AVI-TECH ELECTRONICS LIMITED
Annual Report 2009

The Staying Power of Avi-Tech Electronics



Avi-Tech in 2009:

operations

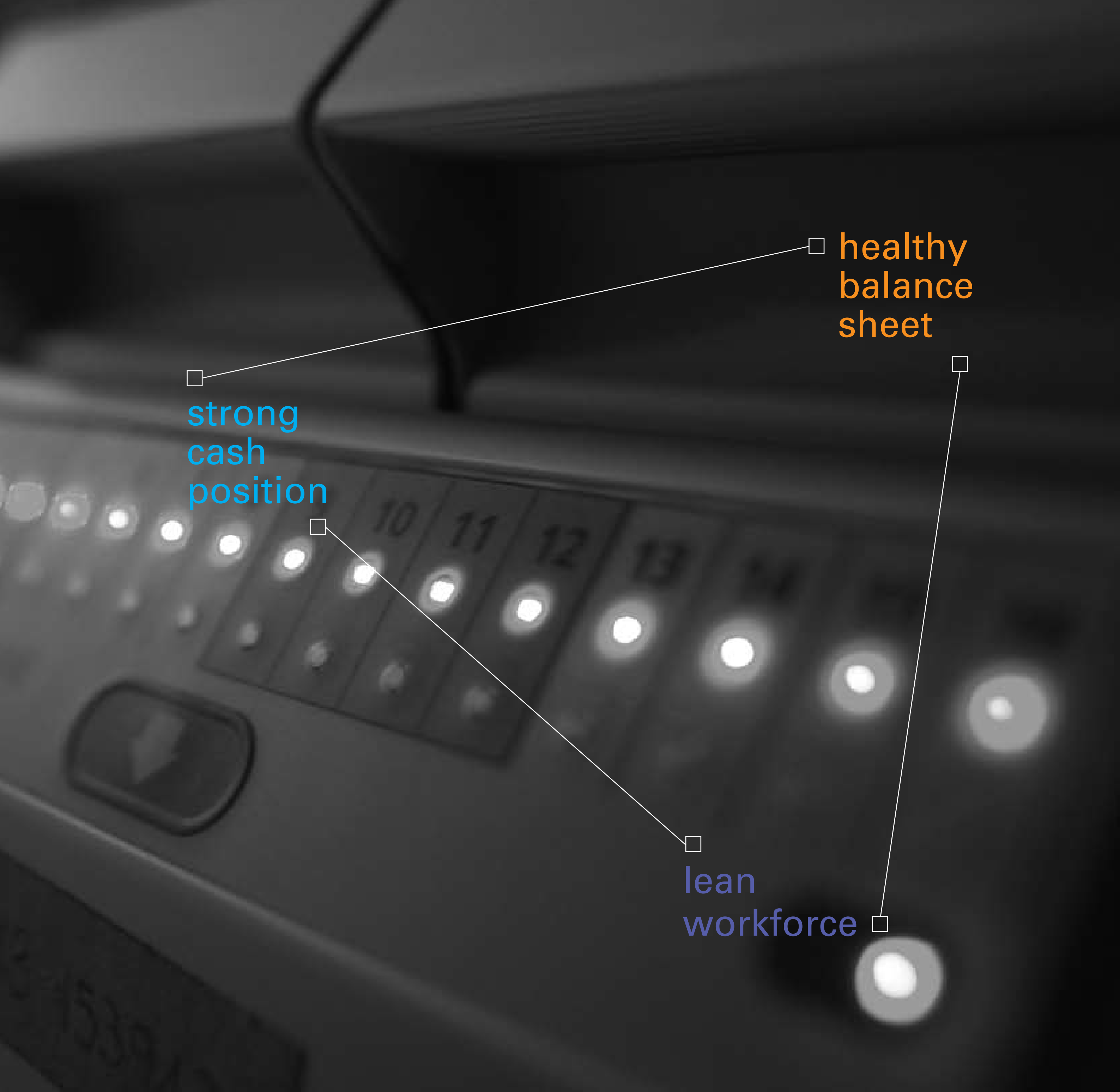
outcomes

opportunities

CONTENTS

PERFORMING IN MULTIPLE DIMENSIONS

Reflecting sound business fundamentals amid a weak economic climate, our overall performance during the year was a strategic combination of our top notch and efficient production processes, our ability to find advantages in the marketplace and our results-oriented discipline.



2009 IN SUMMARY

The electronics sector has been one of the hardest hit by the global financial crisis. The challenging economic climate has impelled our customers in the semiconductor industry to scale back on demand for our services.

Nevertheless, our strong business fundamentals and sound strategies continued to put us in a position to mitigate the effects and weather this prolonged downturn.

resilience

Despite having to contend with the weak demand for our solutions due to the global downturn, we maintained a strong cash position and a healthy balance sheet, with low gearing at 9.4%.

recognition

We reached a milestone by being awarded the prestigious Singapore Quality Award - a testament of the high standards we champion in all areas of our business.

reach

An opportunity has arisen for us to replicate our world-class solutions to the USA market where we see a great deal of potential in the Burn-In Boards and Life Sciences sectors.

CORPORATE PROFILE

UNDERSTANDING AVI-TECH ELECTRONICS

Incorporated in Singapore in 1981 and listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2007, Avi-Tech Electronics Limited ("Avi-Tech") is one of the region's leading one-stop total Burn-In solutions providers to the semiconductor industry.

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 for various industries including life sciences
- 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

COMPANY OVERVIEW

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 have established market presence in Singapore, Taiwan, Malaysia, People's Republic of China ("PRC"), Japan, United States of America ("USA"), Europe, Thailand and the Philippines. Our major customers are key players in the global semiconductor business.

In consonance with our commitment towards business excellence and Quality Assurance, we also garnered 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).

Avi-Tech was conferred the prestigious Singapore Quality Award by the SQA Governing Council supported by SPRING Singapore in 2008 in recognition of our attainment of world-class standard of performance excellence and which reaffirms our already strong credentials in the international market.

In addition, we received numerous customer appreciation awards in recognition of our excellence in products and have achieved ISO 9001 and ISO 14001 certifications.

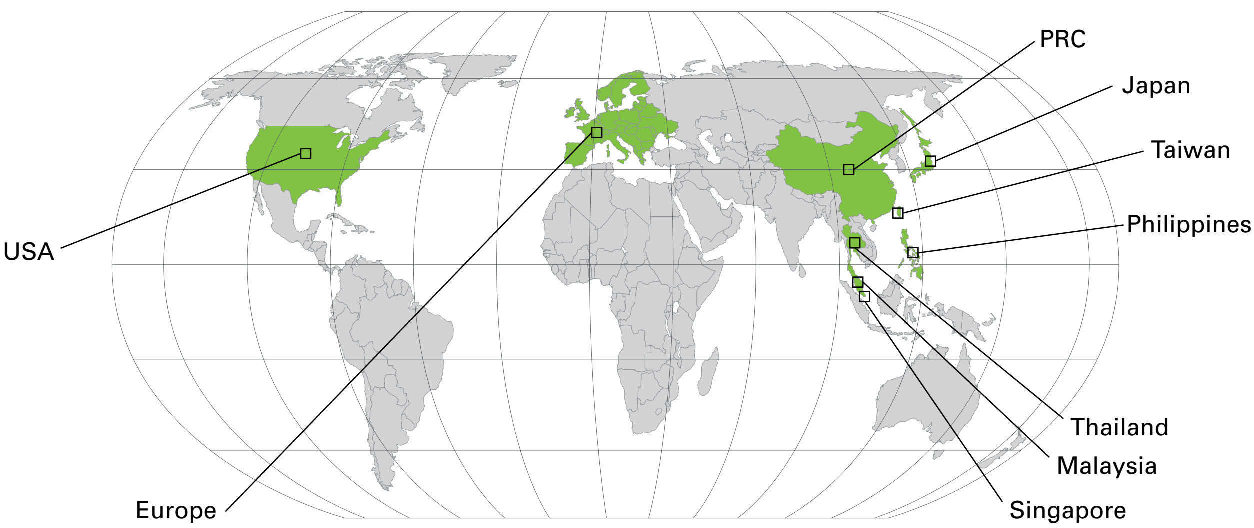
burn-in and related services

- 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

burn-in boards and boards-related products

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

OUR PRESENCE



MESSAGE TO SHAREHOLDERS

The Staying Power of Avi-Tech Electronics

DEAR SHAREHOLDERS

We, on behalf of the Board of Directors, are pleased to present our Annual Report for the financial year ended June 30, 2009 ("FY2009").

The past year has been a very challenging one. The semiconductor industry was greatly impacted by a drop in global sales year on year, the first time since 2001, as a result of the global financial crisis. It is against this backdrop that our financial performance has to be viewed.

OUR FINANCIAL PERFORMANCE – OUR BUSINESS DIVISIONS REMAIN PROFITABLE

Overall, our revenue decreased by 57.8 % to $31.3 million in FY2009 from $74.3 million in FY2008.

The Group's gross profit decreased by 51.9% to $10.5 million in FY2009 from $21.9 million in FY2008 due to lower revenue. Gross profit margin, however, increased to 33.5% from 29.4%. The improvements in gross margins are due to changes in the products and services mix between the Engineering Services and Burn-In Board and Boards Related Products business segments. Following stringent cost containment measures, the Group maintained its profitability with net profit of $5.4 million a 54.4% decline from $11.9 million in FY2008.

The Group's earnings per share (diluted) based on weighted average number of ordinary shares was 1.56 cents while net asset value was 18.63 cents per share in FY2009.

We maintained a strong cash position of $51.5 million. Our balance sheet likewise remains healthy with lower trade receivables and a steady receivables balance with no significant bad debt provision having to be made. Our low gearing ratio at 0.1 time with no short-term borrowings ensures that we remain sound in business fundamentals.

NEW MARKETS AND NEW PRODUCTS AND SERVICE OFFERINGS FOR EXPANSION

FY2009 saw us adhering to our strategy of growing our Engineering Services for the medical and life sciences industries as well as strengthening and broadening its service offerings and increasing market penetration into new regions. Although our orders for medical and life sciences equipment and High Power Burn-In Systems were greatly affected by the economic downturn, we forged closer relationships with existing customers, working with them to find efficient and cost effective engineering solutions. We also intensified efforts to seek out prospective customers. We are confident that we have laid a solid groundwork for the growth of these lines of businesses once the economy turns the corner.

While the current market sentiment is expected to place more downward pressure on our revenue, our Group will continue to employ prudent cost management measures to stay competitive and resilient.

Our diversification strategy saw us leveraging our expertise in board manufacturing and related products services to gain us entry into USA where we enjoy cost advantages in terms of material and production costs. After careful assessment of the market opportunities, we set up a wholly-owned subsidiary there in July 2008 in order to more aggressively pursue business opportunities as well as to render more efficient sales and post-sales services to our USA customers. So far, our efforts have paid off with an increased number of orders for Burn-In boards as compared with FY2008.

OUR STAYING POWER AND INDUSTRY RECOGNITION

This September, we celebrate our 25th Anniversary. By investing in technology and our people and always being responsive to market demands and customer needs, we have consistently rendered the highest levels of service. This uncomprising commitment to business excellence garnered us the prestigious Singapore Quality Award in 2008. This is an achievement we are immensely proud of because we were the only SME to be conferred the award last year, and only the third SME to have received it since the award's inception in 1994. The award will go a long way towards further reaffirming Avi-Tech's already strong credentials in the international market.

