

AVI-TECH ELECTRONICS LIMITED(Company Registration No. 198105976H)**Unaudited Second Quarter And Half Year Financial Statements For The Period Ended 31 December 2010****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 31 December 2010

	2Q		Change %	Group		Change %
	2011 \$'000 Unaudited	2010 \$'000 Unaudited		1H 2011 \$'000 Unaudited	1H 2010 \$'000 Unaudited	
Revenue	8,670	6,787	27.7	16,876	13,636	23.8
Cost of sales	(6,062)	(4,771)	27.1	(11,789)	(9,378)	25.7
Gross profit	<u>2,608</u>	<u>2,016</u>	29.4	<u>5,087</u>	<u>4,258</u>	19.5
Other operating income	239	468	(48.9)	624	930	(32.9)
Distribution costs	(40)	(45)	(11.1)	(80)	(64)	25.0
Administrative expenses	(1,444)	(1,256)	15.0	(2,921)	(2,808)	4.0
Finance costs	(17)	(27)	(37.0)	(36)	(65)	(44.6)
Profit before income tax	<u>1,346</u>	<u>1,156</u>	16.4	<u>2,674</u>	<u>2,251</u>	18.8
Income tax expense	(256)	(149)	71.8	(449)	(306)	46.7
Profit for the period	<u><u>1,090</u></u>	<u><u>1,007</u></u>	8.2	<u><u>2,225</u></u>	<u><u>1,945</u></u>	14.4
Other comprehensive income for the period:						
Foreign currency translation differences for foreign operations	<u>(14)</u>	<u>(32)</u>	(56.3)	<u>25</u>	<u>(56)</u>	n.m.
Other comprehensive income for the periods, net of tax	<u>(14)</u>	<u>(32)</u>	(56.3)	<u>25</u>	<u>(56)</u>	n.m.
Total comprehensive income for the period attributable to shareholders	<u><u>1,076</u></u>	<u><u>975</u></u>	10.4	<u><u>2,250</u></u>	<u><u>1,889</u></u>	19.1
Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(418)	(307)	36.2	(822)	(633)	29.9
Foreign currency exchange adjustment loss	(42)	(283)	(85.2)	(221)	(639)	(65.4)
Interest income	137	216	(36.6)	304	382	(20.4)
Rental income	89	67	32.8	176	123	43.1

n.m.: not meaningful

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 31 December 2010

ASSETS	Group		Company	
	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	\$'000	\$'000	\$'000	\$'000
	Unaudited	Audited	Unaudited	Audited
Current assets				
Cash and bank balances	13,316	4,668	13,067	4,509
Fixed and call deposits	21,604	36,675	21,604	36,675
Trade receivables	7,314	8,504	7,256	8,484
Other receivables and prepaid expenses	776	305	800	313
Inventories	3,404	2,637	3,323	2,611
Held-to-maturity investments	5,070	5,109	5,070	5,109
Held-for-trading investments	500	500	500	500
Total current assets	51,984	58,398	51,620	58,201
Non-current assets				
Subsidiaries	-	-	1,275	969
Held-to-maturity investments	6,667	4,062	6,667	4,062
Goodwill	147	-	-	-
Property, plant and equipment	16,058	15,530	15,690	15,122
Total non-current assets	22,872	19,592	23,632	20,153
Total assets	74,856	77,990	75,252	78,354
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	612	612	612	612
Trade payables	2,831	3,642	2,868	3,734
Other payables	1,770	1,767	1,741	1,735
Current portion of finance leases	57	9	57	9
Income tax payable	811	762	811	746
Total current liabilities	6,081	6,792	6,089	6,836
Non-current liabilities				
Bank loan	4,138	4,638	4,138	4,638
Finance leases	175	33	175	33
Deferred tax liabilities	857	857	857	857
Total non-current liabilities	5,170	5,528	5,170	5,528
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Tresasury shares	(618)	(618)	(618)	(618)
Reserves	32,491	34,556	32,879	34,876
	63,605	65,670	63,993	65,990
Total liabilities and equity	74,856	77,990	75,252	78,354

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

Amount repayable in one year or less, or on demand

31 December 2010*		30 June 2010	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
669	-	621	-

Amount repayable after one year

31 December 2010*		30 June 2010	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
4,313	-	4,671	-

* Unaudited

Details of any collateral

The building and leasehold improvements with carrying amount of \$11,557,000 (30 June 2010: \$11,679,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with carrying amount of \$318,000 (30 June 2010: \$33,000) 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 31 December 2010

