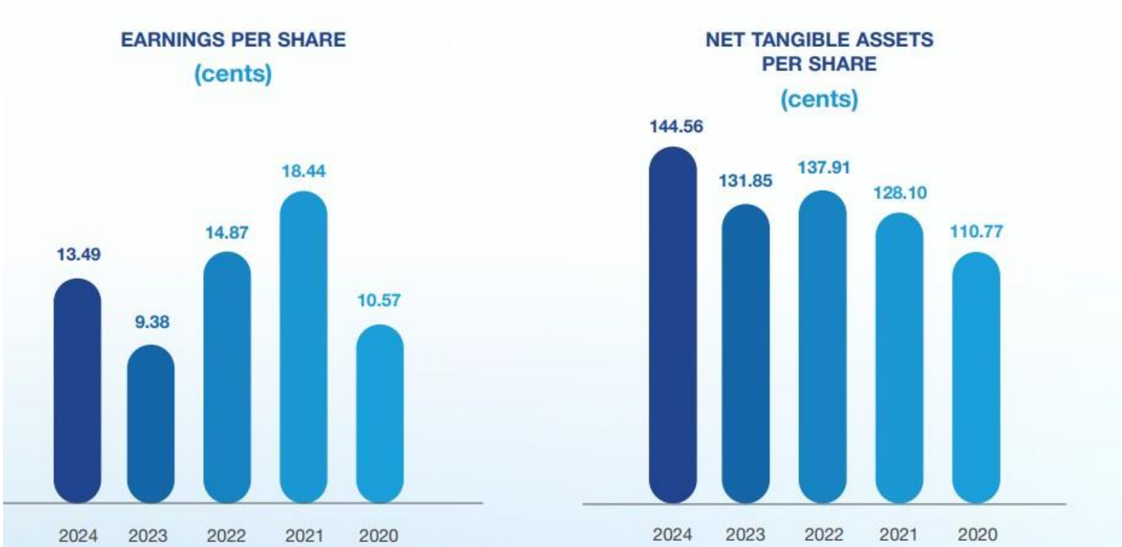
Overview | Valuation | Financials | Dividends | Ownership

Price/Book Value	0.668	Enterprise Value	55.91M
Price/Sales	0.618	Price/CF	4.077
Dividend Yield	2.80	P/E Ratio	7.15
Dividend Yield 5-yr avg	2.846	Net Debt	-55.42M

(Source: https://investors.sgx.com/securities/stocks?security=564)

As shown in the financial highlights, the net tangible asset is 144.56 cents per share.



(Source: company annual report)

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focussed on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

i. Could the board, particularly the independent directors, explain the group's efforts to increase corporate value and improve capital efficiency?

Company's Response:

i)	The Group addresses corporate value by maintaining a long term view to improving profitability. To this end, capital is effectively and prudently deployed to constantly improve production efficiencies, used to purchase plant and equipment to prudently expand and well as invest in new services to broaden our customer base over the long term.

ii. Apart from acknowledging that there are many external factors influencing the share price, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?

Company's Response:

ii)	Over the last two decades, our share price has steadily improved over the long term. We will continue to create value for our shareholders by improving profitability and maintaining our strategic vision of growing the business over the long term.

At the annual general meeting, shareholders are also asked to approve the renewal of the share buyback mandate.

iii. Can the board help shareholders recall if the company has carried out any share buybacks? What have been the challenges, if any, in executing buybacks?

Company's Response:

iii)	The company has not carried out any share buybacks to date. In executing any share buyback programme, we will be mindful of the trading liquidity of our shares. Given the market volatility and political uncertainties around the world, the share buyback programme gives us an avenue to moderate any short term share price volatility.

iv. Has the board considered carrying out any off-market purchases, including an equal access offer?

Company's Response:

iv)	As with share buybacks, any off-market purchases will have to consider the trading liquidity of our shares.

It is noted that the company has declared a first and final tax-exempt cash dividend of 2.7 cents per ordinary share.

v. What deliberations did the board have regarding the payout ratio? Has the board considered declaring a special dividend or undertaking a capital reduction to return excess capital to shareholders, given the company's strong net cash position?

Company's Response:

v) In considering the dividend payout ratio in any given year, the Board is mindful of our long term strategic vision of growing the business and to use capital efficiently and prudently to support this objective.

4. On the segmentation, revenue from segment for USA, Europe increased from $20m in Y2014 to $82.2m in Y2024, meaning more than 4 folds increase in 10 years, or 14.8% compounding year on year. What are the main reasons for this long term growth? What does the future prospect look like for this segment? Can we expect other segments to grow as well?

Company's Response:

The Group's geographical segments are based on the location of the Group's customers. We have over the years acquired new customers and our long term strategic vision is to grow our business segments by supplying more components to existing customers and add on new customers. This is being done through active marketing as well as in collaboration with our business partners. Selectively, we will also look at acquisitions to expand our product offerings.

5. As the countries currencies from China, Vietnam and Malaysia depreciate vs USD, how is the demand situation for our products? Can we expect that the revenue for the coming year to be increased?

Company's Response:

Our components are assembled into many industrial, commercial and consumer products. Demand is dictated by general business conditions and the overall economic environment. Our sales are primarily denominated in US Dollars. Our strategic vision is to grow our business over the long term.

6. Can the company share with us what percentage of the revenue is coming from referrals, and how this % is moving in recent years?

Company's Response:

The company does receive referrals from time to time. However, whether a lead from a referral or through marketing gets converted into revenue is a function of many other factors. Our main value proposition is providing consistent and comprehensive high value added services to all our customers. We actively market to targeted customers who can benefit from our services.

7. Has the company manage to increase selling prices in any of its three segments in response to the current inflationary pressures?

Company's Response:

In general, for the same component, there is a trend of price erosion over time. Over time, we need to constantly improve our production efficiencies to manage this trend.

8. Which raw materials have a significant impact on the company's cost of sales due to price fluctuations?

Company's Response:

Prices of raw materials, particularly metals, impact the cost of sales for the company. The prices will fluctuate over time and this is one of the many factors of production cost that the company actively manages.

9. Do any of the company's three segments experience seasonality in their results?

Company's Response:

With an increased volatility in the markets in recent years, we do not see any material seasonality. Other demand driven factors like market conditions, individual product requirements pose a larger factor.

10. Could you provide the current overall utilization rate of the company's plants and are there any plans to lease out excess capacity?

Company's Response:

We fine tune our production capacity to achieve an optimal situation. As different products require different machine or processes, we constantly review overall utilisation across our network of manufacturing facilities. We maintain spare capacity to respond to customers who may have short lead time for the components they need.

11. While the company has maintained a cautious stance on China, the MA sector there seems to be holding up well. Is the management starting to see light at the end of the tunnel?

Company's Response:

China remains an important market for the Group. Revenue for the MA business sector is affected by many factors that will change from time to time. Our intention is to manage and grow this business sector over the long term.

12. Are there any substantial capital expenditures, investments, or joint venture plans anticipated by the company in the coming year?

Company's Response:

To serve our existing customers and market to targeted customers, we will make the necessary capital expenditures as required or enter into investments and joint ventures that can add value to our customers.

BY ORDER OF THE BOARD

Tan Choo Pie @ Tan Chang Chai
Chairman
21 October 2024