

AVI-TECH ELECTRONICS LIMITED(Company Registration No. 198105976H)**Unaudited Second Quarter And Half Year Financial Statements For The Period Ended 31 December 2011****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 2011

	2Q		Group Change %	1H		Change %
	2012 \$'000	2011 \$'000		2012 \$'000	2011 \$'000	
	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue	9,332	8,670	7.6	17,892	16,876	6.0
Cost of sales	(7,744)	(6,062)	27.7	(14,630)	(11,789)	24.1
Gross profit	<u>1,588</u>	<u>2,608</u>	(39.1)	<u>3,262</u>	<u>5,087</u>	(35.9)
Other operating income	259	239	8.4	490	624	(21.5)
Distribution costs	(37)	(40)	(7.5)	(92)	(80)	15.0
Administrative expenses	(3,260)	(1,444)	125.8	(6,224)	(2,921)	113.1
Finance costs	(60)	(17)	252.9	(136)	(36)	277.8
(Loss) /Profit before income tax	<u>(1,510)</u>	<u>1,346</u>	(212.2)	<u>(2,700)</u>	<u>2,674</u>	(201.0)
Income tax expense	52	(256)	n.m.	(28)	(449)	(93.8)
(Loss) /Profit for the period	<u>(1,458)</u>	<u>1,090</u>	(233.8)	<u>(2,728)</u>	<u>2,225</u>	(222.6)
Other comprehensive income for the period:						
Foreign currency translation differences for foreign operations	<u>(5)</u>	<u>(14)</u>	(64.3)	<u>(55)</u>	<u>25</u>	n.m.
Other comprehensive income for the periods, net of tax	<u>(5)</u>	<u>(14)</u>	(64.3)	<u>(55)</u>	<u>25</u>	n.m.
Total comprehensive income for the period attributable to shareholders	<u>(1,463)</u>	<u>1,076</u>	n.m.	<u>(2,783)</u>	<u>2,250</u>	n.m.
(Loss)/Profit for the period is arrived at:-						
Depreciation of property, plant and equipment	(470)	(418)	12.4	(909)	(822)	10.6
Foreign currency exchange adjustment gain/(loss)	9	(42)	n.m.	73	(221)	n.m.
Amortisation of other intangible assets	(95)	-	n.m.	(188)	-	n.m.
Interest expense	(60)	(17)	252.9	(136)	(36)	277.8
Interest income	120	137	(12.4)	245	304	(19.4)
Rental income	93	89	4.5	181	176	2.8

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 2011

	Group		Company	
	31.12.2011 \$'000 Unaudited	30.06.2011 \$'000 Audited	31.12.2011 \$'000 Unaudited	30.06.2011 \$'000 Audited
ASSETS				
Current assets				
Cash and bank balances	6,287	7,349	5,675	6,751
Fixed and call deposits	33,000	30,173	33,000	30,173
Trade receivables	7,819	7,010	7,409	6,351
Other receivables and prepayments	516	539	2,130	806
Inventories	6,022	5,846	4,428	3,894
Derivative financial instruments	-	850	-	850
Held-to-maturity financial assets	1,015	4,031	1,015	4,031
Total current assets	<u>54,659</u>	<u>55,798</u>	<u>53,657</u>	<u>52,856</u>
Non-current assets				
Subsidiaries	-	-	2,619	2,346
Property, plant and equipment	15,645	15,524	15,859	15,154
Goodwill	849	886	-	-
Other intangible assets	2,447	2,527	-	-
Held-to-maturity financial assets	3,622	3,634	3,622	3,634
Total non-current assets	<u>22,563</u>	<u>22,571</u>	<u>22,100</u>	<u>21,134</u>
Total assets	<u><u>77,222</u></u>	<u><u>78,369</u></u>	<u><u>75,757</u></u>	<u><u>73,990</u></u>
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans	8,912	7,963	3,750	4,250
Trade payables	4,570	3,292	4,363	2,457
Other payables	2,419	2,291	1,735	1,867
Finance leases	57	57	57	57
Income tax payable	873	791	873	791
Total current liabilities	<u>16,831</u>	<u>14,394</u>	<u>10,778</u>	<u>9,422</u>
Non-current liabilities				
Bank loan	-	-	-	-
Other payables	1,150	1,114	-	-
Finance leases	119	147	119	147
Deferred tax liabilities	992	992	992	992
Total non-current liabilities	<u>2,261</u>	<u>2,253</u>	<u>1,111</u>	<u>1,139</u>
Capital and reserves				
Share capital	31,732	31,732	31,732	31,732
Tresasury shares	(803)	(795)	(803)	(795)
Reserves	26,779	30,423	32,939	32,492
Equity attributes to owners of the				
Company	57,708	61,360	63,868	63,429
Non-controlling interests	422	362	-	-
Total equity	<u>58,130</u>	<u>61,722</u>	<u>63,868</u>	<u>63,429</u>
Total liabilities and equity	<u><u>77,222</u></u>	<u><u>78,369</u></u>	<u><u>75,757</u></u>	<u><u>73,990</u></u>

