

AVI-TECH ELECTRONICS LIMITED**(Company Registration No. 198105976H)****Unaudited Second Quarter And Half Year Financial Statements For The Period Ended December 31, 2007****PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF RESULTS**

1(a) An income statement for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED PROFIT AND LOSS STATEMENT
for the second quarter and half year ended December 31, 2007

S\$'000	Group					
	2008 2Q	2007 2Q	Change %	2008 1H	2007 1H	Change %
Revenue	21,956	20,452	7.4	43,617	37,085	17.6
Cost of sales	(15,486)	(13,433)	15.3	(30,364)	(24,533)	23.8
Gross profit	<u>6,470</u>	<u>7,019</u>	(7.8)	<u>13,253</u>	<u>12,552</u>	5.6
Other operating income	277	193	43.5	522	344	51.7
Distribution costs	(45)	(34)	32.4	(91)	(72)	26.4
Administrative expenses	(2,054)	(1,753)	17.2	(4,014)	(3,119)	28.7
Finance costs	(70)	(99)	(29.3)	(143)	(194)	(26.3)
Profit before income tax	<u>4,578</u>	<u>5,326</u>	(14.0)	<u>9,527</u>	<u>9,511</u>	0.2
Income tax expense	(860)	(1,059)	(18.8)	(1,856)	(1,902)	(2.4)
Profit for the year	<u><u>3,718</u></u>	<u><u>4,267</u></u>	(12.9)	<u><u>7,671</u></u>	<u><u>7,609</u></u>	0.8

Profit for the period is arrived at after:-

Depreciation of property, plant and equipment	(577)	(521)	10.7	(1,105)	(997)	10.8
Foreign currency exchange adjustment loss	(442)	(310)	42.6	(631)	(314)	101.0
Interest income	210	109	92.7	387	187	107.0
Rental income	66	71	(7.0)	134	142	(5.6)

1(b)(i) A balance sheet of the Group and Company, together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS
as at December 31, 2007

ASSETS	Group		Company	
	31.12.07	30.06.2007	31.12.07	30.06.2007
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and bank balances	944	2,487	763	2,237
Fixed and call deposits	36,821	14,114	36,821	14,114
Trade receivables	24,064	14,861	24,064	14,861
Other receivables and prepaid expenses	108	744	84	714
Inventories	5,834	4,566	5,826	4,561
Held for trading investments	800	800	800	800
Total current assets	68,571	37,572	68,358	37,287
Non-current assets				
Subsidiary	-	-	2,536	792
Club membership	148	176	148	176
Property, plant and equipment	17,092	17,106	16,560	16,631
Total non-current assets	17,240	17,282	19,244	17,599
Total assets	85,811	54,854	87,602	54,886
LIABILITIES AND EQUITY				
Current liabilities				
Bank loan	612	612	612	612
Trade payables	7,461	6,878	7,411	6,878
Other payables	4,728	4,919	4,728	4,668
Current portion of finance leases	58	56	58	56
Income tax payable	3,207	3,295	3,207	3,295
Total current liabilities	16,066	15,760	16,016	15,509
Non-current liabilities				
Bank loan	6,323	6,629	6,323	6,629
Finance leases	123	153	123	153
Deferred tax liabilities	1,078	1,078	1,078	1,078
Total non-current liabilities	7,524	7,860	7,524	7,860
Capital and reserves				
Share capital	31,732	4,940	31,732	4,940
Reserves	30,489	26,294	32,330	26,577
	62,221	31,234	64,062	31,517
Total liabilities and equity	85,811	54,854	87,602	54,886

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

Amount repayable in one year or less, or on demand

December 31, 2007*		June 30, 2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
670	-	668	-

Amount repayable after one year

December 31, 2007*		June 30, 2007	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
6,446	-	6,782	-

* Unaudited

Details of any collateral

The building and leasehold improvements with carrying amount of \$12,236,000 (30.6.2007: \$12,614,000) and the Group's fixed deposits of \$485,000 (30.6.2007: \$1,343,000) are mortgaged and pledged as security for loans, credit facilities and other banking accommodation. The Group's fixed deposit of \$485,000 is not inclusive of an amount of \$1,000,000 pledged to a financial institution for banking facilities which are unutilized as at December 31, 2007.