	31.12.10 2Q 2011 \$'000	31.12.09 2Q 2010 \$'000	31.12.10 1H 2011 \$'000	31.12.09 1H 2010 \$'000
Operating activities				
Profit before income tax	1,346	1,156	2,674	2,251
Adjustments for:				
Depreciation of property, plant and equipment	418	307	822	633
(Reversal of) allowance for doubtful debts	-	-	3	(4)
Gain on disposal of plant and equipment	-	-	(114)	-
Fair value gain on held for trading investments	-	(54)	-	(122)
Impairment loss on club membership	-	15	-	29
Interest expense	17	27	36	65
Interest income	(137)	(216)	(304)	(382)
Operating cash flows before movements in working capital	1,644	1,235	3,117	2,470
Trade receivables	832	422	1,187	(110)
Other receivables and prepaid expenses	(171)	606	(471)	147
Inventories	(167)	(143)	(767)	(362)
Trade payables	473	1,447	(811)	1,830
Other payables	127	(493)	3	(761)
Cash generated from operations	2,738	3,074	2,258	3,214
Income tax paid	(235)	(374)	(400)	(623)
Interest paid	(17)	(27)	(36)	(65)
Interest received	137	216	304	382
Net cash generated from operating activities	2,623	2,889	2,126	2,908
Investing activities				
Additions to plant and equipment	(856)	(1,046)	(1,356)	(1,053)
Acquisition of subsidiary	(147)	-	(147)	-
Proceed from sale of held-for-trading investment	-	372	-	372
Proceeds on disposal of plant and equipment	-	-	120	-
Purchase of held-to-maturity investments	17	-	(2,566)	-
Net cash used in investing activities	(986)	(674)	(3,949)	(681)
Financing activities				
Dividends paid	(4,315)	(1,726)	(4,315)	(1,726)
Proceed from finance lease creditor	-	-	213	-
Repayment of finance leases	(14)	(12)	(23)	(27)
Repayment of bank loan	(250)	(153)	(500)	(306)
Net cash used in financing activities	(4,579)	(1,891)	(4,625)	(2,059)
Net effect of exchange rate changes in consolidating subsidiaries	(3)	(31)	25	(34)
Net increase/ (decrease) in cash and cash equivalents	(2,945)	293	(6,423)	133
Cash and cash equivalents at beginning of financial period	37,865	51,320	41,343	51,480
Cash and cash equivalents at end of financial period (NOTE A)	34,920	51,613	34,920	51,613

NOTE A

Cash and cash equivalents consists of:	2Q 2011 \$'000	2Q 2010 \$'000	1H 2011 \$'000	1H 2010 \$'000
Cash and bank balances	13,316	6,255	13,316	6,255
Fixed and call deposits	21,604	45,358	21,604	45,358
	34,920	51,613	34,920	51,613
Less: Pledged deposits	-	-	-	-
	34,920	51,613	34,920	51,613

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 capitalisation 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 2010

GROUP	Share Capital \$'000	Treasury Shares \$'000	Currency translation Reserve \$'000	Retained Earnings \$'000	Total Reserves \$'000	Total \$'000
Balance at 1 July 2010	31,732	(618)	77	34,479	34,556	65,670
Total comprehensive income for the period	-	-	39	1,135	1,174	1,174
Balance at 30 September 2010 (*)	<u>31,732</u>	<u>(618)</u>	<u>116</u>	<u>35,614</u>	<u>35,730</u>	<u>66,844</u>
Total comprehensive income for the period	-	-	(14)	1,090	1,076	1,076
Dividends paid	-	-	-	(4,315)	(4,315)	(4,315)
Balance at 31 December 2010 (*)	<u>31,732</u>	<u>(618)</u>	<u>102</u>	<u>32,389</u>	<u>32,491</u>	<u>63,605</u>
Balance at 1 July 2009	31,732	(618)	106	33,110	33,216	64,330
Total comprehensive income for the period	-	-	(24)	938	914	914
Balance at 30 September 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 period	-	-	(32)	1,007	975	975
Dividends paid	-	-	-	(1,726)	(1,726)	(1,726)
Balance at 31 December 2009 (*)	<u>31,732</u>	<u>(618)</u>	<u>50</u>	<u>33,329</u>	<u>33,379</u>	<u>64,493</u>

