

**AVI-TECH ELECTRONICS LIMITED****(Company Registration No. 198105976H)****Unaudited Financial Statements for the First Quarter ended 30 September 2013****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 2013

	Group		Change	
	1st Quarter Ended 30-Sep-13 S\$'000 Unaudited	30-Sep-12 S\$'000 Unaudited	S\$'000	%
<b>Revenue</b>	8,903	7,696	1,207	15.7
Cost of sales	(6,921)	(6,816)	(105)	1.5
<b>Gross profit</b>	<u>1,982</u>	<u>880</u>	1,102	125.2
Other operating income	366	233	133	57.1
Distribution costs	(52)	(75)	23	(30.7)
Administrative expenses	(3,198)	(3,073)	(125)	4.1
Finance costs	(40)	(61)	21	(34.4)
<b>Loss before income tax</b>	<u>(942)</u>	<u>(2,096)</u>	1,154	(55.1)
Income tax (expenses)/benefit	(9)	40	(49)	(122.5)
<b>Loss for the period, attributable to owners of the Company</b>	<u><u>(951)</u></u>	<u><u>(2,056)</u></u>	1,105	(53.7)
<b>Other comprehensive income:-</b>				
Foreign currency translation difference for foreign operations	<u>70</u>	<u>168</u>	(98)	(58.3)
Other comprehensive income for the period, net of tax	<u>70</u>	<u>168</u>		(58.3)
<b>Total comprehensive loss for the period, attributable to owners of the Company</b>	<u><u>(881)</u></u>	<u><u>(1,888)</u></u>	1,007	(53.3)
<b>Loss for the period is arrived at:-</b>				
Depreciation of property, plant and equipment	(416)	(443)		(6.1)
Foreign currency exchange adjustment loss	(221)	(227)		(2.6)
Amortization of other intangible assets	(105)	(104)		1.0
Interest expenses	(40)	(61)		(34.4)
Interest income	111	104		6.7
Rental income	179	93		92.5

- 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 2013**

	Group		Company	
	30-Sep-13 \$'000 Unaudited	30-Jun-13 \$'000 Audited	30-Sep-13 \$'000 Unaudited	30-Jun-13 \$'000 Audited
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	4,852	4,736	3,788	4,246
Fixed and call deposits	20,000	17,000	20,000	17,000
Trade receivables	5,909	8,122	6,112	6,422
Other receivables and prepaid expenses	465	535	324	388
Held-to-maturity financial assets	-	3,612	-	3,612
Inventories	6,169	5,429	3,831	3,798
<b>Total current assets</b>	<b>37,395</b>	<b>39,434</b>	<b>34,055</b>	<b>35,466</b>
<b>Non-current assets</b>				
Subsidiaries	-	-	630	-
Property, plant and equipment	13,684	13,956	13,480	13,748
Goodwill	680	691	-	-
Other intangible assets	1,714	1,846	-	-
Held-to-maturity financial assets	2,058	2,058	2,058	2,058
<b>Total non-current assets</b>	<b>18,136</b>	<b>18,551</b>	<b>16,168</b>	<b>15,806</b>
<b>Total assets</b>	<b>55,531</b>	<b>57,985</b>	<b>50,223</b>	<b>51,272</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bank loans	459	2,832	459	2,832
Trade payables	2,764	3,702	2,085	3,181
Other payables	2,238	2,702	1,459	1,694
Finance leases	42	50	42	50
<b>Total current liabilities</b>	<b>5,503</b>	<b>9,286</b>	<b>4,045</b>	<b>7,757</b>
<b>Non-current liabilities</b>				
Bank loan	2,220	-	2,220	-
Finance leases	43	47	43	47
<b>Total non-current liabilities</b>	<b>2,263</b>	<b>47</b>	<b>2,263</b>	<b>47</b>
<b>Capital and reserves</b>				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(933)	(933)	(933)	(933)
Reserves	16,636	17,517	13,116	12,669
Equity attributable to owners of the Company	47,435	48,316	43,915	43,468
Non-controlling interests	330	336	-	-
<b>Total equity</b>	<b>47,765</b>	<b>48,652</b>	<b>43,915</b>	<b>43,468</b>
<b>Total liabilities and equity</b>	<b>55,531</b>	<b>57,985</b>	<b>50,223</b>	<b>51,272</b>

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

<b>30 September 2013 (*)</b>		<b>30 June 2013</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>	<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
501	-	2,882	-

**Amount repayable after one year**

<b>30 September 2013 (*)</b>		<b>30 June 2013</b>	
<b>Secured \$'000</b>	<b>Unsecured \$'000</b>	<b>Secured \$'000</b>	<b>Unsecured \$'000</b>
2,263	-	47	-

(\*) Unaudited

**Details of any collateral**

The building and leasehold improvements with a carrying amount of \$10,890,000 (30 June 2013: \$10,950,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with a carrying amount of \$128,000 (30 June 2013: \$139,000) are secured by the lessors' titles to the leased assets.

