

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Financial Statements for the First Quarter ended 30 September 2018**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 2018

	Group		Change	
	1st Quarter Ended		\$'000	%
	30-Sep-18 \$'000 Unaudited	30-Sep-17 \$'000 Unaudited		
Revenue	7,837	11,144	(3,307)	(29.7)
Cost of sales	(5,599)	(8,200)	2,601	(31.7)
Gross profit	<u>2,238</u>	<u>2,944</u>	(706)	(24.0)
Other operating income	244	261	(17)	(6.5)
Distribution costs	(13)	(20)	7	(35.0)
Administrative expenses	(1,385)	(1,218)	(167)	13.7
Net foreign exchange loss	(27)	(120)	93	(77.5)
Finance costs	(1)	(2)	1	(50.0)
Profit before income tax	<u>1,056</u>	<u>1,845</u>	(789)	(42.8)
Income tax expense	(194)	(132)	(62)	47.0
Profit for the period	<u><u>862</u></u>	<u><u>1,713</u></u>	(851)	(49.7)
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>-</u>	<u>(9)</u>	9	n.m.
Other comprehensive income for the period, net of tax	<u>-</u>	<u>(9)</u>	9	n.m.
Total comprehensive income for the period	<u><u>862</u></u>	<u><u>1,704</u></u>	(842)	(49.4)
Profit for the period is arrived at:-				
Depreciation of property, plant and equipment	(311)	(276)	(35)	12.7
Interest expenses	(1)	(2)	1	(50.0)
Interest income	130	117	13	11.1
Rental income	77	77	-	-
Allowance for inventories obsolescence	(100)	(106)	6	(5.7)

n.m. : not meaningful

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Group		Company	
	30-Sep-18 \$'000 Unaudited	30-Jun-18 \$'000 Audited	30-Sep-18 \$'000 Unaudited	30-Jun-18 \$'000 Audited
ASSETS				
Current assets				
Cash and bank balances	6,359	5,176	5,840	4,721
Fixed and call deposits	25,774	26,000	25,774	26,000
Trade receivables	5,527	4,976	5,451	4,976
Other receivables and prepayments	322	351	321	350
Inventories	3,881	3,392	3,881	3,392
Other financial assets at amortised cost	1,758	1,501	1,758	1,501
Total current assets	43,621	41,396	43,025	40,940
Non-current assets				
Other financial assets at amortised cost	-	513	-	513
Property, plant and equipment	12,561	12,661	12,561	12,661
Total non-current assets	12,561	13,174	12,561	13,174
Total assets	56,182	54,570	55,586	54,114
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	2,738	1,905	2,662	1,950
Other payables	1,786	2,054	1,774	2,053
Finance leases	35	35	35	35
Income tax payable	1,270	1,076	1,271	1,076
Total current liabilities	5,829	5,070	5,742	5,114
Non-current liabilities				
Finance leases	67	76	67	76
Deferred tax liabilities	928	928	928	928
Total non-current liabilities	995	1,004	995	1,004
Total liabilities	6,824	6,074	6,737	6,118
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(973)	(973)	(973)	(973)
Reserves	18,599	17,737	18,090	17,237
Total equity	49,358	48,496	48,849	47,996
Total liabilities and equity	56,182	54,570	55,586	54,114

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

Amount repayable in one year or less, or on demand

30 September 2018 (*)		30 June 2018	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
35	-	35	-

Amount repayable after one year

30 September 2018 (*)		30 June 2018	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
67	-	76	-

(*) Unaudited

Details of any collaterals

Certain plant and equipment with a carrying amount of \$210,000 (30 June 2018: \$229,000) 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 2018

	30-Sep-18	30-Sep-17
	1st Quarter Ended	
	\$'000	\$'000
Operating activities		
Profit before income tax	1,056	1,845
Adjustments for:		
Depreciation of property, plant and equipment	311	276
Allowance for inventories obsolescence	100	106
Interest expenses	1	2
Interest income	(130)	(117)
Operating cash flows before movements in working capital	<u>1,338</u>	<u>2,112</u>
Trade receivables	(551)	181
Other receivables and prepayments	29	(75)
Inventories	(589)	(230)
Trade payables	833	(747)
Other payables	(268)	(353)
Cash generated from operations	<u>792</u>	<u>888</u>
Income tax paid	-	193
Interest paid	(1)	(2)
Interest received	130	117
Net cash from operating activities	<u>921</u>	<u>1,196</u>
Investing activities		
Additions to property, plant and equipment	(211)	(41)
Proceeds from maturity of other financial assets at amortised cost	256	38
Withdrawals from fixed deposits	3,968	6,000
Net cash from investing activities	<u>4,013</u>	<u>5,997</u>
Financing activities		
Repayment of finance lease obligations	(9)	(14)
Repayment of bank loan	-	(153)
Net cash used in financing activities	<u>(9)</u>	<u>(167)</u>
Net effect of exchange rate changes in consolidating subsidiaries	-	(9)
Net increase in cash and cash equivalents	4,925	7,017
Cash and cash equivalents at beginning of financial period	<u>11,176</u>	<u>7,509</u>
Cash and cash equivalents at end of financial period (NOTE A)	<u><u>16,101</u></u>	<u><u>14,526</u></u>

