

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Financial Statements for the Second Quarter and Half Year ended 31 December 2019**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 2019

	2Q		Change %	Group		Change %
	2020 \$'000 Unaudited	2019 \$'000 Unaudited		1H 2020 \$'000 Unaudited	1H 2019 \$'000 Unaudited	
Revenue	7,514	7,673	(2.1)	15,636	15,510	0.8
Cost of sales	(4,531)	(5,535)	(18.1)	(9,598)	(11,134)	(13.8)
Gross profit	<u>2,983</u>	<u>2,138</u>	39.5	<u>6,038</u>	<u>4,376</u>	38.0
Other operating income	250	232	7.8	518	476	8.8
Impairment loss on other financial asset ^[1]	-	-	n.m.	(50)	-	n.m.
Distribution costs	(13)	(15)	(13.3)	(27)	(28)	(3.6)
Administrative expenses	(1,365)	(1,260)	8.3	(2,671)	(2,645)	1.0
Net foreign exchange (loss)/gains	(154)	75	n.m.	(29)	48	n.m.
Finance costs	(9)	(1)	n.m.	(19)	(2)	n.m.
Profit before income tax	<u>1,692</u>	<u>1,169</u>	44.7	<u>3,760</u>	<u>2,225</u>	69.0
Income tax expense	(291)	(214)	36.0	(650)	(408)	59.3
Profit for the period	<u><u>1,401</u></u>	<u><u>955</u></u>	46.7	<u><u>3,110</u></u>	<u><u>1,817</u></u>	71.2
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	<u>(11)</u>	<u>1</u>	n.m.	<u>(1)</u>	<u>1</u>	n.m.
Other comprehensive (loss)/income for the period, net of tax	<u>(11)</u>	<u>1</u>	n.m.	<u>(1)</u>	<u>1</u>	n.m.
Total comprehensive income for the period	<u><u>1,390</u></u>	<u><u>956</u></u>	45.4	<u><u>3,109</u></u>	<u><u>1,818</u></u>	71.0
Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(292)	(321)	(9.0)	(595)	(632)	(5.9)
Depreciation of right-of-use assets	(59)	-	n.m.	(116)	-	n.m.
Interest expenses	(9)	(1)	n.m.	(19)	(2)	n.m.
Interest income	172	115	49.6	342	245	39.6
Rental income	73	74	(1.4)	146	151	(3.3)
Allowance for inventories obsolescence	-	-	n.m.	-	(100)	n.m.
Gain on disposal of property, plant and equipment	1	-	n.m.	1	-	n.m.

n.m. : not meaningful

^[1] Represents an impairment loss of bond investment issued under Hyflux Ltd's Medium Term Note Programme.

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 31 December 2019

	Group		Company	
	31-Dec-19 \$'000 Unaudited	30-Jun-19 \$'000 Audited	31-Dec-19 \$'000 Unaudited	30-Jun-19 \$'000 Audited
ASSETS				
Current assets				
Cash and bank balances	3,867	6,479	3,348	5,627
Fixed and call deposits	32,124	27,387	32,124	27,387
Trade receivables	5,050	6,624	5,110	6,918
Other receivables and prepayments	461	410	461	409
Inventories	2,845	3,036	2,845	3,036
Other financial assets at amortised cost ^[2]	75	628	75	628
Total current assets	44,422	44,564	43,963	44,005
Non-current assets				
Property, plant and equipment	11,777	12,065	11,777	12,065
Right-of-use assets	1,579	-	1,579	-
Total non-current assets	13,356	12,065	13,356	12,065
Total assets	57,778	56,629	57,319	56,070
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	1,966	2,947	2,086	2,990
Other payables	1,805	1,999	1,805	1,989
Lease liabilities ^[2]	259	35	259	35
Income tax payable	1,346	1,135	1,346	1,135
Total current liabilities	5,376	6,116	5,496	6,149
Non-current liabilities				
Lease liabilities ^[2]	1,386	41	1,386	41
Deferred tax liabilities	928	928	928	928
Total non-current liabilities	2,314	969	2,314	969
Total liabilities	7,690	7,085	7,810	7,118
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Treasury shares	(973)	(973)	(973)	(973)
Reserves	19,329	18,785	18,750	18,193
Total equity	50,088	49,544	49,509	48,952
Total liabilities and total equity	57,778	56,629	57,319	56,070

^[2] The Group adopted SFRS(I) 16 *Leases* with effect from 1 July 2019. The effects of changes in accounting standard are disclosed in Note 5.