A bank facility is secured by a lien over the deposits of the Group amounting to \$312,000 (30 June 2013: \$312,000).

- 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.

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
<b>for the first quarter ended 30 September 2013</b>		
	<b>The Group</b>	
	<b>1st Quarter Ended</b>	
	<b>30-Sep-13</b>	<b>30-Sep-12</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b><u>Operating activities</u></b>		
Loss before income tax	(942)	(2,096)
Adjustments for:		
Depreciation of property, plant and equipment	416	443
Amortisation of other intangible assets	12	104
Share-based payment expenses	-	(15)
Interest expense	40	61
Interest income	(111)	(104)
<b>Operating cash flows before movements in working capital</b>	<b>(585)</b>	<b>(1,607)</b>
Trade receivables	2,214	806
Other receivables and prepayments	26	31
Inventories	(740)	(215)
Trade payables	(938)	613
Other payables	(463)	(358)
<b>Cash used in operations</b>	<b>(486)</b>	<b>(730)</b>
Income tax refund	25	17
Interest paid	(40)	(61)
Interest received	111	104
<b>Net cash used in operating activities</b>	<b>(390)</b>	<b>(670)</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	(173)	(70)
(Placements of)/Withdrawals from fixed deposits	(18,000)	15,000
Proceeds from maturity of held-to-maturity investments	3,612	-
Proceeds from disposal of property, plant and equipment	10	4
<b>Net cash (used in) / generated from investing activities</b>	<b>(14,551)</b>	<b>14,934</b>
<b>Financing activities</b>		
Treasury shares buy back	-	(130)
Repayment of finance lease obligations	(12)	(13)
Repayment of bank loan	(153)	(153)
<b>Net cash used in financing activities</b>	<b>(165)</b>	<b>(296)</b>
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	<b>223</b>	<b>98</b>
Net (decrease)/increase in cash and cash equivalents	(14,883)	14,066
Cash and cash equivalents at beginning of financial period	21,735	18,592
<b>Cash and cash equivalents at end of financial period (NOTE A)</b>	<b>6,852</b>	<b>32,658</b>

#### **NOTE A**

**Cash and cash equivalents consists of:**

	<b>The Group</b>	
	<b>1st Quarter Ended</b>	
	<b>30-Sep-13</b>	<b>30-Sep-12</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	4,852	4,658
Fixed and call deposits	2,000	28,000
	<u>6,852</u>	<u>32,658</u>

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 30 September 2013

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	Non- controlling interest <sup>(1)</sup> \$'000	
<b>Balance at 1 July 2013</b>	31,732	(933)	(34)	17	17,534	17,517	336	48,652
Total comprehensive income for the period	-	-	70	-	(951)	(881)	-	(881)
Non-controlling interests relating to outstanding share-based payment transactions of a subsidiary	-	-	-	-	-	-	(6)	(6)
<b>Balance at 30 September 2013 (*)</b>	<b>31,732</b>	<b>(933)</b>	<b>36</b>	<b>17</b>	<b>16,583</b>	<b>16,636</b>	<b>330</b>	<b>47,765</b>
<b>Balance at 1 July 2012</b>	31,732	(803)	2	-	21,318	21,320	339	52,588
Total comprehensive income for the period	-	-	168	-	(2,056)	(1,888)	-	(1,888)
Recognition of share-based payment	-	-	-	2	-	2	-	2
Non-controlling interests relating to outstanding share-based payment transactions of a subsidiary	-	-	-	-	-	-	(15)	(15)
Share buyback held back in treasury	-	(130)	-	-	-	-	-	(130)
<b>Balance at 30 September 2012 (*)</b>	<b>31,732</b>	<b>(933)</b>	<b>170</b>	<b>2</b>	<b>19,262</b>	<b>19,434</b>	<b>324</b>	<b>50,557</b>

