

AVI-TECH ELECTRONICS LIMITED

(Company Registration No. 198105976H)

Unaudited Second Quarter And Half Year Financial Statements For The Period Ended December 31, 2009**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS**

- 1(a) 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 December 31, 2009

	2Q		Group Change %	1H		Change %
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000	
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	6,787	10,224	(33.6)	13,636	19,386	(29.7)
Cost of sales	(4,771)	(6,833)	(30.2)	(9,378)	(12,326)	(23.9)
Gross profit	<u>2,016</u>	<u>3,391</u>	(40.5)	<u>4,258</u>	<u>7,060</u>	(39.7)
Other operating income	468	254	84.3	930	451	106.2
Distribution costs	(45)	(5)	800.0	(64)	(54)	18.5
Administrative expenses	(1,256)	(1,276)	(1.6)	(2,808)	(2,689)	4.4
Finance costs	(27)	(53)	(49.1)	(65)	(108)	(39.8)
Profit before income tax	<u>1,156</u>	<u>2,311</u>	(50.0)	<u>2,251</u>	<u>4,660</u>	(51.7)
Income tax expense	(149)	(446)	(66.6)	(306)	(915)	(66.6)
Profit for the period	<u><u>1,007</u></u>	<u><u>1,865</u></u>	(46.0)	<u><u>1,945</u></u>	<u><u>3,745</u></u>	(48.1)
Other comprehensive income for the period:						
Foreign currency translation differences for foreign operations	<u>(32)</u>	<u>(8)</u>	300.0	(56)	53	(205.7)
Other comprehensive income for the periods, net of tax	<u>(32)</u>	<u>(8)</u>	300.0	(56)	53	(205.7)
Total comprehensive income for the period attributable to shareholders	<u><u>975</u></u>	<u><u>1,857</u></u>	(47.5)	<u><u>1,889</u></u>	<u><u>3,798</u></u>	(50.3)
Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(307)	(295)	4.1	(633)	(798)	(20.7)
Foreign currency exchange adjustment (loss)/gain	(283)	(21)	1,247.6	(639)	286	(323.4)
Interest income	216	156	38.5	382	282	35.5
Rental income	67	67	-	123	135	(8.9)

- 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 December 31, 2009

	Group		Company	
	31.12.2009 \$'000 Unaudited	30.06.2009 \$'000 Audited	31.12.2009 \$'000 Unaudited	30.06.2009 \$'000 Audited
ASSETS				
Current assets				
Cash and bank balances	6,255	15,169	5,891	15,001
Fixed and call deposits	45,358	36,311	45,358	36,311
Trade receivables	6,588	6,474	6,573	6,437
Other receivables and prepaid expenses	508	655	476	635
Inventories	2,943	2,581	2,943	2,581
Held for trading investments	500	750	500	750
Total current assets	<u>62,152</u>	<u>61,940</u>	<u>61,741</u>	<u>61,715</u>
Non-current assets				
Subsidiary	-	-	3,856	3,488
Club membership	29	59	29	59
Property, plant and equipment	<u>14,956</u>	<u>14,557</u>	<u>14,494</u>	<u>14,012</u>
Total non-current assets	<u>14,985</u>	<u>14,616</u>	<u>18,379</u>	<u>17,559</u>
Total assets	<u><u>77,137</u></u>	<u><u>76,556</u></u>	<u><u>80,120</u></u>	<u><u>79,274</u></u>
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	612	612	612	612
Trade payables	3,476	1,646	3,422	1,646
Other payables	1,427	2,189	1,396	2,092
Current portion of finance leases	32	55	32	55
Income tax payable	<u>1,165</u>	<u>1,481</u>	<u>1,165</u>	<u>1,481</u>
Total current liabilities	<u>6,712</u>	<u>5,983</u>	<u>6,627</u>	<u>5,886</u>
Non-current liabilities				
Bank loan	5,099	5,405	5,099	5,405
Finance leases	33	38	33	38
Deferred tax liabilities	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
Total non-current liabilities	<u>5,932</u>	<u>6,243</u>	<u>5,932</u>	<u>6,243</u>
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Tresary shares	(618)	(618)	(618)	(618)
Reserves	<u>33,379</u>	<u>33,216</u>	<u>36,447</u>	<u>36,031</u>
	<u>64,493</u>	<u>64,330</u>	<u>67,561</u>	<u>67,145</u>
Total liabilities and equity	<u><u>77,137</u></u>	<u><u>76,556</u></u>	<u><u>80,120</u></u>	<u><u>79,274</u></u>