BEYOND FY2009

The global economic downturn is showing no real signs of recovery although faint indications are there that the economy has bottomed out. Hence, the economic climate will continue to pose a challenging operating environment for the Group. We believe that despite the uncertain global economic conditions, long-term industry trends such as continued outsourcing of Burn-In services and increased complexity of semiconductors are likely to continue into the future. We thus remain optimistic about the Group's longer term prospects for sustained revenue and profit growth.

OUR APPRECIATION TO ALL

The Group paid a first interim dividend of 0.5 cent per ordinary share (one-tier tax exempt). The Board has recommended a final dividend of 0.5 cent per share for FY2009. This proposed final dividend, if approved at the Company's Annual General meeting, will be paid on November 18, 2009.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

OPERATIONS REVIEW

Quality Always Wins

Our foray into system integration for the life sciences sector and expanding into the USA market in the area of board manufacturing keeps us on course for growing our businesses.

The financial crisis and the global credit crunch negatively impacted our performance for the financial year ended 30 June 2009 ("FY2009").

Group revenue decreased by 57.8% to $31.3 million in FY2009 as compared to $74.3 million in FY2008, on the back of lower contributions from each of our divisions. Burn-In and Related services experienced a sharp revenue decrease to $9.2 million compared with $19.5 million in FY2008. The Burn-In Boards and Boards Related Products achieved revenue of $6.1 million as compared with $7.4 million the previous year. Sales from the Engineering Services and Equipment Distribution division in FY2009 was $16.1 million as compared to $47.3 million in FY2008.

BURN-IN AND RELATED SERVICES

The Group provides Static Burn-In, Dynamic Burn-In and Test During Burn-In ("TDBI") for the semiconductor industry serving the segment of the industry that requires fail-safe or high reliability semiconductor devices including microprocessors and automotive products. Our customers span Asia Pacific, Europe and USA. We operate a 5,000 sq.m. facility in our Serangoon North premises with over 120 Burn-In Systems supporting the Burn-In of various semiconductor device types. We have an additional 2,000 sq.m. in our overseas Burn-In facility in Suzhou, PRC which provides Burn-In services for specialised semiconductors in the Suzhou/Shanghai region.

The division's business performance was reflective of the weak global economy. Overall, Burn-In services for FY2009 were impacted by the worldwide economic crisis which affected all industries. Reduced worldwide spending for all products, including those with semiconductor chips installed such as automotive products, personal computers, handphones and other information technology products led to the resultant inventory build-up of semiconductors. There was consequently very low demand for semiconductors leading to a near standstill for the entire semiconductor manufacturing chain which led to a decrease in demand for our products and services. The division contributed 29.2% to total group revenue as compared with 26.3% in FY2008. Geographically, Singapore and USA continue to be the major revenue generators, accounting for about 61.3% and 24.4% of the Group's total revenue in FY2009 respectively.

Towards the end of the third quarter FY2009, there were indications of an improving situation with the communications and handphone markets showing signs of recovery and demand for Burn-In for chips used in these divisions helping to bolster overall demand. Due to stringent costs control, in particular manpower and energy costs, the divisions achieved overall profitability in FY2009 in spite of the economic conditions.

We are currently increasing our non-Burn-In related services, such as visual inspection, as a means of extending our service offerings and to offer a truly integrated solution for the industry.

TAPE AND REEL SERVICES

Our Tape and Reel Services employ the use of machines that allow customers' finished products to be delivered in reel form. Currently, we have five machines handling different packages ranging from BGA, TSSOP, VQFN and DSO, with round-the-clock delivery and collection service for our customers.

We had also expanded our range of services besides tape and reel in this section to include high magnification visual inspection and detaping services to support customers' needs in this area.

The division contributed 1.5% to total group revenue as compared with 1.9% in FY2008.

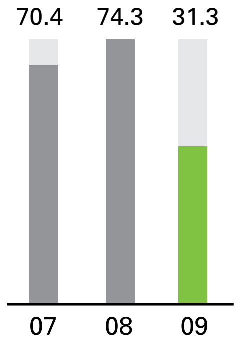
Going forward, should business pick up in this area, we are prepared to invest in additional machines to meet customer demand.

BURN-IN BOARDS AND BOARD RELATED PRODUCTS

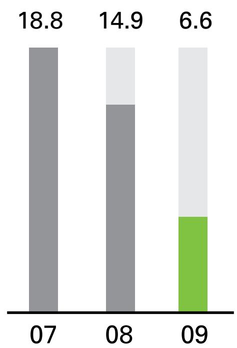
We are involved in designing and manufacturing a wide range of Burn-In boards for the various types of Burn-In oven systems as well as boards for other types of reliability tests such as High Temperature Operating Life Test ("HTOL") and Highly Accelerated Stress Test ("HAST"). We are constantly challenging ourselves to improve standards in our board design and assembly capabilities to meet the increasingly sophisticated design and technical requirements of our customers.

In FY2009, the division contributed 19.4% of overall revenue as compared with 10% in FY2008 on the back of weaker demand due to the slowdown in consumer demand for electronics which in turn affected the demand for our products.

REVENUE ($'M)

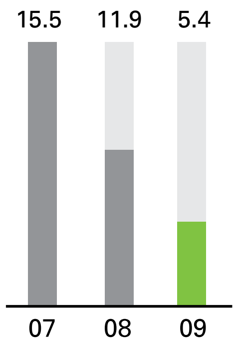


PROFIT BEFORE TAX ($'M)

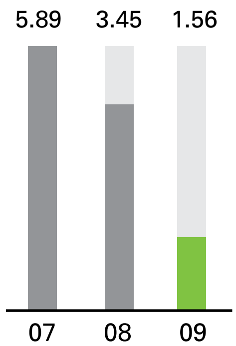


OPERATIONS REVIEW

PROFIT AFTER TAX ($'M)



EPS (CENTS)



In FY2009, we proactively pursued increased market share in USA, offering board products over a larger selection of oven platforms, including very high power platforms targeted at server-class microprocessors and application-specific chips. With cost advantages in operations and materials from Singapore and the asia region compared to those in USA, we have been able to offer our USA customers quality products at highly attractive prices.

We have established a presence in USA in July 2008 to better service our customers and pursue more business opportunities. With a staff of five to undertake marketing, sales, design and post-sales technical support functions and with a small but significant investment in assembly equipment, test equipment, design tools and engineering resources, we have been making great strides in this market. As at the financial year end, we have been qualified as a board supplier for six large MNCs. While the economic circumstances of the past year has seen our orders growing at a slower pace, we anticipate the value of these orders to grow significantly over time.

ENGINEERING SERVICES AND EQUIPMENT DISTRIBUTION

The Group's engineering services range from system integration and equipment manufacturing to technical services including parts procurement, parts fabrication, full system assembly and verification. As part of our engineering services, we perform detailed reviews of our customers' needs, requests and specifications on equipment requirements. Our field services encompass field repair and application services to customers for all equipment manufactured and distributed by the Group.

The Engineering Services and Equipment Distribution business division, as with the other business divisions, felt the effects of the lackluster semiconductor sector with the High Power Burn-In Systems for the Burn-In and test of complex semiconductor devices feeling the greatest impact. The division consequently contributed 51.4% to Group revenue compared with 63.7% in FY2008. With cost management measures such as reduced work days, the division remained profitable despite challenging conditions.

Our successful entry into the medical and life sciences sector has seen us forging close partnerships with industry players with this business increasingly contributing to our revenue. We have delivered over 400 units of orders for the manufacture of Digital Imaging and Detection systems for this industry. While there has been a delay in projects during the year as companies trimmed their capital expenditure in response to the economic downturn, we anticipate a steady pick-up following a sustained recovery by USA. Going forward, our focus continues to be on intensifying our activities in the medical and life sciences industry. We are currently in the process of obtaining certification for ISO13485.

HUMAN RESOURCE DEVELOPMENT

Our staff is the most valuable resource in our organisation. Investing in human capital is vital to our continued success and growth in this competitive environment. In FY2009, we conducted annual reviews and regular assessment of our employees' training and career development needs. In accordance with those needs, we conducted both in-house and external training programmes. We continued to have regular management–employee dialogue sessions throughout the year, in order to garner feedback and further improve the working environment of our people in terms of comfort and productivity while always maintaining the highest standards of safety.