<sup>(\*)</sup> Unaudited

<sup>(1)</sup> Representing share option reserve of a subsidiary

COMPANY	Share capital \$'000	Treasury shares \$'000	Share option reserves \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
<b>Balance at 1 July 2013</b>	31,732	(933)	17	12,652	12,669	43,468
Total comprehensive income for the period	-	-	-	447	447	447
<b>Balance at 30 September 2013 (*)</b>	<b>31,732</b>	<b>(933)</b>	<b>17</b>	<b>13,099</b>	<b>13,116</b>	<b>43,915</b>
<b>Balance at 1 July 2012</b>	31,732	(803)	-	25,898	25,898	56,827
Share buyback held back in treasury	-	(130)	-	-	-	(130)
Recognition of share-based payment	-	-	2	-	2	2
Total comprehensive income for the period	-	-	-	(569)	(569)	(569)
<b>Balance at 30 September 2012 (*)</b>	<b>31,732</b>	<b>(933)</b>	<b>2</b>	<b>25,329</b>	<b>25,331</b>	<b>56,130</b>

<sup>(\*)</sup> 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. 1 July 2013), there was no change in the Company's share capital during the three months ended 30 September 2013.

As at 30 September 2013, there was no outstanding share option/warrant/convertible security of the Company, save for the aggregate of 940,000 unissued shares comprised in options granted on 3 July 2012 and 16 November 2012 pursuant to the Avi-Tech Employee Share Option Scheme (30 June 2013: 940,000). These options were granted with an exercise price set at a discount to the then market price and therefore may only be exercisable after the second anniversary from the date of the grant.

	<b>As at 30 September 2013</b>	<b>As at 30 September 2012</b>
<b>Number of shares that may be issued on conversion of all the outstanding convertibles</b>	NIL	NIL
<b>Treasury Shares</b>	7,978,000	7,978,000
<b>Total number of issued shares excluding treasury shares</b>	342,422,096	342,422,096

Pursuant to the share buyback mandate originally approved by shareholders on 29 October 2008 and renewed subsequently, the Company purchased a total of 7,978,000 shares through on-market purchases transacted on the Singapore Exchange Securities Trading Limited. The total amount paid for the purchases was approximately \$933,000 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**

<b>Total number of issued shares excluding treasury shares</b>	<b>Number of shares</b>
Balance as at 30 September 2013	342,422,096
Balance as at 30 June 2013	342,422,096

**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 2013, 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 our 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 2013, 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 shares of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year.**

Group	1st Quarter ended 30 September	
	FY2014	FY2013
<b>Earnings per ordinary shares (cents) ("EPS")</b>		
Basic	(0.28)	(0.60)
Diluted	(0.28)	(0.60)
Weighted average number of ordinary shares in issue for basic EPS	342,422,096	343,579,429
Weighted average number of ordinary shares in issue for diluted EPS	343,092,096	344,429,429

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

	GROUP		COMPANY	
	30 Sep 2013	30 Jun 2013	30 Sep 2013	30 Jun 2013
Net assets value per ordinary share (cents):	13.95	14.21	12.82	12.69
Number of ordinary shares at year end	342,422,096	342,422,096	342,422,096	342,422,096

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

**8. Review of Group Performance for the First Quarter ended 30 September 2013 (“1Q 2013”) vs. First Quarter ended 30 September 2012 (“1Q 2014”).**

**STATEMENT OF COMPREHENSIVE INCOME**

**Revenue**

In 1Q 2014, the Group reported a revenue of \$8.9 million, an increase of \$1.2 million or 15.6% as compared to 1Q 2013 of \$7.7 million. The increase in revenue was primarily due to the increase in sales reported by the Burn-in Boards and Boards Manufacturing business segment. This business segment of increase in sales was able to offset the lower revenue reported by other business segments of sales, especially from Burn-in services. As a result, 1Q 2014 reported a positive growth in revenue.

**Gross profit**

The Group reported a gross profit of \$2.0 million for 1Q 2014, an increase of \$1.1 million or 122.2% as compared to \$0.9 million of 1Q 2013. Gross profit margin over that period had also increased from 11.4% to 22.3%. The increase in the gross profit was primarily due to the higher sales and improved gross profit margin reported by the Burn-in Boards and Boards Manufacturing business segment.

