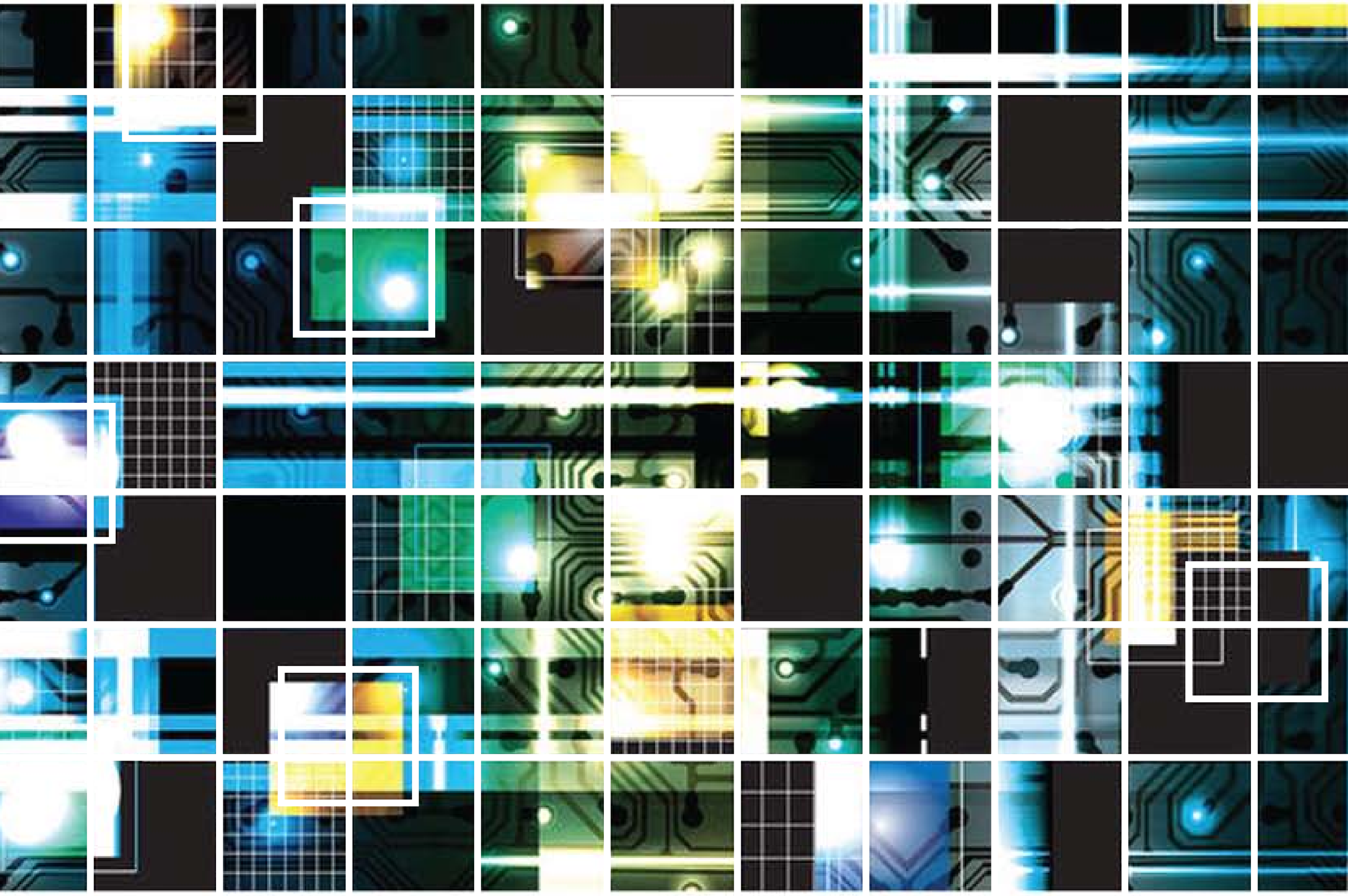
AVI-TECH ELECTRONICS LIMITED
Annual Report 2010



Driving productivity,
Driving value

productivity

value

strength

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our strength lies in our drive.

This year, there were challenges along the way that put our performance and strategic reflexes to the test.

Nonetheless, our determination to weather these challenges through optimising our internal operations and adding to our solutions has allowed us to stay resilient amidst the storm.

Avi-Tech at a Glance

About Avi-Tech

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 as well as an Electronics Manufacturing Services ("EMS") provider with years of experience working in partnership with Original Equipment Manufacturers ("OEM") in the medical and semiconductor industries.

Headquartered in Singapore with a total staff strength of approximately 260, we have production facilities in Singapore and the People's Republic of China ("China"). 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, Malaysia, Thailand, Philippines, Taiwan, China, Japan, United States of America ("USA") and Europe.

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. More recently, we received ISO 13485 certification for the quality management system for medical devices.

Our Business Segments

We offer a breadth of specialised solutions and services that require disciplined and efficient technological expertise.

Burn-In Boards and Boards-Related Products

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

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

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
- Manufacturing services to cover OEM requirements – from new product introduction and assembly to integration and fulfillment
- 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

driving productivity, driving value.

- Maintain lean and efficient operations
- Exercise prudence in managing resources
- Improving customer-focus service standards
- Gain steady customer confidence

Experience has taught us that product consistency and a high level of customer service ultimately differentiate us from the competition.

Letter to Shareholders

We will continue to execute strategies that will allow us to evaluate and adapt to developments in the marketplace.

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present our Annual Report for the financial year ended 30 June 2010 ("FY10").

During FY10, we were focused on continuous improvements in our internal processes and operational capabilities so as to maintain our high service levels, cultivating close customer relationships to optimise customer lifetime value and exploring new growth opportunities both locally and in overseas markets to expand our customer base.

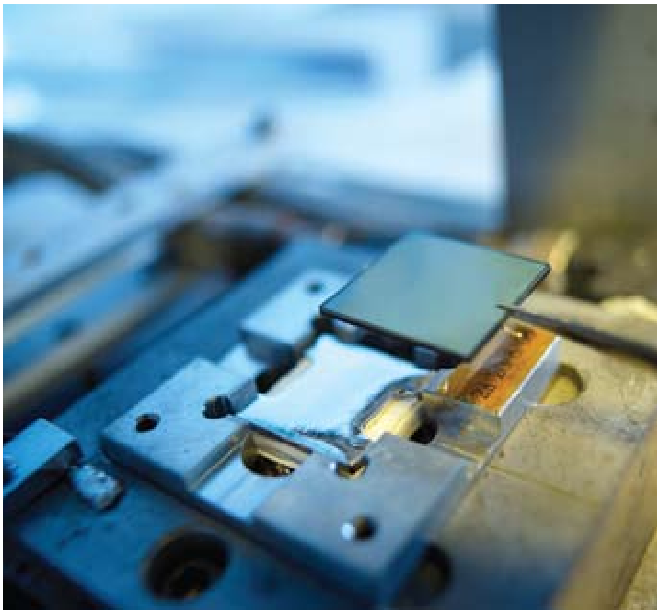
Our Burn-In Services and Burn-In Boards and Board Manufacturing business segments have performed strongly in FY10 in tandem with improved global economic conditions and in particular, the recovering semiconductor sector. Our Engineering Services segment, while still impacted by the low levels of investment into research and development and capital expenditure from our major customers during the recession, is seeing increased enquiries for services. With a healthy cash position, unchanging business fundamentals and a clear strategic growth plan, we have weathered the worst of the crisis.

