

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Financial Statements for the Second Quarter and Half Year ended 31 December 2016**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the second quarter ended 31 December 2016

			Group		Change %	Change %
	2Q 2017 \$'000 Unaudited	2Q 2016 \$'000 Unaudited	1H 2017 \$'000 Unaudited	1H 2016 \$'000 Unaudited		
Continuing operations						
Revenue	8,708	7,867	10.7	17,198	15,852	8.5
Cost of sales	(5,978)	(5,136)	16.4	(11,960)	(10,467)	14.3
Gross profit	<u>2,730</u>	<u>2,731</u>	(0.0)	<u>5,238</u>	<u>5,385</u>	(2.7)
Other operating income	276	609	(54.7)	757	888	(14.8)
Distribution costs	(22)	(19)	15.8	(36)	(38)	(5.3)
Administrative expenses	(1,237)	(1,228)	0.7	(2,444)	(2,418)	1.1
Net foreign exchange gains/(loss)	414	(55)	n.m.	419	530	(20.9)
Finance costs	(4)	(7)	(42.9)	(9)	(15)	(40.0)
Profit before income tax	<u>2,157</u>	<u>2,031</u>	6.2	<u>3,925</u>	<u>4,332</u>	(9.4)
Income tax expenses	(371)	(352)	5.4	(670)	(732)	(8.5)
Profit for the period from continuing operations	<u>1,786</u>	<u>1,679</u>	6.4	<u>3,255</u>	<u>3,600</u>	(9.6)
Discontinued operations						
Loss for the period from discontinued operations	-	-	n.m.	-	(153)	n.m.
Profit for the period, attributable to owners of the Company	<u>1,786</u>	<u>1,679</u>	6.4	<u>3,255</u>	<u>3,447</u>	(5.6)
Other comprehensive income for the period:						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences for foreign operations	<u>23</u>	<u>7</u>	n.m.	<u>23</u>	<u>176</u>	n.m.
Other comprehensive income for the periods, net of tax	<u>23</u>	<u>7</u>	n.m.	<u>23</u>	<u>176</u>	n.m.
Total comprehensive income for the periods, attributable to owners of the Company	<u>1,809</u>	<u>1,686</u>	7.3	<u>3,278</u>	<u>3,623</u>	(9.5)
Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(279)	(258)	8.1	(564)	(547)	3.1
Interest expenses	(4)	(7)	(42.9)	(9)	(15)	(40.0)
Interest income	121	107	13.1	246	171	43.9
Rental income	76	186	(59.1)	265	376	(29.5)
Loss on disposal of a subsidiary	-	-	n.m.	-	(161)	n.m.
Gain on disposal of property, plant and equipment	-	-	n.m.	102	-	n.m.

n.m. : not meaningful

1(b)(i) A statement of financial position of the Group and Company, together with a comparative statement as at the end of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

ASSETS	Group		Company	
	31-Dec-16	30-Jun-16	31-Dec-16	30-Jun-16
	\$'000	\$'000	\$'000	\$'000
	Unaudited	Audited	Unaudited	Audited
Current assets				
Cash and bank balances	5,596	3,758	5,534	3,679
Fixed and call deposits	14,000	20,769	14,000	20,769
Trade receivables	6,688	7,212	6,443	7,212
Other receivables and prepayments	289	428	289	427
Inventories	4,256	3,074	4,256	3,074
Held-to-maturity financial investments	2,268	1,763	2,268	1,763
Total current assets	33,097	37,004	32,790	36,924
Non-current assets				
Property, plant and equipment	12,690	12,701	12,690	12,701
Fixed and call deposits	9,000	3,000	9,000	3,000
Held-to-maturity financial investments	513	-	513	-
Total non-current assets	22,203	15,701	22,203	15,701
Total assets	55,300	52,705	54,993	52,625
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	612	612	612	612
Trade payables	4,070	2,586	4,190	2,870
Other payables	1,738	2,354	1,706	2,339
Finance lease	54	19	54	19
Income tax payable	801	490	801	490
Total current liabilities	7,275	6,061	7,363	6,330
Non-current liabilities				
Bank loan	78	384	78	384
Finance lease	138	19	138	19
Deferred tax liabilities	926	926	926	926
Total non-current liabilities	1,142	1,329	1,142	1,329
Total liabilities	8,417	7,390	8,505	7,659
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(983)	(983)	(983)	(983)
Reserves	16,134	14,566	15,739	14,217
Total equity	46,883	45,315	46,488	44,966
Total liabilities and total equity	55,300	52,705	54,993	52,625