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

Amount repayable in one year or less, or on demand

31 December 2019 (*)		30 June 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
259	-	35	-

Amount repayable after one year

31 December 2019 (*)		30 June 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
1,386	-	41	-

(*) Unaudited

Details of any collaterals

Certain plant and equipment with a carrying amount of \$119,000 (30 June 2019: \$154,000) 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 ended 31 December 2019

	31-Dec-19 2Q 2020 \$'000	31-Dec-18 2Q 2019 \$'000	31-Dec-19 1H 2020 \$'000	31-Dec-18 1H 2019 \$'000
Operating activities				
Profit before income tax	1,692	1,169	3,760	2,225
Adjustments for:				
Depreciation of property, plant and equipment	292	321	595	632
Depreciation of right-of-use assets	59	-	116	-
Impairment loss on other financial asset	-	-	50	-
Gain on disposal of property, plant and equipment	(1)	-	(1)	-
Allowance for inventories obsolescence	-	-	-	100
Interest expenses	9	1	19	2
Interest income	(172)	(115)	(342)	(245)
Operating cash flows before movements in working capital	<u>1,879</u>	<u>1,376</u>	<u>4,197</u>	<u>2,714</u>
Trade receivables	94	834	1,574	283
Other receivables and prepayments	(142)	9	(51)	38
Inventories	(123)	896	191	307
Trade payables	(78)	(1,283)	(981)	(450)
Other payables	(120)	(57)	(194)	(325)
Cash generated from operations	<u>1,510</u>	<u>1,775</u>	<u>4,736</u>	<u>2,567</u>
Income tax paid	(432)	(500)	(439)	(500)
Interest paid	(9)	(1)	(19)	(2)
Interest received	172	115	342	245
Net cash from operating activities	<u>1,241</u>	<u>1,389</u>	<u>4,620</u>	<u>2,310</u>
Investing activities				
Additions to property, plant and equipment	(35)	(155)	(306)	(366)
Proceeds from maturity of other financial assets at amortised cost	-	750	503	1,006
Withdrawals from/(Placement of) fixed deposits	2,701	1,999	(4,711)	5,967
Net cash from/(used in) investing activities	<u>2,666</u>	<u>2,594</u>	<u>(4,514)</u>	<u>6,607</u>
Financing activities				
Dividend paid	(2,565)	(2,224)	(2,565)	(2,224)
Repayment of lease liabilities	(64)	-	(126)	-
Repayment of finance lease obligations	-	(9)	-	(18)
Net cash used in financing activities	<u>(2,629)</u>	<u>(2,233)</u>	<u>(2,691)</u>	<u>(2,242)</u>
Net effect of exchange rate changes in consolidating subsidiaries	(11)	1	(1)	1
Net increase/(decrease) in cash and cash equivalents	1,267	1,751	(2,586)	6,676
Cash and cash equivalents at beginning of financial period	5,980	16,101	9,833	11,176
Cash and cash equivalents at end of financial period (NOTE A)	<u>7,247</u>	<u>17,852</u>	<u>7,247</u>	<u>17,852</u>

NOTE A

	2Q 2020 \$'000	2Q 2019 \$'000	The Group	
			1H 2020 \$'000	1H 2019 \$'000
Cash and cash equivalents consists of:				
Cash and bank balances	3,867	6,480	3,867	6,480
Fixed and call deposits	3,380	11,372	3,380	11,372
	<u>7,247</u>	<u>17,852</u>	<u>7,247</u>	<u>17,852</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 second quarter and half year ended 31 December 2019

GROUP	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at 1 July 2019	31,732	(973)	10	18,775	18,785	49,544
Total comprehensive income for the period	-	-	10	1,709	1,719	1,719
Balance at 30 September 2019 (*)	31,732	(973)	20	20,484	20,504	51,263
Total comprehensive income for the period	-	-	(11)	1,401	1,390	1,390
Dividends	-	-	-	(2,565)	(2,565)	(2,565)
Balance at 31 December 2019 (*)	31,732	(973)	9	19,320	19,329	50,088
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
Total comprehensive income for the period	-	-	1	955	956	956
Dividend	-	-	-	(2,224)	(2,224)	(2,224)
Balance at 31 December 2018 (*)	31,732	(973)	17	17,314	17,331	48,090