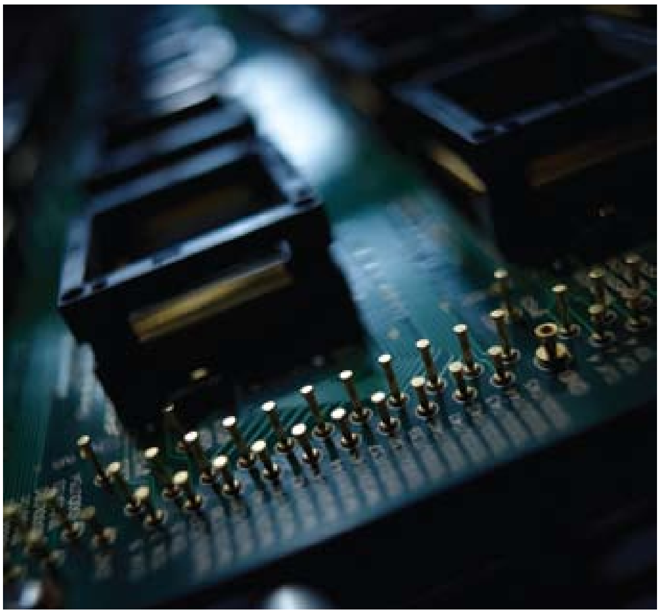
OUR FINANCIAL PERFORMANCE

Group revenue for FY10 decreased marginally by 5.5% to $29.6 million, from $31.3 million for the financial year ended 30 June 2009 ("FY09"). The slow pick-up in capital expenditure by our major customers for engineering services partly offset our successful penetration into the US board manufacturing market. Geographically, as testament to our successful expansion strategy beyond Singapore, our overseas operations accounted for 42.3% of revenue in FY10 compared with a 38.7% contribution in FY09.

The Group's gross profit decreased by 17.7% from $10.5 million in FY09 to $8.6 million in FY10 on account of decreased revenue from the Engineering Services segment. Gross margin decreased from 33.5% in FY09 to 29.2% in FY10 as a result of a change in product and services mix.

Letter to Shareholders





Due to the decrease in revenue contribution from our Engineering Services segment, net income declined from $5.4 million in FY09 to $4.0 million in FY10. If not for the increased administrative expenses, primarily caused by foreign exchange losses due to the weakening of the US dollar against the Singapore dollar, the operating expenses would have decreased by $0.5 million with consequent further improvement in net profit.

The Group's earnings per share (diluted) based on weighted average number of ordinary shares was 1.15 cents while net asset value was 19.02 cents per share in FY10.

We generated $4.4 million of net cash from operations in FY10, putting us in a strong cash position of $41.3 million, after payment of a final dividend for the financial year ended 30 June 2009 paid in November 2009 and an interim dividend for the half year ended 31 December 2009 paid in March 2010. In total, dividend payment amounted to $2.6 million. We have a healthy receivables balance with no significant bad debts provision having been made. With gearing at only 8%, the Group is in a prime position for growth as and when suitable opportunities present themselves in the immediate future.

BUILDING ON EXPERTISE FOR GROWTH

As the world semi-conductor industry started its rebound from the second quarter of FY10, our Burn-In and Related Services and Manufacture of Burn-In Boards and Boards Related Products business segments showed a marked recovery. Our Board Manufacturing business in USA has seen orders increasing steadily, with the contribution from USA now accounting for 37.9% of revenue from this business segment. Most of our production of complex, high power Burn-In Boards is for this market.

Expanding our capabilities in Burn-In and Related Services and in non-Burn-In Related activities, we have made important investments in Burn-In systems, introducing far more complex equipment for high-powered products.

Despite the fact that the Engineering Services and Equipment Distribution business segment was adversely impacted by the tremendous slow-down in capital expenditure and tray repair services, we succeeded in forging ahead with setting standards of excellence. We achieved ISO 13485 certification at the end of 2009 which confers recognition on our quality management

Letter to Shareholders

system in the provision of medical devices and related services. We believe this recognition will strengthen our reputation in the market, opening up new opportunities for us. With the improved global outlook, the demand for engineering and repair services and for life sciences and medical equipment is likely to pick up.

LOOKING AHEAD

The recovery in the economy has resulted in increased demand for wireless and consumer electronics, automotive and industrial products which in turn drives demand for semiconductors. The Semiconductor Industry Association has projected worldwide chip sales to grow by 28.4% to US$290.5 billion in 2010 followed by 6.3% growth in 2011 to US$308.7 billion[1].

Building on this positive backdrop, we are seeing an encouraging trend of increasing customer orders and a higher capacity utilisation for both our Burn-In Services and Burn-In Boards and Board Manufacturing business segments. For our Engineering business segment, we anticipate new orders for life sciences equipment as investment in new equipment returns to pre-crisis spending levels. Moving forward, we also plan to increase spending in equipment and capital expenditure on energy efficient and renewable technology to benefit from the potential business opportunity arising from the growing demands for these products.

Nevertheless, even as we embark on our growth strategies, we are mindful of the need to balance the prudent management of our resources with our need to make investments, in light of the remaining uncertainties surrounding the sustainability of economic recovery and the threat of a double dip recession in the near term.

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 0.25 cent per share and a special dividend of 1.0 cent per share for FY10. This proposed final dividend, if approved at the Company's Annual General meeting, will be paid on 24 November 2010.

It only leaves us now, on behalf of the Board, to thank you all for your continued support and belief. Our sincere appreciation also goes out to our business partners for their commitment to us, to our customers for their loyalty and to our management and staff for their immeasurable contributions.

We would like to thank our Board of Directors for their invaluable guidance and contributions during the year.

We would also like to especially thank Jenny Lee, our Human Resources Director, who retired on 24 September 2010. Jenny has given more than 26 years of exemplary service to the Company. We are grateful for her hard work, loyalty, dedication, and above all, graciousness, through the years. We wish her every success for her future.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

1 Semiconductor Industry Association (SIA) Press Release 10 June 2010, "SIA Forecast Project Industry will Grow to $290.5 billion in 2010": SIA Press Release 10 June 2010; Available online: http://www.siaonline.org/cs/papers_publications/press_release_detail?pressrelease.id=1779.

driving long-term stability.