**Other operating income**

Other operating income was reported with \$0.4 million for 1Q 2014, an increase of \$0.2 million or 100% as compared to \$0.2 million of 1Q 2013. The increase was primarily due to renting out of additional unused production floor area.

**Loss for the period**

The Group reported a loss of \$1.0 million for 1Q 2014, a reduction in losses of \$1.1 million or 52% when compared to the loss of \$2.1 million of 1Q 2013. The loss was primarily due to the losses reported by the Imaging Equipment and Energy Efficient Products and Burn-in Services business segments. The reduction in loss was primarily due to the better performance by the Burn-in Boards and Boards Manufacturing business segment which partially offset some of the losses occurred by other business segments.

**STATEMENT OF FINANCIAL POSITION**

Total Group assets decreased by \$2.5 million or 4% from \$58.0 million as at 30 June 2013 to \$55.5 million as at 30 September 2013. The decrease was primarily due to the reductions in held-to maturity financial investments of \$3.6 million due to maturity of the investments and trade receivables of \$2.2 million. The decrease was partially offset with the increase in fixed and call deposits and inventories amounting \$3.0 million and \$0.8 million respectively.

As at 30 September 2013, the Group had cash and cash equivalents of \$24.9 million as compared to \$21.7 million as at 30 June 2013. The increase was primarily due to fixed deposits placed upon maturity of the held-to-maturity financial assets. The decrease in property, plant and equipment and intangible assets were primarily due to depreciation and amortization of \$0.4 million.

Total Group liabilities decreased by \$1.5 million from \$9.3 million as at 30 June 2013 to \$7.8 million as at 30 September 2013. The decrease is primarily due to repayments of trade and other payables.

The Group has a positive working capital of \$31.9 million as at 30 September 2013 as compared with \$30.1 million as at 30 June 2013.

**STATEMENT OF CASH FLOW**

The Group used net cash in operating activities of \$0.4 million for the first quarter ended 30 September 2013. This was primarily due to losses incurred during the quarter, cash used for purchases of inventories as well as



settlement of trade payables and other payables as compared to the financial year ended 30 June 2013. The net cash used in operating activities is partially offset by the lower trade receivables.

Net cash used in investing activities was \$14.6 million, which was mainly due to the fixed deposits placed with financial institutions with over three month tenors upon maturity. Net cash used in financing activities was \$0.2 million, primarily due to repayment of bank loans.

The Group closed the period with cash of \$24.9 million and with bank borrowings of \$2.7 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 forecast and prospect statement in respect of the Group's results for the year ended 30 June 2013. The Group's results for the first quarter ended 30 September 2013 were in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the year ended 30 June 2013.

**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 Imaging Equipment and Energy Efficient Products business segment continues to sustain losses due mainly to the growth stage of the business operation and the development of new products. With the completion of most of the planned products, the Group's two U.S. subsidiaries in this business segment will now shift their focus on intensive marketing to drive sales and revenue while at the same time cautiously contain their operating costs. Management is tracking the progress of these companies and will evaluate them based on milestones accordingly.

The Burn-in Services business segment continues to remain challenging. Nevertheless, having diversified our service offering into other activities such as chemical cleaning and board maintenance to improve revenue of this business segment, we remain hopeful of its performance. This is on top of the projected demand for high power Burn-in services and growth in conventional Burn-in services with the introduction of new devices and advances in technology.

The Group is cognizant of the uncertainty of the global economy and the competitive environment that it operates. Nevertheless, the Group remains hopeful of its longer term prospects drawing on past experiences with initiatives to further raise productivity and improve operational efficiencies while at the same time increasing efforts to contain costs.

**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 2013, 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:

	<b>Use of IPO proceeds as at 30 September 2013 (S\$ million)</b>	<b>Balance as at 30 September 2013 (S\$ million)</b>
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
<b>Total</b>	<b>21.5</b>	<b>5.2</b>

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

- Purchases of plant and equipment;
- Purchase and replenish 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 2013 to be false or misleading in any material aspect.

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

**Lim Eng Hong**  
Chief Executive Officer

**Khor Thiam Beng**  
Chairman and Independent Director

**BY ORDER OF THE BOARD**

**Lim Eng Hong  
Chief Executive Officer  
14<sup>th</sup> November 2013**