(*) Unaudited

COMPANY	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at 1 July 2019	31,732	(973)	18,193	18,193	48,952
Total comprehensive income for the period	-	-	1,711	1,711	1,711
Balance at 30 September 2019 (*)	31,732	(973)	19,904	19,904	50,663
Total comprehensive income for the period	-	-	1,411	1,411	1,411
Dividends	-	-	(2,565)	(2,565)	(2,565)
Balance at 31 December 2019 (*)	31,732	(973)	18,750	18,750	49,509
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
Total comprehensive income for the period	-	-	1,022	1,022	1,022
Dividends	-	-	(2,224)	(2,224)	(2,224)
Balance at 31 December 2018 (*)	31,732	(973)	16,888	16,888	47,647

(*) Unaudited

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 September 2019), there was no change in the Company's share capital during the three (3) months ended 31 December 2019.

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

	As at 31 December 2019	As at 31 December 2018
Number of shares that may be issued on conversion of all the outstanding convertibles	-	-
Treasury Shares	4,154,000	4,154,000
Total number of issued shares excluding treasury shares	171,046,041	171,046,041

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 2019	171,046,041
Balance as at 30 June 2019	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 31 December 2019, 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 modifications or emphasis of a matter).**

Not applicable.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

(a) **Updates on the efforts taken to resolve each outstanding audit issue.**

(b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 Note 5 below, the Group has applied the same accounting policies and methods of computation as in the Group's most recently audited 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 Group and the Company adopted SFRS(I) 16 *Leases* on 1 July 2019. The Group and the Company adopted the simplified transition approach and the comparative amount for the year prior to first adoption was not restated. All right-of-use ("ROU") assets are measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) at the date of initial application. Under SFRS(I) 16, qualifying lease payments were no longer taken to other operating expenses but capitalized to the statement of financial position as ROU assets and depreciated over the term of the lease. Cash paid for the interest portion of lease liability is presented as part of operating activities, in accordance with the Group's and the Company's accounting policy.

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 2020	2Q 2019	1H 2020	1H 2019
Earnings per ordinary share (cents) ("EPS")				
Basic	0.82	0.56	1.82	1.06
Diluted	0.82	0.56	1.82	1.06
Weighted average number of ordinary shares in issue for basic EPS	171,046,041	171,046,041	171,046,041	171,046,041
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-2019	30-Jun-2019	31-Dec-2019	30-Jun-2019
Net assets value per ordinary share (cents):	29.28	28.97	28.94	28.62
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 Second Quarter ended 31 December 2019 (“2Q 2020”) vs. Second Quarter ended 31 December 2018 (“2Q 2019”) and First Half ended 31 December 2019 (“1H 2020”) vs. First Half ended 31 December 2018 (“1H 2019”).**

STATEMENT OF COMPREHENSIVE INCOME

Revenue

1H 2020 vs. 1H 2019

In 1H 2020, the Group reported revenue of \$15.6 million, an increase of \$0.1 million or 0.8% as compared to 1H 2019 of \$15.5 million. The Burn-In Services business segment registered higher revenue of \$6.4 million in 1H 2020, as compared to revenue of \$4.7 million in 1H 2019. The Manufacturing and PCBA Services business segment continues to contribute steadily to the Group’s revenue, with revenue of \$7.2 million in 1H 2020, as compared to \$8.4 million in 1H 2019. The Engineering Services business segment registered lower revenue of \$2.0 million in 1H 2020 as compared to the revenue of \$2.4 million in 1H 2019.

2Q 2020 vs. 2Q 2019

In 2Q 2020, the Group reported revenue of \$7.5 million, a decrease of \$0.2 million or 2.1% as compared to 2Q 2019 of \$7.7 million. Burn-In Services and Manufacturing and PCBA Services business segments registered a revenue of \$3.2 million and \$3.2 million respectively in 2Q 2020, as compared to the revenue of \$2.4 million and \$4.2 million in 2Q 2019 respectively. The Engineering Services business segment registered a flat revenue of \$1.1 million in 2Q 2020, as in 2Q 2019.

Gross profit

1H 2020 vs. 1H 2019

The Group reported a gross profit of \$6.0 million in 1H 2020, an increase of \$1.6 million or 38.0% as compared to \$4.4 million in 1H 2019. The gross profit margin also increased from 28.2% in 1H 2019 to 38.6% in 1H 2020.