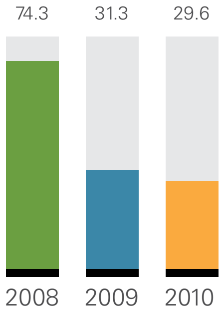
Every day, we challenge ourselves to seek ways to leapfrog our competition and generate value through strategies that will drive a sustainable enterprise.

- Enhance capacity utilisation
- Reduce operating costs
- Evaluate new investment opportunities

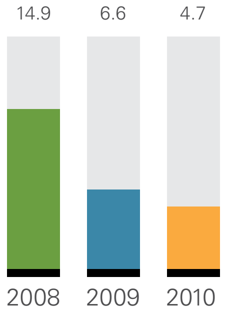
Financial Highlights

PROFIT AND LOSS ($'M)

Revenue

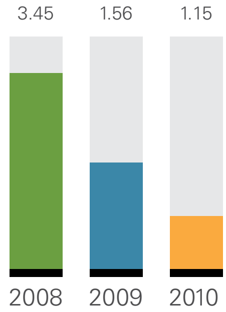


Profit Before Tax



Profit After Tax

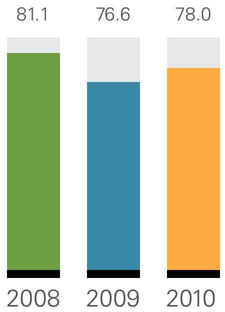
EPS (Cents)



BALANCE SHEET ($'M)

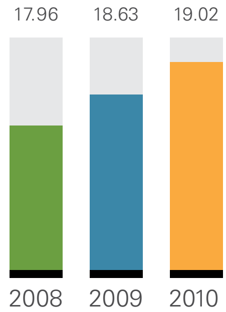
Total Debt

Total Assets



Shareholders' Equity

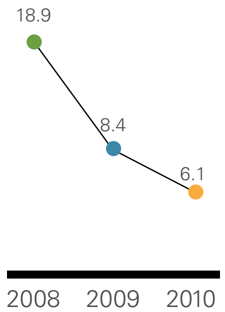
NAV Per Share (Cents)



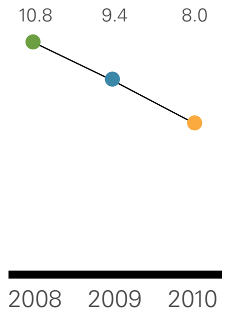
KEY FINANCIAL RATIO

Dividend Per Share (Cents)

Return On Equity (%)



Gearing (%) (Total Debt/ Total Shareholder Equity)



Operations Review

We have invested in manpower training to uphold our high service standards, sending engineering staff for overseas training stints in USA on the new systems acquired.

With the recovery in the Burn-In and Related Services and Burn-In Boards and Boards-Related Products segments, Group revenue in FY10 decreased marginally by 5.5% to $29.6 million, from $31.3 million in FY09. The revenue contribution from these two business segments was offset by weaker contribution from the Engineering Services and Equipment Distribution segment, which continued to feel the effects of lower volume of repair services and equipment orders. Burn-In and Related Services segment registered $2.2 million increase in revenue to $11.3 million in FY10. The Burn-In Boards and Boards Related Products segment turned in $12.6 million in sales, a $6.5 million improvement over FY09. The Engineering Services and Equipment Distribution segment suffered a $10.4 million decrease in revenue from $16.1 million in FY09 to $5.7 million in FY10.

BURN-IN AND RELATED SERVICES

The Group provides Static Burn-In, Dynamic Burn-In and TDBI for the semiconductor industry. We serve the segment of the industry that requires fail-safe or high reliability semiconductor devices including microprocessors and automotive products. Our portfolio of customers spans Asia-Pacific, Europe and USA and includes some of the key players in the global semiconductor industry. In addition to the 5,000 sq.m. of space in our Serangoon North premises for Burn-In services, we have a 2,000 sq.m. overseas Burn-In facility in Suzhou, China which provides testing services for the semiconductor manufacturers in the Suzhou/Shanghai region. Our FY10 performance was better than FY09. This was due to the overall growth in existing markets as well as our successful entry into new markets such as that for High Power Burn-In Systems.

In terms of revenue contribution to the Group, Burn-In and Related Services contributed 38.3%. In terms of markets, Singapore and USA were the leading revenue generators, contributing 57.7% and 25.2% respectively to overall Group revenue.

The demand for our services, particularly in the high growth segment of High Power Burn-In systems, led us to invest in new High and Mid-Power Burn-In systems to cater to the needs of newly acquired customers. We have also invested in manpower training to uphold our high service standards, sending engineering staff for overseas training stints in USA on the new systems acquired.

Operations Review



Due to the optimistic outlook for the semiconductor industry, which will in turn have a positive effect on our Burn-In services segment, the year ahead may see us expanding our current service offerings to High Power Burn-In and non-Burn-In Related activities like visual inspection and boards cleaning and repair. At the same time, we will continue to maintain a vigilant watch on major cost items and seek ways to further reduce cost per unit processed to sustain our profitability through productivity enhancements across all our activities. We will continue to be customer-focused in order to ensure long-term customer retention while simultaneously seeking to expand our customer base through increased service offerings and high service standards. Organisationally, we will strive towards increased capabilities through continuous training and upgrading and the maintenance of a high level of teamwork and morale.

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 machines handling different packages ranging from BGA, TSSOP, VQFN and DSO, with round-the-clock delivery and collection service for our customers.

Other Services

Our expanded range of services in this segment include high magnification visual inspection and detaping services as well as chemical cleaning and repair of burn-in boards to support our customers' needs in this area.

BURN-IN BOARDS AND BOARDS 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 and Highly Accelerated Stress Test. We are constantly challenging ourselves to raise our competencies in board design and augment our assembly capabilities to meet the dynamic and increasingly sophisticated requirements of our customers.

In FY10, the segment contributed 42.5% of overall revenue as compared to 19.4% in FY09 on the back of increased demand and higher contribution from USA.

Encouraged by the increasing orders from USA, we incorporated a wholly-owned subsidiary, Avi-Tech, Inc., in USA in August 2009. From our office in Houston, Texas, we undertake marketing and sales functions. We offer a wide array of board products over a larger selection of oven platforms, especially very high power platforms targeted at server-class microprocessors and application-specific chips. Our success in having increased our market share for Burn-In Boards and Related Products in USA is due to our ability to offer customers quality products at competitive prices coupled with comprehensive value-added after-sales service. We have steadily expanded our USA customer base and as at the financial year end, we have been qualified as a board supplier for many MNCs. With the improving economic conditions from the second quarter FY10, we have seen our orders correspondingly growing and anticipate the value of these orders to increase over time.

Operations Review

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 cover OEM requirements from new product introduction and assembly to integration and fulfillment. Our field services encompass field repair and application services to customers for all equipment manufactured and distributed by the Group.

