

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Financial Statements for the Second Quarter and Half Year ended 31 December 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 COMPREHENSIVE INCOME

For the second quarter and half year ended 31 December 2017

			Group			
	2Q 2018 \$'000 Unaudited	2Q 2017 \$'000 Unaudited	Change %	1H 2018 \$'000 Unaudited	1H 2017 \$'000 Unaudited	Change %
Revenue	9,413	8,708	8.1	20,557	17,198	19.5
Cost of sales	(6,241)	(5,978)	4.4	(14,441)	(11,960)	20.7
Gross profit	3,172	2,730	16.2	6,116	5,238	16.8
Other operating income	205	276	(25.7)	466	757	(38.4)
Distribution costs	(13)	(22)	(40.9)	(33)	(36)	(8.3)
Administrative expenses	(1,298)	(1,237)	4.9	(2,516)	(2,444)	2.9
Net foreign exchange (loss)/gains	(50)	414	n.m.	(170)	419	n.m.
Finance costs	(2)	(4)	(50.0)	(4)	(9)	(55.6)
Profit before income tax	2,014	2,157	(6.6)	3,859	3,925	(1.7)
Income tax expense	(348)	(371)	(6.2)	(480)	(670)	(28.4)
Profit for the period	1,666	1,786	(6.7)	3,379	3,255	3.8
Other comprehensive (loss)/income for the period:						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences for foreign operations	(6)	23	n.m.	(15)	23	n.m.
Other comprehensive (loss)/income for the period, net of tax	(6)	23	n.m.	(15)	23	n.m.
Total comprehensive income for the period	1,660	1,809	(8.2)	3,364	3,278	2.6
Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(308)	(279)	10.4	(584)	(564)	3.5
Interest expenses	(2)	(4)	(50.0)	(4)	(9)	(55.6)
Interest income	110	121	(9.1)	227	246	(7.7)
Rental income	77	76	1.3	154	265	(41.9)
Allowance for inventories obsolescence	-	-	n.m.	(106)	-	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 2017

ASSETS	Group		Company	
	31-Dec-17	30-Jun-17	31-Dec-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000
	Unaudited	Audited	Unaudited	Audited
Current assets				
Cash and bank balances	6,659	4,725	6,102	4,486
Fixed and call deposits	23,024	18,784	23,024	18,784
Trade receivables	6,374	8,916	6,632	8,885
Other receivables and prepayments	333	340	326	339
Inventories	4,031	3,876	4,031	3,876
Held-to-maturity financial assets	1,755	251	1,755	251
Total current assets	42,176	36,892	41,870	36,621
Non-current assets				
Fixed and call deposits	-	6,000	-	6,000
Held-to-maturity financial assets	518	2,036	518	2,036
Property, plant and equipment	13,162	13,475	13,162	13,475
Total non-current assets	13,680	21,511	13,680	21,511
Total assets	55,856	58,403	55,550	58,132
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	78	384	78	384
Trade payables	2,770	4,911	2,936	5,086
Other payables	1,640	2,318	1,632	2,308
Finance leases	54	54	54	54
Income tax payable	936	624	936	624
Total current liabilities	5,478	8,291	5,636	8,456
Non-current liabilities				
Finance leases	84	111	84	111
Deferred tax liabilities	1,069	1,069	1,069	1,069
Total non-current liabilities	1,153	1,180	1,153	1,180
Total liabilities	6,631	9,471	6,789	9,636
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(973)	(983)	(973)	(983)
Reserves	18,466	18,183	18,002	17,747
Total equity	49,225	48,932	48,761	48,496
Total liabilities and equity	55,856	58,403	55,550	58,132

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

Amount repayable in one year or less, or on demand

31 December 2017 (*)		30 June 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
132	-	438	-

Amount repayable after one year

31 December 2017 (*)		30 June 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
84	-	111	-

(*) Unaudited

Details of any collaterals

The building and leasehold improvements with a carrying amount of \$10,245,000 (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 \$322,000 (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 second quarter and half year ended 31 December 2017