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

Amount repayable in one year or less, or on demand

31 December 2011*		30 June 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
8,969	-	8,020	-

Amount repayable after one year

31 December 2011*		30 June 2011	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
119	-	147	-

* Unaudited

Details of any collateral

The building and leasehold improvements with carrying amount of \$11,314,000 (30 June 2011: \$11,436,000) are mortgaged as security for a bank loan and credit facilities.

Certain plant and equipment with carrying amount of \$240,000 (30 June 2011: \$279,000) 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 and half year ended 31 December 2011

	31.12.11 2Q 2012 \$'000	31.12.10 2Q 2011 \$'000	31.12.11 1H 2012 \$'000	31.12.10 1H 2011 \$'000
Operating activities				
(Loss)/Profit before income tax	(1,510)	1,346	(2,700)	2,674
Adjustments for:				
Depreciation of property, plant and equipment	470	418	909	822
Allowance for doubtful debts	-	-	-	3
Gain on disposal of property, plant and equipment	-	-	-	(114)
Fair value gain on derivative financial instruments	-	-	850	-
Share-based payment expenses	-	-	21	-
Amorisation of other intangible assets	95	-	188	-
Interest expense	60	17	136	36
Interest income	(120)	(137)	(245)	(304)
Operating cash flows before movements in working capital	<u>(1,005)</u>	<u>1,644</u>	<u>(841)</u>	<u>3,117</u>
Trade receivables	(804)	832	(809)	1,187
Other receivables and prepayments	(29)	(171)	23	(471)
Inventories	1,142	(167)	(176)	(767)
Trade payables	228	473	1,278	(811)
Other payables	269	127	242	3
Cash (used in)/generated from operations	<u>(199)</u>	<u>2,738</u>	<u>(283)</u>	<u>2,258</u>
Income tax received/(paid)	54	(235)	53	(400)
Interest paid	(60)	(17)	(136)	(36)
Interest received	120	137	245	304
Net cash (used in)/generated from operating activities	<u>(85)</u>	<u>2,623</u>	<u>(121)</u>	<u>2,126</u>
Investing activities				
Additions to property, plant and equipment	(885)	(856)	(960)	(1,356)
Acquisition of subsidiary	-	(147)	-	(147)
Proceeds from maturity of held-to-maturity investments	3,000	-	3,028	-
Proceeds on disposal of property, plant and equipment	-	-	-	120
Purchase of held-to-maturity investments	-	17	-	(2,566)
Net cash from/(used in) investing activities	<u>2,115</u>	<u>(986)</u>	<u>2,068</u>	<u>(3,949)</u>
Financing activities				
Dividends paid	(861)	(4,315)	(861)	(4,315)
Treasury shares buy back	(8)	-	(8)	-
Proceed from finance lease obligations	-	-	-	213
Repayment of finance lease obligations	(14)	(14)	(28)	(23)
Proceeds from loans and borrowings	115	-	1,281	-
Repayment of bank loan	(250)	(250)	(500)	(500)
Net cash used in financing activities	<u>(1,018)</u>	<u>(4,579)</u>	<u>(116)</u>	<u>(4,625)</u>
Net effect of exchange rate changes in consolidating subsidiaries	5	(3)	(66)	25
Net increase/ (decrease) in cash and cash equivalents	1,017	(2,945)	1,765	(6,423)
Cash and cash equivalents at beginning of financial period	38,270	37,865	37,522	41,343
Cash and cash equivalents at end of financial period (NOTE A)	<u>39,287</u>	<u>34,920</u>	<u>39,287</u>	<u>34,920</u>

NOTE A

Cash and cash equivalents consists of:	2Q 2012 \$'000	2Q 2011 \$'000	1H 2012 \$'000	1H 2011 \$'000
Cash and bank balances	6,287	13,316	6,287	13,316
Fixed and call deposits	33,000	21,604	33,000	21,604
	<u>39,287</u>	<u>34,920</u>	<u>39,287</u>	<u>34,920</u>