Certain plant and equipment with carrying amount of \$259,000 (30.6.2007: \$273,000) are secured by the lessors' titles to the leased assets.

- 1(c) A cash flow statement for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOW STATEMENT
for the second quarter and half year ended December 31, 2007

	30.09.07 vs 31.12.07 2Q 2008 \$'000	30.09.06 vs 31.12.06 2Q 2007 \$'000	30.06.07 vs 31.12.07 1H 2008 \$'000	30.06.06 vs 31.12.06 1H 2007 \$'000
Operating activities				
Profit before income tax	4,578	5,326	9,527	9,511
Adjustments for:				
Depreciation of property, plant and equipment	577	521	1,105	997
Impairment loss on club membership	15	-	28	-
Interest expense	70	99	143	194
Interest income received	(210)	(109)	(387)	(187)
Operating cash flows before movements in working capital	5,030	5,837	10,416	10,515
Trade receivables	(5,277)	(763)	(9,203)	(5,487)
Other receivables and prepaid expenses	25	(58)	636	(222)
Inventories	(1,295)	140	(1,268)	(1,312)
Trade payables	1,707	2,776	583	5,387
Other payables	(600)	(2,353)	(191)	(573)
Cash (used in) generated from operations	(410)	5,579	973	8,308
Income tax paid	(1,133)	(811)	(1,944)	(811)
Interest paid	(70)	(99)	(143)	(194)
Interest income received	210	109	387	187
Net cash generated from (used in) operating activities	(1,403)	4,778	(727)	7,490
Investing activities				
Additions to plant and equipment	(136)	(649)	(1,091)	(933)
Net cash used in investing activities	(136)	(649)	(1,091)	(933)
Financing activities				
Dividend paid	(3,504)	(3,696)	(3,504)	(3,696)
Proceeds from issue of shares	-	-	26,792	23
Repayment of finance leases	(14)	(5)	(28)	(22)
Repayment of bank loan	(153)	(153)	(306)	(306)
(Increase)/decrease in fixed deposits pledged as security to bank	(41)	-	858	-
Net cash from (used in) financing activities	(3,712)	(3,854)	23,812	(4,001)
Effect of exchange rate changes in consolidating subsidiary	18	(6)	28	7
Net increase in cash and cash equivalents	(5,233)	269	22,022	2,563
Cash and cash equivalents at beginning of financial period	42,513	11,016	15,258	8,722
Cash and cash equivalents at end of financial period (NOTE A)	37,280	11,285	37,280	11,285

Notes to the consolidated cash flow statement

NOTE A

Cash and cash equivalents consists of:	2Q 2008 \$'000	2Q 2007 \$'000	1H 2008 \$'000	1H 2007 \$'000
Cash and bank balances	944	4,849	944	4,849
Fixed and call deposits	36,821	6,779	36,821	6,779
	37,765	11,628	37,765	11,628
Less: Pledged deposits	(485)	(343)	(485)	(343)
	37,280	11,285	37,280	11,285