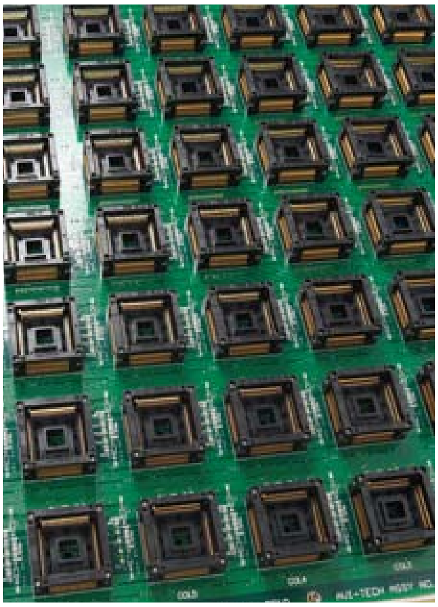
The Engineering Services and Equipment Distribution business segment was impacted by the 2008/2009 financial crisis as capital expenditure did not immediately return to pre-crisis levels. In particular, repair services and equipment orders, including those for the medical and life sciences industry, were slow to pick up and lagged behind the general rebound in the economy and improved consumer sentiment. The segment was particularly affected by a reduction in engineering services for one of our major customers due to the fact that end customer capacity had been fulfilled. The much improved performance towards the end of FY10 could not mitigate the weaker performance during the earlier months. Consequently, this segment contributed 19.2% to Group revenue compared with 51.4% in FY09.

The fourth quarter of FY10 was a turning point for us, with equipment orders and demand for repair services steadily increasing. We successfully secured a multi-million dollar purchase order for advanced packaging lithography systems from a USA customer.

Our efforts for the coming year continue to be on intensifying our activities in the medical and life sciences industry. Towards this end, we achieved ISO 13485 certification in respect of quality management system requirements in the manufacture of medical devices. The certification demonstrates our ability to consistently meet customer and regulatory requirements applicable to the medical devices and related services. It will pave the way for us to make further headway into this field. The medical and life sciences industry is anticipated to grow post-recession due to increased demand for safety, accuracy, efficiency and cost-effectiveness from patients and healthcare service providers. This should translate into direct opportunities for us. Outside of the medical and life sciences industry, we will strive towards further leveraging on our engineering experience in the electronics, electrical, mechanical and refrigeration fields, to expand our capabilities and expertise in the area of High Power Burn-In systems for the Burn-In and test of complex semiconductor devices.

HUMAN RESOURCE DEVELOPMENT

Developing our human capital is one of the cornerstones of our management policy as we recognise that it is the biggest asset of our organisation. As is our normal practice, we conducted annual reviews and regular assessment of our employees' training and career development needs during the course of the year. We conducted both in-house and external training programmes for our staff. Our staff from the various business segments was sent for external training programmes. Some of our staff from the Engineering Services and Equipment Distribution business segment was sent on overseas training programmes



Operations Review

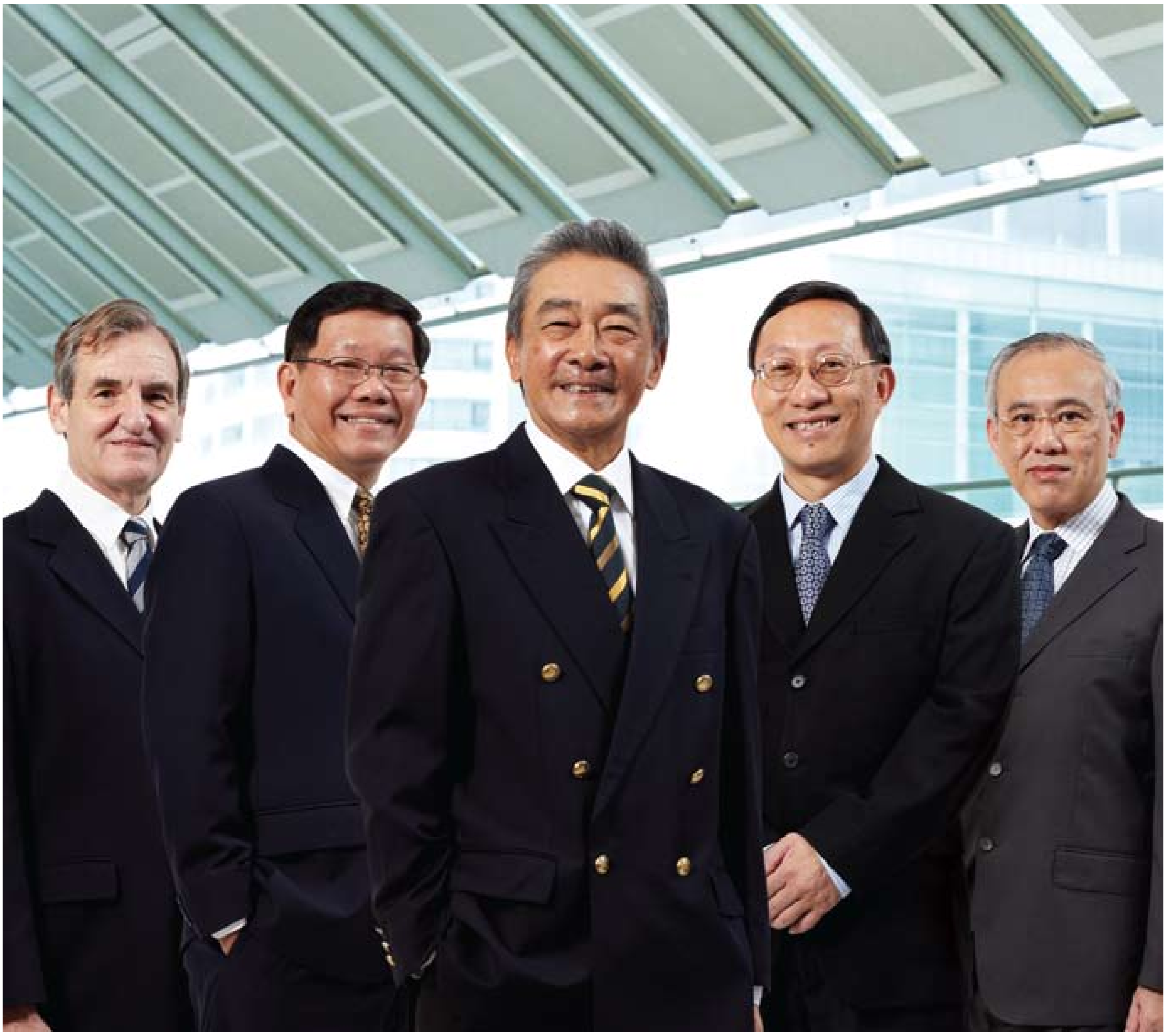
to USA. We conducted regular management employee dialogue sessions throughout the year, in order to garner feedback, further improve the working environment of our people in terms of comfort and productivity, as well as to build team spirit. We also awarded a total of 47 long service awards to recognise those who have contributed to the organisation over the many years.

