

AVI-TECH ELECTRONICS LIMITED
 (Company Registration No. 198105976H)

Unaudited Financial Statements for the First Quarter ended 30 September 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 first quarter ended 30 September 2016

	Group		Change	
	1st Quarter Ended		\$'000	%
	30-Sep-16 \$'000 Unaudited	30-Sep-15 \$'000 Unaudited		
Continuing operations				
Revenue	8,490	7,985	505	6.3
Cost of sales	(5,982)	(5,331)	(651)	12.2
Gross profit	<u>2,508</u>	<u>2,654</u>	(146)	(5.5)
Other operating income	481	279	202	72.4
Distribution costs	(14)	(19)	5	(26.3)
Administrative expenses	(1,207)	(1,190)	(17)	1.4
Net foreign exchange gains	5	585	(580)	(99.2)
Finance costs	(5)	(8)	3	(37.5)
Profit before income tax	<u>1,768</u>	<u>2,301</u>	(533)	(23.2)
Income tax expense	(299)	(380)	81	(21.3)
Profit for the period from continuing operations	<u>1,469</u>	<u>1,921</u>	(452)	(23.5)
Discontinued operations				
Loss for the period from discontinued operations	-	(153)	153	n.m.
Profit for the period, attributable to owners of the Company	<u><u>1,469</u></u>	<u><u>1,768</u></u>	(299)	(16.9)
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	-	169	(169)	n.m.
Other comprehensive income for the period, net of tax	-	169	(169)	n.m.
Total comprehensive income for the period, attributable to owners of the Company	<u><u>1,469</u></u>	<u><u>1,937</u></u>	(468)	(24.2)
Profit for the period is arrived at:-				
Depreciation of property, plant and equipment	(285)	(289)	4	(1.4)
Interest expenses	(4)	(8)	4	(50.0)
Interest income	125	64	61	95.3
Rental income	189	190	(1)	(0.5)
Loss on disposal of a subsidiary	-	(161)	161	n.m.
Gain on disposal of property, plant and equipment	102	-	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 30 September 2016

	Group		Company	
	30-Sep-16	30-Jun-16	30-Sep-16	30-Jun-16
<u>ASSETS</u>	\$'000	\$'000	\$'000	\$'000
	Unaudited	Audited	Unaudited	Audited
Current assets				
Cash and bank balances	6,002	3,758	5,927	3,679
Fixed and call deposits	15,022	20,769	15,022	20,769
Trade receivables	6,680	7,212	6,753	7,212
Other receivables and prepayments	267	428	266	427
Inventories	3,614	3,074	3,614	3,074
Held-to-maturity financial investments	2,273	1,763	2,273	1,763
Total current assets	33,858	37,004	33,855	36,924
Non-current assets				
Property, plant and equipment	12,841	12,701	12,841	12,701
Fixed and call deposits	8,000	3,000	8,000	3,000
Total non-current assets	20,841	15,701	20,841	15,701
Total assets	54,699	52,705	54,696	52,625
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank loan	612	612	612	612
Trade payables	3,096	2,586	3,494	2,870
Other payables	2,056	2,354	2,019	2,339
Finance lease	54	19	54	19
Income tax payable	789	490	789	490
Total current liabilities	6,607	6,061	6,968	6,330
Non-current liabilities				
Bank loan	231	384	231	384
Finance lease	151	19	151	19
Deferred tax liabilities	926	926	926	926
Total non-current liabilities	1,308	1,329	1,308	1,329
Total liabilities	7,915	7,390	8,276	7,659
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(983)	(983)	(983)	(983)
Reserves	16,035	14,566	15,671	14,217
Total equity	46,784	45,315	46,420	44,966
Total liabilities and total equity	54,699	52,705	54,696	52,625

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

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

Amount repayable after one year

30 September 2016 (*)		30 June 2016	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
382	-	403	-

(*) Unaudited

Details of any collateral

The building and leasehold improvements with a carrying amount of \$10,498,000 (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 \$443,000 (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 first quarter ended 30 September 2016

