

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Financial Statements for the First Quarter ended 30 September 2017**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 COMPRENSIVE INCOME

For the first quarter ended 30 September 2017

	Group		Change	
	1st Quarter Ended	30-Sep-16	\$'000	%
	30-Sep-17	30-Sep-16		
	\$'000	\$'000		
	Unaudited	Unaudited		
Revenue	11,144	8,490	2,654	31.3
Cost of sales	(8,200)	(5,982)	(2,218)	37.1
Gross profit	<u>2,944</u>	<u>2,508</u>	436	17.4
Other operating income	261	481	(220)	(45.7)
Distribution costs	(20)	(14)	(6)	42.9
Administrative expenses	(1,218)	(1,207)	(11)	0.9
Net foreign exchange (loss)/gains	(120)	5	(125)	n.m.
Finance costs	(2)	(5)	3	(60.0)
Profit before income tax	<u>1,845</u>	<u>1,768</u>	77	4.4
Income tax expense	(132)	(299)	167	(55.9)
Profit for the period	<u><u>1,713</u></u>	<u><u>1,469</u></u>	244	16.6
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	<u>(9)</u>	<u>-</u>	(9)	n.m.
Other comprehensive income for the period, net of tax	<u>(9)</u>	<u>-</u>	(9)	n.m.
Total comprehensive income for the period	<u><u>1,704</u></u>	<u><u>1,469</u></u>	235	16.0
Profit for the period is arrived at:-				
Depreciation of property, plant and equipment	(276)	(285)	9	(3.2)
Interest expenses	(2)	(4)	2	(50.0)
Interest income	117	125	(8)	(6.4)
Rental income	77	189	(112)	(59.3)
Allowance for inventories obsolescence	(106)	-	(106)	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 2017

ASSETS	Group		Company	
	30-Sep-17	30-Jun-17	30-Sep-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000
	Unaudited	Audited	Unaudited	Audited
Current assets				
Cash and bank balances	7,430	4,725	6,935	4,486
Fixed and call deposits	17,096	18,784	17,096	18,784
Trade receivables	8,735	8,916	9,427	8,885
Other receivables and prepayments	386	340	379	339
Inventories	4,000	3,876	4,000	3,876
Held-to-maturity financial assets	1,005	251	1,005	251
Total current assets	38,652	36,892	38,842	36,621
Non-current assets				
Fixed and call deposits	6,000	6,000	6,000	6,000
Held-to-maturity financial assets	1,273	2,036	1,273	2,036
Property, plant and equipment	13,240	13,475	13,240	13,475
Total non-current assets	20,513	21,511	20,513	21,511
Total assets	59,165	58,403	59,355	58,132
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	231	384	231	384
Trade payables	4,164	4,911	4,830	5,086
Other payables	1,965	2,318	1,953	2,308
Finance leases	54	54	54	54
Income tax payable	949	624	949	624
Total current liabilities	7,363	8,291	8,017	8,456
Non-current liabilities				
Finance leases	97	111	97	111
Deferred tax liabilities	1,069	1,069	1,069	1,069
Total non-current liabilities	1,166	1,180	1,166	1,180
Total liabilities	8,529	9,471	9,183	9,636
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(983)	(983)	(983)	(983)
Reserves	19,887	18,183	19,423	17,747
Total equity	50,636	48,932	50,172	48,496
Total liabilities and equity	59,165	58,403	59,355	58,132

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

Amount repayable in one year or less, or on demand

30 September 2017 (*)		30 June 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
285	-	438	-

Amount repayable after one year

30 September 2017 (*)		30 June 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
97	-	111	-

(*) Unaudited

Details of any collaterals

The building and leasehold improvements with a carrying amount of \$10,247,000 (30 June 2017: \$10,309,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with a carrying amount of \$346,000 (30 June 2017: \$370,000) 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 2017

	30-Sep-17 1st Quarter Ended \$'000	30-Sep-16 1st Quarter Ended \$'000
Operating activities		
Profit before income tax	1,845	1,768
Adjustments for:		
Depreciation of property, plant and equipment	276	285
Gain on disposal of property, plant and equipment	-	(102)
Allowance for inventories obsolescence	106	-
Interest expenses	2	4
Interest income	(117)	(125)
Operating cash flows before movements in working capital	<u>2,112</u>	<u>1,830</u>
Trade receivables	181	532
Other receivables and prepayments	(75)	161
Inventories	(230)	(540)
Trade payables	(747)	510
Other payables	(353)	(298)
Cash generated from operations	<u>888</u>	<u>2,195</u>
Income tax refund	193	-
Interest paid	(2)	(4)
Interest received	117	125
Net cash generated from operating activities	<u>1,196</u>	<u>2,316</u>
Investing activities		
Additions to property, plant and equipment	(41)	(251)
Proceeds from maturity of held-to-maturity financial assets	38	-
Proceeds from disposal of property, plant and equipment	-	102
Purchase of held-to-maturity financial assets	-	(509)
Withdrawals from fixed deposits	6,000	3,044
Net cash from investing activities	<u>5,997</u>	<u>2,386</u>
Financing activities		
Repayment of finance lease obligations	(14)	(8)
Repayment of bank loan	(153)	(153)
Net cash used in financing activities	<u>(167)</u>	<u>(161)</u>
Net effect of exchange rate changes in consolidating subsidiaries	(9)	-
Net increase in cash and cash equivalents	7,017	4,541
Cash and cash equivalents at beginning of financial period	7,509	6,483
Cash and cash equivalents at end of financial period (NOTE A)	<u>14,526</u>	<u>11,024</u>

NOTE A

	The Group 1st Quarter Ended	
	30-Sep-17 \$'000	30-Sep-16 \$'000
Cash and cash equivalents consists of:		
Cash and bank balances	7,430	6,002
Fixed and call deposits	7,096	5,022
	<u>14,526</u>	<u>11,024</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 2017