2011 PROSPECTS

From the second quarter of 2010, the Group was already experiencing healthier levels of customer orders and a higher capacity utilisation in both the Burn-In Services and Burn-In Boards and Board Manufacturing business segments. While our Engineering Services and Equipment Distribution business segment only began to see improved levels of demand for services towards the end of the year, its outlook for the coming months is positive. Despite this prognosis, the Group anticipates that volatility in raw material prices, foreign exchange fluctuations, increased energy prices and pricing pressures from customers are challenges which could impact future financial performance. Aside from these macro factors, our longer term industry prospects remain promising as the trend of outsourcing Burn-In services is improving 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 expanding into USA semicondustor market in the area of board manufacturing and intensifying our pursuit of system integration projects for the medical and life sciences sector has allowed us to expand our business across products, industries and geographical boundaries. We are currently looking at new segments of growth such as environmental-friendly products as we seek not only to exploit these areas of growth but to also play a part in ensuring we are aligned with policies for environment sustainability. On the financial front, we will remain prudent in our cash management policy to ensure our competitiveness within the industry and further position the Group for future growth.

Board of Directors



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

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 is currently the managing partner of Messrs Khor Thiam Beng & Partners. 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 has been 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.

Board of Directors

Mr Lim is active in the community and has been sitting on the School Advisory Committee (SAC) of Pei Ying Primary School for the past 23 years, the last three years of which he served as Chairman.

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. During the period from 1985 to 1990, Mr Goh worked as a senior consultant for Deloitte & Touche Management Consultants where he was involved in a wide variety of consulting assignments for MNC clients including a two-year stint helping to start up an insolvency unit during the 1985 recession.

After the economic recovery in 1987, Mr Goh refocused his consultancy assignments on corporate finance work that eventually led to mergers and acquisitions and significant equity restructuring exercises. In 1990, he was headhunted by executive search firm, Korn/Ferry, 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 is currently a director (alternate) of TauRx Pharmaceuticals Ltd, the holding company of a group of biomedical science companies which are at final phase 3 of clinical trials for commercialisation of a disease modifying drug to treat Alzheimer's disease and other neurodegenerative diseases based on a novel mechanism. Mr Goh has been a pioneer board member of the TauRx Group since the Group's founding in 2002.

Mr Goh is also a director of ACE Investment Management Pte Ltd, a boutique private equity investment company involved in 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 had 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 and chairman of the audit committees of Ascendas Property Fund Trustees Pte Ltd, JEL Corporation (Holdings) Limited and Grand Banks Yachts Limited, which are 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 joined our Company in 1999. 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).

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 Business Development

Mr Philip Kwok Wai San is our Director of Business Development. He joined our Company in 1990. He is responsible for the sales and marketing of the Burn-In Boards business in South-East Asia (excluding Singapore) and Taiwan. He is also responsible for developing the life sciences instrumentation business and other new businesses for the Group.

Mr Kwok has more than 25 years of experience in the semiconductor industry. He was previously the Director of Engineering of our Company, responsible for the overall management of the Engineering Services segment as well as the Group's purchasing and overseas sales and marketing activities for all Burn-In Boards related products. Prior to joining our Company, he was an Engineering Manager with National Semiconductor (S) Pte Ltd.

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 LIM KIAN SENG

Director of Manufacturing

Mr Lim Kian Seng is our Director of Manufacturing. He joined our Company in 2010 and is overall in charge of all manufacturing activities including Board Manufacturing, Engineering Services and Purchasing. He is also responsible for new manufacturing projects arising from any future joint venture or acquisition of companies and will also be involved in the pursuit of new projects in manufacturing.

Prior to joining our Company, Mr Lim was with Infineon Technologies Asia Pacific Pte Ltd for 19 years. His last appointment was that of the Head of Manufacturing, where he managed a wide portfolio including Operations, Planning, Engineering, Quality and Plant Facilities.

Mr Lim holds a Bachelor of Science (Hons) Degree in Electrical and Electronics Engineering from the University of Brighton, United Kingdom.

Executive Officers

MR LAU TOON HAI

QA Director

Mr Lau Toon Hai is our QA Director. 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.

Mr Lau has over 20 years experience in the electronics engineering industry. Prior to joining our Company, 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.

After more than 26 years of service, Mdm Lee retired on 24 September 2010.

MR ALVIN LIM TAI MENG

Chief Operating Officer (USA Operations)

Mr Alvin Lim Tai Meng is our Chief Operating Officer (USA Operations). He joined our Company in 2002 and is responsible for strategising and promoting all aspects of the Group's business in the USA market.

Mr Lim was previously a Sales Engineer of our Company, 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.

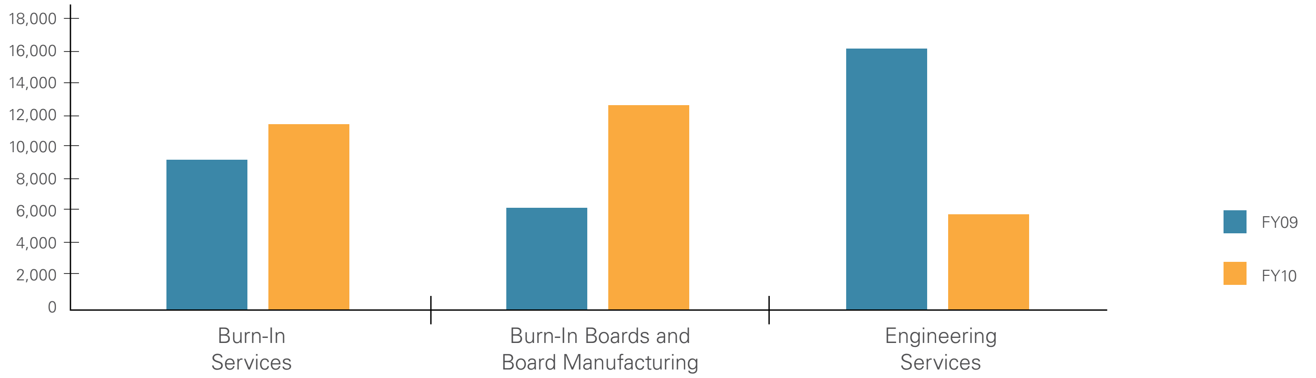
Financial Review

CONSOLIDATED FINANCIAL PERFORMANCE ($'000)

	FY10	FY09	Change %
Revenue	29,621	31,340	(5.5)
Cost of Sales	20,973	20,829	0.7
Gross Profit	8,648	10,511	(17.7)
Administrative expenses	5,039	4,730	6.5
Profit before income tax	4,745	6,567	(27.7)
Income tax expenses	787	1,144	(31.2)
Profit for the year	3,958	5,423	(27.0)

For FY10, the Group reported a decrease in net profit of $1.4 million (FY09: $6.5 million). The decrease is primarily due to lower revenue contribution from the Engineering Services business segment which generally yields higher profit margins. The decrease is partially offset by the stronger revenue reported from the Burn-In Boards and Board Manufacturing and Burn-In Services business segments.