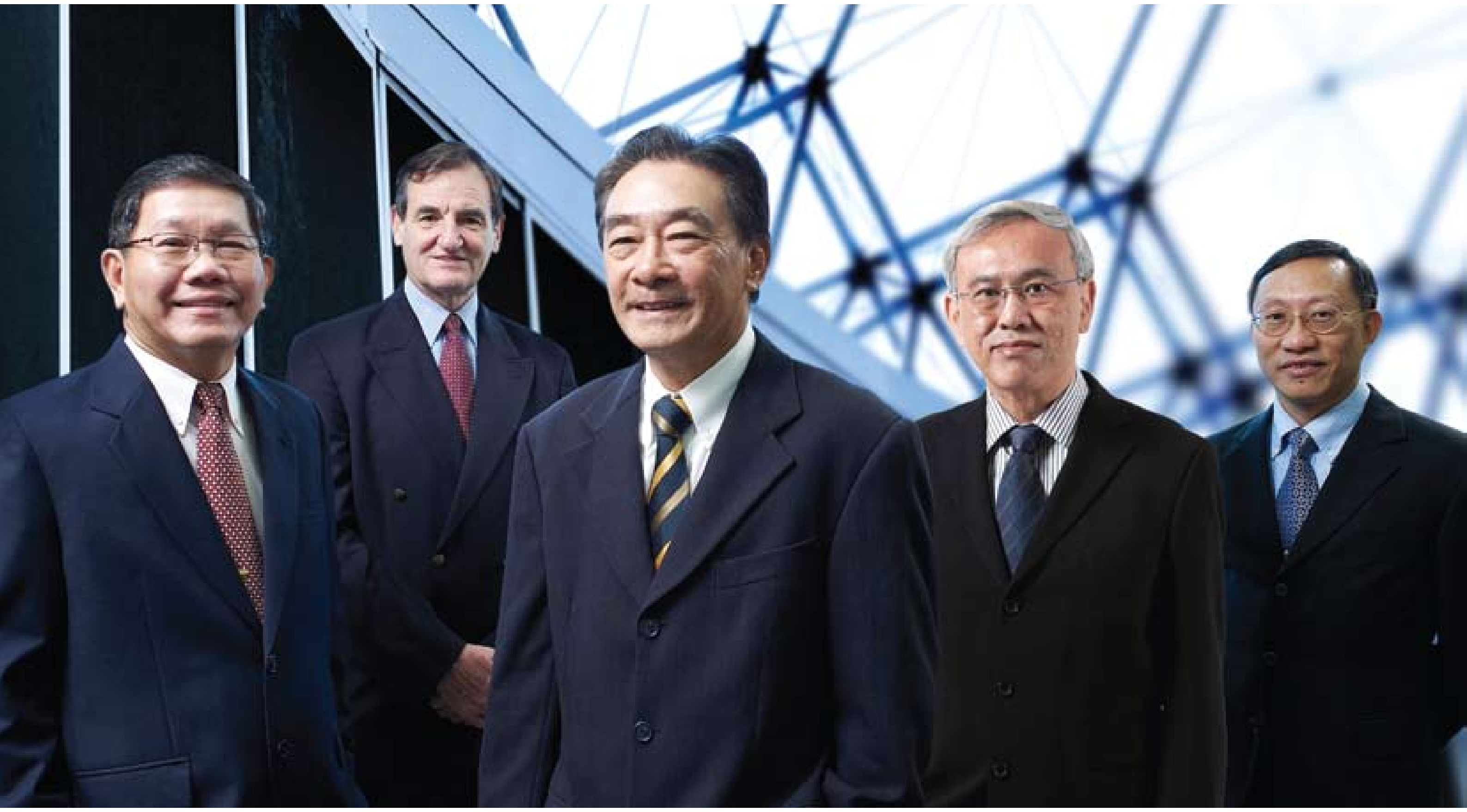
2010 PROSPECTS

While there is some indication that the semiconductor industry has seen the worst of the global crisis and is gradually returning to normal seasonal growth patterns, there is still uncertainty over when full recovery will be achieved. Hence, for FY2010 we remain cautious given that consumer and corporate spending may take time to return to pre-crisis levels. Nevertheless, the longer term outlook for our industry remains promising. The trend of outsourcing Burn-In services is likely to increase, 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 higher demand for refrigeration-based thermal solutions for High Power Burn-In Systems for the Burn-In and test of such complex semiconductor devices. Our diversification strategy of venturing into system integration for the life sciences sector and expanding into the USA market in the area of board manufacturing keeps us on course for growing our businesses across product and service offerings as well as industries and markets. We will, however, continue to pursue a stringent cash management policy to stay competitive and to better position the Group to weather any prolonged economic downturn, balancing this with seeking other areas of expansion for future growth.

SINGAPORE QUALITY AWARD *for business excellence*

Putting a Premium on Quality. We have been conferred the prestigious Singapore Quality Award in 2008. This is an achievement we are immensely proud of because we were the only SME to be conferred the award last year, and only the third SME to have received it since the award's inception in 1994. The award will go a long way towards further reaffirming Avi-Tech's already strong credentials in the international market.

BOARD OF DIRECTORS



Standing from left to right: Mr Lim Eng Hong, Mr Michael Grenville Gray, Mr Khor Thiam Beng, Mr Wilfred Teo Chu Khiong, Mr Goh Chung Meng

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.

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

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.

MR WILFRED TEO CHU KHIONG

Chief Financial Officer

Mr Wilfred Teo Chu Khiong is our Chief Financial Officer. He oversees and manages the financial and accounting functions of the Group.

Over the course of his career, Mr Teo held top positions in finance in various private and public-listed companies. He has more than 28 years of experience in accounting, finance and general management.

Mr Teo holds a Bachelor of Commerce (Accountancy) Degree from Nanyang University of Singapore and is a Fellow of the Association of Chartered Certified Accountants (FCCA) and the Institute of Certified Public Accountants of Singapore (FCPA).

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.

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 focusing on South East Asia and China private equity investments.

Mr Goh currently is a director of TauRx Therapeutics Limited, WisTa Laboratories Limited and PoreDeen Pte Ltd, which are Singapore incorporated biomedical science research companies. Mr Goh has been a pioneer board member of TauRx Therapeutics Limited 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 has served as a Panel Member (2001 to 2008) of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

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 a 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 is a Singapore citizen and has held a number of positions in Statutory Boards, grassroots organisations and Voluntary Welfare Organisations. He is currently a director of JEL Corporation (Holdings) Limited and Grand Banks Yachts Limited, which are both listed in Singapore and VinaCapital Vietnam Opportunity Fund Limited, which is listed in London, United Kingdom.

Mr Gray 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, a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Singapore Institute of Directors.

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 PHILIP KWOK WAI SAN

Director of Engineering

Mr Philip Kwok Wai San 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 the Group's purchasing and managing of its 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 VINCENT TAN CHEE KOON

Manager of Board Manufacturing Operations

Mr Vincent Tan Chee Koon, is our Manager of Board Manufacturing Operations. He joined our Company in 2004 and is responsible for overseeing all production, process and maintenance functions for the Board Manufacturing operations of our Group. He leads our team of Board Manufacturing staff and is responsible for production planning, inventory control and managing the Board Manufacturing division's overall performance.

Prior to joining our Company, Mr Tan was a Senior Engineer with Telford Industries Pte Ltd and held engineering positions with AnA Mechatronics (S) Pte Ltd and Ever Technologies Pte Ltd.

Mr Tan holds a Master of Arts in Economics from the State University of New York at Buffalo, USA, a Bachelor of Arts in Economics from the State University of New York at Buffalo, USA, an Advanced Diploma in Strategic Marketing Management from Nanyang Polytechnic, Singapore and a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore.

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 joined our Company in 1994 and 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.

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 joined our Company in 1984 and 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.

MR ALVIN LIM TAI MENG

Chief Operating Officer (USA Operations)

Mr Alvin Lim Tai Meng is our Chief Operating Officer (USA Operations) and has been tasked with strategising and promoting all aspects of the Group's business in the USA market.

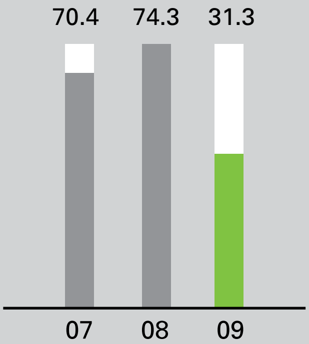
He joined Avi-Tech in 2002 as a Sales Engineer responsible for the sales and marketing team for our test equipment and sockets. He was subsequently promoted to Section Manager in the Engineering Services Department to manage the manufacturing of HST/SLT and Fusion system builds to meet customers' needs and thereafter became a Special Projects Manager.

Mr Lim holds a Bachelor Degree in Electrical Engineering from the University of Queensland, Australia, and a Graduate Diploma in Business Administration from the Singapore Institute of Management.

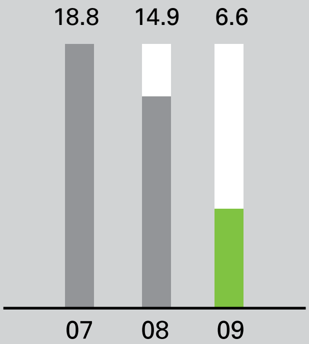
FINANCIAL HIGHLIGHTS

PROFIT AND LOSS ($'M)

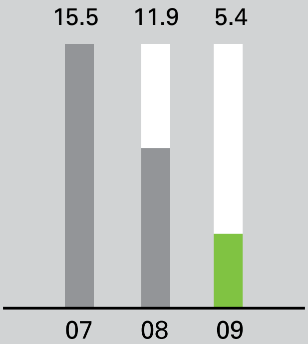
REVENUE



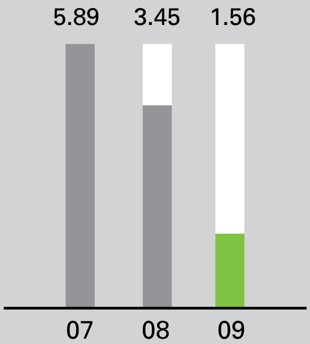
PROFIT BEFORE TAX



PROFIT AFTER TAX

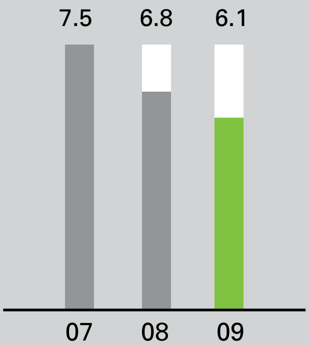


EPS (CENTS)

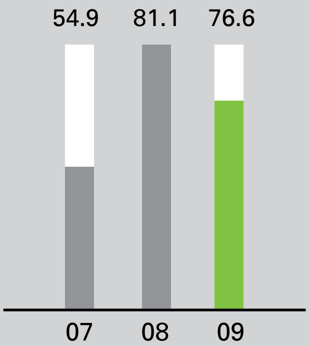


BALANCE SHEET ($'M)

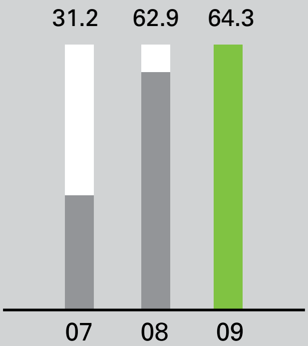
TOTAL DEBT



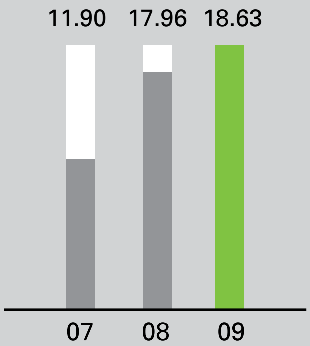
TOTAL ASSETS



SHAREHOLDERS' EQUITY

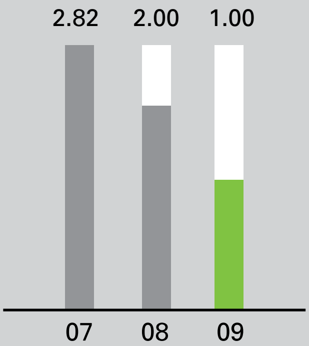


NAV PER SHARE (CENTS)

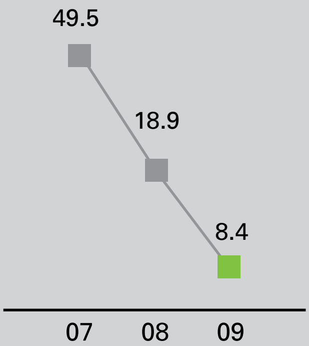


KEY FINANCIAL RATIO

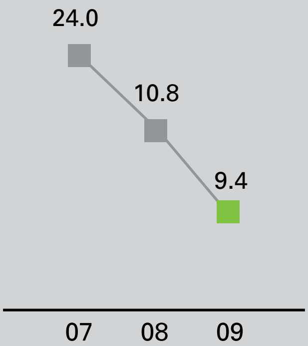
DIVIDEND PER SHARE (CENTS)