The increase in gross profit was primarily attributed to the increase in revenue accompanied by a reduction in unit cost of production as a result of the ongoing cost control measures and the enhancement in productivity across all business segments.

2Q 2020 vs. 2Q 2019

The Group reported a gross profit of \$3.0 million in 2Q 2020, an increase of \$0.9 million or 39.5% as compared to \$2.1 million in 2Q 2019. The gross profit margin also increased from 27.9% in 2Q 2019 to 39.7% in 2Q 2020.

The increase in gross profit was primarily attributed to the reduction in unit cost of production as a result of the ongoing cost control measures and the enhancement in productivity across all business segments.

Profit for the period

1H 2020 vs. 1H 2019 / 2Q 2020 vs. 2Q 2019

The Group reported a profit of \$3.1 million for 1H 2020 as compared to \$1.8 million for 1H 2019 with a profit of \$1.4 million for 2Q 2020 as compared to \$1.0 million for 2Q 2019.

The increase in profit in 1H 2020 and 2Q 2020, as compared to 1H2019 and 2Q 2019 is in line with the increase in gross profit.

STATEMENT OF FINANCIAL POSITION

Total Group's assets increased by \$1.2 million or 2.0% from \$56.6 million as at 30 June 2019 to \$57.8 million as at 31 December 2019. The increase was primarily due to the increase in fixed and call deposits of \$4.7 million and the recognition of \$1.6 million ROU assets in relation to the land lease with JTC, in accordance with the adoption of SFRS(I) 16 *Leases*. Overall increase was partially offset by the decrease in cash and bank balances of \$2.6 million, trade and other receivables of \$1.5 million, inventories of \$0.2 million, property, plant and equipment of \$0.3 million as well as other financial assets at amortised cost of \$0.5 million.

Other financial assets at amortised cost as at 31 December 2019 include bond investment of \$500,000 in the \$100 million tranche at 4.25 per cent which matured in September 2018, issued under Hyflux Ltd's Medium Term Note Programme.

In respect of this bond investment, the Group has recognised an impairment loss of \$375,000 for the financial year ended 30 June 2019. During the 6 months ended 31 December 2019, a further impairment loss of \$50,000 was recognised in view of the developments in relation to Hyflux Ltd's financial situation. A total impairment loss of \$425,000 was recognised as at 31 December 2019 with the remaining book value of \$75,000.

Total Group's liabilities increased by \$0.6 million or 8.5% from \$7.1 million as at 30 June 2019 to \$7.7 million as at 31 December 2019. The increase was primarily due to the recognition of \$1.6 million lease liability in relation to the land lease with JTC, in accordance with the adoption of SFRS(I) 16 *Leases* and income tax payable of \$0.2 million. This overall increase was partially offset by the decrease in trade and other payables of \$1.2 million.

The Group had a positive working capital of \$39.0 million as at 31 December 2019 as compared to \$38.4 million as at 30 June 2019.

STATEMENT OF CASH FLOW

The Group generated net cash from operating activities of \$4.6 million for the six (6) months ended 31 December 2019. This was primarily due to the profit generated for the period.

Net cash used in investing activities was \$4.5 million, which was mainly attributed to the placement of fixed deposits with financial institutions with over three (3)-month tenures. Net cash used in financing activities was \$2.7 million, which was primarily due to dividend paid.

There was a decrease in cash and cash equivalents of \$2.6 million for 1H 2020.

The Group closed the period with cash and cash equivalents of \$7.2 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 September 2019. The Group's results for the second quarter ended 31 December 2019 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 2019.

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.

With more uncertainty in the market, the Group remains cautious and continues working towards leveraging in its core competencies, strengthening its capabilities and extending its customer base, while at the same time exploring new growth opportunities, including mergers and acquisitions, to further enhance its business performance and shareholder value.

11. Dividends.

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

Period	31 December 2019
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.0 cent 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 2018
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.8 cents per ordinary share
Tax Rate	One tier tax exempt

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

Not applicable.

(d) The date the dividend is payable.

The interim dividend will be paid on 15 May 2020.

(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 2020 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 30 April 2020 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 30 April 2020 will be entitled to the interim dividend.

12. **If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

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 2019, 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 2019 (S\$ million)	Balance as at 31 December 2019 (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 2019 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 2020