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 2017	31,732	(983)	20	2	18,161	18,183	48,932
Total comprehensive income for the period	-	-	(9)	-	1,713	1,704	1,704
Balance at 30 September 2017 (*)	<u>31,732</u>	<u>(983)</u>	<u>11</u>	<u>2</u>	<u>19,874</u>	<u>19,887</u>	<u>50,636</u>
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>

(*) Unaudited

COMPANY	Share capital \$'000	Treasury shares \$'000	Share option reserves \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
	Balance at 1 July 2017	31,732	(983)	2	17,745	17,747
Total comprehensive income for the period	-	-	-	1,676	1,676	1,676
Balance at 30 September 2017 (*)	<u>31,732</u>	<u>(983)</u>	<u>2</u>	<u>19,421</u>	<u>19,423</u>	<u>50,172</u>
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>

(*) 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 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 as 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.

Since the end of the previous period reported on (i.e. 30 June 2017), there was no change in the Company's share capital during the three months ended 30 September 2017.

As at 30 September 2017, there are 45,000 unissued shares comprised in options granted on 16 November 2012 pursuant to the Avi-Tech Employee Share Option Scheme ("ESOS"). 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. The ESOS, of which the duration is ten (10) years, has recently expired on 5 July 2017. No further options were granted thereafter and the subsisting unexercised options granted will continue to be valid and exercisable as per the terms of the ESOS, and will expire upon the tenth anniversary from the date of offer.

The Company does not have any subsidiary that holds shares issued by the Company.

	As at 30 September 2017	As at 30 September 2016
Number of shares that may be issued on conversion of all the outstanding convertibles	45,000	45,000
Treasury Shares	4,199,000	4,199,000
Total number of issued shares excluding treasury shares	171,001,041	171,001,041

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 30 September 2017	171,001,041
Balance as at 30 June 2017	171,001,041

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.

As at 30 September 2017, there were no sales, transfers, cancellations and/or use of treasury shares.

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.

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

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 2017, 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	
	FY2018	FY2017
Earnings per ordinary shares (cents) ("EPS")		
Basic	1.00	0.86
Diluted	1.00	0.86
Weighted average number of ordinary shares in issue for basic EPS	171,001,041	171,001,041
Weighted average number of ordinary shares in issue for diluted EPS	171,046,041	171,046,041

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	
	30-Sep-2017	30-Jun-2017	30-Sep-2017	30-Jun-2017
Net assets value per ordinary share (cents):	29.61	28.62	29.34	28.36
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 2017 (“1Q 2018”) vs. First Quarter ended 30 September 2016 (“1Q 2017”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue

In 1Q 2018, the Group reported revenue of \$11.1 million, an increase of \$2.6 million or 31.3% as compared to 1Q 2017 of \$8.5 million. The revenue was mainly contributed by the Manufacturing and PCBA Services business segment, which registered higher revenue of \$6.6 million in 1Q 2018 as compared to \$4.1 million in 1Q 2017. The Burn-In Services and the Engineering Services business segments continue to register consistent revenue of \$2.4 million and \$2.1 million respectively in 1Q 2018, as compared to the revenue of \$2.1 million and \$2.3 million respectively in 1Q 2017.

Gross profit

The Group reported a gross profit of \$2.9 million for 1Q 2018, an increase of \$0.4 million or 17.4% as compared to \$2.5 million for 1Q 2017.

The increase in gross profit for the comparative periods was primarily due to the higher revenue reported by the Manufacturing and PCBA Services and Burn-In Services business segments.

Profit for the period

The Group reported a growth in profit to \$1.7 million for 1Q 2018 as compared to \$1.5 million for 1Q 2017, notwithstanding 1Q 2018 reported a decrease in other operating income and loss on foreign exchange. The increase in profit for the comparative periods was mainly attributed to the higher revenue achieved by Manufacturing and PCBA Services business segment while with steady revenue contributed by Burn-In Services and the Engineering Services business segments. The improved performance was also attributed by the successful planning and on-going cost control measures.

STATEMENT OF FINANCIAL POSITION

Total Group's assets increased by \$0.8 million or 1.3% from \$58.4 million as at 30 June 2017 to \$59.2 million as at 30 September 2017. The increase was primarily due to the increase in cash and bank balances of \$2.7 million as well as inventories of \$0.1 million. The overall increase was offset by the decrease in fixed and call deposits of \$1.7 million, property, plant and equipment of \$0.2 million as well as trade and other receivables of \$0.1 million.

Total Group's liabilities decreased by \$1.0 million or 9.9% from \$9.5 million as at 30 June 2017 to \$8.5 million as at 30 September 2017. The decrease was primarily due to the decrease in trade and other payables of \$1.1 million as well as the repayment of bank loans of \$0.2 million. The overall decrease was offset by the increase in income tax payable of \$0.3 million.

The Group had a positive working capital of \$31.3 million as at 30 September 2017 as compared with \$28.6 million as at 30 June 2017.

STATEMENT OF CASH FLOW

The Group generated net cash from operating activities of \$1.2 million for 1Q 2018. This was primarily due to the profit generated during the quarter.

Net cash generated from investing activities was \$6.0 million, which was mainly attributed to the 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 \$7.0 million for 1Q 2018.

The Group closed the period with cash and cash equivalents of \$14.5 million and bank borrowings of \$0.2 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 2017. The Group's results for the first quarter ended 30 September 2017 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 2017.

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 committed to continue working towards strengthening its core competencies and exploring new avenues of growth, including mergers and acquisitions, and projects to enhance shareholder value.

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 2017, 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 2017 (S\$ million)	Balance as at 30 September 2017 (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 2017 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
13 November 2017