NOTE A

	The Group	
	1st Quarter Ended	
	30-Sep-18	30-Sep-17
	\$'000	\$'000
Cash and cash equivalents consists of:		
Cash and bank balances	6,359	7,430
Fixed and call deposits	9,742	7,096
	<u>16,101</u>	<u>14,526</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 Company and the Group 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 2018

GROUP	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Share option reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at 1 July 2018	31,732	(973)	16	-	17,721	17,737	48,496
Total comprehensive income for the period	-	-	-	-	862	862	862
Balance at 30 September 2018 (*)	31,732	(973)	16	-	18,583	18,599	49,358
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

(*) Unaudited

COMPANY	Share capital \$'000	Treasury shares \$'000	Share option reserves \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at 1 July 2018	31,732	(973)	-	17,237	17,237	47,996
Total comprehensive income for the period	-	-	-	853	853	853
Balance at 30 September 2018 (*)	31,732	(973)	-	18,090	18,090	48,849
Balance at 1 July 2017	31,732	(983)	2	17,745	17,747	48,496
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

(*) 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 2018), there was no change in the Company's share capital during the three months ended 30 September 2018.

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

	As at 30 September 2018	As at 30 September 2017
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 30 September 2018	171,046,041
Balance as at 30 June 2018	171,046,041

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 2018, 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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the Group's most recently audited annual 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.

The Company and the Group adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") with effect from 1 July 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Company and the Group applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 June 2019).

There is no change to the Company' and the Group's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

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	
	FY2019	FY2018
Earnings per ordinary shares (cents) ("EPS")		
Basic	0.50	1.00
Diluted	0.50	1.00
Weighted average number of ordinary shares in issue for basic EPS	171,046,041	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-2018	30-Jun-2018	30-Sep-2018	30-Jun-2018
Net assets value per ordinary share (cents):	28.86	28.35	28.56	28.06
Number of ordinary shares at period/year end	171,046,041	171,046,041	171,046,041	171,046,041

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 2018 (“1Q 2019”) vs. First Quarter ended 30 September 2017 (“1Q 2018”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue

In 1Q 2019, the Group reported revenue of \$7.8 million, a decrease of \$3.3 million or 29.7% as compared to 1Q 2018 of \$11.1 million. The decrease in revenue was primarily attributed to the lower revenue reported by the Manufacturing and PCBA Services business segment and Engineering Services business segment, which registered a lower revenue of \$4.2 million and \$1.2 million in 1Q 2019 respectively as compared to the revenue of \$6.6 million and \$2.1 million in 1Q 2018 respectively.

The Burn-In Services business segment registered a consistent revenue of \$2.4 million for the comparative periods.

Gross profit

The Group reported a gross profit of \$2.2 million in 1Q 2019, a decrease of \$0.7 million or 24.0% as compared to \$2.9 million in 1Q 2018.

The decrease in gross profit for the comparative periods was primarily due to the lower revenue reported by the Manufacturing and PCBA Services business segment and Engineering Services business segment.

Profit for the period

The Group reported a profit to \$0.9 million for 1Q 2019 as compared to \$1.7 million for 1Q 2018. The decrease in profit for the comparative periods was mainly attributed to the reduction in revenue from the Engineering Services business segment and the Manufacturing and PCBA Services business segment.

The Burn-In Services business segment continues to be the main contributor to the Group's profit.

STATEMENT OF FINANCIAL POSITION

Total Group's assets increased by \$1.6 million or 3.0% from \$54.6 million as at 30 June 2018 to \$56.2 million as at 30 September 2018. The increase was primarily due to the increase in cash and bank balances of \$1.2 million, trade and other receivables of \$0.5 million as well as inventories of \$0.5 million. The overall increase was offset by the decrease in fixed and call deposits of \$0.2 million, other financial assets at amortised cost of \$0.3 million as well as property, plant and equipment of \$0.1 million.

Total Group's liabilities increased by \$0.7 million or 12.3% from \$6.1 million as at 30 June 2018 to \$6.8 million as at 30 September 2018. The increase was primarily due to the increase in trade and other payables of \$0.6 million as well as the income tax payable of \$0.2 million.

The Group had a positive working capital of \$37.8 million as at 30 September 2018 as compared with \$36.3 million as at 30 June 2018.

STATEMENT OF CASH FLOW

The Group generated net cash from operating activities of \$0.9 million in 1Q 2019. This was primarily due to the profit generated during the quarter.

Net cash generated from investing activities was \$4.0 million, which was mainly attributed to the withdrawals from fixed deposits placed with financial institutions with over three-month tenures.

There was an increase in cash and cash equivalents of \$4.9 million for 1Q 2019.

The Group closed the period with cash and cash equivalents of \$16.1 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 June 2018. The Group's results for the first quarter ended 30 September 2018 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 2018.

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 extending its customer base while at the same time, exploring new opportunities for growth, including mergers and acquisitions, to aid the business and 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/recommended, 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 2018, 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 2018 (S\$ million)	Balance as at 30 September 2018 (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 2018 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
9 November 2018