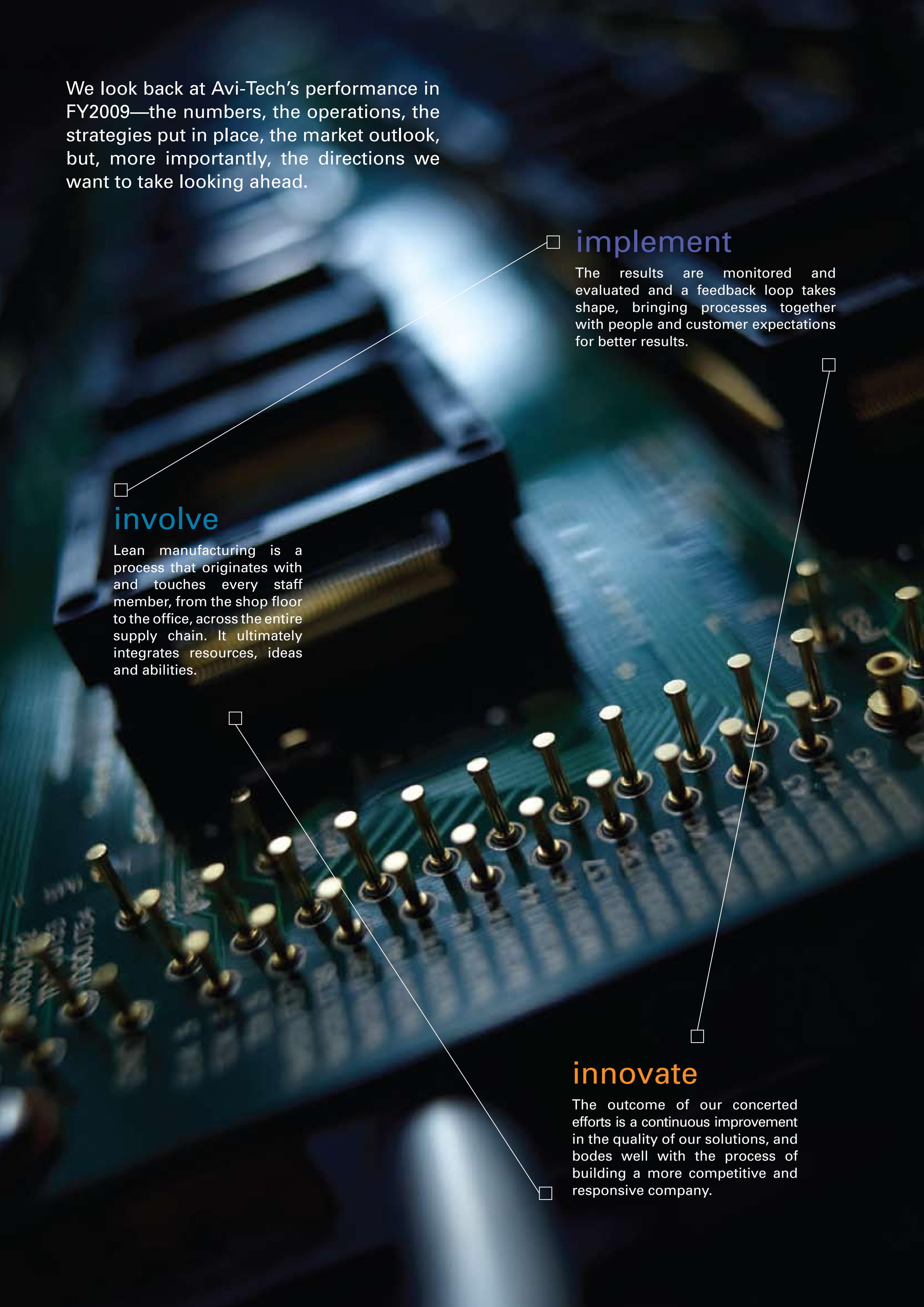


RETURN ON EQUITY (%)



GEARING (%) (TOTAL DEBT/ TOTAL SHAREHOLDER EQUITY





We look back at Avi-Tech's performance in FY2009—the numbers, the operations, the strategies put in place, the market outlook, but, more importantly, the directions we want to take looking ahead.

implement

The results are monitored and evaluated and a feedback loop takes shape, bringing processes together with people and customer expectations for better results.

involve

Lean manufacturing is a process that originates with and touches every staff member, from the shop floor to the office, across the entire supply chain. It ultimately integrates resources, ideas and abilities.

innovate

The outcome of our concerted efforts is a continuous improvement in the quality of our solutions, and bodes well with the process of building a more competitive and responsive company.

FINANCIAL REVIEW

1 GROUP OPERATING RESULTS ($'000)

	FY2009	FY2008	Change %
Revenue	31,340	74,267	(57.8)
Cost of Sales	20,829	52,399	(60.2)
Gross Profit	10,511	21,868	(51.9)
Administrative expenses	4,730	7,673	(38.4)
Profit before income tax	6,567	14,906	(55.9)
Income tax expenses	1,144	3,011	(62.0)
Profit for the year	5,423	11,895	(54.4)

For the financial year ended 30 June 2009 ("FY2009"), the Group posted a decrease in net profit of $6.5 million (FY2008: $3.6 million) but an increase in return on revenue of 17.3% (FY2008: 16.0%) despite the current global recessionary economic climate.

1.1 REVENUE ($'000)

Revenue by business segments	FY2009	FY2008	Change %
Burn-In and Related Services	9,161	19,508	(53.0)
Design and Manufacturing of Burn-In Boards and Boards Related Products	6,081	7,441	(18.3)
Engineering Services and Equipment Distribution	16,098	47,318	(66.0)
Total Revenue	31,340	74,267	(57.8)

Burn-In and Related Services contributed 29.2% of Group's revenue in FY2009 (FY 2008: 26.3%) and has decreased significantly by $10.3 million or 53.0%. Design and Manufacturing of Burn-In Boards and Boards Related Products contributed 19.4% of Group's revenue in FY2009 (FY2008: 10.0%). The reduction of $1.4 million was less significant as compared to other two segments due mainly to increase in revenue from USA customers. Engineering Services and Equipment Distribution, which contributed 51.4% of Group's revenue in FY2009 (FY2008: 63.7%) has decreased significantly by $31.2 million or 66.0%. The reduction in revenue was due to the difficult environment caused by the global economic turmoil, which resulted in the slow down in business activities of our customers and this in turn lowered the demand for our services.

FINANCIAL REVIEW

1.2 COST OF SALES ($'000)

	FY2009	FY2008	Change %
Cost of sales	20,829	52,399	(60.2)
Included in cost of sales:			
Cost of material and equipment	10,572	35,099	(69.9)
Salary cost	6,154	9,541	(35.5)
Depreciation	1,298	1,687	(23.1)
Electricity	1,496	2,665	(43.9)
Other direct overheads	1,309	3,403	(61.5)

Cost of sales, which include cost of material and equipment, depreciation, utilities and attributable direct overheads decreased by $31.6 million or 60.2% from $52.4 million in FY2008 to $20.8 million. This is mainly due to a decrease in revenue of the Engineering Services and Equipment Distribution business and Burn-In and Related Services.

1.3 GROSS PROFIT ($'000)

	FY2009	FY2008	Change %
Gross Profit	10,511	21,868	(51.9)
Gross Margin	33.5%	29.4%	13.9

The Group's gross profit declined by $11.4 million or 51.9% from $21.9 million in FY2008 to $10.5 million in FY2009 due to lower revenue. However, the gross margin improved by 13.9% from 29.4% in FY2008 to 33.5% in FY2009. This was due to changes in products and services mix between our Engineering Services and Burn-In Board Manufacturing and Board Related Products business divisions.

1.4 ADMINISTRATIVE EXPENSES ($'000)

	FY2009	FY2008	Change %
Administrative expenses	4,730	7,673	(38.4)
Included in administrative expenses:			
Salary and related cost	2,437	3,522	(30.8)
Foreign currency exchange gain/(loss)	295	(900)	132.8

Administrative expenses decreased by $2.9 million or 38.4% from $7.6 million in FY2008 to $4.7 million in FY2009. This is due primarily to a decrease in business, foreign exchange gain of $0.3 million as compared to a loss of $0.9 million in FY2008, lower depreciation expenses and the implementation of a shorter work week.

1.5 PROFIT FOR THE YEAR ($'000)

	FY2009	FY2008	Change %
Profit before income tax	6,567	14,906	(55.9)
Income tax expenses	(1,144)	(3,011)	(62.0)
Profit for the year	5,423	11,895	(54.4)

Group's profit for the year declined by $6.5 million or 54.4% from $11.9 million in FY2008 to $5.4 million in FY2009. This was due to the current recessionary economic climate. Our major customers' business activities have slowed down significantly and this has resulted in overall decrease in revenue and lower profit for the year.

2) LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY2009	FY2008	Change %
Cash flow from:			
Operating activities	5,890	16,460	(64.2)
Investing activities	(184)	(1,691)	(89.1)
Financing activities	(4,775)	20,459	(123.3)
Net change in cash and cash equivalents	991	35,231	(97.2)
Cash and cash equivalents at end of year	51,480	50,489	2.0

The decrease in profit before tax in FY2009 resulted in the net cash used in operating activities, a decrease of $10.5 million or 64.2% from $16.4 million in FY2008 to $5.9 million in FY2009.

Cash outflow from investing activities reduced by $1.5 million or 89.1% from cash outflow of $1.7 million in FY2008 to cash outflow of $0.2 million in FY2009. This is due primarily to lower capital expenditure in FY2009.

Cash flow from financing activities decreased by $25.2 million or 123.3% from $20.4 million in FY2008 to $4.8 million net cash used in FY2009. This is due primarily to the IPO proceeds of $26.7 million in FY2008, treasury shares buy back of $0.6 million and lower dividend paid of S$3.5 million in FY2009.

Cash and cash equivalent increased by $1.0 million or 2.0% from $50.5 million in FY2008 to $51.5 million in FY2009.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Khor Thiam Beng
Non-Executive Chairman

Mr Lim Eng Hong
Chief Executive Officer

Mr Wilfred Teo Chu Khiong
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

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Fax: +65 6482 6123
Website : www.avi-tech.com.sg
Email : enquiry@avi-tech.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
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#08-01 Samsung Hub
Singapore 049483

AUDITORS

Deloitte & Touche LLP
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 048624

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

Standard Chartered Bank
6 Battery Road
Singapore 049909

CORPORATE GOVERNANCE

The Board is committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries to preserve and enhance the interests of all shareholders. The Board has adopted the recommendations of the Code of Corporate Governance 2005 (the "Code").

This report describes the Company's corporate governance processes and activities with specific reference to each of the principles set out in the Code. The Company confirms that it has adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

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 the Group's facilities for a better understanding of the Group's operations.

In accordance with the Code, Board committees have been established 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 in FY2009	4	4	3	3
Khor Thiam Beng	4	4	3	3
Lim Eng Hong	3	3	3	3
Wilfred Teo Chu Khiong	2	2	2	2
Goh Chung Meng	4	4	3	3
Michael Grenville Gray	4	4	3	3

CORPORATE GOVERNANCE

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	October 30, 2006	Member	Member	Member
Lim Eng Hong	Chief Executive Officer	May 16, 1984	–	–	–
Wilfred Teo Chu Khiong	Chief Financial Officer	January 1, 2009	–	–	–
Goh Chung Meng	Independent Director	October 16, 2001	Member	Chairman	Chairman
Michael Grenville Gray	Independent Director	October 30, 2006	Chairman	Member	Member

The Board comprises more than one-third independent Directors who offer alternative views 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

Principle 4: Board Membership
Principle 5: Board Performance

The Nominating Committee ("NC") is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities and 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 a 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's process for selection and appointment of new Directors is based on potential candidates' skills, knowledge and experience, assessment of the candidates' suitability and recommendation for nomination to the Board.

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 Goh Chung Meng and Mr Wilfred Teo Chu Khiong, 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.

An evaluation of the Board's performance for FY2009 was conducted. The objective of the evaluation process is to assess and identify areas for continuous improvement to the Board's overall effectiveness. It is conducted by way of a Board evaluation questionnaire through which each Director is required to complete and to assess individually the Board as a whole on several parameters namely, the Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with top management and standard of conduct. The consolidated findings are reported and recommendations are made to the Board for consideration for further improvements to help the Board to discharge its duties more effectively.