COMPANY	Share Capital \$'000	Treasury Shares \$'000	Retained Earnings \$'000	Total Reserves \$'000	Total \$'000
Balance at 1 July 2010	31,732	(618)	34,876	34,876	65,990
Total comprehensive income for the period	-	-	1,175	1,175	1,175
Balance at 30 September 2010 (*)	<u>31,732</u>	<u>(618)</u>	<u>36,051</u>	<u>36,051</u>	<u>67,165</u>
Total comprehensive income for the period	-	-	1,143	1,143	1,143
Dividends paid	-	-	(4,315)	(4,315)	(4,315)
Balance at 31 December 2010 (*)	<u>31,732</u>	<u>(618)</u>	<u>32,879</u>	<u>32,879</u>	<u>63,993</u>
Balance at 1 July 2009	31,732	(618)	36,031	36,031	67,145
Total comprehensive income for the period	-	-	1,067	1,067	1,067
Balance at 30 September 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 period	-	-	1,075	1,075	1,075
Dividends paid	-	-	(1,726)	(1,726)	(1,726)
Balance at 31 December 2009 (*)	<u>31,732</u>	<u>(618)</u>	<u>36,447</u>	<u>36,447</u>	<u>67,561</u>

(*) Unaudited

- (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 was no change in the Company's Share Capital during the half year ended 31 December 2010.

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 31 December 2010: (i) there was no outstanding share options/warrants/convertible securities (30 June 2010: Nil); (ii) the total number of issued shares (excluding treasury shares) was 345,220,096 (30 June 2010: 345,220,096); (iii) the total number of treasury shares was 5,180,000 (30 June 2010: 5,180,000); and (iv) there was no sale, transfer, disposal, cancellation and/or use of any 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.**

Other than the adoption of the new and revised Financial Reporting Standards (FRS) which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements for the financial year ended 30 June 2010.

- 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.**

Not applicable.

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 31 December			
	2Q 2011	2Q 2010	1H 2011	1H 2010
Earnings per ordinary shares (cents)				
Basic	0.32	0.29	0.64	0.56
Diluted	0.32	0.29	0.64	0.56
Weighted average number of ordinary shares in issue for basic EPS	345,220,096	345,220,096	345,220,096	345,220,096
Weighted average number of ordinary shares in issue for diluted EPS	345,220,096	345,220,096	345,220,096	345,220,096

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	
	31.12.2010	30.06.2010	31.12.2010	30.06.2010
Net assets value per ordinary share (cents):	18.42	19.02	18.54	19.12
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 31 December 2010 ("2Q 2011") vs. Second Quarter ended 31 December 2009 ("2Q 2010") and First Half ended 31 December 2010 ("1H 2011") vs. First Half ended 31 December 2009 ("1H 2010")**

Revenue

1H 2011 Vs 1H 2010

In the half year ended 31 December 2010 (1H 2011), the Group reported an increase in revenue of 23.8% from \$13.6 million to \$16.9 million as compared to the half year ended 31 December 2009 (1H 2010).

The increase in revenue is primarily due to higher sales reported by the Burn-in Boards and Board Manufacturing and Burn-in Services business segments. The Burn-in Boards and Board Manufacturing reported an increase in revenue of \$2.3 million, from \$4.6 million in 1H 2010 to \$6.9 million in 1H 2011 and the Burn-in Services reported an increase in revenue of \$1.8 million from \$5.1 million in 1H 2010 to \$6.9 million in 1H 2011. The increase is primarily due to the recovery in the global semiconductor industry.

The increase is partially offset by the lower revenue reported by the Engineering Services business segment which reported a decrease in sales of \$0.8 million from \$3.9 million in 1H 2010 to \$3.1 million in 1H 2011. The decrease is primarily due to lower capital expenditure and lower repair works by the company's major customers as compared to the previous corresponding period.

2Q 2011 Vs 2Q 2010

For the three months ended 31 December 2010 (2Q 2011), the Group reported an increase in revenue of \$1.8 million or 27.7% from \$6.8 million in 2Q 2010 to \$8.6 million in 2Q 2011. All the business segments reported higher sales as compared to the previous corresponding period, with the Engineering Services, Burn-in Services and Burn-in Boards and Board Manufacturing business segments reporting increase in revenue of \$0.8 million, \$0.5 million and \$0.5 million respectively.

Gross profit

1H 2011 Vs 1H 2010

The Group reported an increase in gross profit of 19.5% from \$4.3 million in 1H 2010 to \$5.1 million in 1H 2011. Gross profit margin decreased marginally from 31.2% in 1H 2010 to 30.1% in 1H 2011. The decrease in gross profit margin is primarily due to increase in sales reported by the Burn-in Boards and Board Manufacturing business segment, which generally yields a lower gross profit margin as compared to the other business segments.