	30-Sep-16 1st Quarter Ended \$'000	30-Sep-15 1st Quarter Ended \$'000
Operating activities		
Profit/(Loss) before income tax		
Continuing operations	1,768	2,301
Discontinued operations	-	(153)
Adjustments for:		
Depreciation of property, plant and equipment	285	289
Gain on disposal of property, plant and equipment	(102)	-
Interest expenses	4	8
Interest income	(125)	(64)
Operating cash flows before movements in working capital	<u>1,830</u>	<u>2,381</u>
Trade receivables	532	325
Other receivables and prepayments	161	513
Inventories	(540)	410
Trade payables	510	(1,435)
Other payables	(298)	(144)
Cash generated from operations	<u>2,195</u>	<u>2,050</u>
Interest paid	(4)	(8)
Interest received	125	64
Net cash from operating activities	<u>2,316</u>	<u>2,106</u>
Investing activities		
Additions to property, plant and equipment	(251)	(6)
Proceeds from disposal of property, plant and equipment	102	-
Purchase of held-to-maturity investment	(509)	(1,010)
Withdrawals from /(Placements of) fixed deposits	3,044	(5,000)
Net cash from/(used in) investing activities	<u>2,386</u>	<u>(6,016)</u>
Financing activities		
Repayment of finance lease obligations	(8)	(13)
Repayment of bank loan	(153)	(153)
Net cash used in financing activities	<u>(161)</u>	<u>(166)</u>
Net effect of exchange rate changes in consolidating subsidiaries	-	170
Net increase/(decrease) in cash and cash equivalents	4,541	(3,906)
Cash and cash equivalents at beginning of financial period	6,483	12,416
Cash and cash equivalents at end of financial period (NOTE A)	<u>11,024</u>	<u>8,510</u>

NOTE A

	The Group 1st Quarter Ended	
	30-Sep-16 \$'000	30-Sep-15 \$'000
Cash and cash equivalents consists of:		
Cash and bank balances	6,002	8,510
Fixed and call deposits	5,022	-
	<u>11,024</u>	<u>8,510</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 first quarter ended 30 September 2016

	<----- 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	
GROUP							
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 (*)	<u>31,732</u>	<u>(983)</u>	<u>14</u>	<u>2</u>	<u>16,019</u>	<u>16,035</u>	<u>46,784</u>
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 (*)	<u>31,732</u>	<u>(933)</u>	<u>18</u>	<u>17</u>	<u>14,893</u>	<u>14,928</u>	<u>45,727</u>

(*) Unaudited

	Share capital \$'000	Treasury shares \$'000	Share option reserves \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
	COMPANY					
Balance at 1 July 2016	31,732	(983)	2	14,215	14,217	44,966
Total comprehensive income for the period	-	-	-	1,454	1,454	1,454
Balance at 30 September 2016 (*)	<u>31,732</u>	<u>(983)</u>	<u>2</u>	<u>15,669</u>	<u>15,671</u>	<u>46,420</u>
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 (*)	<u>31,732</u>	<u>(933)</u>	<u>17</u>	<u>14,549</u>	<u>14,566</u>	<u>45,365</u>

(*) 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 June 2016), there was no change in the Company's share capital during the three months ended 30 September 2016.

As at 30 September 2016, there are 45,000 unissued shares (on a post-consolidated basis) comprised in options granted on 16 November 2012 pursuant to the Avi-Tech Employee Share Option Scheme (30 June 2016: 45,000). 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 30 September 2016	As at 30 September 2015
Number of shares that may be issued on conversion of all the outstanding convertibles	45,000	670,000
Treasury Shares	4,199,000	7,978,000
Total number of issued shares excluding treasury shares	171,001,041	342,422,096

Pursuant to the share buyback mandates approved by shareholders, the Company purchased a total of 4,199,000 shares (on a post-consolidated basis) through on-market purchases transacted on the SGX-ST. The total amount paid for the 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 30 September 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 30 September 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	1 st Quarter ended 30 September	
	FY2017	FY2016 *
Earnings per ordinary shares (cents) ("EPS")		
For continuing and discontinued operations		
Basic	0.86	1.03
Diluted	0.86	1.03
For continuing operations		
Basic	0.86	1.12
Diluted	0.86	1.12
Weighted average number of ordinary shares in issue for basic EPS	171,001,041	171,211,046
Weighted average number of ordinary shares in issue for diluted EPS	171,046,041	171,546,041

* Adjusted to reflect the share consolidation of every two existing ordinary shares into one ordinary share effected on 23 November 2015.