CORPORATE GOVERNANCE

Principle 6: Access to Information

To ensure that the Board is equipped to discharge its responsibilities, management provides the Board on an ongoing 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") is regulated by a set of written terms of reference endorsed by the Board setting out their duties and responsibilities and 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 have service contracts with the Company that are for fixed initial periods and/or are determinable by the Company serving notice.

CORPORATE GOVERNANCE

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.

The RC has recommended to the Board an amount of $150,000 as Directors' fees for the year ended June 30, 2009. 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 $250,000) for the year ended June 30, 2009 is as follows:

Directors	Fee(1)	Salary	Variable Bonus	Benefits in kind	Total
Band D(2)	%	%	%	%	%
Lim Eng Hong	–	45	51	4	100
Band A(2)					
Khor Thiam Beng	100	–	–	–	100
Wilfred Teo Chu Khiong	–	100	–	–	100
Goh Chung Meng	100	–	–	–	100
Michael Grenville Gray	100	–	–	–	100

A breakdown, showing the level and mix of the top key executives' remuneration (in bands of $250,000) for the year ended June 30, 2009 is as follows:

Key Executives	Salary	Variable Bonus	Benefits in kind	Total
Band A(2)	%	%	%	%
Tan Kwang Seng	76	24	–	100
Kwok Wai San, Philip	69	31	–	100
Tan Chee Koon, Vincent	76	24	–	100
Lau Toon Hai	75	25	–	100
Lee Say Hiang, Jenny	72	28	–	100
Lim Tai Meng, Alvin	74	26	–	100

The Group did not employ any immediate family member of a Director, where the remuneration of such immediate family member exceeded $150,000 in FY2009.

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 FY2009.

Notes:

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

(2) Band A means from $0 up to $249,999.
Band D means from $750,000 up to $999,999.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Directors fully recognise 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. The 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") is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities, and 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 auditors, and approving the remuneration and terms of engagement; and
- reviewing Interested Person Transactions and provide 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 June 30, 2009 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 Group has implemented a Whistle-Blowing Programme. This programme will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters.

CORPORATE GOVERNANCE

The AC has reviewed non-audit services provided by the external auditors, Deloitte & Touche LLP for FY2009, and is of the opinion that the provision of such services did 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 LLP 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 external auditors carry out a review of the Company's accounting controls to the extent of their scope as laid out in their audit plan in the course of their annual statutory audit. Material internal control weaknesses noted during their audit are reported to the AC.

The Group appointed Moore Stephens LLP to carry out the internal audit function. The internal auditors report to the Chairman of the AC and its scope of work will be agreed with the AC on an annual basis. The AC will assess the adequacy of the internal audit function on an annual basis.

The management of the Group regularly assesses and reviews the Group's business and operational environment in order to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Risk management policies and processes are continuously reviewed and developed to meet changes in business, operational and financial environment.

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.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity with the law, regulations and Company policies.

CORPORATE GOVERNANCE

SECURITIES TRANSACTIONS

In line with Rule 1207(18) of the Listing Manual of the SGX-ST, the Group has issued policies on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of best practices.

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 June 30, 2009 which fall under Rule 907 of the Listing Manual of the SGX-ST.

MATERIAL CONTRACTS

There were no material contracts of the Group involving the interests of any Director or controlling shareholder entered into 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 $29.0 million from its initial public offering ("IPO") from the issuance of 88 million new ordinary shares of $0.33 each on July 25, 2007. As at August 31, 2009, the total net proceeds of $26.7 million (after deducting the IPO expenses of approximately $2.3 million, as disclosed on page 33 of the Company's Prospectus dated July 11, 2007) from the IPO were used for the following purposes:

	$ million
Expansion of our customer base and widen our portfolio of services	1.4
Expansion of our overseas operations	1.7
Working capital	2.7

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

Financial Statements

CONTENTS

DIRECTORS' REPORT

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, 2009.

1 DIRECTORS

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

Lim Eng Hong
Goh Chung Meng
Khor Thiam Beng
Michael Grenville Gray
Wilfred Teo Chu Khiong (Appointed on January 1, 2009)

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.

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 the year or date of appointment**	**At end of the year**	**At July 21,2009**	**At beginning of the year or date of appointment**	**At end of the year**	**At July 21, 2009**
<u>**The Company**</u>						
Lim Eng Hong	79,638,350	79,638,350	79,638,350	26,390,000	26,390,000	26,390,000
Goh Chung Meng	80,000	80,000	80,000	–	–	–
Khor Thiam Beng	80,000	180,000	180,000	–	–	–
Michael Grenville Gray	80,000	80,000	80,000	–	–	–
Wilfred Teo Chu Khiong	–	–	–	–	–	–

By virtue of Section 7 of the Singapore Companies Act, as at June 30, 2009, Mr Lim Eng Hong was deemed to have an interest in all the ordinary shares of the subsidiaries 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.

DIRECTORS' REPORT

5 SHARE OPTIONS

(a) Options to take up unissued shares

In the financial year ended June 30, 2008, 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 options to take up unissued shares of the subsidiaries were granted.

(b) Options exercised

During the financial year, there were no shares of the company or any corporation in the group 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, there were no unissued shares of the company and subsidiaries under option.

6 AUDIT COMMITTEE

The Audit Committee (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 4 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 audit plan and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
c) the Group's financial and operating results and accounting policies;
d) 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;
e) the quarterly, half-yearly and annual as well as the related press releases on the results and financial position of the Group;
f) the cooperation and assistance given by the management to the Group's external auditors; and
g) the re-appointment of the external auditors of the Group.

The 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 Committee.

The Committee has recommended to the directors the nomination of Deloitte & Touche LLP 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 LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lim Eng Hong

Wilfred Teo Chu Khiong

August 31, 2009

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AVI-TECH ELECTRONICS LIMITED

We have audited the accompanying financial statements of Avi-Tech Electronics Limited (the Company) and its subsidiaries (the Group) which comprise the balance sheets of the Group and the Company as at June 30, 2009, 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 33 to 67.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Financial Reporting Standards and the Singapore Companies Act, Cap. 50 (the "Act"). This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, 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, 2009 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 LLP
Public Accountants and
Certified Public Accountants
Singapore

Philip Yuen Ewe Jin
Partner

Singapore
August 31, 2009

BALANCE SHEETS

June 30, 2009

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
ASSETS					
Current assets					
Cash and bank balances	6	15,169	2,243	15,001	2,160
Fixed and call deposits	7	36,311	48,246	36,311	48,246
Trade receivables	8	6,474	10,883	6,437	10,865
Other receivables and prepaid expenses	9	655	374	635	338
Inventories	10	2,581	2,510	2,581	2,510
Held-for-trading investments	11	750	800	750	800
Total current assets		61,940	65,056	61,715	64,919
Non-current assets					
Subsidiaries	12	–	–	3,488	2,917
Club membership	13	59	118	59	118
Property, plant and equipment	14	14,557	15,890	14,012	15,299
Total non-current assets		14,616	16,008	17,559	18,334
Total assets		76,556	81,064	79,274	83,253
LIABILITIES AND EQUITY					
Current liabilities					
Bank loan	15	612	612	612	612
Trade payables	16	1,646	2,509	1,646	2,509
Other payables	17	2,189	4,943	2,092	4,768
Finance leases	18	55	56	55	56
Income tax payable		1,481	2,836	1,481	2,836
Total current liabilities		5,983	10,956	5,886	10,781
Non-current liabilities					
Bank loan	15	5,405	6,017	5,405	6,017
Finance leases	18	38	97	38	97
Deferred tax liabilities	19	800	1,078	800	1,078
Total non-current liabilities		6,243	7,192	6,243	7,192
Capital and reserves					
Share capital	20	31,732	31,732	31,732	31,732
Treasury shares	20	(618)	-	(618)	-
Reserves		33,216	31,184	36,031	33,548
Total equity		64,330	62,916	67,145	65,280
Total liabilities and equity		76,556	81,064	79,274	83,253

See accompanying notes to financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended June 30, 2009

	Note	Group 2009 $'000	Group 2008 $'000
Revenue	21	31,340	74,267
Cost of sales		(20,829)	(52,399)
Gross profit		10,511	21,868
Other operating income	22	1,084	1,164
Distribution costs		(96)	(182)
Administrative expenses		(4,730)	(7,673)
Finance costs	23	(202)	(271)
Profit before income tax		6,567	14,906
Income tax expense	24	(1,144)	(3,011)
Profit for the year	25	5,423	11,895
Earnings per share	26		
Basic (cents)		1.6	3.5
Diluted (cents)		1.6	3.5

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2009

		<------------------ Reserves	-----------------	---------------->		
	Share capital $'000	Treasury shares $'000	Currency translation reserve $'000	Retained profits $'000	Total reserves $'000	Total $'000
Group						
Balance at June 30, 2007	4,940	–	10	26,284	26,294	31,234
Currency translation differences, representing net income recognised directly in equity	–	–	3	–	3	3
Profit for the year	–	–	–	11,895	11,895	11,895
Total recognised income for the year	–	–	3	11,895	11,898	11,898
Dividend paid (Note 30)	–	–	–	(7,008)	(7,008)	(7,008)
Issue of new shares pursuant to initial public offering less share issue expenses (Note 20)	26,792	–	–	–	–	26,792
Balance at June 30, 2008	31,732	–	13	31,171	31,184	62,916
Currency translation differences, representing net income recognised directly in equity	–	–	93	–	93	93
Profit for the year	–	–	–	5,423	5,423	5,423
Total recognised income for the year	–	–	93	5,423	5,516	5,516
Dividend paid (Note 30)	–	–	–	(3,484)	(3,484)	(3,484)
Shares buyback - held as treasury shares (Note 20)	–	(618)	–	–	–	(618)
Balance at June 30, 2009	31,732	(618)	106	33,110	33,216	64,330

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2009

		<------------------ Reserves ----------------->			
	Share capital $'000	Currency Treasury shares $'000	Retained profits $'000	Total reserves $'000	Total $'000
Company					
Balance at June 30, 2007	4,940	–	26,577	26,577	31,517
Profit for the year	–	–	13,979	13,979	13,979
Total recognised income and expense for the year	–	–	13,979	13,979	13,979
Dividend paid (Note 30)	–	–	(7,008)	(7,008)	(7,008)
Issue of new shares pursuant to initial public offering less share issue expense (Note 20)	26,792	–	–	–	26,792
Balance at June 30, 2008	31,732	–	33,548	33,548	65,280
Profit for the year	–	–	5,967	5,967	5,967
Total recognised income for the year	–	–	5,967	5,967	5,967
Dividend paid (Note 30)	–	–	(3,484)	(3,484)	(3,484)
Share buyback – held as treasury shares (Note 20)	–	(618)	–	–	(618)
Balance at June 30, 2009	31,732	(618)	36,031	36,031	67,145

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended June 30, 2009

	Group	
	2009	**2008**
	$'000	$'000
Operating activities		
Profit before income tax	6,567	14,906
Adjustments for:		
Allowance for doubtful debts	10	–
Allowance for inventories obsolescence	–	278
Amortisation of club membership	59	58
Depreciation expense	1,575	2,274
Fair value gain on derivative financial instrument	(262)	(3)
Fair value loss on held-for-trading investments	50	–
Gain on disposal of property, plant and equipment	(24)	–
Interest expense	202	271
Interest income	(636)	(723)
Impairment loss on property, plant and equipment	–	633
Operating cash flows before movements in working capital	7,541	17,694
Trade receivables	4,399	3,978
Other receivables and prepaid expenses	(19)	373
Inventories	(71)	1,778
Trade payables	(863)	(4,369)
Other payables	(2,754)	24
Cash generated from operations	8,233	19,478
Income tax paid	(2,777)	(3,470)
Interest paid	(202)	(271)
Interest received	636	723
Net cash from operating activities	5,890	16,460
Investing activities		
Additions to property, plant and equipment	(208)	(1,691)
Proceeds from disposal of property, plant and equipment	24	–
Net cash used in investing activities	(184)	(1,691)
Financing activities		
Treasury shares buyback	(618)	–
Dividend paid	(3,484)	(7,008)
Net proceeds from issue of shares	–	26,792
Payment of finance lease obligations	(61)	(56)
Repayment of bank loan	(612)	(612)
Decrease in fixed deposits pledged as security to bank	–	1,343
Net cash (used in)/from financing activities	(4,775)	20,459
Net effect of exchange rate changes in consolidating subsidiaries	60	3
Net increase in cash and cash equivalents	991	35,231
Cash and cash equivalents at beginning of the financial year	50,489	15,258
Cash and cash equivalents at end of the financial year (Note 27)	51,480	50,489

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1 GENERAL

The Company (Registration No. 198105976H) is incorporated in Singapore with its principal place of business and registered office at 19A Serangoon North Avenue 5, Singapore 554859. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

The principal activities of the Company consist of the provision of burn-in and related services, design and manufacture of burn-in boards and boards related products, engineering services and equipment distribution. The principal activities of its subsidiaries are set out in 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, 2009 were authorised for issue by the Board of Directors on August 31, 2009.