- 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, 2007

GROUP	Share capital \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at July 1, 2007	4,940	10	26,284	26,294	31,234
Currency translation differences	-	10	-	10	10
Profit for the period	-	-	3,953	3,953	3,953
Total recognised for the period	-	10	3,953	3,963	3,963
Issue of shares	26,792	-	-	-	26,792
Balance at September 30, 2007 (*)	31,732	20	30,237	30,257	61,989
Currency translation differences	-	18	-	18	18
Profit for the period	-	-	3,718	3,718	3,718
Total recognised for the period	-	18	3,718	3,736	3,736
Dividend paid	-	-	(3,504)	(3,504)	(3,504)
Balance at December 31, 2007 (*)	31,732	38	30,451	30,489	62,221
Balance at July 1, 2006	4,917	-	18,205	18,205	23,122
Currency translation differences	-	13	-	13	13
Profit for the period	-	-	3,342	3,342	3,342
Total recognised for the period	-	13	3,342	3,355	3,355
Issue of shares	23	-	-	-	23
Balance at September 30, 2006 (*)	4,940	13	21,547	21,560	26,500
Currency translation differences	-	(10)	-	(10)	(10)
Profit for the period	-	-	4,267	4,267	4,267
Total recognised for the period	-	(10)	4,267	4,257	4,257
Dividend proposed	-	-	(7,392)	(7,392)	(7,392)
Balance at December 31, 2006 (*)	4,940	3	18,422	18,425	23,365

(*) unaudited

STATEMENTS OF CHANGES IN EQUITY
for the second quarter and half year ended December 31, 2007

COMPANY	Share capital \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at July 1, 2007	4,940	26,577	26,577	31,517
Issue of shares	26,792	-	-	26,792
Profit for the period	-	4,021	4,021	4,021
Balance at September 30, 2007 (*)	31,732	30,598	30,598	62,330
Profit for the period	-	5,236	5,236	5,236
Dividend paid	-	(3,504)	(3,504)	(3,504)
Balance at December 31, 2007 (*)	31,732	32,330	32,330	64,062
Balance at July 1, 2006	4,917	18,333	18,333	23,250
Issue of shares	23	-	-	23
Profit for the period	-	3,370	3,370	3,370
Balance at September 30, 2006 (*)	4,940	21,703	21,703	26,643
Profit for the period	-	4,299	4,299	4,299
Dividend proposed	-	(7,392)	(7,392)	(7,392)
Balance at December 31, 2006 (*)	4,940	18,610	18,610	23,550

(*) 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.**

The Company did not allot nor issue any shares, nor grant any share options under the Avi-Tech Employee's Share Option Scheme.

As at December 31, 2007, there were no outstanding share options/warrants/convertible securities (June 30, 2007 : Nil).

As at December 31, 2007, the total number of issued shares was 350,400,096. (June 30, 2007 : 262,400,096). The Company does not have 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 our 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.**

These financial statements have been prepared based on the same accounting policies and methods of computation consistent with those adopted in the recently audited annual financial statements for the financial year ended June 30, 2007.

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, 2007			
	2Q 2008	2Q 2007	1H 2008	1H 2007
Earnings per ordinary shares (cents)				
Basic	1.06	1.63	2.19	2.90
Diluted	1.06	1.63	2.19	2.90
Weighted average number of ordinary shares in issue for basic EPS	350,400,096	262,384,689	350,400,096	262,215,806
Weighted average number of ordinary shares in issue for diluted EPS	350,400,096	262,384,689	350,400,096	262,215,806

Earnings per share as at December 31, 2006 were computed based on the number of shares had the Share Split (as defined in the Company's Prospectus dated July 11, 2007) occurred then. This restructuring exercise of the Share Split was undertaken when the Company launched its initial public offering on July 11, 2007.

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	
	31.12.07	30.06.07	31.12.07	30.06.07
Net assets value per ordinary share (cents):	17.76	11.90	18.28	12.03
Number of ordinary shares at period/year end	350,400,096	262,400,096	350,400,096	262,400,096

Net asset value per ordinary share as at June 30, 2007 was computed based on the number of shares after Share Split.

