ENGINEERED FOR SUCCESS

THE TOTAL BURN-IN SOLUTIONS PROVIDER
FOR THE SEMI-CONDUCTOR INDUSTRY

AVI-TECH ELECTRONICS LIMITED

ANNUAL REPORT 2007

Contents

CORPORATE PROFILE

Burn-In and Related Services

Design and Manufacture of Burn-In Boards and Boards Related Products

Engineering Services and Equipment Distribution

Incorporated in Singapore in 1981, Avi-Tech Electronics is one of the region's leading one-stop total Burn-In solutions providers to the semiconductor industry. We offer a comprehensive suite of products and services for the semiconductor industry namely:

BURN-IN AND RELATED SERVICES

- Static Burn-In, Dynamic Burn-In and Test During Burn-In ('TDBI') for semiconductor manufacturers
- Tape and reel service for customers who need their finished products to be delivered in a reel form

DESIGN AND MANUFACTURE OF BURN-IN BOARDS AND BOARDS RELATED PRODUCTS

- Design, manufacture and assembly of Burn-In Boards for different types of Burn-In

ENGINEERING SERVICES AND EQUIPMENT DISTRIBUTION

- Full turnkey system integration services (built to design) and equipment manufacturing (design and build) services including parts procurement and fabrication, assembly and verification
- Technical services such as field service and application support for all third party equipment distributed
- Equipment distribution including equipment and related products used in the semiconductor industry, in particular, third party Burn-In and test equipment

Headquartered in Singapore with a total staff strength of approximately 300, we have production facilities in Singapore and the PRC. Our Singapore production facility has a total built up area of approximately 12,000 sq. m. and we have over 120 Burn-In Systems, supporting the Burn-In of different semiconductor device types ranging from microprocessors, memories, micro-controllers, automotive control circuits and custom made chips to the latest pin grid array and ball grid array. Many of the Burn-In Systems are designed and fabricated within our in-house facilities. We expect our production facilities in the PRC to be fully operational in the second quarter of FY2008.

We have established market presence in Singapore, Taiwan, Malaysia, PRC, USA, Europe, Thailand and the Philippines. Our major customers are key players in the global semiconductor business including Advanced Micro Devices (Singapore) Pte Ltd and Infineon Technologies Asia Pacific Pte Ltd.

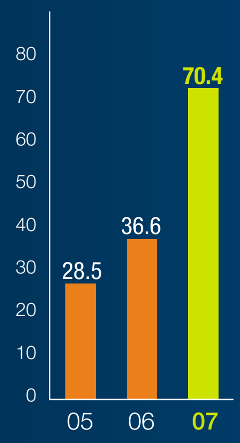
In consonance with our commitment towards business excellence and Quality Assurance, we have been conferred the Singapore Quality Class award by SPRING Singapore in 1998, with renewals for this award in 2001, 2003 and 2005. We were also awarded the Enterprise 50 award by the Singapore Economic Development Board in 1999 (Ranking: 1st), 1998 (Ranking: 31st) and 1997 (Ranking: 41st). In addition, we received numerous customer appreciation awards in recognition of our excellence in products and have achieved ISO 9001 and ISO 14001 certifications.

FINANCIAL HIGHLIGHTS

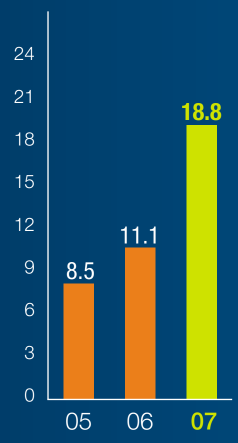
FY Ending 30 June

PROFIT AND LOSS ($'M)

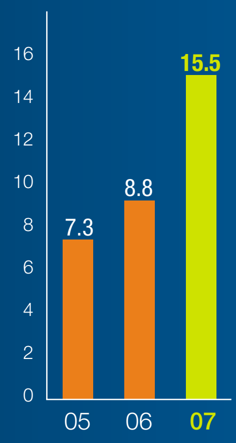
REVENUE



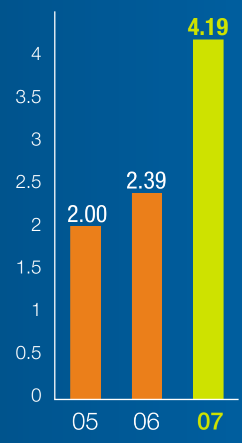
PROFIT BEFORE TAX



PROFIT AFTER TAX

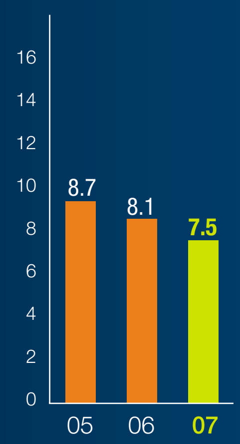


EPS ($)

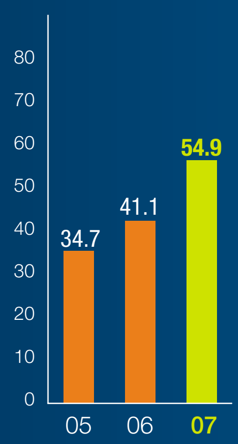


BALANCE SHEET ($'M)

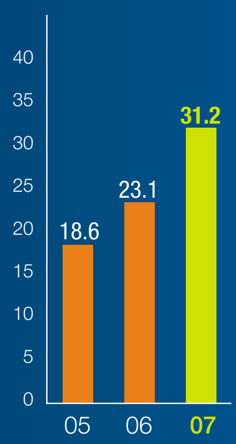
TOTAL DEBT



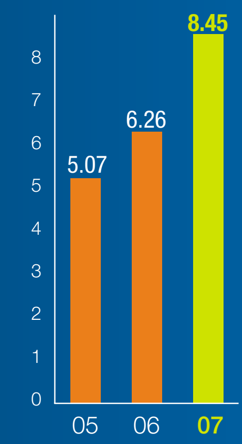
TOTAL ASSETS



SHAREHOLDERS' EQUITY

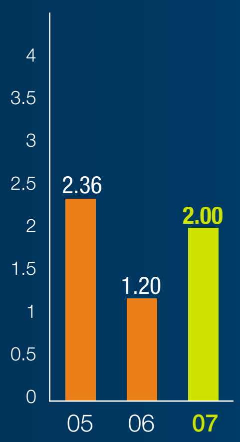


NAV PER SHARE ($)

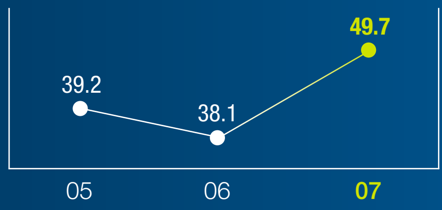


KEY FINANCIAL RATIOS

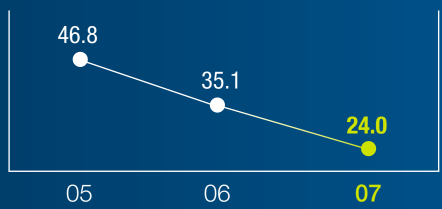
DIVIDEND PER SHARE ($)



RETURN ON EQUITY (%)



GEARING (%) (TOTAL DEBT/TOTAL SHAREHOLDER EQUITY)



LETTER TO SHAREHOLDERS

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Avi-Tech Electronics Limited's ('Avi-Tech' or 'the Group') inaugural annual report as a public listed company for the financial year ended 30 June 2007 ('FY2007').

The past year has been marked by several significant milestones, the highlight of which was our Initial Public Offering which was met with enthusiastic response from the investment community. Avi-Tech was admitted to the Main Board of the Singapore Exchange where we commenced trading on 25 July 2007, thus initiating a new phase in our relationship with the public. We welcome you, our new shareholders and thank you for the confidence that you have bestowed in investing in the Group.

The second significant milestone was the Group's financial performance of FY2007 which I shall highlight briefly below. More details of which are set out under the Financial Review section of this Annual Report.

OUR FINANCIAL PERFORMANCE

Avi-Tech turned in a stellar financial performance for FY2007. We achieved a 92% revenue growth, from $36.6 million in FY2006 to $70.4 million in FY2007. Our gross profit improved by 59% from $15.5 million in FY2006 to $24.7 million in FY2007. Gross profit margins, while decreasing from 42% in FY2006 was still at a very robust level of 35%. Net profit attributable to shareholders increased by 76% from $8.8 million to $15.5 million as we maintained our operating and finance costs. Needless to say, the performance of the Group was the result of the hard work and dedication of the management and staff of Avi-Tech, and the unwavering support of our customers, suppliers and business partners.

GROWTH ACROSS ALL SECTORS

Our three business segments Burn-In and Related Services, Manufacture of Burn-In Boards and Boards Related Products and Engineering Services and Equipment Distribution did well individually. The detailed review of each sector is highlighted under the Review of Operations section of this Annual Report. Burn-In and Related Services posted a 3% increase in revenue due mainly to increase in revenue from Tape and Reel service. Manufacture of Burn-In Boards and Boards Related Products likewise posted higher revenue of 11% as a result of increase in revenue from Philippines customers. The Engineering Services and Equipment Distribution business recorded 392% increase in revenue following strong sales to the USA.

GEARING FOR CONTINUED SUCCESS

Avi-Tech's strong track record as a total solutions provider to the semiconductor industry stems from our core competencies, among them, our close working relationships with our customers such as Advanced Micro Devices (Singapore) Pte Ltd. This strong customer relationship was evidenced in the past year where we retained these key customers while expanding our customer base. In line with our growth strategy, we garnered fresh business opportunities with new market entrants to the Asia Pacific market.

We have also expanded our market reach, with revenue contribution from USA increasing to 32% as a proportion of total revenue in FY2007 as compared to 2% in FY2006.

Revenue contribution from countries such as Thailand, Philippines and Europe increased 78% from $0.9 million in FY2006 to $1.6 million in FY2007. While the major portion of revenue continued to come from Singapore with revenue increasing 36% from $32.1 million in FY2006 to $43.8 million in FY2007, as a portion of total revenue, contribution from Singapore decreased from 88% to 62%, thus decreasing our dependence on the Singapore market.

We continued to develop our capabilities in new technologies, offering a wider range of products and services to our customers. Notably, we have made significant progress in expanding our capabilities in the area of system integration services for refrigeration based High Power Burn-In systems in particular, Thermal Trays. We currently manufacture the second generation of designs in our business of system integration of High Power Burn-In Systems.

FY2007 also saw the Group establishing a new factory in Suzhou, People's Republic of China, to undertake Burn-In services. This is in line with our customer centric approach to better serve their needs at their locations. The factory should be operational in the second quarter of FY2008. We will continue to assess the needs of our customers in making the decision to establish future overseas operations. We will, additionally, consider and explore possible synergistic and strategic alliances, mergers and acquisitions, collaborative partnerships and joint ventures and seek out new technology partners to enhance our competitiveness.

ANTICIPATING THE FUTURE

Looking ahead, the growth prospects for the Group appear to be bright. The trend of outsourcing Burn-in services by semiconductor manufacturers and the continual increase in demand for semiconductor devices should create demand for Burn-In services. Furthermore the greater complexity of such devices, particularly those used in the automotive and microprocessor sectors, will require more complex and longer Burn-In processes, fabrication of more intricate and sophisticated Burn-In Boards and more system integration of High Power Burn-In Systems, all of which are within Avi-Tech's expertise and core competencies. We will continue to leverage on our strengths in charting Avi-Tech's next growth phase as a listed company, expanding our operational and technical capabilities and widening our customer base both in Singapore and abroad.

We therefore anticipate that, barring unforeseen circumstances, we should remain profitable given our healthy order book.