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

Amount repayable in one year or less, or on demand

December 31, 2009*		June 30, 2009	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
644	-	667	-

Amount repayable after one year

December 31, 2009*		June 30, 2009	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
5,132	-	5,443	-

* Unaudited

Details of any collateral

The building and leasehold improvements with carrying amount of \$11,731,000 (June 30, 2009: \$11,858,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with carrying amount of \$73,000 (June 30, 2009: \$113,000) are secured by the lessors' titles to the leased assets.

1(c) A statement of cash flow 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 and half year ended December 31, 2009

	31.12.09 2Q 2010 \$'000	31.12.08 2Q 2009 \$'000	31.12.09 1H 2010 \$'000	31.12.08 1H 2009 \$'000
Operating activities				
Profit before income tax	1,156	2,311	2,251	4,660
Adjustments for:				
Depreciation of property, plant and equipment	307	295	633	798
(Reversal of) allowance for doubtful debts	-	-	(4)	-
Fair value gain on held for trading investments	(54)	-	(122)	-
Impairment loss on club membership	15	16	29	30
Interest expense	27	53	65	108
Interest income	(216)	(156)	(382)	(282)
Operating cash flows before movements in working capital	1,235	2,519	2,470	5,314
Trade receivables	422	2,984	(110)	2,979
Other receivables and prepaid expenses	606	16	147	295
Inventories	(143)	1,076	(362)	(214)
Trade payables	1,447	(625)	1,830	(263)
Other payables	(493)	(1,034)	(761)	(1,754)
Cash from generated from operations	3,074	4,936	3,214	6,357
Income tax paid	(374)	(578)	(623)	(1,416)
Interest paid	(27)	(53)	(65)	(108)
Interest received	216	156	382	282
Net cash generated from operating activities	2,889	4,461	2,908	5,115
Investing activities				
Additions to plant and equipment	(1,046)	(84)	(1,053)	(176)
Proceed from sale of held for trading investments	372	-	372	-
Net cash used in investing activities	(674)	(84)	(681)	(176)
Financing activities				
Dividends paid	(1,726)	(1,752)	(1,726)	(1,752)
Purchase of treasury shares	-	(309)	-	(309)
Repayment of finance leases	(12)	(14)	(27)	(28)
Repayment of bank loan	(153)	(153)	(306)	(306)
Net cash used in financing activities	(1,891)	(2,228)	(2,059)	(2,395)
Net effect of exchange rate changes in consolidating subsidiary	(31)	(9)	(34)	52
Net increase in cash and cash equivalents	293	2,140	133	2,596
Cash and cash equivalents at beginning of financial period	51,320	50,945	51,480	50,489
Cash and cash equivalents at end of financial period (NOTE A)	51,613	53,085	51,613	53,085

NOTE A

Cash and cash equivalents consists of:	2Q 2010 \$'000	2Q 2009 \$'000	1H 2010 \$'000	1H 2009 \$'000
Cash and bank balances	6,255	3,502	6,255	3,502
Fixed and call deposits	45,358	49,583	45,358	49,583
	51,613	53,085	51,613	53,085
Less: Pledged deposits	-	-	-	-
	51,613	53,085	51,613	53,085

1(d)(i) A statement for 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 December 31, 2009