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 Dec 2011

GROUP	Attributable to owners of the Company						Total \$'000
	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Non- controlling interest ⁽¹⁾ \$'000	
Balance at 1 July 2011	31,732	(795)	63	30,360	30,423	362	61,722
Total comprehensive income for the period	-	-	(50)	(1,270)	(1,320)	39	(1,281)
Balance at 30 September 2011 (*)	31,732	(795)	13	29,090	29,103	401	60,441
Total comprehensive income for the period	-	-	(5)	(1,458)	(1,463)	21	(1,442)
Share buyback held back in treasury	-	(8)	-	-	-	-	(8)
Dividends paid	-	-	-	(861)	(861)	-	(861)
Balance at 31 Dec 2011 (*)	31,732	(803)	8	26,771	26,779	422	58,130
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 (*)	31,732	(618)	116	35,614	35,730	-	66,844
Dividends paid	-	-	-	(4,315)	(4,315)	-	(4,315)
Total comprehensive income for the period	-	-	(14)	1,090	1,076	-	1,076
Balance at 31 December 2010(*)	31,732	(618)	102	32,389	32,491	-	63,605

^(*) Unaudited

⁽¹⁾ Representing share option reserve of a subsidiary

COMPANY	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at 1 July 2011	31,732	(795)	32,492	32,492	63,429
Total comprehensive income for the period	-	-	598	598	598
Balance at 30 September 2011 (*)	31,732	(795)	33,090	33,090	64,027
Total comprehensive income for the period	-	-	710	710	710
Dividends paid	-	-	(861)	(861)	(861)
Share buyback held back in treasury	-	(8)	-	-	(8)
Balance at 31 December 2011 (*)	31,732	(803)	32,939	32,939	63,868
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 (*)	31,732	(618)	36,051	36,051	67,165
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 (*)	31,732	(618)	32,879	32,879	63,993

^(*) 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.**

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 2011, the Company has no outstanding share options/warrants/convertible securities (30 June 2011: Nil).

As at 31 December 2011, the total number of issued shares (excluding treasury shares) was 344,158,096 (30 June 2011: 344,240,096).

Treasury Shares	Number of shares ('000)	\$'000
Balance as at 1 July 2011	6,160	795
Balance as at 31 December 2011	6,242	803

Pursuant to the share buyback mandate approved by shareholders on 29 October 2008 and renewed at every subsequent annual general meeting, the Company purchased a total of 6,242,000 shares through on-market purchases transacted on the Singapore Exchange Securities Trading Limited. The total amount paid for the purchases was \$803,000 which has been deducted from shareholders' equity. The repurchased shares are held as treasury shares.

As at 31 December 2011, there was no sale, transfer, disposal, cancellation 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 Group has applied the same accounting policies and methods of computation as in the Group's most recently audited annual 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.**

See item 4 above.

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 2012	2Q 2011	1H 2012	1H 2011
Earnings per ordinary shares (cents) ("EPS")				
Basic	(0.42)	0.32	(0.79)	0.64
Diluted	(0.42)	0.32	(0.79)	0.64
Weighted average number of ordinary shares in issue for basic EPS	344,233,375	345,220,096	344,233,375	345,220,096
Weighted average number of ordinary shares in issue for diluted EPS	344,233,375	345,220,096	344,233,375	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	
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
Net assets value per ordinary share (cents):	16.89	17.93	18.56	18.43
Number of ordinary shares at period/year end	344,158,096	344,240,096	344,158,096	344,240,096

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 2011 ("2Q 2012") vs. Second Quarter ended 31 December 2010 ("2Q 2011") and First Half ended 31 December 2011 ("1H 2012") vs. First Half ended 31 December 2010 ("1H 2011")**

Revenue

1H 2012 Vs 1H 2011

In the half year ended 31 December 2011 (1H 2012), the Group reported an increase in revenue of 6% from \$16.9 million to \$17.9 million as compared to the half year ended 31 December 2010 (1H 2011). The increase in revenue is primarily due to the revenue contributed by the Group's U.S. subsidiaries (Imaging Equipment and Energy Efficient Products business segment) which reported revenue of \$2.7 million during the period. The Engineering Services business segment also contributed to the increase in revenue, reporting an increase of \$1.3 million from \$3.1 million in 1H 2011 to \$4.4 million in 1H 2012, the increase is primarily due to the recognition of revenue of a major contract.

The increase is partially offset by the lower revenue reported by the Burn-in Services business segment which reported a decrease in revenue of \$1.6 million from \$6.9 million in 1H 2011 to \$5.3 million in 1H 2012. The Burn-in Boards and Board Manufacturing business segment also reported a decrease in revenue of \$1.4 million, from \$6.8 million in 1H 2011 to \$5.4 million in 1H 2012, the decreases are primarily due to weaker demand for the burn-in boards and burn-in services.