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	
	30-Sep-2016	30-Jun-2016	30-Sep-2016	30-Jun-2016
Net assets value per ordinary share (cents):	27.36	26.50	27.15	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 First Quarter ended 30 September 2016 (“1Q 2017”) vs. First Quarter ended 30 September 2015 (“1Q 2016”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue from continuing operations

In 1Q 2017, the Group reported a revenue of \$8.5 million, an increase of \$0.5 million or 6.3% as compared to 1Q 2016 of \$8.0 million. The Burn-In Board Manufacturing and PCBA Services business segment continued to contribute steadily to Group revenue in 1Q 2017, registering higher revenue of \$4.1 million in 1Q 2017 as compared to \$2.8 million in 1Q 2016. The Burn-In Services and the Engineering Services business segments reported a slight decrease in revenue of \$2.1 million and \$2.3 million respectively in 1Q 2017, as compared to \$2.2 million and \$3.0 million respectively in 1Q 2016. Overall, 1Q 2017 registered improved performance in terms of revenue when compared with 1Q 2016.

Gross profit from continuing operations

The Group reported a gross profit of \$2.5 million for 1Q 2017, a decrease of \$0.2 million or 5.5% as compared to \$2.7 million for 1Q 2016. Gross profit margin had also decreased from 33.2% in 1Q 2016 to 29.5% in 1Q 2017.

The decrease in gross profit margin was primarily attributed to the lower gross profit margin reported by the Burn-In Board Manufacturing and PCBA Services and Engineering Services business segments in this quarter. Nevertheless, the overall decrease in gross profit margin was minimized with ongoing successful planning and implementation of cost control measures.

Profit for the period

The Group reported a profit of \$1.5 million for 1Q 2017 as compared to \$1.8 million for 1Q 2016. The decrease in profit for the comparative periods was primarily attributed to a decrease in gains being registered in foreign exchange (from gains of \$0.6 million in 1Q 2016 to \$5,000 in 1Q 2017). Nonetheless, other operating income had increased due to the higher interest income generated and gain from disposal of plant and equipment as compared to 1Q 2016.

STATEMENT OF FINANCIAL POSITION

Total Group's assets increased by \$2.0 million or 3.8% from \$52.7 million as at 30 June 2016 to \$54.7 million as at 30 September 2016. The increase was primarily due to the increase in cash and bank balances of \$2.2 million as well as held-to-maturity financial assets of \$0.5 million. The overall increase was offset by the decrease in fixed and call deposits of \$0.7 million.

Total Group's liabilities increased by \$0.5 million or 7.1% from \$7.4 million as at 30 June 2016 to \$7.9 million as at 30 September 2016. The increase was primarily due to the increase in trade and other payables of \$0.2 million, income tax payable of \$0.3 million as well as finance lease of \$0.2 million. The overall increase was offset by the decrease in repayment for bank loans of \$0.2 million.

The Group had a positive working capital of \$27.3 million as at 30 September 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 \$2.3 million for 1Q 2017. This was primarily due to the profit generated during the quarter.

Net cash generated from investing activities was \$2.4 million, which was mainly attributed to withdrawals from fixed deposits placed with financial institutions with over three-month tenures. Net cash used in financing activities was \$0.2 million, which was primarily due to repayment of bank loans and finance lease obligations.

There was an increase in cash and cash equivalents of \$4.5 million for 1Q 2017.

The Group closed the period with cash of \$11.0 million and bank borrowings of \$0.8 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 June 2016. The Group's results for the first quarter ended 30 September 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 June 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 continues to maintain profitability and reported a profit of \$1.5 million in 1Q 2017.

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

11. Dividends

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

No.

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

No.

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Books Closure Date.

Not applicable.

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

No dividend has been declared or recommended for the current financial period reported on.

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 30 September 2015, 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 30 September 2016 (S\$ million)	Balance as at 30 September 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 first quarter ended 30 September 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
7 November 2016