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").

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group and the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after July 1, 2008. 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 the authorisation of these financial statements, the following FRSs that are relevant to the Group and the Company was issued but not effective:

FRS 1 – Presentation of Financial Statements (Revised)
FRS 108 – Operating Segments

FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (Revised) will be effective for annual periods beginning on or after January 1, 2009, and will change the basis for presentation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

FRS 108 – Operating Segments

FRS 108 will be effective for annual financial statements beginning on or after January 1, 2009 and supersedes FRS 14 - Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments may change.

The management anticipates that the adoption of the FRS, INT FRSs and amendments to FRSs that were issued but not yet effective until 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 108 – Operating Segments (cont'd)

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

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

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

BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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

<u>Effective interest method</u>

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.

<u>Cash and cash equivalents</u>

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.

<u>Trade and other receivables</u>

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

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.

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 (see below).

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

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.

SUBSIDIARIES – In the Company's financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable values that have been recognised in the profit and loss statement.

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 basis:

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

Trade and other payables (cont'd)

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.

The Group as lessor

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.

The Group as lessee

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

<u>The Group as lessee (cont'd)</u>

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 subsidiaries are measured and presented in the currencies of the primary economic environment in which the entities operates (its functional currency). The consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 operations (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 investments in the foreign entities (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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (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 are accrued 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 countries where the Company and its subsidiaries operate 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Critical judgements in applying the Group's accounting policies

Management is of the view that no critical judgement was made in the process of applying the Group's accounting policies that would have a significant effect on the amounts recognised in the financial statements.

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

(a) Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date.

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Financial assets				
Amortised cost				
Loan and receivables (including cash and cash equivalents)	58,320	61,667	58,095	61,564
Fair value through profit and loss				
Held for trading investments	750	800	750	800
Derivative financial instrument (included under other receivables and prepaid expenses)	262	3	262	3
Financial liabilities				
Amortised cost				
Trade and other payables	3,835	7,452	3,738	7,277
Bank loans	6,017	6,629	6,017	6,629
Finance lease obligations	93	153	93	153

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4 FINANCIAL RISKS AND MANAGEMENT (CONT'D)

(b) Financial risk management strategies and objectives

The Group's overall financial risk management strategy is to minimise potential adverse effects of financial performance of the Group. The board of directors review the overall financial risk management on specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. These are reviewed quarterly by the board of directors. Risk management is monitored by the Finance Department.

The Group may use a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

i) Credit risk management

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 financial institutions.

The Group is exposed to concentration of credit risk given that its revenue is generated mainly from four (2008 : three) major customers, which accounted for 70.4% (2008 : 72.4%) of total trade receivables. The Group believes that such risk is mitigated by the good financial standings of these customers.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables. Credit exposure is controlled by the customer credit limits that are reviewed and approved by the management regularly.

ii) Interest rate risk management

Interest-earning financial assets are mainly fixed deposits, which bear fixed interest in the range of 0.69% to 1.93% (2008 : 0.44% to 2.2%) per annum.

The Group 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 and finance leases of the Group are disclosed in Note 15 and Note 18 to the financial statements respectively. The Group does not use derivative financial instruments to mitigate this risk.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4 FINANCIAL RISKS AND MANAGEMENT (CONT'D)

(b) Financial risk management strategies and objectives (cont'd)

ii) Interest rate risk management (cont'd)

Interest rate sensitivity (cont'd)

If interest rates had been 50 basis points higher or lower and all other variable were held constant, the Group's profit for the year ended June 30, 2009 would decrease/increase by $30,000 (2008: decrease/increase by $33,000).

iii) Foreign exchange risk management

The Group and Company have 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.

The carrying amounts of monetary assets and monetary liabilities denominated in the United States Dollars and Malaysia Ringgit at the reporting date are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
United States Dollars	17,443	9,151	682	1,264	17,319	9,151	682	1,264
Malaysia Ringgit	1	9	–	246	1	9	–	246

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the foreign currencies (United States Dollars and Malaysia Ringgit) against Singapore dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the foreign currencies strengthens by 5% against Singapore Dollars, profit for the year will increase/(decrease) by:

	United States Dollar impact		Malaysia Ringgit impact	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Group				
Profit for the year	838	394	–	(12)
Company				
Profit for the year	832	394	–	(12)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4 FINANCIAL RISKS AND MANAGEMENT (CONT'D)

(b) Financial risk management strategies and objectives (cont'd)

iii) Foreign exchange risk management (cont'd)

Foreign currency sensitivity (cont'd)

If the foreign currencies weakens by 5% against Singapore Dollars, profit for the year will increase/(decrease) by:

	United States Dollar impact		Malaysia Ringgit impact	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Group				
Profit for the year	(838)	(394)	–	12
Company				
Profit for the year	(832)	(394)	–	12

The Group has a foreign subsidiary, whose net assets are exposed to currency translation risk. The Group does not hedge its investments that are denominated in foreign currencies.

iv) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet.

	Weighted average effective interest rate per annum	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
2009						
Non-interest bearing	–	3,835	–	–	–	3,835
Finance lease liability (fixed rate)	3.07	55	56	–	(18)	93
Bank loan (variable rate)	3.29	810	3,038	3,242	(1,073)	6,017
2008						
Non-interest bearing	–	7,452	–	–	–	7,452
Finance lease liability (fixed rate)	3.07	64	111	6	(28)	153
Bank loan (variable rate)	3.32	832	3,125	3,975	(1,303)	6,629

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4 FINANCIAL RISKS AND MANAGEMENT (CONT'D)

(b) Financial risk management strategies and objectives (cont'd)

iv) Liquidity risk management

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate per annum	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Company						
2009						
Non-interest bearing	–	3,738	–	–	–	3,738
Finance lease liability (fixed rate)	3.07	55	56	–	(18)	93
Bank loan (variable rate)	3.29	810	3,038	3,242	(1,073)	6,017
2008						
Non-interest bearing	–	7,277	–	–	–	7,277
Finance lease liability (fixed rate)	3.07	64	111	6	(28)	153
Bank loan (variable rate)	3.32	832	3,125	3,975	(1,303)	6,629

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate per annum	On demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000
Group					
2009					
Non-interest bearing	–	22,271	–	–	22,271
Fixed interest rate instruments	1.48	37,102	–	(541)	36,561
2008					
Non-interest bearing	–	13,421	–	–	13,421
Fixed interest rate instruments	1.48	49,351	–	(720)	48,631
Company					
2009					
Non-interest bearing	–	22,046	–	–	22,046
Fixed interest rate instruments	1.48	37,102	–	(541)	36,561
2008					
Non-interest bearing	–	13,318	–	–	13,318
Fixed interest rate instruments	1.48	49,351	–	(720)	48,631

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4 FINANCIAL RISKS AND MANAGEMENT (CONT'D)

(b) Financial risk management strategies and objectives (cont'd)

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.

(c) Capital risk management polices and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15 and Note 18, cash and cash equivalents and equity attributable to equity holders of the Company, comprising share capital, reserves and retained earnings as presented in the Group's statement of changes in equity.

The Group reviews its capital structure periodically. It balances its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2008.

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.

The Company paid fees to a firm for legal services rendered to the Group. The managing partner of the firm is a director to the Company.

	2009 $'000	2008 $'000
Legal fees paid to a legal firm	7	13

Compensation of directors (key management personnel)

The remuneration of directors (being members of key management) during the year is as follows:

	Group	
	2009 $'000	2008 $'000
Short-term benefits	1,231	1,716
Post-employment benefits	11	17
	1,242	1,733

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

6 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash at bank	15,154	2,229	14,991	2,147
Cash on hand	15	14	10	13
	15,169	2,243	15,001	2,160

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 follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States Dollars	4,305	265	4,181	265
Malaysia Ringgit	1	9	1	9

7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 2.2% to 2.48% (2008 : 0.44% to 2.2%) and mainly mature within 3 months (2008 : 3 months).

In February 2009, the Company placed S$4 million with a financial institution for a period of 18 months with maturity on August 2010. The deposit is principal protected with fixed rate coupons payable every 6 months and may be repaid before maturity at the discretion of the issuer every 6 months. The Company will incur cost if the deposit is withdrawn prematurely.

On April 30, 2009, the Company placed a deposit of US$5,333,333 (S$8,000,000 equivalent) for a period of 183 days in the bank. The deposit amount and interest is intended for settlement of forward contract upon maturity on October 30, 2009 (Note 9).

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	
	2009	2008
	$'000	$'000
United States Dollars	7,811	2,196

8 TRADE RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Outside parties	6,474	10,883	6,437	10,865

The average credit period on sale of goods is 60 days (2008 : 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 $27,207 (2008 : $17,106). This allowance has been determined by reference to past default experience.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

8 TRADE RECEIVABLES (CONT'D)

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	
	2009	**2008**
	$'000	$'000
United States Dollars	5,327	6,690

The table below is an analysis of trade receivables as at June 30, 2009:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Not past due and not impaired	6,096	10,408	6,096	10,390
Past due but not impaired (i)	378	475	341	475
Impaired receivables – individually assessed				
- Customer placed under liquidation	7	–	7	–
- Past due more than 18 months and no response to repayment demands	20	17	20	17
Less: Allowance for doubtful debts	(27)	(17)	(27)	(17)
Total trade receivables, net	6,474	10,883	6,437	10,865

(i) Aging of receivables that are past due but not impaired:

< 6 months	324	346	324	346
6 months to 9 months	3	53	3	53
9 months to 12 months	–	18	–	18
> 12 months (ii)	51	58	14	58
	378	475	341	475

(ii) These receivables relate to receivables from long standing customers with no clear indicators of past credit default experience.

