

AVI-TECH ELECTRONICS LIMITED

Company Registration No. 198105976H

RESPONSE TO SGX QUERIES ON THE UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007 (THE "RESULTS ANNOUNCEMENT")

In response to queries raised by the Singapore Exchange Limited on 14 February 2008 in relation to the Company's Results Announcement dated 12 February 2008, the Board of Directors of the Company wishes to respond as follows:-

SGX QUERY & COMPANY'S RESPONSE

We note on Page 2 of the Results Announcement that 'Inventories' increased by about 27.8% or S\$1.268 million from S\$4.566 million to S\$5.834 million when 'Revenue' only increased by about 7.4% in 2Q2008.

In respect of the above, please provide the following information:-

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

	31.12.07 \$'000	30.06.07 \$'000
Raw materials		
Manufacture of Burn-In boards	749	503
Engineering Services and Equipment Distribution	2,906	3,249
	<u>3,655</u>	<u>3,752</u>
Work-in-process		
Manufacture of Burn-In boards	269	43
Engineering Services and Equipment Distribution	1,910	771
	<u>2,179</u>	<u>814</u>
Total inventories	<u><u>5,834</u></u>	<u><u>4,566</u></u>

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

The Group's inventories increased by \$1.268 million to \$5.834 million and is due to the carrying of more inventories by our Engineering Services 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

	31.12.07	31.12.06
Average inventory turnover (days)	46	25

There is significant variance in average inventory turnover, due to the surge of customers' order from our Engineering Services business segment and thus the requirement for higher inventories. Revenue from Engineering Services increased by 35.9% over the previous corresponding period.

- (iv) Directors' views whether there is any obsolescence risk or diminution in value of inventory held arising from the 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

William Wong
Chief Financial Officer
14 February 2008

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