1(b)(ii) Aggregate amount of Group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

31 December 2016 (*)		30 June 2016	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
666	-	631	-

Amount repayable after one year

31 December 2016 (*)		30 June 2016	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
216	-	403	-

(*) Unaudited

Details of any collateral

The building and leasehold improvements with a carrying amount of \$10,435,000 (30 June 2016: \$10,561,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with a carrying amount of \$419,000 (30 June 2016: \$86,000) are secured by the lessors' titles to the leased assets.

1(c) A statement of cash flows for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOW

For the second quarter and half year ended 31 December 2016

	31-Dec-16 2Q 2017 \$'000	31-Dec-15 2Q 2016 \$'000	31-Dec-16 1H 2017 \$'000	31-Dec-15 1H 2016 \$'000
Operating activities				
Profit/(Loss) before income tax				
Continuing operations	2,157	2,031	3,925	4,332
Discontinued operations	-	-	-	(153)
Adjustments for:				
Loss on disposal of subsidiary	-	-	-	161
Depreciation of property, plant and equipment	279	258	564	547
Gain on disposal of property, plant and equipment	-	(2)	(102)	(2)
Interest expenses	4	7	9	15
Interest income	(121)	(107)	(246)	(171)
Operating cash flows before movements in working capital	2,319	2,187	4,150	4,729
Trade receivables	(8)	296	524	621
Other receivables and prepayments	(22)	(19)	139	494
Inventories	(642)	(419)	(1,182)	(9)
Trade payables	974	1,180	1,484	(255)
Other payables	(318)	(427)	(616)	(571)
Cash generated from operations	2,303	2,798	4,499	5,009
Income tax paid	(359)	(104)	(359)	(104)
Interest paid	(4)	(7)	(9)	(15)
Interest received	121	107	246	171
Net cash generated from operating activities	2,061	2,794	4,377	5,061
Investing activities				
Additions to property, plant and equipment	(127)	(14)	(378)	(20)
Proceeds from disposal of property, plant and equipment	-	-	102	-
Purchase of held-to-maturity investment	(513)	-	(1,018)	(1,010)
(Placements)/Withdrawal of fixed deposits	(1,996)	(1,449)	1,044	(6,449)
Net cash used in investing activities	(2,636)	(1,463)	(250)	(7,479)
Financing activities				
Dividends paid	(1,710)	(1,027)	(1,710)	(1,027)
Repayment of finance lease obligations	(13)	(5)	(21)	(18)
Repayment of bank loan	(153)	(153)	(306)	(306)
Net cash used in financing activities	(1,876)	(1,185)	(2,037)	(1,351)
Net effect of exchange rate changes in consolidating subsidiaries				
	23	7	23	16
Net (decrease)/increase in cash and cash equivalents	(2,428)	153	2,113	(3,753)
Cash and cash equivalents at beginning of financial period	11,024	8,510	6,483	12,416
Cash and cash equivalents at end of financial period (NOTE A)	8,596	8,663	8,596	8,663

NOTE A

	2Q 2017 \$'000	The Group		1H2016 \$'000
		2Q 2016 \$'000	1H2017 \$'000	
Cash and cash equivalents consists of:				
Cash and bank balances	5,596	8,663	5,596	8,663
Fixed and call deposits	3,000	-	3,000	-
	<u>8,596</u>	<u>8,663</u>	<u>8,596</u>	<u>8,663</u>