ACKNOWLEDGEMENTS

On behalf of your Board, I would like to express my sincerest thanks to our management and staff for their tireless efforts and contributions to our performance and to all our customers, suppliers, business partners and associates whose support was instrumental in our achievements in 2007. I am grateful to members of the Audit Committee and my fellow Directors for their counsel and commitment. I look forward, together with all of you, our new shareholders, to a positive 2008.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

OPERATIONAL REVIEW

Financial year ended 30 June 2007 ('FY2007') was a successful year for all three segments of the Group, with higher sales registered. The Burn-In and Related Services business segment achieved revenue increase of $0.6 million to $22.9 million. The Design and Manufacture of Burn-In Boards and Boards Related Products business segment brought in $6.7 million in sales, $0.7 million more than FY2006. Turning in a resounding $32.5 million sales increase, the Engineering Services and Equipment Distribution business segment led the sterling performance of the Group with $40.8 million in sales.

BURN-IN AND RELATED SERVICES

The Group, as a total Burn-In solutions provider to the semiconductor industry provides Static Burn-In, Dynamic Burn-In and Test During Burn-In ('TDBI') for the semiconductor industry as we are a one-stop centre providing Burn-In boards, Burn-In systems and Burn-In services. The effective testing and Burn-In functions are an important stage in semiconductor manufacturing as they act as a quality and reliability mechanism to detect defective semiconductors and to ensure zero defects prior to shipping and distribution. Serving the segment of the industry that requires fail-safe or high reliability semiconductor devices, such as microprocessors and automotive control circuits, we have over 120 Burn-In Systems in our in-house facilities supporting the Burn-In of different semiconductor device types. Many of the Burn-In systems used in our business are designed and fabricated within our in-house facilities. We operate 24 hours daily, seven days per week on four-shift patterns and offer round the clock delivery and collection services to our customers.

In terms of future growth, we intend to expand our operations by widening our scope and range of services offered to our customers such as in the area of more complicated Burn-In services. We intend to purchase TDBI systems and required automated machines for this purpose.

As part of the Group's strategy to strengthen our market position, expand our market reach and to serve our customers at their required locations, we have set up approximately 2,000 sq. m. Burn-In facility in Suzhou, PRC, to provide testing services in respect of more specialised semiconductors.

TAPE AND REEL SERVICES

Avi-Tech's Tape and Reel Services employ the use of machines that allow customers' finished products to be delivered in reel form. Currently, about 12 million units of finished products are delivered monthly in this form, with round the clock delivery and collection service for our customers.

We intend to expand our Tape and Reel Services by increasing the volume of existing packages as well as adding new packages which will entail new investment in additional equipment.

DESIGN AND MANUFACTURE OF BURN-IN BOARDS AND BOARD RELATED PRODUCTS

We are involved in the design, fabrication and assembly of Burn-In boards for different types of Burn-In systems, as well as boards for other types of reliability tests. We are constantly challenging our board design and assembly capabilities with increasingly sophisticated and demanding requirements from our customers.

In anticipation of a future ramp up in production volume, we have invested in an additional Surface Mount Technology component placement machine and are prepared to invest more to further boost our manufacturing capability to meet future demands.

ENGINEERING SERVICES AND EQUIPMENT DISTRIBUTION

The Group's engineering services range from system integration and equipment manufacturing to technical services.

The full turnkey system integration and equipment manufacturing services include parts procurement, parts fabrication to system assembly and verification. As part of the engineering services, Avi-Tech performs detailed reviews of customer's needs, requests and specifications on equipment requirements. Field services include field repair and application services to customers for all equipment manufactured and distributed by the Group. Since February 2006, we have significantly expanded our engineering services in the area of system integration of High Power Burn-In Systems in particular, Thermal Trays. We currently manufacture the second generation of designs in our business of system integration of High Power Burn-In Systems.

As the development of more complex semiconductor devices with smaller geometrics will enable semiconductors to perform at higher speeds thereby causing them to exhibit high thermal properties during application, which in turn create a higher demand for High Power Burn-In Systems for the Burn-In and test of such complex semiconductor devices, for which we currently occupy a niche position in the market as a service provider of such High Power Burn-In Systems. We intend to leverage on this opportunity by further developing our expertise and reinforcing our niche position in this specialised area.

We will explore more turnkey based engineering system integration projects to widen our operational capabilities to include amongst others, design, modification and fabrication of new driver electronics. With our engineering experience in electronics, electrical, mechanical and refrigeration fields, our prospects on system integration projects can be further explored. We may explore such prospects by proposing and working closely together with new and existing technology partners, which may include the areas of medical and the life science industry.

HUMAN RESOURCE DEVELOPMENT

The Group's staff is key to its competitiveness. Hence, in order to ensure that staff is equipped with the necessary skills and knowledge to perform the jobs effectively, the Group conducts annual reviews and regular assessment of employees' training and developmental needs. Both in-house and external training programmes are then organised. Initial orientation training programmes are conducted for all new employees providing an overview of the Group culture, rules and regulations, safety procedures, device handling, documentation procedures and environmental awareness. Production staff are trained and certified before being assigned workstations. Before any production staff operator is released on the production line, he or she is required to pass a certification test which consists of a written test followed by a practical test. On-the-job training is conducted for all new employees and from time to time for all existing employees. Additionally, specific process training and functional skills enhancement training are provided to employees to ensure that they are equipped with the necessary skills and knowledge for their respective work areas.

LOOKING AHEAD

The prospect for the industry appears promising. The expected continual increase in the demand for semiconductor devices, particularly in the automotive industry and microprocessors, is likely to lead to a demand for Burn-In and tests of such devices. The trend of outsourcing Burn-In services to Burn-In and testing companies is likely to continue, given the more complex semiconductor devices which require higher capital investments for Burn-In equipment and engineering expertise. Additionally, with the development of more complex semiconductor devices performing at higher speeds, there is anticipated to be a higher demand for refrigeration-based thermal solutions for High Power Burn-In Systems for the Burn-In and test of such complex semiconductor devices, for which we currently occupy a niche position in the market as a service provider of such High Power Burn-In Systems.

"A successful captain is only as good as the people he leads."

BOARD OF DIRECTORS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1. **Mr Khor Thiam Beng**
Non-Executive Chairman

Mr Khor Thiam Beng is our Non-Executive Chairman. He was appointed to our Board on 30 October 2006.

Mr Khor is an Advocate and Solicitor of the Supreme Court of Singapore, a Commissioner for Oaths and is a member of both the Law Society of Singapore and the Singapore Academy of Law. He has been in private practice for more than 38 years and was the managing partner of Messrs Khor Thiam Beng & Partners since 1987. Mr Khor's areas of practice include real estate, corporate and banking matters.

The working relationship between Mr Khor and our Company began in or around 1984 when he started providing general legal services to our Company. Due to the long working relationship and intimate knowledge of our commercial operations, we have continued to use the services of his law firm even till the present day.

Mr Khor holds a Bachelor of Laws Degree from the University of Singapore.

2. **Mr Lim Eng Hong**
Chief Executive Officer

Mr Lim Eng Hong is the founder of our Company and is also our CEO. He was appointed to our Board since 1984.

He has more than 35 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies behind the Group's diversification into other related business areas. Prior to setting up our Company, Mr Lim was the test manager in charge of semiconductor testing and Burn-In in National Semiconductor, part of a USA multinational corporation.

Mr Lim holds separate Diplomas in Telecommunication Engineering from the Singapore Polytechnic and Management Studies from the Singapore Institute of Management.

3. **Mr Wong Wee Lim, William**
Chief Financial Officer

Mr Wong Wee Lim, William was appointed to our Board since 1984. As our CFO, he oversees the various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, tax, cash flow planning and financial systems of our Group.

Mr Wong is a Fellow of the Institute of Certified Public Accountants in Australia and an Associate of the Institute of Chartered Secretaries and Administrators. He had been in public practice for 16 years as the sole practitioner of a CPA firm and five years as a partner in a CPA firm. Prior to this, Mr Wong has held positions of Financial Controller and Company Secretary in a USA multinational corporation. He brings with him a wealth of experience having held various managerial and middle management positions in accounting and finance and in diversified industries including electronics, motor, marine, scientific and the ophthalmology industries.

4. Mr Goh Chung Meng
Independent Director

Mr Goh Chung Meng is an Independent Director of our Company. He was appointed to our Board in 2001.

Mr Goh is a director of TauRx Therapeutics Ltd, WisTa Laboratories Ltd and PoreDeen Pte Ltd, which are Singapore incorporated biomedical science research companies. After graduating from NUS (Business Administration), Mr Goh began his career in 1982 with the management consulting arm of Deloitte & Touche in Singapore solving financial and management problems for USA and European clients operating in South East Asia. He was actively involved in Deloitte & Touche's first insolvency business division here in 1985 when Singapore faced its first official economic recession. The corporate restructuring activities led Mr Goh to corporate finance and mergers & acquisition work. During the period from 1985 to 1990, Mr. Goh worked as a senior consultant for Deloitte & Touche Management Consultants in Singapore where he was involved in a wide variety of consulting assignments including a two-year stint helping to start up an insolvency unit during the 1985 recession. In addition to his standard consulting assignments assisting his clients in their Business Plans, Financial Feasibility Studies and Market Research, he was involved in implementing voluntary liquidation of public listed companies. After the economic recovery in 1987, Mr. Goh refocused his consultancy assignments on corporate finance work that eventually leads to M&A or significant equity restructuring.

In 1990, he was headhunted by a USA executive search firm to join Carr Indosuez Asia (Merchant Banking unit of Credit Agricole and formerly known as Banque Indosuez). Mr Goh was subsequently invited in 1995 by the merchant bank's parent company, SUEZ, to join its newly created US$200 million Asian Venture Capital Fund known as Suez Asia Holdings. He was director, Investments, of the Fund focussing on South East Asia and China private equity investments.

Mr Goh has been a pioneer board member of TauRx Therapeutics Ltd since the company's founding in 2002. Mr Goh also provides independent contractual services to ACE Investment Management Pte Ltd (a boutique private equity investment consultancy company) on a case by case basis in relation to the origination and the structuring of private equity transactions. Mr Goh was previously a Qualified Business Angel of the National Science and Technology Board in 2001 and he currently serves as a Panel Member of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

5. Mr Michael Grenville Gray
Independent Director

Mr Michael Grenville Gray is an independent Director of our Company. He was appointed to the Board on 30 October 2006.

Mr Gray is the Senior Advisor to Tricor Singapore Pte Ltd, a professional firm involved in corporate secretarial, accounting services and outsourcing. Prior to his retirement at the end of 2004, Mr Gray was a partner in PricewaterhouseCoopers, Singapore and before that Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos). He has over 30 years experience in professional practice most of which has been in Southeast Asia.

Mr Gray spent ten years in the shipping industry before training as a Chartered Accountant with Coopers & Lybrand in the United Kingdom. He was admitted as a member to the Institute of Chartered Accountants in England and Wales (FCA) in 1976. Apart from being a FCA, Mr Gray has a Bachelor of Science Degree in Maritime Studies from the University of Plymouth and a Masters of Arts in South East Asian Studies from the National University of Singapore. He is a Fellow of the Chartered Institute of Logistics and Transport, Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Singapore Institute of Directors.

He founded the Coopers & Lybrand practice in Indochina and was the CEO thereafter. He is an active member of the Singapore Institute of Directors (SID), where he is editor of the SID Bulletin. Mr Gray is a Singapore citizen and has held a number of positions in Statutory Boards, grassroots organisations and Voluntary Welfare Organisations. He received, from the Singapore Government, the Public Service Medal (P.B.M.) in 1992 and the Public Service Star (B.B.M.) in 1999.

EXECUTIVE OFFICERS

Mr Tan Kwang Seng
Director of Burn-In Operations

Mr Tan Kwang Seng is our Director of Burn-In operations. He is responsible for the production, planning, engineering and customer service support for the Burn-In operations of the Group.

Mr Tan has over 30 years working experience (including ten years in the semiconductor industry at National Semiconductor; six years in the disk drive manufacturing industry at Micropolis (S) Pte Ltd; six years in the Republic of Singapore Air Force and four years in the consumer electronics industry). Mr Tan's field of experience covers areas including technical management overseeing a wide range of responsibilities in engineering (test, industrial and R&D) and maintenance and operations (production and planning). He joined our Company in 1999.