Movement in the allowance for doubtful debts:

	Group and Company	
	2009	**2008**
	$'000	$'000
Balance at beginning of the year	17	75
Amounts written off during the year	–	(58)
Increase in allowance recognised in profit or loss	10	–
Balance at end of the year	27	17

9 OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Deposits	32	15	12	13
Prepaid expenses	27	76	27	42
Derivative financial instrument	262	3	262	3
Others	334	280	334	280
	655	374	635	338

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

9 OTHER RECEIVABLES AND PREPAID EXPENSES (CONT'D)

Derivative financial instrument

At June 30, 2009, the Group and the Company entered into forward foreign exchange contract/option to buy/sell a notional amount of US$5,333,333 (2008 : US$1,200,000) with maturity on October 30, 2009 (2008 : maturity less than 6 months).

At June 30, 2009, the fair value of the Group and the Company's derivative financial instrument was approximately $262,000 (2008 : $3,000). This amount was based on quoted market prices for equivalent instruments at the balance sheet date.

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	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Work-in-process	309	314	309	314
Raw materials	2,272	2,196	2,272	2,196
	2,581	2,510	2,581	2,510

The costs of inventories recognised as an expense includes $Nil (2008 : $278,000) in respect of write-downs of inventory to net realisable value.

11 HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2009	**2008**
	$'000	$'000
At fair value:		
Unquoted investment A	250	385
Unquoted investment B	500	415
	750	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% (2008 : 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

12 SUBSIDIARIES

	Company 2009 $'000	Company 2008 $'000
Unquoted equity shares, at cost	2,933	2,634
Loan	555	283
	3,488	2,917

The subsidiaries of the Company are set out below:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held 2009 %	2008 %	Principal activity
Avi-Tech Electronics (Suzhou) Co., Ltd[1]	People's Republic of China ("PRC")	100	100	Testing and aging service, processing aging base plate system and selling of semiconductor and integrated circuit
Avi-Tech (U.S.A) Inc[2]	United States of America ("USA")	100	100	Marketing and business development

[1] The subsidiary is audited by Jiangsu Huaxing CPA Co., Ltd.

[2] Incorporated on June 16, 2008. Currently inactive and no audit is required.

Loan to a subsidiary is unsecured, bears an interest of 7% per annum and is expected to be repaid in 2012. The fair value of the loan approximates its carrying amount.

13 CLUB MEMBERSHIP

	Group and Company 2009 $'000	Group and Company 2008 $'000
Club membership, at cost	176	176
Amortisation of club membership	(117)	(58)
	59	118

Club membership is amortised for a period of three years and will be transferred to a director at the end of three years with effect from July 2007.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2007	14,583	26,776	275	443	42,077
Additions	–	1,652	39	–	1,691
Transfers from plant under construction	–	443	–	(443)	–
At June 30, 2008	14,583	28,871	314	–	43,768
Additions	–	198	10	–	208
Disposals	–	(88)	–	–	(88)
Exchange differences	–	38	–	–	38
At June 30, 2009	14,583	29,019	324	–	43,926
Accumulated depreciation:					
At June 30, 2007	2,221	22,606	144	–	24,971
Depreciation for the year	252	1,933	89	–	2,274
At June 30, 2008	2,473	24,539	233	–	27,245
Depreciation for the year	252	1,270	53	–	1,575
Eliminated on disposal	–	(88)	–	–	(88)
Exchange differences	–	4	–	–	4
At June 30, 2009	2,725	25,725	286	–	28,736
Impairment:					
Impairment loss as at June 30, 2008 and June 30, 2009	–	633	–	–	633
Carrying amount:					
At June 30, 2008	12,110	3,699	81	–	15,890
At June 30, 2009	11,858	2,661	38	–	14,557

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Company				
Cost:				
At June 30, 2007	14,583	26,742	275	41,600
Additions	–	1,496	39	1,535
Disposals	–	(322)	–	(322)
At June 30, 2008	14,583	27,916	314	42,813
Additions	–	153	10	163
Disposals	–	(87)	–	(87)
At June 30, 2009	14,583	27,982	324	42,889
Accumulated depreciation:				
At June 30, 2007	2,221	22,604	144	24,969
Depreciation for the year	252	1,867	89	2,208
Eliminated on disposals	–	(296)	–	(296)
At June 30, 2008	2,473	24,175	233	26,881
Depreciation for the year	252	1,145	53	1,450
Eliminated on disposals	–	(87)	–	(87)
At June 30, 2009	2,725	25,233	286	28,244
Impairment:				
Impairment loss as at June 30, 2008 and as at June 30, 2009	–	633	–	633
Carrying amount:				
At June 30, 2008	12,110	3,108	81	15,299
At June 30, 2009	11,858	2,116	38	14,012

The Group and the Company have certain plant and equipment with carrying amount of $113,000 (2008 : $193,000) under finance lease agreements (Note 18).

The Group and the Company's building and leasehold improvements are mortgaged as security for a bank loan (Note 15).

In 2008, the Group and the Company carried out a review of the recoverable amount of its property, plant and equipment and an impairment loss of $633,000 for ancillary equipments, fixtures and fittings specific to a particular burn-in service which was phased out in 2008 was recorded.

15 BANK LOAN

	Group and Company 2009 $'000	2008 $'000
Current portion	612	612
Non-current portion	5,405	6,017
	6,017	6,629

The bank loan is secured by a legal mortgage on the Company's building (Note 14).

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

15 BANK LOAN (CONT'D)

The bank loan bears an annual interest of 1.00% (2008 : 1.25%) above the bank's prevailing swap rate. The annual effective interest rate for the year was 3.29% (2008 : 3.32%). The balance of the bank loan is repayable in 39 (2008 : 43) 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	
	2009	2008
	$'000	$'000
Outside parties	1,646	2,509

The average credit period on purchases of goods is 45 days (2008 : 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	
	2009	2008
	$'000	$'000
United States Dollars	682	1,264
Malaysia Ringgit	–	246

17 OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deposits received	45	45	45	45
Accrued expenses	1,645	3,956	1,548	3,781
Accrued directors' fees and accrued bonus to a director	499	942	499	942
	2,189	4,943	2,092	4,768

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

18 FINANCE LEASES

	Minimum lease payments 2009 $'000	Minimum lease payments 2008 $'000	Present value of minimum lease payments 2009 $'000	Present value of minimum lease payments 2008 $'000
Group and Company				
Amounts payable under finance leases:				
Within one year	55	64	55	56
In the second to fifth year inclusive	56	111	26	85
After five years	–	6	12	12
	111	181	93	153
Less: Future finance charges	(18)	(28)	–	–
Present value of lease obligations	93	153	93	153

The effective rates of interest for finance leases are from 2.5% to 3.63% (2008 : 2.5% to 3.63%) 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 2009 $'000	Group and Company 2008 $'000
Balance at beginning of year	1,078	1,078
Overprovision in respect of prior year	(128)	–
Reversed to profit and loss (Note 24)	(139)	–
Change in tax rate (Note 24)	(11)	–
Balance at end of year	800	1,078

The deferred tax liability relates to excess of tax over book depreciation of property, plant and equipment.

20 SHARE CAPITAL

	Group and Company 2009 '000	2008 '000	2009 $'000	2008 $'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning of the year	350,400	3,696	31,732	4,940
Share split of every 1 into 71 (a)	–	258,704	–	–
Issuance of shares				
- Initial public offering	–	88,000	–	29,040
- Less: Share issue expenses (b)	–	–	–	(2,248)
	350,400	88,000	31,732	26,792
At the end of the year	350,400	350,400	31,732	31,732

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

20 SHARE CAPITAL (CONT'D)

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

(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 which resulted in an issued and paid up capital of $4,940,254 comprising 262,400,096 ordinary shares.

(b) Included in share issue expenses for 2008 was S$238,000 of fees charged by the auditors of the Company.

TREASURY SHARES

During the year, the Company acquired 5,180,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was $618,000 and has been deducted from shareholders' equity. These shares are held as treasury shares, which have no rights to dividends.

	Group and Company			
	2009 '000	**2008** '000	**2009** $'000	**2008** $'000
	Number of ordinary shares			
At beginning of the year	–	–	–	–
Repurchased during the year	5,180	–	618	–
At end of the year	5,180	–	618	–

21 REVENUE

	Group	
	2009 $'000	**2008** $'000
Sale of goods	24,198	49,626
Rendering of services	7,142	24,641
	31,340	74,267

22 OTHER OPERATING INCOME

	Group	
	2009 $'000	**2008** $'000
Gain on disposal of plant and equipment	24	–
Interest income	636	723
Rental income	269	269
Others	155	172
	1,084	1,164

23 FINANCE COSTS

	Group	
	2009 $'000	**2008** $'000
Interest expense to non-related companies:		
Bank loan	198	267
Finance leases	4	4
	202	271

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

24 INCOME TAX EXPENSE

	Group 2009 $'000	Group 2008 $'000
Current income tax		
- Current	1,221	2,836
- Underprovision in respect of prior years	201	175
	1,422	3,011
Deferred tax		
- Current	(150)	–
- Overprovision in respect of prior years	(128)	–
	1,144	3,011

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2008 : 18%) to profit before income tax as a result of the following differences:

	Group 2009 $'000	Group 2008 $'000
Profit before tax	6,567	14,906
Tax at the domestic income tax rate of 17% (2008 : 18%)	1,116	2,683
Tax effect of:		
Income/expenses that are not (taxable)/deductible in determining taxable profit	(6)	123
Partial tax exemption and rebate	(26)	(27)
Change in tax rate	(11)	–
Underprovision of current tax and deferred tax in respect of prior years	73	175
Deferred tax assets not recognised	177	–
Other items	(179)	57
	1,144	3,011

The subsidiary of the Company has tax losses carry forward available for offsetting against future taxable income as follows:

	2009 $'000
Amount at beginning of year	–
Arising	708
Amount at end of year	708
Deferred tax benefit on above not recorded at 25%	177

No deferred tax assets has been recognised in the financial statements due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

25 PROFIT FOR THE YEAR

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

	Group	
	2009	**2008**
	$'000	$'000
Employee benefits expense (including directors' remuneration)	7,655	12,615
Costs of defined contribution plans	581	479
Director's remuneration	553	528
Directors' fees	150	150
Director's profit share	345	835
Amortisation of club membership	59	58
Allowance for inventories obsolescence	–	278
Impairment loss on property, plant and equipment (included under costs of sales)	–	633
Foreign currency exchange (gain)/loss	(295)	900
Non-audit fees	17	10
Fair value gain on derivative instrument	(262)	(3)
Cost of inventories recognised as expense	10,572	35,099

26 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended June 30, 2009 and 2008 have been calculated based on the profit attributable to equity holders of the Company of $5,423,000 (2008 : $11,895,000) each divided by the weighted average share capital of 347,858,000 (2008 : 344,547,000) ordinary shares.

	Group	
	2009	**2008**
	$'000	$'000
Group net profit for the year	5,423	11,895

i) Weighted average number of shares

	Number of shares ('000)	**Number of shares** ('000)
Weighted average number of ordinary shares	347,858	344,547
Effect of dilutive potential ordinary shares	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	347,858	344,547

ii) Earnings per share

Basic earnings per ordinary share (cents)	1.6	3.5
Fully diluted earnings per ordinary share (cents)	1.6	3.5

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

27 CASH AND CASH EQUIVALENTS

	Group	
	2009	2008
	$'000	$'000
Cash and bank balances	15,169	2,243
Fixed and call deposits	36,311	48,246
Cash and cash equivalents at end of year	51,480	50,489

28 COMMITMENTS

	Group and Company	
	2009	2008
	$'000	$'000
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	–	6

At the end of the financial year, the Company has commitments of approximately $Nil (2008 : $285,000) to invest in a subsidiary.