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits (maturity within 3 months) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1(d)(i) A statement for the Group and Company showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

For the second quarter and half year ended 31 December 2016

GROUP	Attributable to owners of the Company						Total \$'000
	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Share option reserve \$'000	Retained earnings \$'000	Total reserves \$'000	
Balance at 1 July 2016	31,732	(983)	14	2	14,550	14,566	45,315
Total comprehensive income for the period	-	-	-	-	1,469	1,469	1,469
Balance at 30 September 2016 (*)	31,732	(983)	14	2	16,019	16,035	46,784
Total comprehensive income for the period	-	-	23	-	1,786	1,809	1,809
Dividends	-	-	-	-	(1,710)	(1,710)	(1,710)
Balance at 31 December 2016 (*)	31,732	(983)	37	2	16,095	16,134	46,883
Balance at 1 July 2015	31,732	(933)	(151)	17	13,125	12,991	43,790
Total comprehensive income for the period	-	-	169	-	1,768	1,937	1,937
Balance at 30 September 2015 (*)	31,732	(933)	18	17	14,893	14,928	45,727
Total comprehensive income for the period	-	-	7	-	1,679	1,686	1,686
Dividends	-	-	-	-	(3,424)	(3,424)	(3,424)
Balance at 31 December 2015 (*)	31,732	(933)	25	17	13,148	13,190	43,989

(*) Unaudited

COMPANY	Share capital \$'000	Treasury shares \$'000	Share option reserves \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
	Balance at 1 July 2016	31,732	(983)	2	14,215	14,217
Total comprehensive income for the period	-	-	-	1,454	1,454	1,454
Balance at 30 September 2016 (*)	31,732	(983)	2	15,669	15,671	46,420
Total comprehensive income for the period	-	-	-	1,778	1,778	1,778
Dividends	-	-	-	(1,710)	(1,710)	(1,710)
Balance at 31 December 2016 (*)	31,732	(983)	2	15,737	15,739	46,488
Balance at 1 July 2015	31,732	(933)	17	12,649	12,666	43,465
Total comprehensive income for the period	-	-	-	1,900	1,900	1,900
Balance at 30 September 2015 (*)	31,732	(933)	17	14,549	14,566	45,365
Total comprehensive income for the period	-	-	-	1,700	1,700	1,700
Dividends	-	-	-	(3,424)	(3,424)	(3,424)
Balance at 31 December 2015 (*)	31,732	(933)	17	12,825	12,842	43,641

(*) Unaudited

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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

Since the end of the previous period reported on (i.e. 30 September 2016), there was no change in the Company's share capital during the three months ended 31 December 2016.

As at 31 December 2016, there are 45,000 unissued shares comprised in options granted on 16 November 2012 pursuant to the Avi-Tech Employee Share Option Scheme. These options were granted with an exercise price set at a discount to the then market price and are exercisable after the second anniversary from the date of the grant.

	As at 31 December 2016	As at 31 December 2015
Number of shares that may be issued on conversion of all the outstanding convertibles	45,000	335,000
Treasury Shares	4,199,000	3,989,000
Total number of issued shares excluding treasury shares	171,001,041	171,211,041

Pursuant to the share buyback mandate originally approved by the shareholders on 29 October 2008 and renewed subsequently and the share buyback mandate approved by the shareholders on 27 October 2015, the Company purchased and currently holds as treasury shares a total of 4,199,000 shares through on-market purchases transacted on the SGX-ST. The total amount paid for these purchases was approximately \$983,000 which has been deducted from shareholders' equity. All the repurchased shares are held as treasury shares.

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

Total number of issued shares excluding treasury shares	Number of shares
Balance as at 31 December 2016	171,001,041
Balance as at 30 June 2016	171,001,041

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

As at 31 December 2016, there were no sales, transfers, disposals, cancellations and/or use of treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's 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 computations as in the Company's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation as in the Group's most recently audited annual financial statements, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 July 2016, which may result in more extensive disclosures in the financial statements.