Mr Tan holds a Bachelor of Engineering Degree from the University of Singapore and a Masters of Business Administration Degree from the Golden Gate University, San Francisco California, USA.

Mr Kwok Wai San, Philip
Director of Engineering

Mr Kwok Wai San, Philip is our Director of Engineering with more than 25 years experience in the semiconductor industry. He is responsible for the overall performance and management of our Engineering Services Department. He is also responsible for managing our Group's overseas sales and marketing activities for all Burn-In Boards related products.

He joined our Company in 1990. Prior to joining our Company, he was employed by National Semiconductor (S) Pte Ltd as an Engineering Manager.

Mr Kwok holds separate Diplomas in Electronic and Communications Engineering and Management Studies from the Singapore Polytechnic and the Singapore Institute of Management respectively.

Mr Low Peng Fei, Robin
Manufacturing Manager

Mr Low Peng Fei, Robin, is our Manufacturing Manager. He is responsible for overseeing all production, process and maintenance functions for the Board Manufacturing operations of our Group.

He joined our Company in 2001. He holds a Bachelor of Science Degree from Cornell University, Ithaca, New York, USA and a Masters of Science in Engineering (Industrial and Operations Engineering) Degree from the University of Michigan, Ann Arbour, Michigan, USA.

Mr Low Joo Hong, Ronald
Senior Manager (Sales and Application)

Mr Low Joo Hong, Ronald, is our Senior Manager (Sales and Application) with over 25 years experience in the semiconductor industry. He oversees our Equipment Representative Sales and Distribution team, and is responsible for the sale and distribution of third party burn-in and test equipment used in the semiconductor industry.

He joined our Company in 2004. Prior to joining our Company, he was working with Semitech Electronics Ltd for five years as their regional sales manager responsible for sales and service support of semiconductor test equipment with customers located in South East Asia and the PRC. He has also worked for National Semiconductor Manufacturer Singapore Pte Ltd for 18 years as a senior engineer.

Mr Low holds a Diploma in Electrical and Electronics Engineering from the Ngee Ann Technical College (now known as the Ngee Ann Polytechnic) and a Certificate in Industrial Management from the Singapore Polytechnic.

Mr Lau Toon Hai
QA Director

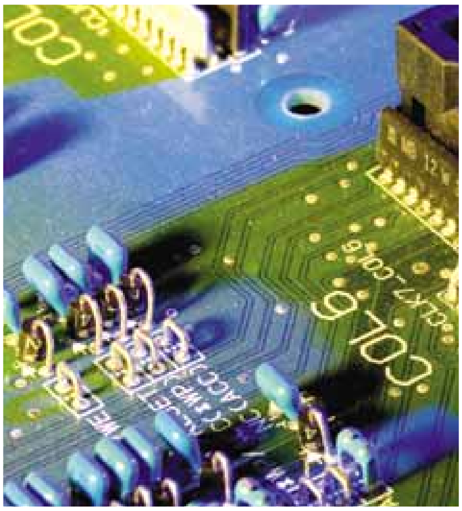
Mr Lau Toon Hai is our QA Director with over 20 years experience in the electronics engineering industry. He is responsible for setting up and maintaining a functional quality organisation and quality system for our Group. Areas falling under his duties and responsibilities include the overseeing of the quality control procedures of our Group as a whole and updating our Group's quality control system to keep alongside with current industrial and commercial standards and our customer's requirements.

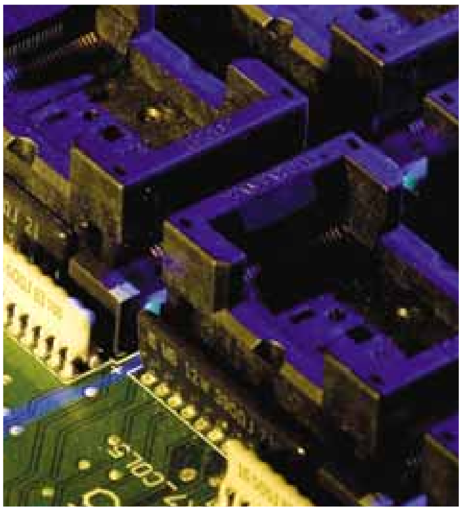
He joined our Company in 1994. Prior to joining our Group, he has worked with companies including Philips (S) Pte Ltd, Archive (S) Pte Ltd and Conner Peripherals (S) Pte Ltd. Mr Lau holds a Diploma in Electronics and Communication Engineering from the Singapore Polytechnic.

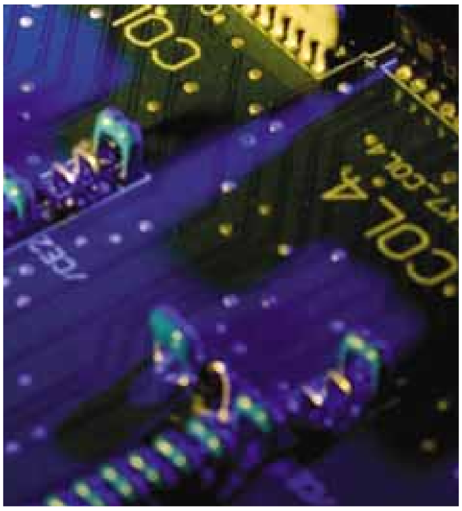
Mdm Lee Say Hiang, Jenny
Human Resource and Security Director

Mdm Lee Say Hiang, Jenny, is our Human Resource and Security Director. She is responsible for the planning, organising and administration of human resources as well as planning and directing of human resources development, performance and career management programmes. She is also responsible for the physical security, protection services and privacy of our Company and its employees and for coordinating all corporate activities with security implications.

Mdm Lee holds a Diploma in Management Studies from the Singapore Institute of Management. She joined our Company in 1984.







"The secret of success is constancy to purpose."

FINANCIAL REVIEW

1. GROUP OPERATING RESULTS

	FY 2007 $'000	FY 2006 $'000	Change %
Revenue	70,364	36,566	92.4
Cost of sales	45,657	21,041	117.0
Gross profit	24,707	15,525	59.1
Administrative expenses	6,282	4,677	34.3
Profit before income tax	18,759	11,105	68.9
Income tax expense	3,288	2,272	44.7
Profit for the year	15,471	8,833	75.2

For the financial year ended 30 June 2007 ('FY2007'), the Group posted a year-on-year 75.2% increase in net profit from $8.8 million in FY2006 to $15.5 million in FY2007. Group revenue increased by 92.4% to $70.4 million in FY2007 from $36.6 million in FY2006 on the back of strong sales to USA by the Engineering Services and Equipment Distribution business segment.

1.1 Revenue

Revenue by business segment

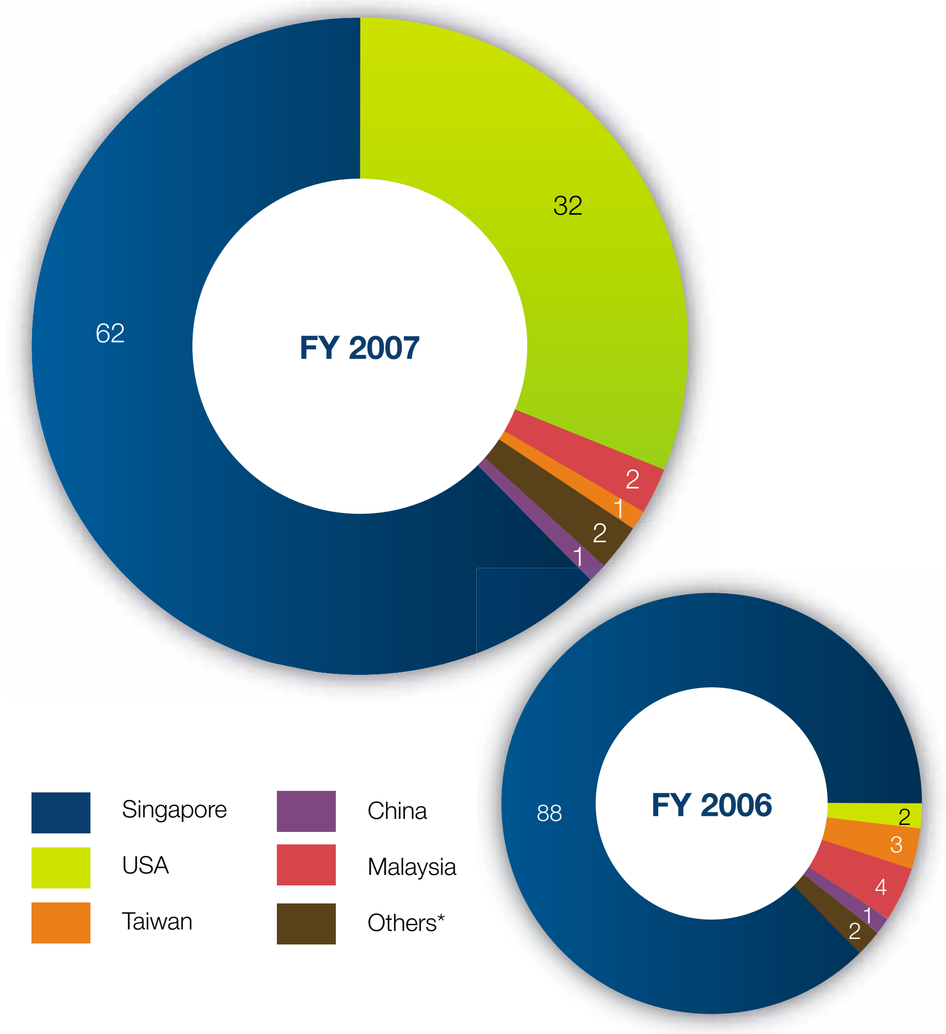
	FY 2007 $'000	FY 2006 $'000	Change %
Burn-In and Related Services	22,892	22,283	2.7
Design and Manufacture of Burn-In Boards and Boards Related Products	6,670	5,992	11.3
Engineering Services and Equipment Distribution	40,802	8,291	392.1
	70,364	**36,566**	92.4

Burn-In and Related Services contributed to 32.5% of Group's revenue in FY2007 (FY2006: 60.9%). There was a marginal increase in revenue of $0.6 million or 2.7% even though this business segment contribution to Group's revenue has decreased significantly. This was due to the significant contribution to Group's revenue by the Engineering Services and Equipment Distribution business segment in FY2007.

Design and Manufacture of Burn-In Boards and Boards Related Products contributed to 9.5% of Group's revenue in FY2007 (FY2006: 16.4%). There was a marginal increase in revenue of $0.7 million or 11.3% even though this business segment contribution to Group's revenue has decreased.

Engineering Services and Equipment Distribution contributed to 58% of Group's revenue in FY2007 (FY2006: 22.7%). The significant increase of $32.5 million or 392.1% was attributed primarily to the provision of system integration services in High Power Burn-In Systems following strong sales to USA.

Revenue by geographical segment (%)



Revenue from Singapore increased by 36.4% from $32.1 million in FY2006 to $43.8 million in FY2007. However in relation to total revenue, contribution from Singapore decreased from 87.7% in FY2006 to 62.3% in FY2007. This is attributed to increase in contribution from the Engineering Services and Equipment Distribution revenue from USA. Contribution from USA increased substantially from $0.8 million in FY2006 to $22.6 million or 2.1% of Group's revenue in FY2006 to 32.1% in FY2007.

1.2 Gross profit

	FY 2007 $'000	FY 2006 $'000	Change %
Gross profit	24,707	15,525	59.1
Gross margin	35.1%	42.5%	(17.4)

The Group's gross profit improved by 59.1% from $15.5 million in FY2006 to $24.7 million in FY2007 due mainly to higher revenue. However, gross margin decreased from 42.5% to 35.1%. This was due primarily to increases in materials used as a result of higher proportion of revenue contribution from Engineering Services and Equipment Distribution business segment.