	Share capital \$'000	Treasury Shares \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
GROUP						
Balance at July 1, 2009	31,732	(618)	106	33,110	33,216	64,330
Total comprehensive income for the periods	-	-	(24)	938	914	914
Balance at September 30, 2009 (*)	<u>31,732</u>	<u>(618)</u>	<u>82</u>	<u>34,048</u>	<u>34,130</u>	<u>65,244</u>
Total comprehensive income for the periods	-	-	(32)	1,007	975	975
Dividends paid	-	-	-	(1,726)	(1,726)	(1,726)
Balance at December 31, 2009 (*)	<u><u>31,732</u></u>	<u><u>(618)</u></u>	<u><u>50</u></u>	<u><u>33,329</u></u>	<u><u>33,379</u></u>	<u><u>64,493</u></u>
Balance at July 1, 2008	31,732	-	13	31,171	31,184	62,916
Total comprehensive income for the periods	-	-	61	1,880	1,941	1,941
Balance at September 30, 2008 (*)	<u>31,732</u>	<u>-</u>	<u>74</u>	<u>33,051</u>	<u>33,125</u>	<u>64,857</u>
Dividends paid	-	-	-	(1,752)	(1,752)	(1,752)
Total comprehensive income for the periods	-	-	(8)	1,865	1,857	1,857
Share buyback held back in treasury	-	(309)	-	-	-	(309)
Balance at December 31, 2008 (*)	<u><u>31,732</u></u>	<u><u>(309)</u></u>	<u><u>66</u></u>	<u><u>33,164</u></u>	<u><u>33,230</u></u>	<u><u>64,653</u></u>

(*) unaudited

	Share capital \$'000	Treasury Shares \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
COMPANY					
Balance at July 1, 2009	31,732	(618)	36,031	36,031	67,145
Total comprehensive income for the period	-	-	1,067	1,067	1,067
Balance at September 30, 2009 (*)	<u>31,732</u>	<u>(618)</u>	<u>37,098</u>	<u>37,098</u>	<u>68,212</u>
Total comprehensive income for the periods	-	-	1,075	1,075	1,075
Dividends paid	-	-	(1,726)	(1,726)	(1,726)
Balance at December 31, 2009 (*)	<u><u>31,732</u></u>	<u><u>(618)</u></u>	<u><u>36,447</u></u>	<u><u>36,447</u></u>	<u><u>67,561</u></u>
Balance at July 1, 2008	31,732	-	33,548	33,548	65,280
Total comprehensive income for the periods	-	-	2,010	2,010	2,010
Balance at September 30, 2009 (*)	<u>31,732</u>	<u>-</u>	<u>35,558</u>	<u>35,558</u>	<u>67,290</u>
Total comprehensive income for the periods	-	-	1,890	1,890	1,890
Dividends paid	-	-	(1,752)	(1,752)	(1,752)
Share buyback held back in treasury	-	(309)	-	-	(309)
Balance at December 31, 2008 (*)	<u><u>31,732</u></u>	<u><u>(309)</u></u>	<u><u>35,696</u></u>	<u><u>35,696</u></u>	<u><u>67,119</u></u>

(*) 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 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.

There were no changes in the Company's Share Capital during the half year ended December 31, 2009.

The Company did not allot or issue any shares, or grant any share options under the Avi-Tech Employee's Share Option Scheme.

As at December 31, 2009, there were no outstanding share options/warrants/convertible securities (June 30, 2009: Nil).

As at December 31, 2009, the total number of issued shares excluding treasury shares was 345,220,096 (June 30, 2009: 345,220,096).

Treasury Shares	Number of shares ('000)	S'000
Balance as at July 1, 2009 and December 31, 2009	5,180	618

Pursuant to the share buyback mandate approved by shareholders on October 29, 2008 the Company purchased a total of 5,180,000 shares through on-market purchases transacted on the Singapore Exchange Securities Trading Limited. The total amount paid for the purchases was \$618,000 which has been deducted from shareholders' equity. The repurchased shares are held as treasury shares.

As at December 31, 2009, 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 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 have been applied as in the company's most recently audited annual financial statements.

The Company has consistently applied the same accounting policies and methods of computation in the consolidated financial statements for the current financial period compared to the audited consolidated financial statements for the financial year ended 30 June, 2009. From financial years beginning on or after July 1, 2009, FRS 1 (Revised) Presentation of financial statements is effective and requires an entity to present all non-owner changes equity in a Statement of Comprehensive Income. This is change in disclosure with no impact on the financial position or financial performance of the Group.