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.

See item 4 above.

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.

Group	Period ended 31 December			
	2Q 2017	2Q 2016	1H 2017	1H 2016
Earnings per ordinary share (cents) ("EPS")				
For continuing and discontinued operations				
Basic	1.04	0.98	1.90	2.01
Diluted	1.04	0.98	1.90	2.01
For continuing operations				
Basic	1.04	0.98	1.90	2.10
Diluted	1.04	0.98	1.90	2.10
Weighted average number of ordinary shares in issue for basic EPS	171,001,041	171,211,041	171,001,041	171,211,041
Weighted average number of ordinary shares in issue for diluted EPS	171,046,041	171,546,041	171,046,041	171,546,041

7. **Net asset value (for the Company and the Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.**

	GROUP		COMPANY	
	31-Dec-2016	30-Jun-2016	31-Dec-2016	30-Jun-2016
Net assets value per ordinary share (cents):	27.42	26.50	27.18	26.30
Number of ordinary shares at period/year end	171,001,041	171,001,041	171,001,041	171,001,041

As of the balance sheet date, the numbers of ordinary shares of the Group and Company used for the above calculation have been adjusted to exclude the number of treasury shares.

8. **Review of Group Performance for the Second Quarter ended 31 December 2016 (“2Q 2017”) vs. Second Quarter ended 31 December 2015 (“2Q 2016”) and First Half ended 31 December 2016 (“1H 2017”) vs. First Half ended 31 December 2015 (“1H 2016”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue from continuing operations

1H 2017 vs. 1H 2016 / 2Q 2017 vs. 2Q 2016

In 1H 2017, the Group reported revenue of \$17.2 million, an increase of \$1.3 million or 8.5% as compared to 1H 2016 of \$15.9 million.

In 2Q 2017, the Group reported revenue of \$8.7 million, an increase of \$0.8 million or 10.7% as compared to 2Q 2016 of \$7.9 million.

For the periods of 1H 2017 and 2Q 2017, the Burn-In Services and Engineering Services business segments continue to generate strong revenue while the Burn-In Board Manufacturing and PCBA Services business segment registered an increase in revenue which resulted in a continued growth in revenue against their comparative periods.

Gross profit from continuing operations

1H 2017 vs. 1H 2016 / 2Q 2017 vs. 2Q 2016

The Group reported a gross profit of \$5.2 million for 1H 2017, a slight decrease of \$0.2 million or 2.7% as compared to \$5.4 million for 1H 2016 while the comparative quarterly periods registered a constant gross profit of \$2.7 million. The Group continued to achieve above 30% gross profit margin for all the comparative periods with successful planning and implementation of cost control measures.

Profit for the period

1H 2017 vs. 1H 2016

In 1H 2017, the Group reported a profit of \$3.3 million as compared to 1H 2016 of \$3.4 million. The slight decrease in profit was primarily due to the lower gains in foreign exchange and other operating income.

2Q 2017 vs. 2Q 2016

In 2Q 2017, the Group reported a growth in profit to \$1.8 million when compared to 2Q 2016 of \$1.7 million. While 2Q 2017 registered a decrease in other operating income, higher sales revenue, favorable foreign exchange gains and continuing cost management resulted in a slight increase in profit.

STATEMENT OF FINANCIAL POSITION

Total Group's assets increased by \$2.6 million or 4.9% from \$52.7 million as at 30 June 2016 to \$55.3 million as at 31 December 2016. The increase was primarily due to the increase in cash and bank balances of \$1.8 million, inventories of \$1.2 million and held-to-maturity financial investments of \$1.0 million. The overall increase was offset by the decrease in fixed and call deposits of \$0.8 million as well as trade and other receivables of \$0.6 million.