2Q 2012 Vs 2Q 2011

In the three months ended 31 December 2011 (2Q 2012), the Group reported an increase in revenue of \$0.6 million or 7.6% from \$8.7 million in 2Q 2011 to \$9.3 million in 2Q 2012. The increase is primarily due to revenue contributed by the Group's U.S. subsidiaries (Imaging Equipment and Energy Efficient Products business segment) and higher revenue contribution from the Burn-in Boards and Board Manufacturing business segments which contributed to increase of \$1.4 million and \$0.2 million respectively. The increase is partially offset by decrease in sales of the Burn-in Services business segment which reported lower revenue of \$0.9 million.

Gross profit

1H 2012 Vs 1H 2011

The Group reported a decline in gross profit of \$1.8 million (35.9%) from \$5.1 million in 1H 2011 to \$3.3 million in 1H 2012. Gross profit margin dropped from 30.1% to 18.2%. The decrease is primarily due to the poor profit margin contributed by all business segments and primarily due to low sales reported by the Burn-in Boards and Board Manufacturing business segment, the low profit margin contributed by the Engineering Services business segment in one of its major contracts and the high production costs of the Imaging Equipment and Energy Efficient Products business segment.

2Q 2012 Vs 2Q 2011

The Group reported a decrease in gross profit of 39.1% from \$2.6 million in 2Q 2011 to \$1.6 million in 2Q 2012. Gross profit margin also decreased from 30% to 17%. The decrease in gross profit margin is primarily due to the reasons mentioned above.

Other operating income

1H 2012 Vs 1H 2011

Other operating income decreased by \$134,000, from \$624,000 in 1H 2011 to \$490,000 in 1H 2012. The decrease is primarily due to the gain from the trade-in of a vehicle reported in 1H 2011.

Administrative expenses

1H 2012 Vs 1H 2011

Administrative expenses increased by \$3.3 million, from \$2.9 million in 1H 2011 to \$6.2 million in 1H 2012. The increase is primarily due to high operating costs of the Group's U.S. subsidiaries (Imaging Equipment and Energy Efficient Products business segment).

Loss for the period

1H 2012 Vs 1H 2011

The Group reported a loss of \$2.7 million in 1H 2012, a decrease of \$4.9 million as compared to the profit of \$2.2 million in 1H 2011. The loss was primarily due to the losses reported by the Group's U.S. subsidiaries (Imaging Equipment and Energy Efficient Products business segment).

Statement of Financial Position

Trade receivables increased by \$0.8 million from \$7 million as at 30 June 2011 to \$7.8 million as at 31 December 2011. The increase is in line with the increase in revenue during the quarter.

Derivative financial instruments decreased by \$850,000 due to the maturity of the forward foreign exchange contracts.

Held-to-maturity financial assets decreased by \$3 million to \$4.6 million as at 31 December 2011. The decrease is primarily due to the maturity of held-to-maturity investments during the quarter.

Bank loan increased by \$1 million to \$9 million. The increase is primarily due to an increase in bank borrowings by a U.S. subsidiary. The increase is partially offset by the repayment of the property loan.

Trade payables increased by \$1.3 million to \$4.6 million. The increase is primarily due to the timing of payments made to trade suppliers.

Cash and cash equivalents were \$39.3 million. Included in cash and cash equivalents were time deposits and fixed deposits in various financial institutions.

Capital and reserves decreased by \$3.6 million to \$58.1 million. The decrease is primarily due to the losses of \$2.7 million reported for 1H 2012 and payment of dividends for financial year ended 30 June 2011 which amounted to \$0.9 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 Group reported a loss of \$2.7 million for 1H 2012. The loss is primarily due to worse than expected performance of the Group's U.S. subsidiaries (Imaging Equipment and Energy Efficient Products business segment). We expect the performance of this business segment to remain weak throughout the current financial year due to the high operating expenditure incurred for the continuous research and development of new products. However, we have taken steps to control the costs and constantly push for higher productivity.

The global electronics sector is expected to decline in 2012, as continuing economic uncertainty in Europe and the United States constricts growth. Demand for the Group's services and products will remain weak as customers delay shipments and reduce orders due to the increased economic uncertainties.

Despite the challenging operating environment, the Group continues to report a healthy balance sheet and strong cash position. We remain cautiously optimistic of our long-term growth prospects and will strive to create long term value for all our stakeholders.

11. DIVIDEND

(a) Current financial year reported on

Any dividend declared for the current financial period reported on.

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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 Interested Person Transactions.

BY ORDER OF THE BOARD

Lim Eng Hong
Chief Executive Officer
10 February 2012

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 for the period ended 31 December 2011 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