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.**

None.

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	Period ended December 31,			
	2Q 2010	2Q 2009	1H 2010	1H 2009
Earnings per ordinary shares (cents)				
Basic	0.29	0.53	0.56	1.07
Diluted	0.29	0.53	0.56	1.07
Weighted average number of ordinary shares in issue for basic EPS	345,220,096	349,476,763	345,220,096	349,938,429
Weighted average number of ordinary shares in issue for diluted EPS	345,220,096	349,476,763	345,220,096	349,938,429

7. **Net asset value per ordinary share based on the issued share capital of the issuer at the end of:**
(a) current financial period reported on; and
(b) immediate preceding financial year.

	GROUP		COMPANY	
	31.12.2009	30.06.2009	31.12.2009	30.06.2009
Net assets value per ordinary share (cents):	18.68	18.63	19.57	19.45
Number of ordinary shares at period/year end	345,220,096	345,220,096	345,220,096	345,220,096

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 Second Quarter ended December 31, 2009 (“2Q 2010”) vs. Second Quarter ended December 31, 2008 (“2Q 2009”) and First Half ended December 31, 2009 (“1H 2010”) vs. First Half ended December 31, 2008 (“1H 2009”)**

Revenue

1H 2010 Vs 1H 2009

In the half year ended December 31, 2009 (1H 2010), the Group reported a decrease in revenue of 29.7% from \$19.4 million to \$13.6 million as compared to the half year ended December 31, 2008 (1H 2009).

Revenue from the Engineering Services business segment decreased by 59% from \$9.5 million to \$3.9 million. The decrease in revenue is due primarily to lower capital expenditure and lower repair work orders by the Company’s customers amid weaker market demand triggered by the slowdown in the semiconductor industry.

The Burn-in Services business segment reported a decrease in revenue of 22%, from \$6.5 million to \$5.1 million. The decrease is due primarily to lower demand for electronic devices and products amid the weak global economy.

Revenue from the Burn-in Boards and Boards Manufacturing business segment reported an increase in revenue of 44%, from \$3.2 million to \$4.6 million. This is due primarily to an increase in the range of electronics board products introduced by the Company over a larger selection of oven platform.

2Q 2010 Vs 2Q 2009

For the three months ended December 31, 2009 (2Q 2010), the Group reported a decrease in revenue of \$3.4 million from \$10.2 million to \$6.8 million. The Engineering Services business segment turned in a weak performance in 2Q 2010, reporting a decrease in revenue of \$4.3 million from \$5.7 million to \$1.4 million. Both Burn-In Services and Burn-In Boards and Boards Manufacturing business segments reported slight improved performances with revenue increase of \$121,000 and \$753,000 respectively.

Gross profit

1H 2010 Vs 1H 2009

In the half year ended December 31, 2009 (1H 2010), the Group reported a decrease in gross profit of 39.7% from \$7.1 million in 1H 2009 to \$4.3 million in 1H 2010. Gross profit margin decreased from 36.4% to 31.2%. The drop in gross profit margin is due primarily to lower revenue from repair works performed by the Engineering Services business segment which generally yields higher profit margins. In addition, the decrease in the business activities of the Engineering Services business segment does not result in a proportionate decrease in the cost of sales as a portion of its cost of sales are fixed in nature.

2Q 2010 Vs 2Q 2009

For the three months ended December 31, 2009 (2Q 2010), the Group reported a decrease in gross profit of 40.5% from \$3.4 million in 2Q 2009 to \$2 million in 2Q 2010. Gross profit margin decreased from 33.2% to 29.7%. The decrease is due primarily to lower revenue from repair works performed by the Engineering Services business segment which generally yields higher profit margins.

Other operating income

1H 2010 Vs 1H 2009

In the half year ended December 31, 2009 (1H 2010), the Group reported an increase in other operating income of 106% from \$451,000 in 1H 2009 to \$930,000 in 1H 2010. The increase is due primarily to a one time sale of scrap materials and receipts from the Singapore Government's 'Jobs Credit Scheme'.