Total Group's liabilities increased by \$1.0 million or 13.9% from \$7.4 million as at 30 June 2016 to \$8.4 million as at 31 December 2016. The increase was primarily due to the increase in trade and other payables of \$0.8 million, income tax payables of \$0.3 million as well as finance lease of \$0.2 million. The overall increase was offset by the repayment of bank loans of \$0.3 million.

The Group had a positive working capital of \$25.8 million as at 31 December 2016 as compared with \$30.9 million as at 30 June 2016.

STATEMENT OF CASH FLOW

The Group generated net cash from operating activities of \$4.4 million for the six months ended 31 December 2016. This was primarily due to the profit generated for the period.

Net cash used in investing activities was \$0.3 million, which was mainly due to the purchase of held-to-maturity investments as well as additions to property, plant and equipment of \$1.0 million and \$0.3 million respectively. It was partly offset by the withdrawal of fixed deposits placed with financial institutions with over three month tenures upon maturity of \$1.0 million. Net cash used in financing activities was \$2.0 million, primarily due to dividend paid and repayment of bank loans of \$1.7 million and \$0.3 million respectively.

There was an increase in cash and cash equivalents of \$2.1 million for the first six months ended 31 December 2016.

The Group closed the period with cash of \$8.6 million and with bank borrowings of \$0.7 million.

9. Where a forecast or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company did not make any forecasts and prospect statements in respect of the Group's results for the period ended 30 September 2016. The Group's results for the second quarter ended 31 December 2016 were generally in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the period ended 30 September 2016.

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 remains positive on its business outlook and will continue working towards strengthening its core competencies and exploring new avenues of growth, including mergers and acquisitions, which will aid the business and enhance shareholder returns.

11. Dividends

(a) Any dividend declared for the current financial period reported on.

Period	31 December 2016
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.0 cent per ordinary share
Tax Rate	One tier tax exempt

(b) Any dividend declared for the corresponding period of the immediately preceding financial year?

Period	31 December 2015
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.8 cents per ordinary share
Tax Rate	One tier tax exempt

(c) State the tax rate and the country where the dividend is derived.

See item 11(a) above.

(d) The date the dividend is payable.

The interim dividend will be paid on 26 May 2017.

(e) Books Closure Date.

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2017 for the preparation of the interim dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 11 May 2017 will be registered to determine shareholders' entitlements to the said interim dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 11 May 2017 will be entitled to the interim dividend.

12. If no dividend has been declared/recommended, a statement to that effect.

Not Applicable.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT"), 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 has not sought a general mandate from shareholders for IPTs.

14. Please disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purposes, a breakdown with specific details on how the proceeds have been applied must be disclosed.

The Group raised approximately \$29.0 million from its IPO on 25 July 2007. As at 31 December 2016, the total net proceeds of approximately \$26.7 million (after deducting the IPO expenses of approximately \$2.3 million, as disclosed on page 33 of the Company's prospectus dated 11 July 2007) from the IPO were used for the following purposes:

	Use of IPO proceeds as at 31 December 2016 (S\$ million)	Balance as at 31 December 2016 (S\$ million)
Expansion of our customer base and widen our portfolio of services	6.0	0.0
Potential mergers and acquisitions	2.8	5.2
Expansion of our overseas operations	3.0	0.0
Working capital	9.7	0.0
Total	21.5	5.2

The IPO proceeds used for working capital purposes have been applied to the following uses:

- Purchase of plant and equipment;
- Purchase and replenishment of inventories;
- Payments to suppliers and service providers;
- Loan repayments; and
- Payments for other day to day operations.

Management has confirmed that the above use of proceeds was in line with the Company's planned utilisation of funds.

15. Negative Confirmation pursuant to Rule 705 (5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial statements of the Group and the Company for the second quarter ended 31 December 2016 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 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.

On behalf of the Board of Directors of Avi-Tech Electronics Limited.

Lim Eng Hong
Chief Executive Officer and Director

Khor Thiam Beng
Chairman and Independent Director

BY ORDER OF THE BOARD
Lim Eng Hong
Chief Executive Officer
8 February 2017