REVENUE BY BUSINESS SEGMENTS ($'000)



Burn-In Services which contributed 38.3% of Group's revenue in FY10 (FY09: 29.2%) reported revenue for the year of $11.3 million, an increase of $2.2 million or 23.8%. Burn-In Boards and Board Manufacturing contributed $12.6 million or 42.5% of Group's revenue in FY10 (FY09: 19.4%), reporting an increase in revenue of $6.5 million. The increase is primarily due to the Group's successful penetration into USA market. Engineering Services which contributed 19.2% of Group's revenue in FY10 (FY09: 51.4%) reported revenue for the year of $5.7 million, a significant decrease of $10.4 million. This is primarily due to the slow pick up in capital expenditure by the Group's major customers.

COST OF SALES ($'000)

	FY10	FY09	Change %
Cost of sales	20,973	20,829	0.7
Included in cost of sales:			
Cost of material and equipment	11,259	10,572	6.5
Salary cost	6,806	6,154	10.6
Depreciation	974	1,298	(25.0)
Electricity	1,106	1,496	(26.1)
Other direct overheads	828	1,309	(36.7)

GROSS PROFIT ($'000)

	FY10	FY09	Change %
Gross Profit	8,648	10,511	(17.7)
Gross Margin	29.2%	33.5%	(12.8)

Financial Review

The Group's gross profit declined by $1.9 million from $10.5 million in FY09 to $8.6 million in FY10. The decrease is primarily due to lower revenue contribution from the Engineering Services business segment, which generally yields higher profit margins for its repair works. The decrease in gross margin is generally due to change in products and services mix in the three business segments.

ADMINISTRATIVE EXPENSES ($'000)

	FY10	FY09	Change %
Administrative expenses	5,039	4,730	6.5
Included in administrative expenses:			
Salary and related cost	1,940	2,437	(20.4)
Foreign currency exchange (loss)/gain	(539)	295	(>100.0)

Administrative expenses increased by $0.3 million or 6.5% from $4.7 million in FY09 to $5 million in FY10. The increase is primarily due to foreign exchange losses due to weakening of the U.S. dollar against the Singapore dollar.

PROFIT FOR THE YEAR ($'000)

	FY10	FY09	Change %
Profit before income tax	4,745	6,567	(27.7)
Income tax expenses	(787)	(1,144)	31.2
Profit for the year	3,958	5,423	(27.0)

The Group reported a decline in profit of $1.4 million or 27% from $5.4 million in FY09 to $4 million in FY10. The decrease is primarily due to lower revenue contribution from the Engineering Services business segment, which generally yields higher profit margins. The decrease is partially offset by stronger revenue reported by the Burn-In Boards and Board Manufacturing and Burn-In Services business segments, primarily due to rebound in the global demand for semiconductor chips.

LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY10	FY09	Change %
Cash flow from:			
Operating activities	4,374	5,890	(25.7)
Investing activities	(29,618)	(184)	>100.0
Financing activities	(3,407)	(4,775)	(28.6)
Net change in cash and cash equivalents	(28,658)	991	NM
Cash and cash equivalents at end of year	22,822	51,480	(55.7)

Cash provided from operating activities decreased by $1.5 million or 25.7% from $5.9 million in FY09 to $4.4 million in FY10. This is primarily due to lower profit generated during the financial year.

Cash used in investing activities increased by $29.4 million from $0.2 million in FY09 to $29.6 million in FY10. This is primarily due to the purchases of held-to-maturity investments and increase in capital expenditure in FY10.

Cash used in financing activities decreased by $1.4 million or 28.6% from $4.8 million in FY09 to $3.4 million. This is primarily due to the Group not executing any share buy-back and lower dividends paid of $2.6 million in FY10 as compared to $3.5 million in FY09.

Cash and cash equivalents decreased by $28.7 million to $22.8 million. Included in cash and cash equivalents are time deposits and fixed deposits in various financial institutions.

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, Singapore

REGISTERED OFFICE

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

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

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

Partner-in-charge of the audit:
Ong Bee Yen
Date of appointment:
30 October 2009

PRINCIPAL BANKERS

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

Standard Chartered Bank
6 Battery Road
Singapore 049909

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

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 permit 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 FY10	6	4	1	1
Khor Thiam Beng	6	4	1	1
Lim Eng Hong	6	4	1	1
Wilfred Teo Chu Khiong	5	4	1	1
Goh Chung Meng	6	4	1	1
Michael Grenville Gray	6	4	1	1

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

The Board comprises more than one-third independent Directors who offer alternative 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 skills, 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.

Principle 4: Board Membership
Principle 5: Board Performance

The 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

Corporate Governance

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 ("AGM");
- 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 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 Khor Thiam Beng and Mr Michael Grenville Gray, 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 Mr Goh Chung Meng and Mr Michael Grenville Gray to be independent.

An evaluation of the Board's performance for FY10 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.

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.

Corporate Governance

REMUNERATION MATTERS

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

The 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.

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 30 June 2010. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

Corporate Governance

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 30 June 2010, is as follows:

Director	Fee[1]	Salary	Variable Bonus	Benefits in kind	Total
Band C [2]	%	%	%	%	%
Lim Eng Hong	–	79	13	8	100
Band A [2]					
Khor Thiam Beng	100	–	–	–	100
Wilfred Teo Chu Khiong	–	86	14	–	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 30 June 2010, is as follows:

Key Executive	Salary	Variable Bonus	Benefits in kind	Total
Band A [2]	%	%	%	%
Tan Kwang Seng	86	14	–	100
Kwok Wai San, Philip	86	14	–	100
Lim Kian Seng	100	–	–	100
Lau Toon Hai	85	15	–	100
Lee Say Hiang, Jenny	85	15	–	100
Lim Tai Meng, Alvin	88	12	–	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 FY10.

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 FY10.

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 C means from $500,000 up to $749,999.

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 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 auditor, 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 30 June 2010 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.

The AC has reviewed non-audit services provided by the external auditors, Deloitte & Touche LLP for FY10, 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.

Corporate Governance

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 the 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.

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.

Corporate Governance

INTERESTED PERSON TRANSACTIONS

The Board confirms that there are no interested person transactions entered into during the financial year ended 30 June 2010 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.

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Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2010.

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

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	At end of the year	At 21 July 2010	At beginning of the year	At end of the year	At 21 July 2010
The Company						
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	180,000	180,000	180,000	–	–	–
Michael Grenville Gray	80,000	580,000	580,000	–	–	–
Wilfred Teo Chu Khiong	–	–	–	–	–	–

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2010, 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 paid to the directors and fees paid to a firm for services rendered by the firm whereby its managing partner is a director of the Company as disclosed in the financial statements.

Report of the Directors

5 SHARE OPTIONS

(a) Options to take up unissued shares

In the financial year ended 30 June 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 has been granted under the 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.