1.3 Cost of sales

	FY 2007 $'000	FY 2006 $'000	Change %
Cost of sales	45,657	21,041	117.0
Included in cost of sales			
Cost of material and equipment	28,928	9,654	199.6
Salary costs	8,774	6,076	44.4
Depreciation	1,502	1,391	8.0
Electricity	3,577	2,871	24.6
Other direct overheads	2,876	1,049	174.2

Cost of sales, which includes cost of materials and equipment, salary costs, depreciation, utilities and attributable direct overheads increased 117% from $21.0 million in FY2006 to $45.7 million in FY2007. The higher cost of sales was driven largely by the increase in sales by the Engineering Services and Equipment Distribution business segment. Cost of materials increased 199.6% because of higher material costs used in system integration and equipment manufacturing.

Salary costs increased by 44.4% due to a rise in payroll related expenses resulting from additional headcount to support the Engineering Services and Equipment Distribution business segment so as to improve profits.

Higher electricity charges impacted electricity costs which increased 24.6%. Likewise, other direct overheads, consisting mainly of production and maintenance consumables of $1.7 million and inward freight of $0.7 million, increased by 174.2%, once again attributable to higher sales.

1.4 Administrative expenses

	FY 2007 $'000	FY 2006 $'000	Change %
Administrative expenses	6,282	4,677	34.3
Included in administrative expenses:			
Salary costs	2,900	2,265	28.0
Facilities maintenance	1,233	1,129	9.2
Foreign currency exchange adjustment loss	311	226	37.6

The increase in administrative expenses by $1.6 million or 34.3% is due primarily to higher payroll related expenses resulting from provision of bonus and director's profit sharing, full year cost for our USA sales consultant and realised loss in exchange.

1.5 Profit before income tax

	FY 2007 $'000	FY 2006 $'000	Change %
Profit before income tax	18,759	11,105	68.9

The Group's profit before income tax improved by 68.9% from $11.1 million in FY2006 to $18.8 million in FY2007. This was attributed to higher revenue from $36.6 million in FY2006 to $70.4 million in FY2007.

1.6 Profit for the year

	FY 2007 $'000	FY 2006 $'000	Change %
Income tax expense	3,288	2,272	44.7
Profit for the year	15,471	8,833	75.2

The Group's profit for year improved by 75.2% from $8.8 million in FY2006 to $15.5 million in FY2007 as a result of the higher revenue and control on our operating and administrative expenses.

2 LIQUIDITY AND CAPITAL RESOURCES

Cash flow

	FY 2007 $'000	FY 2006 $'000	Change %
Cash flow from:			
Operating activities	17,306	8,795	96.8
Investing activities	(1,745)	(2,033)	(14.2)
Financing activities	(9,035)	(5,192)	74.0
Net change in cash and cash equivalents	6,536	1,567	317.1
Cash and cash equivalents at end of year	15,258	8,722	74.9

Group cash and cash equivalents remained at a healthy level and in fact increased by $6.6 million from $8.7 million in FY2006 to $15.3 million in FY2007. This increase is mainly due to a 96.8% increase in cash generated from operating activities from $8.8 million in FY2006 to $17.3 million in FY2007.

Operating activities

There was a 96.8% increase in cash flow from operating activities from $8.8 million in FY2006 to $17.3 million in FY2007. Operating cash of $19.6 million was offset by negative changes in working capital arising from carrying of more inventories by our Engineering Services and Equipment Distribution business segment to meet customers' demands.

Investing activities

There was a 14.2% decrease in cash flow from investing activities from $2 million in FY2006 to $1.7 million in FY2007. This was attributed mainly to lower capital expenditure on plant and machinery from $2.3 million in FY2006 to $1.8 million in FY2007.

Financing activities

The higher cash outflow in FY2007 of $3.8 million from $5.2 million in FY2006 to $9 million in FY2007 was mainly due to dividend payout amounting to $7.4 million (FY2006: $4.4 million).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Khor Thiam Beng
Non-Executive Chairman

Mr Lim Eng Hong
Chief Executive Officer

Mr Wong Wee Lim, William
Chief Financial Officer

Mr Goh Chung Meng
Independent Director

Mr Michael Grenville Gray
Independent Director

AUDIT COMMITTEE

Mr Michael Grenville Gray
Chairman

Mr Khor Thiam Beng
Member

Mr Goh Chung Meng
Member

REMUNERATION COMMITTEE

Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

NOMINATING COMMITTEE

Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

COMPANY SECRETARY

Mr Adrian Chan Pengee
Lee & Lee
Advocates & Solicitors

REGISTERED OFFICE

Avi-Tech Electronics Limited
Company Registration No. 198105976H
Address: 19A Serangoon North Avenue 5
Singapore 554859
Tel: +65 6482 6168
Fax: +65 6482 6123
Website : www.avi-tech.com.sg
Email : enquiry@avi-tech.com.sg

SHARE REGISTRAR

Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

Deloitte & Touche
Certified Public Accountants
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809

Philip Yuen Ewe Jin
Partner-in-charge of the audit
Date of appointment: 28 October 2004

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 04862

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of AVI-TECH ELECTRONICS LIMITED ("Avi-Tech" or the "Company") recognises the importance of maintaining high standards of good corporate governance within the Company and its subsidiary (the "Group") and the offering of high standards of accountability to our shareholders.

The Company has adopted most of the recommendations of the Code of Corporate Governance 2005 (the "Code") issued by the Ministry of Finance, Singapore. This report sets out the Group's corporate governance practices implemented after the Company's listing on Singapore Exchange Securities Trading Limited ("SGX-ST"), with specific reference to each of the principles of the Code. Other than deviations which are explained in this report, the Company has generally complied with the principles and guidelines of the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board of Directors is collectively responsible for the success of the Group and is accountable to its shareholders. The Board oversees the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

Matters that specifically require the Board's attention include the release of quarterly and full year results announcements, recommendation on the declaration of dividends, material acquisitions and disposals of assets, approval of annual audited financial statements for the Group and the Directors' Report thereto, approval on the nomination of Directors and appointment of key personnel and the company secretary, as well as other significant corporate actions. The Board ensures that new incoming Directors, when appointed, will receive an orientation that includes briefing by management on the Group's structure, businesses, operations and policies. Directors are also invited to visit Group's facilities for a better understanding of the Group's operations.

In accordance with the Code, Board committees have been established on 25 July 2007 to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which have been delegated with specific authority. Each Board committee functions within its own defined terms of reference and procedures. All committees are chaired by an independent non-executive Director.

The Board conducts regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full-year results and to update the Board on significant business activities and overall business environment. Ad-hoc meetings will be held as and when required to address any significant issues that may arise. The Company's Articles of Association provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Details of Directors' attendance at the Board and Board committee meetings held for the financial year under review, are summarised in the table below :

Meetings of	Board*	Audit Committee	Nominating Committee	Remuneration Committee
Total held for FY2007	2	N/A	N/A	N/A
Khor Thiam Beng	2	N/A	N/A	N/A
Lim Eng Hong	2	N/A	N/A	N/A
Wong Wee Lim, William	2	N/A	N/A	N/A
Goh Chung Meng	2	N/A	N/A	N/A
Michael Grenville Gray	2	N/A	N/A	N/A

The Company was listed on SGX-ST on 25 July 2007 and the first meetings of the AC, NC and RC were held on 24 August 2007, after the financial year ended 30 June 2007. As at the end of the first quarter of FY2008, each of the AC, NC and RC held two meetings since its establishment.

The current Directors have been in office since the Company's listing on SGX-ST in July 2007.

* Although only two formal Board meetings were held during the financial year, members of the Board did communicate frequently with each other. Urgent informal discussions and matters discussed were then formally approved by circular resolutions in writing.

Principle 2: Board Composition and Guidance

The Board currently comprises five Directors, two of whom hold executive positions:

Director	Board Membership	Date of Directorship Appointment	Audit Committee	Nominating Committee	Remuneration Committee
Khor Thiam Beng	Chairman and Non-Executive Director	30 October 2006	Member	Member	Member
Lim Eng Hong	Chief Executive Officer	16 May 1984	-	-	-
Wong Wee Lim, William	Chief Financial Officer	16 May 1984	-	-	-
Goh Chung Meng	Independent Director	16 October 2001	Member	Chairman	Chairman
Michael Grenville Gray	Independent Director	30 October 2006	Chairman	Member	Member

The Board comprises more than one-third independent Directors who offer alternative view of the Group's business and corporate activities. Their views and opinions often provide different perspectives to the Group's business.

The Board considers its present composition of independent and non-executive Directors appropriate, taking into account the nature and scope of the Group's operations and also considers the current size ideal for effective debate and decision making of the Board. The Directors bring with them a wide spectrum of industry skill, experience in accounting, finance, legal and business strategies, management expertise and objective perspective to effectively lead and direct the Group.

Principle 3: Chairman and Chief Executive Officer

The Code advocates that the Chairman and the Chief Executive Officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision making.

The Chairman of the Board is Mr Khor Thiam Beng, a non-executive Director. He assumes responsibility for the smooth functioning of the Board and ensures timely flow of information between management and the Board. He is also consulted on the Group's strategic direction and formulation of policies.

Day-to-day operations of the Group are entrusted to the Chief Executive Officer, Mr Lim Eng Hong, an executive Director. He assumes full executive responsibilities over the mapping of business plans and operational decisions of the Group.

Mr Khor Thiam Beng and Mr Lim Eng Hong are not related to each other.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership
Principle 5: Board Performance

The Nominating Committee ("NC"), established on 25 July 2007, has written terms of reference endorsed by the Board, setting out their duties and responsibilites. The AC comprises three Directors, all non-executive and the majority of whom, including the Chairman, are independent:

Mr Goh Chung Meng	-	Chairman
Mr Khor Thiam Beng	-	Member
Mr Michael Grenville Gray	-	Member

According to its terms of reference, the responsibilities of the NC include:

- reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company;
- determining annually whether or not a Director is independent;
- deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company;
- identifying and nominating candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- reviewing and making recommendations to the Board regarding the Board structure, size, composition and core competencies having regard at all times to the principles of corporate governance and the Code; and
- proposing objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC had not adopted a process for the selection and appointment of new Directors. The Board is of the opinion that there is no requirement at present to appoint a new member to the Board as the Company was recently listed on the SGX-ST in July 2007. The NC will put in place a process for selection and appointment of new Directors, when the need to appoint a new Board member arises.

The Company's Articles of Association provides that one-third of the Board is to retire annually by rotation at the Annual General Meeting ("AGM") and the Directors to retire in every year will be those who have been longest in office since their last election. Retiring Directors are eligible to offer themselves for re-election.

The NC has recommended the nominations of Mr Wong Wee Lim, William and Mr Goh Chung Meng, for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

The NC has also reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined that Mr Goh Chung Meng and Mr Michael Grenville Gray to be independent.

As the Company was listed in July 2007, the NC has agreed to defer the assessment of the Board's performance to FY2008. This will provide more time for Board members to interact and work with one another. The NC will develop and adopt a process to evaluate the Board's performance and to assess the effectiveness of the Board as a whole and the contribution of each Director, in FY2008.

Other key information on the Directors is set out on pages 8 and 9 of this Annual Report.

Principle 6: Access to Information

To ensure that the Board is equipped to discharge its responsibilities, management provides the Board on an on-going basis with sufficient information including information on the financial performance of the Group together with explanatory information in a timely manner.

All Directors have separate and independent access to the Group's senior management and the company secretary. Whenever necessary, the Board can seek independent professional advice in the course or furtherance of their duties at the Company's expense.

The Company secretary provides secretarial support to the Board, ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration

The Remuneration Committee ("RC"), established on 25 July 2007, has written terms of reference endorsed by the Board, setting out their duties and responsibilites. The RC comprises three Directors, all non-executive and the majority of whom, including the Chairman, are independent:

Mr Goh Chung Meng	-	Chairman
Mr Khor Thiam Beng	-	Member
Mr Michael Grenville Gray	-	Member

According to its terms of reference, the responsibilities of the RC include:

- recommending to the Board a framework of remuneration for the Board and determine the specific remuneration package for each executive Director, such recommendations to be submitted to the Board for endorsement by the entire Board and should cover all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind;
- reviewing and recommending to the Board the remuneration of senior management;
- determining performance-related elements of remuneration to align interests of executive Directors with those of shareholders and link rewards to corporate and individual performance; and
- considering whether Directors should be eligible for benefits under long-term incentive schemes.