	31-Dec-17 2Q 2018 \$'000	31-Dec-16 2Q 2017 \$'000	31-Dec-17 1H 2018 \$'000	31-Dec-16 1H 2017 \$'000
Operating activities				
Profit before income tax	2,014	2,157	3,859	3,925
Adjustments for:				
Depreciation of property, plant and equipment	308	279	584	564
Gain on disposal of property, plant and equipment	-	-	-	(102)
Allowance for inventories obsolescence	-	-	106	-
Interest expenses	2	4	4	9
Interest income	(110)	(121)	(227)	(246)
Operating cash flows before movements in working capital	2,214	2,319	4,326	4,150
Trade receivables	2,360	(8)	2,542	524
Other receivables and prepayments	41	(22)	(34)	139
Inventories	(31)	(642)	(261)	(1,182)
Trade payables	(1,394)	974	(2,141)	1,484
Other payables	(324)	(318)	(678)	(616)
Cash generated from operations	2,866	2,303	3,754	4,499
Income tax paid	(361)	(359)	(168)	(359)
Interest paid	(2)	(4)	(4)	(9)
Interest received	110	121	227	246
Net cash generated from operating activities	2,613	2,061	3,809	4,377
Investing activities				
Additions to property, plant and equipment	(168)	(127)	(209)	(378)
Proceeds from maturity of held-to-maturity financial assets	18	-	56	-
Proceeds from disposal of property, plant and equipment	-	-	-	102
Purchase of held-to-maturity financial assets	-	(513)	-	(1,018)
Withdrawals from/(Placement of) fixed deposits	1,003	(1,996)	7,003	1,044
Net cash from/(used in) investing activities	853	(2,636)	6,850	(250)
Financing activities				
Dividend paid	(3,079)	(1,710)	(3,079)	(1,710)
Exercise of share option	5	-	5	-
Repayment of finance lease obligations	(13)	(13)	(27)	(21)
Repayment of bank loan	(153)	(153)	(306)	(306)
Net cash used in financing activities	(3,240)	(1,876)	(3,407)	(2,037)
Net effect of exchange rate changes in consolidating subsidiaries	(69)	23	(78)	23
Net increase/(decrease) in cash and cash equivalents	157	(2,428)	7,174	2,113
Cash and cash equivalents at beginning of financial period	14,526	11,024	7,509	6,483
Cash and cash equivalents at end of financial period (NOTE A)	14,683	8,596	14,683	8,596

NOTE A

	The Group			
	2Q 2018 \$'000	2Q 2017 \$'000	1H 2018 \$'000	1H 2017 \$'000
Cash and cash equivalents consists of:				
Cash and bank balances	6,659	5,596	6,659	5,596
Fixed and call deposits	8,024	3,000	8,024	3,000
	<u>14,683</u>	<u>8,596</u>	<u>14,683</u>	<u>8,596</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 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 (*)	31,732	(983)	11	2	19,874	19,887	50,636
Total comprehensive income for the period	-	-	(6)	-	1,666	1,660	1,660
Dividends	-	-	-	-	(3,079)	(3,079)	(3,079)
Reissue of treasury shares	-	10	-	-	-	-	10
Exercise of share option	-	-	-	(2)	-	(2)	(2)
Balance at 31 December 2017 (*)	31,732	(973)	5	-	18,461	18,466	49,225
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

(*) 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 (*)	31,732	(983)	2	19,421	19,423	50,172
Total comprehensive income for the period	-	-	-	1,660	1,660	1,660
Dividends	-	-	-	(3,079)	(3,079)	(3,079)
Reissue of treasury shares	-	10	-	-	-	10
Exercise of share option	-	-	(2)	-	(2)	(2)
Balance at 31 December 2017 (*)	31,732	(973)	-	18,002	18,002	48,761
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 (*)	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

(*) 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.

Save as set out below, since the end of the previous period reported on (i.e. 30 September 2017), there was no change in the Company's share capital during the three months ended 31 December 2017.

On 6 November 2017, 45,000 treasury shares were transferred in fulfillment of the exercise of employee share options under Avi-Tech Employee Share Option Scheme ("ESOS"). No new shares were issued pursuant to the said exercise.

The ESOS had expired on 5 July 2017. Following the exercise of the employee share options described above, there are no further subsisting unexercised options.

As at 31 December 2017, there were 4,154,000 treasury shares after the transfer of treasury shares described above in fulfillment of the Company's ESOS.

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

	As at 31 December 2017	As at 31 December 2016
Number of shares that may be issued on conversion of all the outstanding convertibles	-	45,000
Treasury Shares	4,154,000	4,199,000
Total number of issued shares excluding treasury shares	171,046,041	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 4,154,000 shares through on-market purchases transacted on the SGX-ST. The total amount paid for these purchases was approximately \$973,000 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 2017	171,046,041
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 announced on 6 November 2017, 45,000 treasury shares were transferred in fulfillment of the exercise of employee share options under the ESOS. As at 31 December 2017, there were 4,154,000 treasury shares after such transfer.