Report of the Directors

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

31 August 2010

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 35 to 71 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 30 June 2010 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

31 August 2010

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 statements of financial position of the Group and the Company as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 35 to 71.

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 statement of financial position 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 30 June 2010 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 and by the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
31 August 2010

Statements of Financial Position

30 June 2010

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
ASSETS					
Current assets					
Cash and bank balances	6	4,668	15,169	4,509	15,001
Fixed and call deposits	7	36,675	36,311	36,675	36,311
Trade receivables	8	8,504	6,474	8,484	6,437
Other receivables and prepaid expenses	9	305	655	313	635
Inventories	10	2,637	2,581	2,611	2,581
Held-for-trading investments	11	500	750	500	750
Held-to-maturity financial assets	12	5,109	–	5,109	–
Total current assets		58,398	61,940	58,201	61,715
Non-current assets					
Subsidiaries	13	–	–	969	3,488
Club membership	14	–	59	–	59
Property, plant and equipment	15	15,530	14,557	15,122	14,012
Held-to-maturity financial assets	12	4,062	–	4,062	–
Total non-current assets		19,592	14,616	20,153	17,559
Total assets		77,990	76,556	78,354	79,274
LIABILITIES AND EQUITY					
Current liabilities					
Bank loan	16	612	612	612	612
Trade payables	17	3,642	1,646	3,734	1,646
Other payables	18	1,767	2,189	1,735	2,092
Finance leases	19	9	55	9	55
Income tax payable		762	1,481	746	1,481
Total current liabilities		6,792	5,983	6,836	5,886
Non-current liabilities					
Bank loan	16	4,638	5,405	4,638	5,405
Finance leases	19	33	38	33	38
Deferred tax liabilities	20	857	800	857	800
Total non-current liabilities		5,528	6,243	5,528	6,243
Capital and reserves					
Share capital	21	31,732	31,732	31,732	31,732
Treasury shares	21	(618)	(618)	(618)	(618)
Reserves		34,556	33,216	34,876	36,031
Total equity		65,670	64,330	65,990	67,145
Total liabilities and equity		77,990	76,556	78,354	79,274

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2010

	Note	Group 2010 $'000	Group 2009 $'000
Revenue	22	29,621	31,340
Cost of sales		(20,973)	(20,829)
Gross profit		8,648	10,511
Other operating income	23	1,361	1,084
Distribution costs		(117)	(96)
Administrative expenses		(5,039)	(4,730)
Finance costs	24	(108)	(202)
Profit before income tax		4,745	6,567
Income tax expense	25	(787)	(1,144)
Profit for the year	26	3,958	5,423
Other comprehensive income:			
Exchange differences on translation of foreign operations		(29)	93
Other comprehensive income for the year, net of tax		(29)	93
Total comprehensive income for the year		3,929	5,516
Earnings per share	27		
Basic (cents)		1.15	1.56
Diluted (cents)		1.15	1.56

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 30 June 2010

	Share capital $'000	<----- Reserves ----- Treasury shares $'000	Currency translation reserve $'000	Retained profits $'000	Total reserves $'000 ----->	Total $'000
Group						
Balance at 1 July 2008	31,732	–	13	31,171	31,184	62,916
Total comprehensive income for the financial year	–	–	93	5,423	5,516	5,516
Dividends paid (Note 30)	–	–	–	(3,484)	(3,484)	(3,484)
Shares buyback - held as treasury shares (Note 21)	–	(618)	–	–	–	(618)
Balance at 30 June 2009	31,732	(618)	106	33,110	33,216	64,330
Total comprehensive income for the financial year	–	–	(29)	3,958	3,929	3,929
Dividends paid (Note 30)	–	–	–	(2,589)	(2,589)	(2,589)
Balance at 30 June 2010	31,732	(618)	77	34,479	34,556	65,670

	Share capital $'000	<----- Reserves ----- Treasury shares $'000	Retained profits $'000	Total reserves $'000 ----->	Total $'000
Company					
Balance at 1 July 2008	31,732	–	33,548	33,548	65,280
Total comprehensive income for the financial year	–	–	5,967	5,967	5,967
Dividends paid (Note 30)	–	–	(3,484)	(3,484)	(3,484)
Share buyback - held as treasury shares (Note 21)	–	(618)	–	–	(618)
Balance at 30 June 2009	31,732	(618)	36,031	36,031	67,145
Total comprehensive income for the financial year	–	–	1,434	1,434	1,434
Dividends paid (Note 30)	–	–	(2,589)	(2,589)	(2,589)
Balance at 30 June 2010	31,732	(618)	34,876	34,876	65,990

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

Year ended 30 June 2010

	Group	
	2010	**2009**
	$'000	**$'000**
Operating activities		
Profit before income tax	4,745	6,567
Adjustments for:		
Allowance for doubtful debts, net	3	10
Reversal for allowance for inventories	(5)	–
Amortisation of club membership	59	59
Depreciation expense	1,303	1,575
Fair value gain on derivative financial instrument	–	(262)
(Gain)/loss on disposal on held-for-trading investments	(122)	50
Gain on disposal of property, plant and equipment	–	(24)
Interest expense	108	202
Interest income	(604)	(636)
Operating cash flows before movements in working capital	5,487	7,541
Trade receivables	(2,033)	4,399
Other receivables and prepaid expenses	350	(19)
Inventories	(51)	(71)
Trade payables	1,996	(863)
Other payables	(422)	(2,754)
Cash generated from operations	5,327	8,233
Income tax paid	(1,449)	(2,777)
Interest paid	(108)	(202)
Interest received	604	636
Net cash from operating activities	4,374	5,890
Investing activities		
Additions to property, plant and equipment	(2,298)	(208)
Proceeds from disposal of property, plant and equipment	–	24
Purchase of held-to-maturity financial assets	(9,171)	–
Proceeds from sale of held-for-trading investments	372	–
Placement in fixed deposits	(18,521)	–
Net cash used in investing activities	(29,618)	(184)
Financing activities		
Treasury shares buyback	–	(618)
Dividends paid	(2,589)	(3,484)
Repayment of finance lease obligations	(51)	(61)
Repayment of bank loan	(767)	(612)
Net cash used in financing activities	(3,407)	(4,775)
Net effect of exchange rate changes in consolidating subsidiaries	(7)	60
Net (decrease)/increase in cash and cash equivalents	(28,658)	991
Cash and cash equivalents at beginning of the financial year	51,480	50,489
Cash and cash equivalents at end of the financial year (Note 28)	22,822	51,480

See accompanying notes to financial statements.

Notes to Financial Statements

30 June 2010

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 13.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2010 were authorised for issue by the Board of Directors on 31 August 2010.

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 1 July 2009. 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 except as disclosed below:

FRS 1 - Presentation of Financial Statements (Revised)

FRS 1 (2008) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position at the beginning of the earliest comparative period presented if the entity applies new accounting policies retrospectively or makes retrospective restatements or reclassifies items in the financial statements.