While none of the members specialises in the field of executive compensation, the members of the RC do possess broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key executives in accordance with the terms of reference duly adopted by the Board.

The executive Directors' remuneration packages are based on service contracts. For the Chief Executive Officer, Mr Lim Eng Hong, remuneration includes a profit sharing scheme that is performance related to align his interests with those of the shareholders. The remuneration packages for key executives comprise a basic salary component and a variable component which is the annual incentive bonus based on the performance of the Group as a whole and their individual performance. In determining specific remuneration packages for each executive Director and key executive, the RC will take into account pay and employment conditions within the same industry and in comparable companies as well as the Company's performance and that of the individuals.

The executive Directors' service agreements for the Chief Executive Officer, Mr Lim Eng Hong and the Chief Financial Officer, Mr Wong Wee Lim, William, both commence on 25 July 2007, are for an initial period of three years and two years respectively, and are renewable thereafter as may be agreed between the parties.

The non-executive Directors are paid Directors' fees based on their contributions and responsibilities on the Board and Board committees. The recommendations made by the RC in respect of the non-executive Directors' fees are subject to shareholders' approval at the AGM.

CORPORATE GOVERNANCE REPORT

The RC has recommended to the Board an amount of S$190,000 as Directors' fees for the year ended 30 June 2007. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

Principle 9: Disclosure of Remuneration

A breakdown, showing the level and mix of each individual Director's remuneration (in bands of S$250,000) for the year ended 30 June 2007 is as follows:

Director	Fee(1)	Salary	Variable Bonus	Benefits in kind	Total
Band E(2)	%	%	%	%	%
Lim Eng Hong	3	15	80	2	100
Band A(2)					
Khor Thiam Beng	100	0	0	0	100
Wong Wee Lim, William	100	0	0	0	100
Goh Chung Meng	100	0	0	0	100
Michael Grenville Gray	100	0	0	0	100

A breakdown, showing the level and mix of the top key executives' remuneration (in bands of S$250,000) for the year ended 30 June 2007 is as follows:

Key Executive	Salary	Variable Bonus	Benefits in kind	Total
Band A(2)	%	%	%	%
Tan Kwang Seng	61	39	0	100
Kwok Wai San, Philip	62	38	0	100
Low Peng Fei, Robin	68	32	0	100
Low Joo Hong, Ronald	76	24	0	100
Lau Toon Hai	67	33	0	100
Lee Say Hiang, Jenny	66	34	0	100

The Group did not employ any immediate family member of a Director, where the remuneration of such immediate family member exceeded S$150,000 in FY2007.

The Company has adopted a share option scheme for eligible employees, including all Directors of the Company and the Group. No options were granted under the option scheme in FY2007.

Notes:

(1) These fees are subject to the shareholders approval at the forthcoming AGM.

(2) Band A means from S$0 up to S$249,999.
Band E means from S$1,500,000 up to S$1,999,999.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Directors fully recognize the principle that the Board is accountable to the shareholders while the management is accountable to the Board. In presenting the quarterly and annual financial results to shareholders, the Board seeks to provide shareholders with a detailed assessment of the Group's financial position and prospects. Management provides the Board with detailed management accounts of the Group's performance, financial position and prospect on a quarterly basis.

Principle 11: Audit Committee

The Audit Committee ("AC"), established on 25 July 2007, has written terms of reference endorsed by the Board, setting out their duties and responsibilites. The AC comprises three Directors, all non-executive and the majority of whom, including the Chairman, are independent:

Mr Michael Grenville Gray	-	Chairman
Mr Khor Thiam Beng	-	Member
Mr Goh Chung Meng	-	Member

The members of the AC are appropriately qualified to discharge their responsibilities with Mr Michael Grenville Gray having been a former partner in PricewaterhouseCoopers, Mr Goh Chung Meng having a wide financial management experience and Mr Khor Thiam Beng, a senior practising lawyer.

According to its terms of reference, the responsibilities of the AC include:

- reviewing the scope and results of the audit, its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the significant financial and reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the company's financial performance;
- reviewing the adequacy of the Company's internal controls;
- reviewing the effectiveness of the Company's internal audit function;
- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement; and
- reviewing Interested Person Transactions and providing such reports that are required by the law or relevant regulations.

The AC has reviewed the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the auditors. No restriction was imposed by the management on the scope and extent of the external audit. The AC met with the Group's external auditors to discuss the results of their examinations and the evaluation of the Group's system of internal controls. The AC also reviewed the Group's full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2007 prior to its recommendations to the Board for approval.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and the co-operation of management, full discretion to invite any Director or key executive to attend its meetings and has been given adequate resources to enable it to discharge its functions.

To achieve a high standard of corporate governance for the operation of the Group, the management has put in place and the AC has endorsed a Whistle-Blowing Programme. This programme will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters.

The AC has noted that there is no non-audit services provided by the external auditors, Deloitte & Touche for FY2007, and hence does not affect the independence or, objectivity of the external auditors. The external auditors have affirmed their independence in this respect.

The AC had recommended the re-appointment of Deloitte & Touche as external auditors at the forthcoming AGM.

Principle 12: Internal Controls
Principle 13: Internal Audit

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices and the identification and management of business risks. The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

The AC has recommended and the Board has approved the appointment of Moore Stephens as internal auditors. The AC will continually assess the adequacy of the internal audit function on an annual basis.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

The Board is aware of its obligation to shareholders in providing regular, effective and fair communication with shareholders. In line with continuous disclosure obligations of the Company pursuant to the rules of the SGX-ST, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Company. Information is communicated to our shareholders through public announcements via SGXNET, news releases where appropriate and annual reports/circulars that are sent to all shareholders and notices of general meeting are advertised.

The AGM is the principal forum for dialogue with shareholders. The Board encourages shareholders to attend the AGM and to stay informed of the Company's developments. Shareholders are given opportunity to air their views and direct questions to the Board on matters affecting the Company. The Chairman of the AC, RC and NC and external auditors are normally present at the meeting to address relevant questions.

SECURITIES TRANSACTIONS

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities. The Company prohibits its officers, who have access to price-sensitive and confidential information, from dealing in the Company's shares, during the periods commencing at least two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

INTERESTED PERSON TRANSACTIONS

The Board confirms that there are no interested person transactions entered into during the financial year ended 30 June 2007 which fall under Listing Rule 907 of the Listing manual of the SGX-ST.

MATERIAL CONTRACTS

Other than the Service Agreements entered into with Mr Lim Eng Hong and Mr Wong Wee Lim, William (as disclosed in the Company's Prospectus dated 11 July 2007) and any supplementals thereto, there were no material contracts during the financial year that is required to be disclosed under Rule 1207(8) of the Listing manual of the SGX-ST.

RISK MANAGEMENT POLICIES AND PROCESSES

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The management regularly reviews the Group's business and operational activities to identify areas of business risks and the appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board for further discussion. The Board also works with the external auditors on their recommendations, and institutes and executes relevant controls with a view to managing business risks.

STATUS REPORT ON USE OF IPO PROCEEDS

The Group successfully raised approximately S$29.0 million from its initial public offering ("IPO") from the issuance of 88 million new ordinary shares of S$0.33 each on 25 July 2007. As at 31 August 2007, the total net proceeds of approximately S$26.7 million (after deducting the IPO expenses of approximately S$2.3 million, as disclosed on page 33 of the Company's Prospectus dated 11 July 2007) from the IPO were used for the following purposes:

	S$ million
Expansion of our customer base and widen our portfolio of services	0.2
Expansion of our overseas operations	0.3
Working capital	1.3

Management has confirmed that the above use of proceeds was in line with the Company's planned utilisation of funds.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended June 30, 2007.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Lim Eng Hong	
Wong Wee Lim William	
Goh Chung Meng	
Khor Thiam Beng	(Appointed on October 30, 2006)
Michael Grenville Gray	(Appointed on October 30, 2006)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except as disclosed in Note 3 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the names of Directors			Shareholdings in which Directors are deemed to have an interest		
Names of Directors and company in which interests are held	**At beginning of year**	**At end of year**	**At July 21, 2007**[(1)]	**At beginning of year**	**At end of year**	**At July 21, 2007**[(1)]
The Company						
Lim Eng Hong	1,388,768	1,488,850	79,438,350	-	-	26,270,000
Wong Wee Lim William	80,000	80,000	5,680,000	-	-	-

(1) In preparation for the Company's initial public offering ("IPO"), the share capital of the Company was subdivided such that every one existing ordinary share was divided into 71 ordinary shares on July 6, 2007 (Note 34).

By virtue of Section 7 of the Singapore Companies Act, as at June 30, 2007, Mr Lim Eng Hong was deemed to have an interest in all the ordinary shares of the subsidiary of the Company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

5 SHARE OPTIONS

(a) *Option to take up unissued shares*

In the financial year ended June 30, 2003, the Company granted the following options to a Director and employees of the Company under the 1999 Employees' Share Option Scheme:

	Number of individuals	Number of options on ordinary shares
Director – Lim Eng Hong	1	175,980
Non-Directors	6	160,000

Each share option entitled the option holders to subscribe for one new ordinary share in the Company at an exercise price of $4.62 per ordinary share. The options were granted in consideration of $1 for all the shares in respect of which the options were granted.

Subsequent to the financial year, a share option scheme known as the Avi-Tech Employee Share Option Scheme (the "ESOS") was approved by the shareholders. At the date of this report, no option have been granted under this ESOS.

During the financial year, no option to take up unissued shares of the subsidiary was granted.

(b) *Options exercised*

During the financial year, the Company issued 5,000 ordinary shares of $4.62 per share upon exercise of options by a non-Director under the 1999 Employees' Share Option Scheme.

In the last financial year, the Company issued 20,000 ordinary shares of $4.62 per share upon exercise of options by 2 non-Directors under the 1999 Employees' Share Options Scheme.

During the financial year, there were no shares of the subsidiary issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, unissued shares of the Company under option are:

Date of grant	Balance as of July 1, 2006	Granted	Exercised	Balance as of June 30, 2007	Exercise price per share
August 12, 2002	5,000	-	5,000	-	$4.62

At the end of the financial year, there were no unissued shares of the subsidiary under option.

REPORT OF THE DIRECTORS

6 AUDIT COMMITTEE

The Audit Committee of the Company was formed upon the listing of the shares of the Company on the main board of Singapore Exchange Securities Trading Limited subsequent to the end of the financial year. The Committee is chaired by Mr Michael Grenville Gray, an independent Director, and includes Mr Goh Chung Meng, an independent Director and Mr Khor Thiam Beng, a non-executive Director. The Audit Committee has met two times and has reviewed the following, where relevant, with the executive Directors and external and internal auditors of the Company:

a) the external auditors' audit plans

b) the Group's financial and operating results and accounting policies;

c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and external auditors' report on those financial statements;

d) the annual announcement as well as the related press releases on the results and financial position of the Company and Group;

e) the cooperation and assistance given by the management to the Group's external auditors; and

f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the cooperation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting ("AGM") of the Company.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lim Eng Hong

Wong Wee Lim William

September 18, 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AVI-TECH ELECTRONICS LIMITED
(FORMERLY KNOWN AS AVI-TECH ELECTRONICS (S) PTE LTD)

We have audited the accompanying financial statements of Avi-Tech Electronics Limited (formerly known as Avi-Tech Electronics (S) Pte Ltd) (the Company) and its subsidiary (the Group) which comprise the balance sheets of the Group and the Company as at June 30, 2007, the profit and loss statement, statement of changes in equity and cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 57.