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 computation 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	Period ended 31 December			
	2Q 2018	2Q 2017	1H 2018	1H 2017
Earnings per ordinary share (cents) ("EPS")				
Basic	0.97	1.04	1.98	1.90
Diluted	0.97	1.04	1.98	1.90
Weighted average number of ordinary shares in issue for basic EPS	171,031,041	171,001,041	171,016,041	171,001,041
Weighted average number of ordinary shares in issue for diluted EPS	171,046,041	171,046,041	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	
	31-Dec-2017	30-Jun-2017	31-Dec-2017	30-Jun-2017
Net assets value per ordinary share (cents):	28.78	28.62	28.51	28.36
Number of ordinary shares at period/year end	171,046,041	171,001,041	171,046,041	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 2017 (“2Q 2018”) vs. Second Quarter ended 31 December 2016 (“2Q 2017”) and First Half ended 31 December 2017 (“1H 2018”) vs. First Half ended 31 December 2016 (“1H 2017”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue

1H 2018 vs. 1H 2017

In 1H 2018, the Group reported revenue of \$20.6 million, an increase of \$3.4 million or 19.5% as compared to 1H 2017 of \$17.2 million. The increase in revenue was mainly contributed by the Burn-In Services business segment and Manufacturing and PCBA Services business segment, which registered higher revenue of \$5.2 million and \$11.4 million respectively in 1H 2018, as compared to the revenue of \$4.3 million and \$7.9 million respectively in 1H 2017.

The Engineering Services business segment registered lower revenue of \$4.0 million in 1H 2018 as compared to the revenue of \$5.0 million in 1H 2017.

2Q 2018 vs. 2Q 2017

In 2Q 2018, the Group reported revenue of \$9.4 million, an increase of \$0.7 million or 8.1% as compared to 2Q 2017 of \$8.7 million. The increase in revenue was mainly contributed by the Burn-In Services business segment and the Manufacturing and PCBA Services business segment, which registered higher revenue of \$2.9 million and \$4.7 million respectively in 2Q 2018, as compared to the revenue of \$2.2 million and \$3.8 million respectively in 2Q 2017.

The Engineering Services business segment registered lower revenue of \$1.8 million in 2Q 2018 as compared to the revenue of \$2.7 million in 2Q 2017.

Gross profit

1H 2018 vs. 1H 2017 / 2Q 2018 vs. 2Q 2017

The Group reported a gross profit of \$6.1 million for 1H 2018, an increase of \$0.9 million or 16.8% as compared to the gross profit of \$5.2 million for 1H 2017.

The Group reported a gross profit of \$3.2 million for 2Q 2018, an increase of \$0.5 million or 16.2% as compared to the gross profit of \$2.7 million for 2Q 2017.

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

Profit for the period

1H 2018 vs. 1H 2017

The Group reported a marginal increase in profit by 3.8% to \$3.4 million for 1H 2018 from \$3.3 million in 1H 2017. The increase in profit was mainly attributed to the higher revenue achieved by the Burn-In Services business segment and the Manufacturing and PCBA Services business segment. The increase of profit was achieved notwithstanding a decrease in other operating income and loss on foreign exchange.

2Q 2018 vs. 2Q 2017

In 2Q 2018, the Group reported a profit of \$1.7 million as compared to 2Q 2017 of \$1.8 million. The marginal decrease in profit was primarily due to the decrease in other operating income and loss on foreign exchange.

STATEMENT OF FINANCIAL POSITION

Total Group's assets decreased by \$2.5 million or 4.4% from \$58.4 million as at 30 June 2017 to \$55.9 million as at 31 December 2017. The decrease was primarily due to the decrease in trade and other receivables.

Total Group's liabilities decreased by \$2.9 million or 30.0% from \$9.5 million as at 30 June 2017 to \$6.6 million as at 31 December 2017. The decrease was primarily due to the decrease in trade and other payables.

The Group had a positive working capital of \$36.7 million as at 31 December 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 \$3.8 million for the six months ended 31 December 2017. This was primarily due to the profit generated for the period.

Net cash generated from investing activities was \$6.9 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 \$3.4 million, which was primarily due to dividend paid and repayment of bank loans of \$3.1 million and \$0.3 million respectively.

There was an increase in cash and cash equivalents of \$7.2 million for 1H 2018.

The Group closed the period with cash and cash equivalents of \$14.7 million and bank borrowings of \$0.1 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 2017. The Group's results for the second quarter ended 31 December 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 September 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 will continue working towards strengthening its core competencies and exploring new opportunities for growth, including mergers and acquisitions, which will aid the business and to enhance shareholder value.

11. Dividends.

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

Period	31 December 2017
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.3 cents 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 2016
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.0 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 15 May 2018.

(e) Books Closure Date.

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 4 May 2018 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 3 May 2018 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 3 May 2018 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 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 31 December 2017 (S\$ million)	Balance as at 31 December 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 second quarter ended 31 December 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 February 2018