2Q 2011 Vs 2Q 2010

The Group reported an increase in gross profit of 29.4% from \$2 million in 2Q 2010 to \$2.6 million in 2Q 2011. Gross profit margin increased from 29.7% to 30.1%. The increase is primarily due to the higher revenue contribution from the Burn-in Services and Engineering Services business segments, which generally commands a higher gross profit margin as compared to the other business segment.

Other operating income

1H 2011 Vs 1H 2010

The Group reported a decrease in other operating income of 32.9% from \$930,000 in 1H 2010 to \$624,000 in 1H 2011. The decrease is primarily due to a non-recurring one time sale of scrap materials and receipts from the Singapore government's 'Jobs Credit Scheme' in 1H 2010. The Jobs Credit Scheme ceased on 30 June 2010.

Administrative expenses

1H 2011 Vs 1H 2010

The Group reported an increase in administrative expenses of 4.0% from \$2.8 million in 1H 2010 to \$2.9 million in 1H 2011. The increase is primarily due to increase in professional and consultancy fees relating to due diligence and legal works performed on prospective business acquisitions and general administrative expenses due to the increase in business activities of the Group. The increase is partially offset by the lower foreign exchange losses suffered by the Group as compared to the previous corresponding period.

Profit for the period

1H 2011 Vs 1H 2010

The Group reported an increase in profit of 14.4% from \$1.9 million in 1H 2010 to \$2.2 million in 1H 2011. The increase in profit is primarily due to the increase in sales reported by the Burn-in Boards and Board Manufacturing and Burn-in Services business segments due to the improved business environment and sentiment in the semiconductor industry. The increase is partially offset by the decrease in profit reported by the Engineering Services business segment due to the drop in sales as compared to the previous corresponding period.

Statement of Financial Position

Trade receivables decreased by \$1.2 million from \$8.5 million as at 30 June 2010 to \$7.3 million as at 31 December 2010. The decrease is primarily due to a major customer clearing some overdue payments which were outstanding as at 30 June 2010.

Inventory increased by \$767,000 to \$3.4 million as at 31 December 2010. The increase is primarily due to higher level of stock holdings by the Engineering Services business segment as a result of increase in production activities.

Held-to-maturity investments increased by \$2.6 million to \$11.8 million as at 31 December 2010, primarily due to purchase of held-to-maturity investments during the half year ended 31 December 2010.

Property, plant and equipment increased by \$0.5 million to \$16.1 million as at 31 December 2010. The increase is primarily due to additional capital expenditure incurred by our Burn-in Services business segment. The increase is partially offset by depreciation during the period.

Trade payables decreased by \$0.8 million to \$2.8 million. The decrease is primarily due to the timing of payments made to trade suppliers. This is in line with the decrease in cash and cash equivalents.

Bank loan decreased by \$0.5 million to \$4.75 million due to repayments of the bank loan.

Cash and cash equivalents were \$34.9 million. Included in cash and cash equivalents were time deposits and fixed deposits in various financial institutions.

Capital and reserves decreased by \$2.1 million to \$63.6 million primarily due to payment of dividends for financial year ended 30 June 2010 which amounted to \$4.3 million. The decrease is partially offset by the profit of \$2.3 million recorded during the half year ended 31 December 2010.

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

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.

Our Burn-in services business segment remains strong and we are seeing a recovery in revenue from our Engineering Services business segment and expect sequential revenue growth from this business segment going into the second half of the financial year. On the Burn-in Boards and Board Manufacturing business segment, we observed that some customers have exercised caution in their order commitments. Nevertheless, we expect revenue to maintain at the current level in the near term.

Current global economic conditions are unpredictable and the business environment continues to be challenging and highly competitive due to strengthening of the Singapore dollar against the United State dollar and the increase in raw material, labor and energy prices. We will continue our efforts to maintain competitiveness, increase operational efficiencies and practice prudent cost management.

The Group has recently announced its venture into LED lighting and life sciences business. Although we may at the initial stage expect some negative impact to the Group's bottom-line, we can foresee significant growth in these business segments over the next couple of years. We will remain committed to explore new business opportunities that will enhance long-term shareholders value.

11. DIVIDEND

(a) Current financial year reported on

Any dividend declared for the current financial period reported on.

Dividend proposed

Period	December 31, 2010
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	31 December 2009
Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend Rate	0.25 cent per ordinary share
Tax Rate	one tier tax exempt

(c) Date payable

The proposed interim dividend will be paid on March 4, 2011.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on February 21, 2011 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., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on February 18, 2011 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 February 18, 2011 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
10 February 2011

Negative assurance confirmation on interim financial results under Rule 705 (5) of the SGX-ST listing manual

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 31 December 2010 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