8. Review of Group Performance for the Second Quarter ended December 31, 2007 ("2Q 2008") vs Second Quarter ended December 31, 2006 ("2Q 2007") and First Half ended December 31, 2007 ("1H 2008") vs First Half ended December 31, 2006 ("1H 2007")

Revenue

The Group's revenue increased by \$1.5 million from \$20.4 million in 2Q 2007 to \$21.9 million in 2Q 2008, an increase of 7.4% as compared to 2Q 2007. The Group continued to enjoy growth in 1H2008 improving by 17.6% from \$37.1 million in 1H 2007 to \$43.6 million in 1H2008. This improvement came mainly from our Engineering Services business segment where higher sales were made to USA region.

Gross profit

The Group's gross profit declined by 7.8% from \$7.0 million in 2Q 2007 to \$6.5 million in 2Q 2008 as a result of increases in materials used due to higher proportion of revenue contribution from Engineering Services business segment, increase in manpower in anticipation of increases in volume of demand for Engineering Services and new business secured in our Burn-In business segment, increase in power cost per unit of semiconductor device Burn-In and competitive pricing pressure. Correspondingly gross margin decreased by 4.9% from 34.3% in 2Q 2007 to 29.4% in 2Q 2008.

Gross profit improved marginally by \$0.7 million in 1H 2008 from \$12.6 million in 1H 2007 to \$13.3 million in 1H 2008. However gross margin declined by 3.4% from 33.8% in 1H2007 to 30.4% in 1H 2008 as a result of the aforesaid factors.

Administrative expenses

The increase in administrative expenses by \$0.3 million from \$1.8 million in 2Q 2007 to \$2.1 million in 2Q 2008 was due mainly to increases in staff costs and foreign currency exchange adjustment loss.

Correspondingly administrative expenses increased by \$0.9 million from \$3.1 million in 1H 2007 to \$4 million in 1H2008.

Profit for the period

Group's profit declined by 12.9% from \$4.3 million in 2Q 2007 to \$3.7million in 2Q 2008 as a result of lower margins and higher operating costs.

Group Balance Sheet and Cash Flow Statement – explanation of significant variances

Trade receivables increased by \$5.3 million (\$9.2 million: 1H 2008) in 2Q 2008 to \$24.1 million and is in line with the higher turnover recorded by the Group and also slow payment by the two customers during the holiday season in December. These customers have since been current in their payment.

Trade payables increased by \$1.7 million (\$0.6 million: 1H 2008) in 2Q 2008 to \$7.5 million and was due to overseas purchases made by our Engineering Services business segment.

Cash and cash equivalents decreased by \$5.2 million from \$42.5 million in 1Q 2008 to \$37.3 million in 2Q 2008. This decrease was mainly due to slow payment by the two customers during the holiday season in December.

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

The significant competitive trends and conditions of the semiconductor industry as set out in paragraph 10 below is generally in line with the commentary provided in paragraph 10 of our interim results announcement dated 6 November 2007, save that the comment on the expected continual increase in demand for more electronic devices, has varied, in light of the current weakening of the USA economy, which has created volatility in demand for electronic devices.

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 Directors believe that the following industry trends will continue:-

- (a) volatility in demand for electronic devices resulting from changes in consumers' confidence;
- (b) continued outsourcing of burn-in services; and
- (c) increased complexity of semiconductors.

We believe that competitive conditions will exist as the semiconductor industry has seen wide fluctuations in both demand and supply.

Barring the worsening of the current weakened USA economy and other unforeseen circumstances, we are cautiously optimistic that the Group's performance in the next reporting period and the next twelve months will remain positive.

11. DIVIDEND

(a) Current financial year reported on

Any dividend declared for the current financial period reported on.

Yes

Period	December 31, 2007
Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.0 cent per ordinary share
Tax Rate	one tier tax exempt

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

No

(c) Date payable

The proposed interim dividends will be paid on April 15, 2008.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on April 2, 2008 for the preparation of 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, up to 5.00 p.m. on April 1, 2008 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 April 1, 2008 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
12 February 2008

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 financial results for the Second Quarter and Half Year 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

Wong Wee Lim, William
Chief Financial Officer

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