

**AVI-TECH ELECTRONICS LIMITED**

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Website: <http://www.avi-tech.com.sg>**FOR IMMEDIATE RELEASE****Avi-Tech registered revenue of S\$61.1 million and PBT of S\$12.9 million for 9M08**

SINGAPORE – THURSDAY, 8 MAY 2008 – Mainboard-listed Avi-Tech Electronics Limited ('Avi-Tech') one of the region's leading 'one-stop' total Burn-In solutions providers to the semiconductor industry, today announced its unaudited financial results for the third quarter ("3Q08") and nine months ended 31 March 2008 ("9M08").

Group Financial Snapshot

In S\$'million	3Q08	3Q07	+/- %	9M08	9M07	+/- %
Revenue	17.5	18.1	-3.4	61.1	55.2	+10.7
Gross profit	5.2	7.2	-27.1	18.5	19.7	-6.3
Profit before tax ("PBT")	3.3	5.6	-40.3	12.9	15.1	-14.8
Net profit for the period	2.6	4.6	-42.6	10.3	12.2	-15.5
Earnings per share (diluted) based on weighted average number of ordinary shares (in cents)	0.75	1.77	-	2.94	4.65	-
Cash balances	46.1	10.7	-	46.1	10.7	-
	As at 31 Mar 08	As at 31 Dec 07				
Total equity for the Group	64.8	62.2				

The Group's net assets value per share is 18.50 cents as at 31 March 2008.

Results analysis

The Group's revenue grew 10.7% to \$61.1 million in 9M08 from S\$55.2M in 9M07, due to higher sales in the USA region for the Group's Engineering Services business segment. 3Q08 revenue declined marginally by S\$0.6 million to S\$17.5 million from S\$18.1 million in 3Q07, attributed to a weaker demand in Burn-In and Related Services.

The Group's gross profit declined 27.1% to S\$5.2 million in 3Q08 from S\$7.2 million in 3Q07 as a result of lower margin in Burn-In and Related Services and increase in materials used due to a higher proportion of revenue contribution from the Engineering Services business segment. In addition, the weakening of the United States dollar has negatively impacted the Group's gross profit. Correspondingly, gross margin decreased by 9.8% to 30% in 3Q08 from 39.8% in 3Q07. For the nine

months ended 31 March 2008, however, there was a slight decline of S\$1.2 million or 6.1% in gross profit to S\$18.5 million from S\$19.7 million when compared to the corresponding 9 months in the previous Financial Year.

Administrative expenses increased by S\$0.3 million from S\$1.7 million in 3Q07 to S\$2.0 million in 3Q08 due mainly to increases in headcount, resulting in higher payroll cost, and also foreign currency exchange adjustment loss due to the strength of the Singapore dollars against the United States dollars. For 9M08, administrative expenses increased by S\$1.3 million to S\$6.1 million in 9M08 from S\$4.8 million in 9M07.

Consequently, net profit declined by 42.5% from S\$4.6 million in 3Q07 to S\$2.6 million in 3Q08 attributed to lower margins and higher operating costs. Correspondingly, the Group's net profit declined 15.5% from S\$12.2 million in 9M07 to S\$10.3 million in 9M08.

Mr EH Lim, CEO of Avi-Tech Electronics Ltd, said, "For 3Q08, our profitability performance has been weaker than for the same period last year primarily due to rising cost of sales from increase in materials from our Engineering Services business segment which achieved higher volume of sales to the USA as we diversify our earning base. With the increase in revenue contribution from Engineering Services, there is a consequent increase in cost of materials which impacted our margin. Nonetheless, the Group still achieved a healthy 19% PBT margin in 3Q08."

On the Group's balance sheet, cash and cash equivalents rose by S\$8.8 million from S\$37.3 million in 2Q08 to S\$46.1 million in 3Q08 due to improved collection from customers. Trade receivables decreased by S\$8.8 million in 3Q08 to S\$15.3 million attributed to tighter control over collection of receivables. Inventories decreased by S\$1.1 million in 3Q08 to \$4.7 million due to improved inventory management. Trade payables decreased by S\$3.2 million to S\$4.2 million in 3Q08 as the Group took advantage of early payment cash discounts from major suppliers. Cash flow generated from operating activities thus increased from S\$3.6 million in 3Q07 to S\$9.3 million, largely attributable to improved collection from customers and improved inventory management. The Group held its cash position at S\$46.1 million, up from S\$10.7 million in the same quarter last year.

Trends & Growth Strategies

The following industry trends will continue:

- (a) volatility in demand for more electronic devices resulting from a drop in consumers' confidence;
- (b) continued outsourcing of Burn-In services; and
- (c) increased complexity of semiconductors.

The Group believes that competitive conditions will exist as the semiconductor industry has seen wide fluctuations in both demand and supply. Deteriorating financial conditions in the United States caused by, among other things, the defaults on sub-prime mortgage loans, will further accelerate the slow down in the US economy. This has to some extent impacted industry trends. The Group is concerned

that any resulting prolonged financial crisis will impact the semiconductor operating environment and the Group's performance will be affected.

"Even in light of the challenging market conditions face by the semiconductor industry, overall industry trends such as continued outsourcing of Burn-In services and increased complexity of semiconductors is likely to continue. Furthermore, despite the lacklustre outlook for the electronics industry in 2008, the rapid growth in sales of consumer electronics in China will create opportunities for semi-conductor manufacturers in that market with consequent opportunities for our Burn-In facilities in Suzhou."

"We have a strong order book of S\$7.1 million as at 30 April 2008 and are continuously working towards further strengthening this. We have put in key growth strategies which included growing our services in the niche area of High Power Burn-In services and turnkey-based engineering system integration projects, expanding our customer base and exploring new market opportunities in the region with a longer term view to grow the Group's top and bottom lines. We will also be looking at synergistic and strategic tie-ups, collaborations, alliances, and possibly mergers and acquisitions should such opportunities present themselves, to further enhance the Group's competitiveness. The successful implementation of these strategies will position the Group for sustainable revenue and profit growth going forward."

Avi-Tech was listed on the SGX Mainboard on 25 July 2007. The initial public offering of Avi-Tech was sponsored by Westcomb Capital Pte Ltd.

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This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

About Avi-Tech Electronics Limited (Co. Reg. No. 198105976)

Incorporated in Singapore in 1981, Avi-Tech Electronics is one of the region's leading 'one-stop' total Burn-In solutions providers to the semi-conductor industry. We offer a comprehensive suite of products and services for the semiconductor industry.

For more information, please visit <http://www.avi-tech.com.sg>

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