29 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	258	341	159	169

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	183	222	127	137
In the second to fifth year inclusive	507	624	507	536
After five years	5,343	5,915	5,343	5,781
Total	6,033	6,761	5,977	6,454

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 $137,000 (2008 : $144,000) per annum are subject to annual revision.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

29 OPERATING LEASE ARRANGEMENTS (CONT'D)

(b) The Group and Company as lessor

	Group and Company	
	2009	**2008**
	$'000	$'000
Rental income under operating leases	269	269

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

	Group and Company	
	2009	**2008**
	$'000	$'000
Within one year	277	243
In the second to fifth year inclusive	339	40

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

30 DIVIDENDS

(i) Dividends declared and paid:

	Group and Company	
	2009	**2008**
	$'000	$'000
Final one-tier tax exempt dividend of $0.005 per ordinary share of the Company in respect of the previous financial year ended June 30	1,752	–
First interim one-tier tax exempt dividend of $0.005 (2008 : $0.01) per ordinary share of the Company in respect of the financial year ended June 30	1,732	3,504
Second interim one-tier tax-exempt dividend of $Nil (2008 : $0.01) per ordinary share of the Company in respect of the financial year ended June 30	–	3,504
Total	3,484	7,008

(ii) Subsequent to the balance sheet date, the directors propose that a final one-tier tax exempt dividend of $0.005 (2008 : $0.005) per ordinary share will be paid to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on November 5, 2009. The total estimated dividend to be paid is $1,726,000. The proposed dividends are not accrued as a liability for the current financial year in accordance with FRS 10 – Events After The Balance Sheet Date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

31 CONTINGENT LIABILITY - SECURED

	Group and Company	
	2009	2008
	$'000	$'000
Performance guarantee given to a supplier	–	485

The performance guarantee issued by the financial institution to a supplier is secured by a legal mortgage on the Company's building (Note 14).

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 includes 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009				
Revenue				
External revenue	9,161	6,081	16,098	31,340
Inter-segment revenue	–	–	–	–
Total revenue	9,161	6,081	16,098	31,340
Segment results	1,695	(570)	4,752	5,877
Interest expense				(202)
Interest income				636
Rental income				269
Unallocated expense				(13)
Profit before income tax				6,567
Income tax expense				(1,144)
Profit after income tax				5,423
Consolidated Balance Sheet				
Assets				
Segment assets	8,829	4,846	9,827	23,502
Unallocated corporateassets				53,054
Total assets				76,556
Liabilities				
Segment liabilities	1,739	748	1,308	3,795
Unallocated corporate liabilities				8,431
Total liabilities				12,226

	Burn-in services $'000	Manufacturing $'000	Engineering $'000	Total $'000
Year ended June 30, 2009				
Other information				
Capital expenditure	59	109	40	208
Depreciation				
Allocated	1,036	212	327	1,575
Unallocated non-cash expenses other than depreciation				59

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

32 SEGMENT INFORMATION (CONT'D)

Profit and Loss Statements and Balance Sheet (cont'd)

	Burn-in services $'000	Manufacturing $'000	Engineering $'000	Total $'000
Year ended June 30, 2008				
Revenue				
External revenue	19,508	7,441	47,318	74,267
Inter-segment revenue	–	–	–	–
Total revenue	19,508	7,441	47,318	74,267
Segment results	5,900	(60)	8,372	14,212
Interest expense				(271)
Interest income				723
Rental income				269
Unallocated expense				(27)
Profit before income tax				14,906
Income tax expense				(3,011)
Profit after income tax				11,895
Consolidated Balance Sheet				
Assets				
Segment assets	15,530	3,161	9,755	28,446
Unallocated corporate assets	–	–	–	52,618
Total assets				81,064
Liabilities				
Segment liabilities	1,878	2,214	3,360	7,452
Unallocated corporate liabilities				10,696
Total liabilities				18,148

	Burn-in services $'000	Manufacturing $'000	Engineering $'000	Total $'000
Year ended June 30, 2008				
Other information				
Capital expenditure	1,155	472	64	1,691
Depreciation				
Allocated	1,655	213	353	2,221
Unallocated	–	–	–	53
Other non-cash expenses				
Impairment loss on property, plant equipment	633	–	–	633
Amortisation of club membership				
- unallocated	–	–	–	58

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

32 SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operates in four principal geographical areas namely, Singapore, Malaysia, Philippines and 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.

	2009 $'000	2008 $'000
Revenue		
Singapore	19,227	33,737
Malaysia	1,750	2,361
Philippines	706	1,192
USA	7,640	35,712
Others[1]	2,017	1,265
	31,340	74,267
Carrying amount of segment assets		
Singapore	75,785	80,336
PRC	771	728
	76,556	81,064
Capital expenditure		
Singapore	163	1,535
PRC	45	156
	208	1,691

[1] Includes Germany, Thailand, Taiwan and PRC.

33 EVENTS AFTER THE BALANCE SHEET DATE

On July 23, 2009, the Company incorporated a new wholly-owned subsidiary, Avi-Tech Esave Pte. Ltd. in Singapore. The subsidiary's principal activities is that of manufacturing and repairing electronic products, manufacturing and trading in energy saving products.

On August 13, 2009, the Company incorporated a new wholly-owned subsidiary, Avi-Tech Inc. in United States of America. The subsidiary's principal activities is that of marketing and selling burn-in boards on behalf of the Company.

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 33 to 67 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, 2009 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

Wilfred Teo Chu Khiong

August 31, 2009

STATISTICS OF SHAREHOLDINGS

As at September 25, 2009

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.18	784	0.00
1,000 - 10,000	498	43.84	2,504,500	0.73
10,001 - 1,000,000	582	51.23	51,957,128	15.05
1,000,001 and above	54	4.75	290,757,684	84.22
TOTAL	**1,136**	**100.00**	**345,220,096***	**100.00**

* Excluding treasury shares

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	LIM ENG HONG	62,118,350**	17.99
2.	UNITED OVERSEAS BANK NOMINEES PTE LTD	18,254,000	5.29
3.	DMG & PARTNERS SECURITIES PTE LTD	14,781,046	4.28
4.	LOH ZEE LAN NANCY	12,780,000	3.70
5.	EVIA GROWTH OPPORTUNITIES LTD	12,102,234	3.51
6.	AVENTURES 1 PTE LTD	10,650,000	3.08
7.	PROVIDENCE INVESTMENTS PTE LTD	8,165,000	2.37
8.	LIM TAI MENG ALVIN	7,930,000	2.30
9.	CITIBANK NOMINEES SINGAPORE PTE LTD	7,462,000	2.16
10.	FONG CHING LOON	7,200,000	2.09
11.	NG YONG HOCK	6,828,000	1.98
12.	SOESANTO LEO	6,647,000	1.93
13.	TSIA HAH TONG	5,786,500	1.68
14.	DOU YEE INTERNATIONAL PTE LTD	5,681,000	1.65
15.	LIM WEI LING ELAINE	5,680,000	1.65
16.	AMFRASER SECURITIES PTE. LTD.	5,450,000	1.58
17.	DBS NOMINEES PTE LTD	5,193,000	1.50
18.	EU IT HAI	5,186,000	1.50
19.	KWOK WAI SAN	4,481,000	1.30
20.	CHEW LIAN KWEI	4,426,000	1.28
TOTAL		**216,801,130**	**62.82**

** An additional 17,520,000 shares are held through United Overseas Bank Nominees Pte Ltd

STATISTICS OF SHAREHOLDINGS

As at September 25, 2009

SUBSTANTIAL SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Lim Eng Hong	79,638,350	23.07	26,390,000	7.64

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

Approximately 68.62% of the Company's shares (excluding treasury 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.

TREASURY SHARES

Number of treasury shares: 5,180,000

Percentage of treasury shares held against total number of issued shares (excluding treasury shares): 1.5%

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 October 30, 2009 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 June 30, 2009 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 Goh Chung Meng **(Resolution 2)**
   Mr Wilfred Teo Chu Khiong **(Resolution 3)**

   Mr Goh Chung Meng will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating and Remuneration Committees, and a 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 (the "Listing Manual").

3. To approve the payment of Directors' fees of $150,000 for the year ended June 30, 2009. (FY2008 : $150,000) **(Resolution 4)**

4. To approve the final one-tier tax exempt dividend of 0.5 cents per ordinary share for the year ended June 30, 2009. **(Resolution 5)**

5. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. 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:

7. **Authority to allot and issue shares in the capital of the Company**

   That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and the Listing Manual, 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 Manual (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the additional securities are issued); or

   (d) shares arising from the conversion of the securities in (b) and (c) above (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the shares are to be issued),

NOTICE OF ANNUAL GENERAL MEETING

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 total number of issued shares excluding treasury shares 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 total number of issued shares excluding treasury shares 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 total number of issued shares excluding treasury shares shall be calculated based on the Company's total number of issued shares excluding treasury shares 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 ("AGM") or the date by which the next AGM is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

(Resolution 7)

8. **Authority to allot and issue shares pursuant to the exercise of options under the Avi-Tech Employee Share Option Scheme ("the Scheme")**

That approval be and is hereby given to the Directors to: (a) offer and grant options in accordance with the provisions of the Scheme; and pursuant to Section 161 of the Companies Act, 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 8)

9. **Proposed Renewal of Share Buyback Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") transacted through the SGX-ST's Central Limit Order Book (CLOB) trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) off-market purchase(s) otherwise than on a securities exchange, in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual,

on the terms set out in the Appendix to the Annual Report, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM is held or required by law to be held; and

(ii) the date on which the share buybacks are carried out to the full extent mandated;

(c) in this Resolution:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Percentage" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 105% of the Average Closing Price of the Shares; and

(d) any Director be and is hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

(Resolution 9)

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore
October 15, 2009

NOTICE OF
ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next AGM, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares excluding treasury shares 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 8 proposed in item 8 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.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE HAS BEEN GIVEN in the Company's announcement of August 25, 2009 that the Share Transfer Books and Register of Members of the Company will be closed on November 6, 2009 for the purpose of determining the members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on October 30, 2009.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01 Samsung Hub, Singapore 049483, up to 5.00 p.m. on November 5, 2009 will be registered to determine shareholders' entitlements to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on November 5, 2009 will be entitled to the proposed final dividend.

The proposed final dividend, if approved at the Annual General Meeting, will be paid on November 18, 2009.

PROXY FORM

2009 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 North Avenue 5, 6th floor, Singapore 554859 on October 30, 2009 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 Goh Chung Meng as a Director		
3.	Re-election of Mr Wilfred Teo Chu Khiong as a Director		
4.	Approval of Directors' Fees		
5.	Approval of proposed Final Dividend		
6.	Re-appointment of Messrs Deloitte & Touche LLP as Auditors		
7.	General Mandate to Directors to issue Shares		
8.	Mandate to Directors to issue Scheme Shares		
9.	Proposed renewal of Share Buyback Mandate		

Dated this ____________ day of ____________ 2009

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