DIRECTORS' RESPONSIBILITY

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and the Singapore Companies Act, Cap. 50 (the "Act"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at June 30, 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company has been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants

Philip Yuen Ewe Jin
Partner

Singapore
September 18, 2007

BALANCE SHEETS

JUNE 30, 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
ASSETS					
Current assets					
Cash and bank balances	6	2,487	1,905	2,237	1,826
Fixed and call deposits	7	14,114	7,160	14,114	7,160
Trade receivables	8	14,861	11,811	14,861	11,811
Other receivables and prepaid expenses	9	744	395	714	379
Inventories	10	4,566	1,514	4,561	1,511
Held-for-trading investments	11	800	800	800	800
Total current assets		37,572	23,585	37,287	23,487
Non-current assets					
Subsidiary	12	-	-	792	207
Club membership	13	176	130	176	130
Property, plant and equipment	14	17,106	17,336	16,631	17,331
Total non-current assets		17,282	17,466	17,599	17,668
Total assets		54,854	41,051	54,886	41,155
LIABILITIES AND EQUITY					
Current liabilities					
Bank loan	15	612	612	612	612
Trade payables	16	6,878	3,610	6,878	3,610
Other payables	17	4,919	2,888	4,668	2,864
Current portion of finance leases	18	56	49	56	49
Income tax payable		3,295	2,159	3,295	2,159
Total current liabilities		15,760	9,318	15,509	9,294
Non-current liabilities					
Bank loan	15	6,629	7,241	6,629	7,241
Finance leases	18	153	159	153	159
Deferred tax liabilities	19	1,078	1,211	1,078	1,211
Total non-current liabilities		7,860	8,611	7,860	8,611
Capital and reserves					
Share capital	20	4,940	4,917	4,940	4,917
Reserves		26,294	18,205	26,577	18,333
Total equity		31,234	23,122	31,517	23,250
Total liabilities and equity		54,854	41,051	54,886	41,155

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

FINANCIAL YEAR ENDED JUNE 30, 2007

	Note	Group 2007 $'000	Group 2006 $'000
Revenue	21	70,364	36,566
Cost of sales		(45,657)	(21,041)
Gross profit		24,707	15,525
Other operating income	22	842	992
Distribution costs		(148)	(148)
Administrative expenses		(6,282)	(4,677)
Other operating expenses		-	(245)
Finance costs	23	(360)	(342)
Profit before income tax		18,759	11,105
Income tax expense	24	(3,288)	(2,272)
Profit for the year	25	15,471	8,833
Earnings per share	26		
(a) Before share split			
Basic (dollars)		4.19	2.39
Diluted (dollars)		4.19	2.39
(b) After share split			
Basic (dollars)		0.059	0.034
Diluted (dollars)		0.059	0.034

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED JUNE 30, 2007

		Reserves				
	Share capital $'000	Share premium $'000	Currency translation reserve $'000	Retained profits $'000	Total reserves $'000	Total $'000
Group						
Balance at June 30, 2005	3,671	1,154	3	13,801	14,958	18,629
Currency translation differences	-	-	(3)	-	(3)	(3)
Profit for the year	-	-	-	8,833	8,833	8,833
Total recognised income and expense for the year	-	-	(3)	8,833	8,830	8,830
Dividend paid (Note 30)	-	-	-	(4,429)	(4,429)	(4,429)
Issue of shares (Note 20)	20	72	-	-	72	92
Adjustment arising from abolition of par value of shares (Note 20)	1,226	(1,226)	-	-	(1,226)	-
Balance at June 30, 2006	4,917	-	-	18,205	18,205	23,122
Currency translation differences	-	-	10	-	10	10
Profit for the year	-	-	-	15,471	15,471	15,471
Total recognised income and expense for the year	-	-	10	15,471	15,481	15,481
Dividend paid (Note 30)	-	-	-	(7,392)	(7,392)	(7,392)
Issue of shares (Note 20)	23	-	-	-	-	23
Balance at June 30, 2007	4,940	-	10	26,284	26,294	31,234

		<--------------- Reserves ---------------->			
	Share capital $'000	Share premium $'000	Retained profits $'000	Total reserves $'000	Total $'000
Company					
Balance at June 30, 2005	3,671	1,154	13,828	14,982	18,653
Dividend paid (Note 30)	-	-	(4,429)	(4,429)	(4,429)
Issue of shares (Note 20)	20	72	-	72	92
Adjustment arising from abolition of par value of shares (Note 20)	1,226	(1,226)	-	(1,226)	-
Profit for the year	-	-	8,934	8,934	8,934
Balance at June 30, 2006	4,917	-	18,333	18,333	23,250
Dividend paid (Note 30)	-	-	(7,392)	(7,392)	(7,392)
Issue of shares (Note 20)	23	-	-	-	23
Profit for the year	-	-	15,636	15,636	15,636
Balance at June 30, 2007	4,940	-	26,577	26,577	31,517

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FINANCIAL YEAR ENDED JUNE 30, 2007

	Group	
	2007	2006
	$'000	$'000
Operating activities		
Profit before income tax	18,759	11,105
Adjustments for:		
Depreciation expense	2,039	1,859
Fair value changes on held-for-trading investments	-	123
Impairment loss reversal on club membership	(46)	-
Interest expense	360	342
Interest income	(390)	(171)
Gain on disposal of plant and equipment	(9)	(40)
Gain on disposal of held-for-trading investments	-	(15)
Operating cash flows before movements in working capital	20,713	13,203
Trade receivables	(3,050)	(3,603)
Other receivables and prepaid expenses	(349)	(3)
Inventories	(3,052)	(901)
Trade payables	3,268	1,113
Other payables	2,031	746
Cash generated from operations	19,561	10,555
Income tax paid	(2,285)	(1,589)
Interest paid	(360)	(342)
Interest received	390	171
Net cash from operating activities	17,306	8,795
Investing activities		
Additions to plant and equipment (Note A)	(1,754)	(2,261)
Proceeds from:		
Disposal of plant and equipment	9	146
Disposal of held-for-trading investments	-	82
Net cash used in investing activities	(1,745)	(2,033)
Financing activities		
Dividend paid	(7,392)	(4,429)
Proceeds from issue of shares	23	92
Payment of finance lease obligations	(54)	(90)
Repayment of bank loan	(612)	(765)
Increase in fixed deposits pledged as security to bank (Note 7)	(1,000)	-
Net cash used in financing activities	(9,035)	(5,192)
Net effect of exchange rate changes in consolidating subsidiary	10	(3)
Net increase in cash and cash equivalents	6,536	1,567
Cash and cash equivalents at beginning of the financial year	8,722	7,155
Cash and cash equivalents at end of the financial year (Note 27)	15,258	8,722

Note A:

During the financial year, the Group acquired plant and equipment with an aggregate cost of $1,809,000 (2006 : $2,428,000) of which $55,000 (2006 : $167,000) was acquired under finance lease arrangements. Cash payments of $1,754,000 (2006 : $2,261,000) were made to purchase plant and equipment.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1 GENERAL

The Company (Registration No. 198105976H) was a private limited company incorporated in Singapore as Avi-Tech Electronics (S) Pte Ltd, with its principal place of business and registered office at 19A Serangoon North Avenue 5, Singapore 554859. Subsequent to the end of the financial year, the Company, pursuant to the initial public offering ("IPO") of its shares, was converted to a public company and changed its name to Avi-Tech Electronics Limited. Since July 2007, the Company has been listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company consist of the provision of burn-in services, manufacture of burn-in boards and equipment and distribution of related equipment and products. The Company has a subsidiary in the People's Republic of China, Avi-Tech Electronics (Suzhou) Co. Ltd, which is currently inactive (Note 12).

The financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended June 30, 2007 were authorised for issue by the Board of Directors on September 18, 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

In the current financial year, the Group and the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after July 1, 2006. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS relevant to the Company and Group were issued but not effective:

FRS 107	-	Financial Instruments: Disclosures
FRS 108	-	Operating Segments
INT FRS 110	-	Interim Financial Reporting and Impairment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The application of FRS 107 and the consequential amendments to other FRS will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Company and Group's financial instruments and the objectives, policies and processes for managing capital.

Other than FRS 107 and FRS 108, the Directors anticipate that the adoption of these FRS, INT FRSs and amendments to FRSs in future periods will not have a material impact on the financial statements of the Company and of the Group in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to June 30 each year. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired during the year are included in the consolidated profit and loss statement from the effective date of acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction cost.

Investments held for trading are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in profit or loss for the period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's policy on borrowing costs.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period.

INVENTORIES - Inventories are stated at the lower of cost (weighted-average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

SUBSIDIARY – In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

CLUB MEMBERSHIP - Club membership is stated at cost less provision for any impairment loss.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following bases:

Building	-	60 years
Computer software	-	3 years
Leasehold improvements	-	5 years
Plant and equipment	-	3 to 10 years

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

No depreciation is charged in respect of plant under construction in progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF ASSETS - At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

<u>The Group as lessee</u>

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of the foreign subsidiary are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than its functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in the foreign entity (including monetary items that, in substance, form part of the net investment in foreign entity), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>

Revenue from the sale of manufactured products is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services that are of short duration is recognised upon completion of services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in the country where the Company and its subsidiary operates by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 FINANCIAL RISKS AND MANAGEMENT

i) Credit risk

The Group's principal financial assets are cash and bank balances, fixed and call deposits, and trade and other receivables.

The Group places its cash with creditworthy institutions.

The Group is exposed to concentration of credit risk given that its revenue is generated mainly from three (2006 : two) major customers, which accounted for 85.4% (2006 : 69.6%) of total trade receivables. The Group believes that such risk is mitigated by good financial standing of these customers.

ii) Interest rate risk

Interest-earning financial assets are mainly fixed deposits, which bear fixed interest in the range of 1.60% to 4.87% (2006 : 0.325% to 6.8%) per annum.

The Company is exposed to interest rate risk as its borrowings, other than finance leases, bear variable rates of interests determined based on a margin over the bank's swap rate. Details of the bank borrowings are disclosed in Note 15 to the financial statements. The Company does not use derivative financial instruments to mitigate this risk.

iii) Foreign exchange risk

The Company has foreign exchange risk due to business transactions denominated in foreign currencies.

The largest currency exposure is in United States dollars.

The exposure to the above risks are managed as far as possible by natural hedges of matching assets and liabilities.

iv) Liquidity risk

The Group has sufficient cash resources and maintains adequate line of credit to ensure necessary liquidity.

v) Fair values of financial assets and financial liabilities

The carrying values of cash and cash equivalents, trade and other current receivables, trade and other payables approximates their fair value due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or Directors.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the transactions and arrangement of the Group are with related parties and the effect of these transactions on the basis determined between the parties are reflected in these financial statements. Unless otherwise stated, the balances are unsecured, interest-free and repayable on demand.

(A) Related Parties Transactions

	2007 $'000	2006 $'000
Management and consultancy fees paid to a related party	30	30

In addition to the above related party transactions, the Company paid fees to a firm for legal services rendered to the Group. The managing partner of the firm is a newly appointed Director of the Company during the financial year.

	2007 $'000	2006 $'000
Legal fees paid to a legal firm	13	62

(B) Compensation of Directors (key management personnel)

The remuneration of Directors (being members of key management) during the year was as follows:

	2007 $'000	2006 $'000
Short-term benefits	1,913	1,161
Post-employment benefits	16	7
	1,929	1,168

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6 CASH AND BANK BALANCES

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Cash at bank	2,473	1,885	2,224	1,816
Cash on hand	14	20	13	10
	2,487	1,905	2,237	1,826

Cash and bank balances comprise cash held by the Group and Company. The carrying amounts of these assets approximate their fair values.

The Group and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follow:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
United States dollars	768	806	738	806
Malaysia Ringgit	12	2	12	2

7 FIXED AND CALL DEPOSITS

This includes fixed deposits of $1,343,197 (2006 : $343,197) pledged to banks for banking facilities, including bank loan (Note 15) and performance guarantee (Note 31).

The deposits bear effective interest in the range of 1.6% to 4.87% (2006 : 0.325% to 6.8%) and mainly mature within 3 months (2006 : 3 months).

The Group and Company's fixed and call deposits that are not denominated in the functional currencies of the respective entities are as follows:

	Group and Company	
	2007	2006
	$'000	$'000
United States dollars	783	1,438

8 TRADE RECEIVABLES

	Group and Company	
	2007	2006
	$'000	$'000
Outside parties	14,861	11,811

The average credit period on sale of goods is 60 days (2006 : 60 days). No interest is charged on the trade receivables.