Administrative expenses

1H 2010 Vs 1H 2009

In the half year ended December 31, 2009 (1H 2010), the administrative expenses was \$2.8 million, an increase of 4.4% or \$119,000 as compared to \$2.7 million in 1H 2009. The increase in administrative expenses is due primarily to foreign exchange adjustment loss of \$639,000 in 1H 2010 as compared to a gain of \$286,000 in 1H 2009, due to the weakening of the US dollar in the current period.

Profit for the period

1H 2010 Vs 1H 2009

In the half year ended December 31, 2009 (1H 2010), the Group reported a decline in profit of 48.1% from profit of \$3.7 million in 1H 2010 to \$1.9 million in 1H 2009. The decrease is due primarily to a decrease in revenue which was not in proportion to the decrease in cost of sales and operating expenses.

Statement of Financial Position

Inventory increased by \$362,000 to \$2.9 million due to higher level of stock holdings as a result of an increase in Burn-In Boards and Boards Manufacturing business.

Held for trading investments decreased by \$250,000 to \$500,000 due to early redemption of an investment fund.

Property, plant and equipment increased by \$399,000 to \$15 million. The increase is due primarily to capital expenditure for the Burn-in Services business segment.

Trade payables increased by \$1.8 million to \$3.5 million. This is due primarily to an increase in sales orders, resulting in an increase in purchases made in the half year ended December 31, 2009.

Other payables decreased by \$762,000 to \$1.4 million due to payment of staff bonuses and directors' fees.

Income tax payable decreased by \$316,000 to \$1.2 million due to payment of tax.

Bank loan decreased by \$306,000 to \$5.1 million due to repayments of the bank loan.

Cash and cash equivalents were \$51.6 million. Included in cash and cash equivalents were time deposits and fixed deposits in various financial institutions.

Capital and reserves increased by \$163,000 to \$64.5 million due to a profit of \$2 million recorded in the half year ended December 31, 2009. The increase is partially offset by the payment of final dividend for financial year ended June 30, 2009 which amounted to \$1.7 million.

9. Where a forecast or a prospect statement, has been previously disclosed to shareholders, any variance between it and actual.

Not applicable.

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 challenging global operating environment has affected our business performances for the first half of the financial year. Although both the Burn-in Services and Burn-in Boards and Boards Manufacturing business segments have shown an improvement in sales, business activities in the Engineering Services business segment remains stagnant. We anticipate that the current business environment will continue to remain challenging, with volatility in foreign exchange rates, energy prices and cost of raw materials.

Despite not seeing a recovery in the demand for our Engineering Services for the first half of the financial year, the Group has remained profitable. We continue to maintain a strong cash position with a healthy balance sheet and is well positioned to take advantage of any business and growth opportunities, and to ride on the upturn when it occurs.

We will continue to pursue synergistic mergers and acquisitions, alliances, collaborative partnerships and joint ventures, as well as exploring new projects with technology partners. We remain optimistic of the Group's long-term prospects for sustained revenue and profit growth.

11. **DIVIDEND**

(a) **Current financial year reported on**

Dividend proposed

Period	December 31, 2009
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.25 cent per ordinary share
Tax Rate	one tier tax exempt

(b) **Corresponding Period of the Immediately Preceding Financial Year.**

Period	December 31, 2008
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.5 cent per ordinary share
Tax Rate	one tier tax exempt

(c) **Date payable**

The proposed interim dividend will be paid on March 15, 2010.

(d) **Books closure date**

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on March 5, 2010 for the preparation of the proposed interim dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01 Samsung Hub, Singapore 049483 (with effect from 22 February 2010 - 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623), up to 5.00 p.m. on March 4, 2010 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 March 4, 2010 will be entitled to the proposed interim dividend.

12. **If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

BY ORDER OF THE BOARD

Lim Eng Hong
Chief Executive Officer
5 February 2010

Negative assurance confirmation on interim financial results under Rule 705 (4) of the SGX-ST
The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the Second Quarter financial statements ended December 31, 2009 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

Wilfred Teo Chu Khiong
Chief Financial Officer