

**AVI-TECH ELECTRONICS LIMITED**

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Website: <http://www.avi-tech.com.sg>**Draft 2 dated 28 August 08****FOR IMMEDIATE RELEASE****Avi-Tech's FY08 revenue improves to S\$74.3M**

- ***Strong cash flow of S\$50M***
- ***Propose final dividend payout of 0.5 cent per share for FY08***

SINGAPORE – THURSDAY, 28 AUGUST 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 full year 2008 ("FY08") and fourth quarter ("4Q08") ended 30 June 2008.

Group Financial Snapshot

In S\$ million	4Q08	4Q07	+/- %	FY08	FY07	+/- %
Revenue	13.2	15.2	-13.3	74.3	70.4	5.5
Gross profit	3.4	5.0	-32	21.9	24.7	-11.5
Profit before tax ("PBT")	2.1	3.7	-44.2	14.9	18.8	-20.5
Net profit for the period	1.6	3.3	-51.4	11.9	15.5	-23.1
Earnings per share (diluted) based on weighted average number of ordinary shares (in cents)	0.45	1.25	-	3.45	5.90	-
Cash balances	50.0	15.3	-	50.0	15.3	-
	As at 30 Jun 08	As at 30 Jun 07				
Total equity for the Group	62.9	31.2				

The Group's net assets value per share is 17.96 cents as at 30 June 2008.

Results analysis

The Group's revenue grew by 5.5% to S\$74.3M in FY08 from S\$70.4M in FY07, on the back of positive contributions from the Group's Engineering Services and Design and Manufacture of Burn-in-Boards business divisions.

The Group's gross profit marginally declined by S\$2.9M or 11.5% to S\$21.8M in FY08 from S\$24.7M in FY07 due to the weakening of the US dollar in the face of a declining US economy. Gross margin

correspondingly fell from 35.1% in FY07 to 29.4% in FY08, on account of lower margin contribution from Burn-In and Related Services. The lower margin coupled with increased costs led to a decline in net income by 23.1% to S\$11.9M from the previous year's S\$15.5M.

Quarter on quarter, due to the negative effect on business adversely affected by the continued deterioration in the US economy, Group revenue declined by S\$2M or 13.3% to S\$13.2M. Gross profit fell by 32% from S\$5M in 4Q07 to S\$3.4M in 4Q08 on the back of lower margin in Burn-In and Related Services and the continued weakening of the US dollar. Gross profit margin thus fell by 7% from 32.6% in 4Q07 to 25.6% in 4Q08. Group net income consequently declined by a larger than proportionate 51.4% to S\$1.6M in the fourth quarter of FY08 from S\$3.3M in the corresponding period last.

Higher administrative expenses also exerted pressure on profits. Administrative expenses increased by S\$1.4M from S\$6.3M in FY07 to S\$7.7M in FY08 due mainly to foreign currency exchange adjustment loss arising from the persistent strengthening of the Singapore dollar vis-à-vis the US dollar, as well as from the initial operating costs from the Group's PRC subsidiary.

The Group's balance sheet, nevertheless, continues to look strong, with cash and cash equivalents increasing by S\$3.9M from S\$46.1M in 3Q08 to S\$50M in 4Q08. In 4Q08, trade receivables decreased by S\$4.3M to S\$10.9M while inventories decreased by S\$2.2M to S\$2.5M. Trade payables, meanwhile, decreased by S\$1.7M to S\$2.5M in the last quarter, with the Group taking advantage of early payment cash discounts from major suppliers.

The Group proposed to pay a final dividend payout of 0.5 cent per share for FY08. The proposed final dividend, subject to approval at the Group's forthcoming Annual General Meeting, will be paid on November 20, 2008.

Mr EH Lim, CEO of Avi-Tech Electronics Ltd, said, "We were not able to escape the negative widespread effects of the declining US economy which greatly impacted our financial performance, particularly in the second half of FY08. A weakening US dollar negatively affected revenue, as a substantial portion of our sales are denominated in US dollars. We are monitoring the current economic situation and assessing steps to be taken to mitigate the foreign exchange situation. Nevertheless, fundamentally, our business divisions are still robust and performing well, with increased revenue contributions from Engineering Services and the Design and Manufacture of Burn-in Boards."

Trends & Growth Strategies

The Group believes that 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.

Competitive conditions will exist as the semiconductor industry has seen wide fluctuations in both demand and supply. The deteriorating financial conditions in the United States, caused by further 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 therefore concerned that any resulting prolonged financial crisis will impact the semiconductor operating environment and consequently, the Group's performance.

Added Mr Lim, "Despite the very challenging global economic conditions which are impacting the semiconductor industry, industry trends such as continued outsourcing of Burn-In services and increased complexity of semiconductors are likely to continue into the future. As such, by adhering to our strategy of growing our services in the niche area of High Power Burn-In services and turnkey-based engineering system integration projects and the expansion of our customer base, we remain optimistic about the Group's longer term prospects for sustained revenue and profit growth. To further enhance our competitiveness, we are continuing to look for synergistic and strategic mergers and acquisitions, alliances and collaborative partnerships and joint ventures. Specifically, we are widening our network of partners to include those in the medical and life sciences industries which offers us an opportunity to leverage on our technical expertise to enter new high growth areas."

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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