An allowance has been made for estimated irrecoverable amounts from the sale of goods to third parties of $76,000 (2006 : $119,000). This allowance has been determined by reference to past default experience.

The Group and Company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group and Company	
	2007	2006
	$'000	$'000
United States dollars	8,445	4,746

9 OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Deposits	32	49	16	49
Prepaid expenses	667	276	653	276
Others	45	70	45	54
	744	395	714	379

All other receivables and prepaid expenses of the Group and Company are denominated in the functional currencies of the respective entities.

10 INVENTORIES

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Work-in-process	814	488	814	488
Raw materials	3,752	1,026	3,747	1,023
	4,566	1,514	4,561	1,511

11 HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2007	**2006**
	$'000	**$'000**
At fair value:		
Unquoted investment A	385	385
Unquoted investment B	415	415
	800	800

Unquoted investment A relates to a cash investment in an investment fund. The investment fund matures in May 2010 with an annual interest rates of 3% (2006 : 3%).

Unquoted investment B relates to investment in an equity linked structured deposit. The structured deposit matures in June 2011 with interest rates as follows:

(a) in respect of first year, 6%; and

(b) in respect of subsequent 4 years, based on the performance of share prices of 8 companies in a basket, in comparison to Standard & Poor's 500 Index.

Upon occurrence of a certain trigger event, these equity linked structured deposits can be redeemed by the bank.

The fair values of these unquoted investments are estimated by reference to current market valuations provided by financial institutions.

The held-for-trading investments of the Group and Company are denominated in the functional currency of the Company.

12 SUBSIDIARY

	Company	
	2007	**2006**
	$'000	**$'000**
Unquoted equity shares, at cost	792	207

The subsidiary of the Company is set out below:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held		Principal activity
		2007	**2006**	
		%	**%**	
Avi-Tech Electronics (Suzhou) Co., Ltd	People's Republic of China	100	100	Currently inactive

The subsidiary is audited by Horwath China Shanghai Certified Public Accountants.

13 CLUB MEMBERSHIP

	Group and Company 2007 $'000	2006 $'000
Club membership, at cost	176	176
Allowance for impairment loss	-	(46)
	176	130

Reversal for impairment loss amounting to $46,000 was made during the financial year in view of the increase in the recoverable value of the club membership.

14 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Plant under construction $'000	Total $'000
Group					
Cost:					
At June 30, 2005	14,570	22,761	-	850	38,181
Additions	13	1,339	257	819	2,428
Disposals	-	(276)	-	-	(276)
Transfers	-	1,669	-	(1,669)	-
At June 30, 2006	14,583	25,493	257	-	40,333
Additions	-	1,348	18	443	1,809
Disposals	-	(65)	-	-	(65)
At June 30, 2007	14,583	26,776	275	443	42,077
Accumulated depreciation:					
At June 30, 2005	1,717	19,591	-	-	21,308
Depreciation for the year	252	1,553	54	-	1,859
Eliminated on disposals	-	(170)	-	-	(170)
At June 30, 2006	1,969	20,974	54	-	22,997
Depreciation for the year	252	1,697	90	-	2,039
Eliminated on disposals	-	(65)	-	-	(65)
At June 30, 2007	2,221	22,606	144	-	24,971
Carrying amount:					
At June 30, 2006	12,614	4,519	203	-	17,336
At June 30, 2007	12,362	4,170	131	443	17,106

Certain plant and equipment with carrying amount of $273,000 (2006 : $300,000) are under finance lease agreements (Note 18).

The building and leasehold improvements are mortgaged as security for a bank loan (Note 15) and performance guarantee issued by the financial institution (Note 31).

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Plant under construction $'000	Total $'000
Company					
Cost:					
At June 30, 2005	14,570	22,759	-	850	38,179
Additions	13	1,336	257	819	2,425
Disposals	-	(276)	-	-	(276)
Transfers	-	1,669	-	(1,669)	-
At June 30, 2006	14,583	25,488	257	-	40,328
Additions	-	1,319	18	-	1,337
Disposals	-	(65)	-	-	(65)
At June 30, 2007	14,583	26,742	275	-	41,600
Accumulated depreciation:					
At June 30, 2005	1,717	19,591	-	-	21,308
Depreciation for the year	252	1,553	54	-	1,859
Eliminated on disposals	-	(170)	-	-	(170)
At June 30, 2006	1,969	20,974	54	-	22,997
Depreciation for the year	252	1,695	90	-	2,037
Eliminated on disposals	-	(65)	-	-	(65)
At June 30, 2007	2,221	22,604	144	-	24,969
Carrying amount:					
At June 30, 2006	12,614	4,514	203	-	17,331
At June 30, 2007	12,362	4,138	131	-	16,631

Certain plant and equipment with carrying amount of $273,000 (2006 : $300,000) are under finance lease agreements (Note 18).

The building and leasehold improvements are mortgaged as security for a bank loan (Note 15) and performance guarantee issued by the financial institution (Note 31).

15 BANK LOAN

	Group and Company	
	2007 $'000	2006 $'000
Bank loan	7,241	7,853
Current portion	(612)	(612)
Non-current portion	6,629	7,241

The bank loan is secured by a legal mortgage on the Company's building (Note 14) and a pledge of the Group and Company's fixed deposits of $343,197 (2006 : $343,197) (Note 7).

15 BANK LOAN (CONT'D)

The bank loan bears an annual interest of 1.25% (2006 : 1.5%) above the bank's prevailing swap rate. The annual effective interest rate for the year was 4.64% (2006 : 4.06%). The balance of the bank loan is repayable in 47 (2006 : 51) equal quarterly instalments of $153,000 each and a final instalment of $50,253 ending on July 1, 2019.

The carrying value of the bank loan approximates the fair value as it bears variable rates of interests determined based on a margin over the bank's swap rate.

The bank loan is denominated in the functional currency of the Company.

16 TRADE PAYABLES

	Group and Company	
	2007	2006
	$'000	$'000
Outside parties	6,878	3,610

The average credit period on purchases of goods is 45 days (2006 : 45 days). No interest is charged on the trade payables.

Trade creditors and accruals principally comprises amounts outstanding for trade purchases and ongoing costs.

The Group and Company's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group and Company	
	2007	2006
	$'000	$'000
United States dollars	6,176	1,010
Malaysia Ringgit	-	4

17 OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Deposits received	45	45	45	45
Accrued expenses	3,318	2,086	3,067	2,062
Accrued Directors' fees and accrued bonus to a Director	1,556	757	1,556	757
	4,919	2,888	4,668	2,864

All other payables are denominated in the functional currencies of the respective entities.

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18 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Group and Company				
Amounts payable under finance leases:				
Within one year	65	56	56	49
In the second to fifth year inclusive	166	184	141	159
After five years	15	-	12	-
	246	240	209	208
Less: Future finance charges	(37)	(32)	NA	NA
Present value of lease obligations	209	208	209	208

The effective rates of interest for finance leases are from 2.5% to 3.63% (2006 : 3.3% to 3.43%) per annum.

All lease obligations are denominated in Singapore dollars.

The fair value of the Group and Company's lease obligations approximates their carrying amount.

The Group and Company's obligations under finance leases are secured by the lessors' title to the leased assets.

19 DEFERRED TAX LIABILITIES

	Group and Company	
	2007	2006
	$'000	$'000
Balance at beginning of year	1,211	1,041
(Reversed) Charged to profit and loss (Note 24)	(133)	170
Balance at end of year	1,078	1,211

The following are the movement of deferred tax liability thereon during the year:

	Excess of tax over book depreciation $'000
Balance at beginning of year	1,211
Reversed to profit and loss	(10)
Change in tax rate	(123)
Balance at end of year	1,078

20 SHARE CAPITAL

	Group		Company	
	2007	2006	2007	2006
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning of the year	3,691	3,671	4,917	3,671
Exercise of share options	5	20	23	20
Transfer from share premium account	-	-	-	1,226
At the end of the year	3,696	3,691	4,940	4,917

During the financial year, the Company issued 5,000 (2006 : 20,000) ordinary shares of $4.62 (2006 : $4.62) per share upon exercise of options by a non-Director (2006 : non-Directors) under the 1999 Employees' Share Option Scheme. At the end of the financial year, there were no (2006 : 5,000) ordinary shares of the Company under option unissued.

As a result of the Companies (Amendment) Act 2005, which came into effect on January 30, 2006 the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of share premium account has been transferred to the Company's share capital account in prior year.

The Company has one class of ordinary shares which carry no right to fixed income.

21 REVENUE

	Group	
	2007	2006
	$'000	$'000
Sale of goods	47,472	14,283
Rendering of services	22,892	22,283
	70,364	36,566

22 OTHER OPERATING INCOME

	Group	
	2007	2006
	$'000	$'000
Gain on disposal of plant and equipment	9	40
Gain on disposal of held for trading investments	-	15
Interest income	390	171
Rental income	283	283
Others	160	483
	842	992

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23 FINANCE COSTS

	Group 2007 $'000	Group 2006 $'000
Interest expense to non-related companies:		
Bank loan	350	333
Finance leases	10	9
	360	342

24 INCOME TAX EXPENSE

	Group 2007 $'000	Group 2006 $'000
Current:		
Singapore	3,382	2,102
Deferred	(133)	170
Underprovision of current tax in prior years	39	-
	3,288	2,272

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 18% (2006 : 20%) to profit before income tax as a result of the following differences:

	Group 2007 $'000	Group 2006 $'000
Profit before tax	18,759	11,105
Tax at the domestic income tax rate of 18% (2006 : 20%)	3,377	2,221
Tax effect of:		
Expenses that are not deductible in determining taxable profit	28	11
Partial tax exemption and rebate	(27)	(10)
Change in tax rate	(123)	-
Underprovision of current tax in prior years	39	-
Other items	(6)	50
	3,288	2,272

25 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group 2007 $'000	Group 2006 $'000
Employee benefits expense (including Directors' remuneration)	11,674	8,341
Costs of defined contribution plans costs	500	535
Director's remuneration	503	368
Directors' fees	190	140
Director's profit share	1,236	660
Fair value changes on held for trading investments	-	123
Reversal on impairment loss on club membership	(46)	-
Foreign currency exchange adjustment loss	311	226
Cost of inventories recognised as expense	28,928	9,654

26 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended June 30, 2006 and 2007 have been calculated based on the profit attributable to equity holders of the Group of $15,471,000 (2006 : $8,833,000) each divided by the weighted average share capital of 3,694,000 (2006 : 3,689,000) ordinary shares.

	Group 2007 $'000	Group 2006 $'000
Group net profit for the year	15,471	8,833

i) Weighted average number of shares

	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares	3,694	3,689
Effect of dilutive potential ordinary shares	-	4
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,694	3,693

ii) Earnings per share

Basic earnings per ordinary share (dollars)	4.19	2.39
Fully diluted earnings per ordinary share (dollars)	4.19	2.39

26 EARNINGS PER SHARE (CONT'D)

Subsequent to the end of the financial year, the share capital of the Company was subdivided such that every one existing ordinary shares was divided into 71 ordinary shares, resulting in having 262,400,096 ordinary shares.

Had earnings per share been computed based on the subdivided shares, the weighted average number of ordinary shares and earnings per ordinary share would be:

i) Weighted average number of shares

	2007 Number of shares ('000)	2006 Number of shares ('000)
Weighted average number of ordinary shares	262,274	261,919
Effect of dilutive potential ordinary shares	-	497
Weighted average number of ordinary shares for the purpose of diluted earnings per share	262,274	262,416

ii) Earnings per share

	2007	2006
Basic earnings per ordinary share (dollars)	0.059	0.034
Fully diluted earnings per ordinary share (dollars)	0.059	0.034

27 CASH AND CASH EQUIVALENTS

	Group	
	2007 $'000	2006 $'000
Cash and bank balances	2,487	1,905
Fixed and call deposits	12,771	6,817
Cash and cash equivalents at end of year	15,258	8,722

The above fixed deposits exclude pledged deposits of $1,343,197 (2006 : $343,197).

