

AVI-TECH ELECTRONICS LIMITED
Company Registration No. 198105976H

RESPONSE TO SGX QUERIES ON FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007 (THE "RESULTS ANNOUNCEMENT")

In response to the queries raised by the Singapore Exchange Limited in its email dated 11 September 2007 in relation to the Company's Results Announcement, the Board of Directors of the Company wishes to respond as follows:

SGX QUERY

We note on Page 2 of the Results Announcement that 'Inventories' increased by about 201% or S\$3.052 million from S\$1.514 million to S\$4.566 million when 'Revenue' only increased by about 92% or S\$33.798 million from S\$36.566 million to S\$70.364 million. In respect of the above, please provide the following information:-

- (i) Nature of 'Inventories' with breakdown of major items

	FY2007 \$'000	FY2006 \$'000
Raw materials		
Manufacture of Burn-In boards	503	467
Engineering Services and Equipment Distribution	<u>3,249</u>	<u>559</u>
	<u>3,752</u>	<u>1,026</u>
Work-in-process		
Manufacture of Burn-In boards	43	488
Engineering Services and Equipment Distribution	<u>771</u>	<u>-</u>
	<u>814</u>	<u>488</u>
Total inventories	<u><u>4,566</u></u>	<u><u>1,514</u></u>

- (ii) Reasons for the significant increase in 'Inventories'

The Group's inventories increased by \$3.052 million to \$4.566 million and is due to the carrying of more inventories by our Engineering Services and Equipment Distribution business segment to meet customers' demands.

- (iii) Inventory turnover for the current period as compared to the previous corresponding period, and to elaborate on material variances, if any

	FY2007	FY2006
Average inventory turnover (days)	51	48

There is no significant variance in average inventory turnover.

- (iv) Directors' views whether there is any obsolescence risk or diminution in value of inventory held arising from the significant increase and the basis for their views.

The Directors are of the opinion that there is no material obsolescence risk or diminution in value of inventory as the Company only orders the necessary quantity based on the requirements of customers.

- (v) Whether there are confirmed orders for the inventory

There are confirmed orders for the inventory.

BY ORDER OF THE BOARD

Lim Eng Hong
Chief Executive Officer
12 September 2007

The initial public offering of the Company was sponsored by Westcomb Capital Pte. Ltd.