28 CAPITAL EXPENDITURE COMMITMENTS

	Group and Company	
	2007 $'000	2006 $'000
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	70	308

29 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	210	205	166	197

At the balance sheet date, the commitments in respect of non-cancellable operating leases fall due as follows:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	218	151	134	144
In the second to fifth year inclusive	672	581	536	574
After five years	5,915	6,478	5,915	6,478
Total	6,805	7,210	6,585	7,196

Operating lease payments represents rental payable by the Group and Company for its offices and warehouse premise, office equipment and staff accommodations.

Land rentals for the building of $139,000 (2006 : $180,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group and Company	
	2007	2006
	$'000	$'000
Rental income under operating leases	283	283

At the balance sheet date, the Group and Company has contracted with customers for the following future minimum lease payments.

	Group and Company	
	2007	2006
	$'000	$'000
Within one year	243	40
In the second to fifth year inclusive	283	-

Operating lease income represents rental income from rental of the Company's premise.

30 DIVIDENDS

During the financial year ended June 30, 2006, the Company declared and paid an interim one-tier tax exempt dividend of $1.20 per ordinary share of the Company totalling $4,429,000 in respect of the financial year ended June 30, 2006.

During the financial year ended June 30, 2007, the Company declared and paid a first and second interim one-tier tax exempt dividend of total $2.00 per ordinary share of the Company totalling $7,392,000, in respect of the financial year ended June 30, 2007.

31 CONTINGENT LIABILITY - SECURED

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Performance guarantee given to a supplier	715	440	715	440

The performance guarantee issued by the financial institution to a supplier is secured by a legal mortgage on the Company's building (Note 14) and a pledge of the Company's fixed deposits of $343,197 (2006 : $343,197) (Note 7).

32 SEGMENT INFORMATION

Business segment

The Group is primarily engaged in three main operating divisions namely, burn-in services, manufacturing and trading.

Principal activities of each business segment are as follows:

Burn-in and Related services (Burn-in services)

Burn-in is a process whereby the individual integrated circuit ("IC") chips is stressed at high temperature to weed out any defects caused during the assembly process.

Design and Manufacture of Burn-In Boards and Boards Related Products (Manufacturing)

Manufacturing comprises the design and assembly of printed circuit boards used for burn-in and reliability testing of IC chips.

Engineering Services and Equipment Distribution (Engineering)

This include system integration projects, equipment manufacturing, provision of technical services and distribution of third party products.

a) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the consolidated financial statements that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

b) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

32 SEGMENT INFORMATION (CONT'D)

Profit and Loss Statements and Balance Sheet

	Burn-in services $'000	Manufacturing $'000	Engineering $'000	Total $'000
Year ended June 30, 2007				
Revenue				
External revenue	22,892	6,670	40,802	70,364
Inter-segment revenue	-	-	-	-
Total revenue	22,892	6,670	40,802	70,364
Segment results	9,419	54	9,123	18,596
Interest expense				(360)
Interest income				390
Rental income				283
Unallocated expenses				(150)
Profit before income tax				18,759
Income tax expense				(3,288)
Profit after income tax				15,471
Consolidated Balance Sheet				
Assets				
Segment assets	15,663	6,366	13,393	35,422
Unallocated corporate assets				19,432
Total assets				54,854
Liabilities				
Segment liabilities	2,254	2,356	7,187	11,797
Unallocated corporate liabilities				11,823
Total liabilities				23,620
Other information				
Capital expenditure	1,160	87	562	1,809
Depreciation				
Allocated	1,623	157	221	2,001
Unallocated				38
Other non-cash expenses				
Impairment loss reversal on club membership - unallocated				(46)

NOTES TO FINANCIAL STATEMENTS

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32 SEGMENT INFORMATION (CONT'D)

Profit and Loss Statements and Balance Sheet

	Burn-In services $'000	Manufacturing $'000	Engineering $'000	Total $'000
Year ended June 30, 2006				
Revenue				
External revenue	22,283	5,992	8,291	36,566
Inter-segment revenue	-	-	-	-
Total revenue	22,283	5,992	8,291	36,566
Segment results	10,492	141	344	10,977
Interest expense				(342)
Interest income				171
Rental income				283
Unallocated income				16
Profit before income tax				11,105
Income tax expense				(2,272)
Profit after income tax				8,833
Consolidated Balance Sheet				
Assets				
Segment assets	17,789	5,582	5,162	28,533
Unallocated corporate assets				12,518
Total assets				41,051
Liabilities				
Segment liabilities	1,740	2,203	2,556	6,499
Unallocated corporate liabilities				11,430
Total liabilities				17,929
Other information				
Capital expenditure	2,428	-	-	2,428
Depreciation				
Allocated	1,330	52	10	1,392
Unallocated				467
Other non-cash expenses				
Allowance for doubtful debts				
- allocated	-	96	-	96
Fair value changes on held-for-trading investments - unallocated				123

32 SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operates in four principal geographical areas namely, Singapore, Malaysia, Taiwan, China and United States of America ("USA").

The revenue by geographical segments are based on location of customers. Segment assets and capital expenditure are based on the geographical location of the assets and capital expenditure.

	2007 $'000	2006 $'000
Revenue		
Singapore	43,802	32,064
Malaysia	1,203	1,336
Taiwan	882	1,087
China	340	441
USA	22,569	754
Others (1)	1,568	884
	70,364	36,566
Carrying amount of segment assets		
Singapore	54,094	40,966
China	760	85
	54,854	41,051
Capital expenditure		
Singapore	1,334	2,425
China	475	3
	1,809	2,428

(1) Including Europe, Thailand and Philippines.

34 EVENTS AFTER THE BALANCE SHEET DATE

(a) In preparation for the Company's initial public offering ("IPO"), the share capital of the Company was subdivided such that every one existing ordinary share was divided into 71 ordinary shares on July 6, 2007. This results in an issued and paid-up share capital of $4,940,254 comprising 262,400,096 ordinary shares.

(b) On July 9, 2007, the Company was converted into a public company and changed its name to "Avi-Tech Electronics Limited".

(c) On July 25, 2007, pursuant to the initial public offering ("IPO") of shares in the Company, 88,000,000 new ordinary shares were issued to the public at $0.33 per share.

35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the balance sheets and cash flow statements, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

	Group		Company	
	Previously reported 2006 $'000	After reclassification 2006 $'000	Previously reported 2006 $'000	After reclassification 2006 $'000
Balance sheet				
Current liabilities				
Trade payables	2,902	3,610	2,902	3,610
Other payables	3,596	2,888	3,572	2,864
	6,498	6,498	6,474	6,474
Note on revenue				
Revenue				
Sale of goods	7,715	14,283		
Rendering of services	28,851	22,283		
	36,566	36,566		

STATEMENT OF DIRECTORS

In the opinion of the Directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company set out on pages 29 to 57 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at June 30, 2007 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Lim Eng Hong

Wong Wee Lim William

September 18, 2007

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2007

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	485	51.27	2,220,000	0.63
10,001 - 1,000,000	404	42.71	35,740,055	10.20
1,000,001 AND ABOVE	57	6.02	312,440,041	89.17
TOTAL :	946	100.00	350,400,096	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	LIM ENG HONG	79,438,350	22.67
2.	LOH ZEE LAN, NANCY	12,780,000	3.65
3.	EVIA GROWTH OPPORTUNITIES LTD	12,102,234	3.45
4.	AVIA GROWTH OPPORTUNITIES II PTE LTD	11,698,812	3.34
5.	AVENTURES 1 PTE LTD	10,650,000	3.04
6.	CHIA HAI TONG	9,280,000	2.65
7.	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,684,000	2.48
8.	PROVIDENCE INVESTMENTS PTE LTD	8,165,000	2.33
9.	LIM TAI MENG, ALVIN	7,930,000	2.26
10.	FONG CHING LOON	7,150,000	2.04
11.	RAFFLES NOMINEES PTE LTD	6,565,000	1.87
12.	OCBC SECURITIES PRIVATE LTD	6,441,000	1.84
13.	LIM WEI LING, ELAINE	5,680,000	1.62
14.	WONG WEE LIM WILLIAM	5,680,000	1.62
15.	HO SIOK HOON JOCELYN	5,451,167	1.56
16.	LIM AI KENG	4,970,000	1.42
17.	NG YONG HOCK	4,828,000	1.38
18.	EU IT HAI	4,686,000	1.34
19.	CITIBANK NOMINEES SINGAPORE PTE LTD	4,685,000	1.34
20.	KWOK WAI SAN	4,481,000	1.28
	TOTAL :	221,345,563	63.18

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

NAME	DIRECT INTEREST	%	DEEMED INTEREST	%
Lim Eng Hong	79,438,350	22.67	26,390,000	7.53

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 66.68% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Avi-Tech Electronics Limited ("the Company") will be held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Tuesday, 30th October 2007 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 99 of the Company's Articles of Association.

   Mr Wong Wee Lim, William **(Resolution 2)**
   Mr Goh Chung Meng **(Resolution 3)**

   Mr Wong Wee Lim, William is an Executive Director and Chief Financial Officer of the Company.

   Mr Goh Chung Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration and Nominating Committees and member of the Audit Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$190,000 for the year ended 30 June 2007. **(Resolution 4)**

4. To re-appoint Deloitte & Touche as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

6. That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors of the Company to allot and issue: -

   (a) shares; or
   (b) convertible securities; or
   (c) additional securities issued pursuant to Rule 829 of the Listing Rules; or
   (d) shares arising from the conversion of the securities in (b) and (c) above,

   in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

   (i) the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution must be not more than 50% of the issued share capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued share capital of the Company (calculated in accordance with (ii) below); and

   (ii) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the Company's issued share capital at the time of the passing of this Resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of shares awards outstanding or subsisting at the time of the passing of this Resolution; and (c) any subsequent consolidation or subdivision of shares.

   Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)] **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

7. Mandate to Directors to issue Scheme Shares

That approval be and is hereby given to the Directors to: (a) offer and grant options in accordance with the provisions of the Avi-Tech Employee Share Option Scheme (“the Scheme”); and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company (the “Scheme Shares”) as may be required to be issued pursuant to the exercise of the options that may be granted under the Scheme provided always that the number of the Scheme Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company from time to time; the aggregate number of Scheme Shares available to Participants who are controlling shareholders of the Company and their associates shall not exceed 25% of the Scheme Shares available under the Scheme and the number of Scheme Shares available to each Participant who is controlling shareholder of the Company or his associates shall not exceed 10% of the Scheme Shares available under the Scheme [see Explanatory note “(ii)”]. **(Resolution 7)**

By Order of the Board
Adrian Chan Pengee
Company Secretary

Singapore, 13 October 2007

EXPLANATORY NOTES:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the issued shares in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

NOTES:

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 19A Serangoon North 5, Singapore 554859, not less than 48 hours before the time appointed for the meeting.

3. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

PROXY FORM
2007 ANNUAL GENERAL MEETING

AVI-TECH ELECTRONICS LIMITED

(Company Registration Number 198105976H)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Avi-Tech Electronics Limited's Shares, this Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominee.

I/We, ______________________________ (Name) of
______________________________ (Address)

being a member/members of AVI-TECH ELECTRONICS LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 19A Serangoon Avenue 5, 6th Floor, Singapore 554859 on Tuesday, 30th October 2007 at 11.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

Please indicate your vote "For" or "Against" with an "X" within the box provided.

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' and Auditors' Reports and Audited Accounts		
2.	Re-election of Mr Wong Wee Lim, William as a Director		
3.	Re-election of Mr Goh Chung Meng as a Director		
4.	Approval of Directors' Fees		
5.	Re-appointment of Messrs. Deloitte & Touche as Auditors		
6.	General Mandate to Directors to issue Shares		
7.	Mandate to Directors to issue Scheme Shares		

Dated this ____________ day of ______________________ 2007

Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/or
Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 19A Serangoon North 5, Singapore 554859, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

AVI-TECH ELECTRONICS LIMITED
Company Registration No. 198105976H

19A Serangoon North Avenue 5
Singapore 554859