FRS 27 (Revised) Consolidated and Separate Financial Statements; and FRS 103 (Revised) Business Combinations

FRS 27 (Revised) is effective for annual periods beginning on or after 1 July 2009. FRS 103 (Revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

Apart from matters of presentation, the principal amendments to FRS 27 that will impact the Group concern the accounting treatment for transactions that result in changes in a parent's interest in a subsidiary. The changes are adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Similarly, FRS 103 is concerned with accounting for business combination transactions. The changes to the Standard are significant, but their impact can only be determined once the detail of future business combination transactions is known. The amendments to FRS 103 will be adopted prospectively for transactions after the date of adoption of the revised Standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 108 - Operating Segments

FRS 108 will be effective for annual financial statements beginning on or after 1 July 2009. 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, the predecessor Standard (FRS 14 Segment Reporting) required 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. Following the adoption of FRS 108, the identification of the Group's reportable segments remains unchanged (Note 31).

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

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) *Related Party Disclosures* is effective for annual periods beginning on or after 1 January 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity. In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure of transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, including the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved. In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

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.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June 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 or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable values that have been recognised in the profit or loss.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

BUSINESS COMBINATIONS - Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant FRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- 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* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Effective interest method

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. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Investments

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

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held to maturity investments. Investments held-to-maturity are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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.

For certain categories of financial assets such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables would include the Group's past experience of collecting payments, an increase in the number of delayed payments in portfolio past the average credit period of 60 days, as well as observable changes in local or national economic conditions that come late with default on receivables.

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.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (cont'd)

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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).

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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 or loss.

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

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

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

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

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 profit or loss.

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 end of the reporting period, 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.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statement of financial position 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.

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.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 statement of financial position 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 the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing on the end of the reporting period. 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 retranslated.

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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 at the end of the reporting period. 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 other comprehensive income 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.

Sale of goods

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 is recognised upon completion of services.

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 or loss 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 end of the reporting period.

Notes to Financial Statements

30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statement of comprehensive income 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 end of the reporting period.

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 end of the reporting period.

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 or other comprehensive income, in which case the tax is also recognised directly in equity or other comprehensive income, 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.

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

<u>Recoverability of Company's loan/advances to its subsidiaries</u>

As at 30 June 2010, the Company's loan and advances to its subsidiaries amounted to $810,000 (2009 : $555,000) and $159,000 (2009 : $Nil) respectively. Management is of the view and is confident that the carrying amounts are recoverable based on projected business plans and their ability to control and make operating and financial decisions for the subsidiary.

Determining whether the investments in subsidiaries are impaired requires an estimation of the value-in-use of the subsidiaries. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating unit and an appropriate discount rate in order to calculate the present value of such future cash flows. The Company assessed for impairment to its investment in a subsidiary and decided that full impairment was required to be made at the end of the reporting period.

There are no other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at end of the reporting period.

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets				
Amortised cost				
Held-to-maturity financial assets	9,171	–	9,171	–
Loan and receivables (including cash and cash equivalents)	50,096	58,320	49,937	58,095
Fair value through profit or loss				
Held-for-trading investments	500	750	500	750
Derivative financial instrument (included under other receivables and prepaid expenses)	–	262	–	262
Financial liabilities				
Amortised cost				
Trade and other payables	5,409	3,835	5,469	3,738
Bank loans	5,250	6,017	5,250	6,017
Finance lease obligations	42	93	42	93

(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 carried out by the finance department under the oversight by the board of directors.

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, trade and other receivables and held-to-maturity financial assets.

The Group places its cash and fixed and call deposits with creditworthy financial institutions and invests in bonds by reputable issuers of good ratings.

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

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

(i) Credit risk management (Cont'd)

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2009 : four) major customers, which accounted for 64.6% (2009 : 39.5%) of the carrying amount of trade receivables (ii) $9,171,000 (2009 : $Nil) is invested in the form of bonds by issuers, which accounted for 15.5% (2009 : Nil%) of total financial assets. The Group believes that the risk of default is mitigated by the good financial standings of these customers as well as the issuers of the bonds.

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 0.75% to 0.95% (2009 : 0.69% to 1.93%) per annum and bonds (held-to-maturity financial assets), which bear fixed interest in the range of 2.1% to 5% (2009 : Nil%) 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 16 and Note 19 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 end of the reporting period 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.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2010 would decrease/increase by $26,250 (2009 : decrease/increase by $30,000).

(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 foreign exchange risk is managed as far as possible by natural hedges of matching assets and liabilities.

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

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

(iii) Foreign exchange risk management (cont'd)

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

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
United States Dollars	4,650	17,443	2,589	682	4,539	17,319	2,675	682
Malaysia Ringgit	28	1	1	–	28	1	1	–
New Taiwan Dollars	–	–	40	–	–	–	40	–

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the foreign currencies (United States Dollars, Malaysia Ringgit and New Taiwan Dollars) 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 strengthen by 5% against Singapore Dollars, profit for the year will increase/(decrease) by:

	United States Dollar impact		Malaysia Ringgit impact		New Taiwan Dollar Impact	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Group						
Profit for the year	103	838	1	–	(2)	–
Company						
Profit for the year	93	832	1	–	(2)	–

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

	United States Dollar impact		Malaysia Ringgit impact		New Taiwan Dollar Impact	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Group						
Profit for the year	(103)	(838)	(1)	–	2	–
Company						
Profit for the year	(93)	(832)	(1)	–	2	–

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

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

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

(iv) Liquidity risk management

The Group has sufficient cash resources and maintains adequate lines of credit to finance their activities.

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 statement of financial position.

	Weighted average effective interest rate per annum %	**On demand or within 1 year $'000**	**Within 2 to 5 years $'000**	**After 5 years $'000**	**Adjustment $'000**	**Total $'000**
Group						
2010						
Non-interest bearing	–	5,409	–	–	–	5,409
Finance lease liability (fixed rate)	3.07	9	44	–	(11)	42
Bank loan (variable rate)	1.85	623	2,493	2,182	(48)	5,250
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
Company						
2010						
Non-interest bearing	–	5,469	–	–	–	5,469
Finance lease liability (fixed rate)	3.07	9	44	–	(11)	42
Bank loan (variable rate)	1.85	623	2,493	2,182	(48)	5,250
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

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

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

(iv) Liquidity risk management (cont'd)

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 anticipate that the cash flow will occur in a different period.

	Weighted average effective interest rate per annum %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Group					
2010					
Non-interest bearing	–	13,421	–	–	13,421
Fixed interest rate instruments	1.00	42,202	4,103	(459)	45,846
Variable interest rate instrument (Note 11)	–	500	–	–	500
2009					
Non-interest bearing	–	22,009	–	–	22,009
Fixed interest rate instruments	1.48	37,102	–	(541)	36,561
Variable interest rate instrument (Note 11)	–	500	–	–	500
Company					
2010					
Non-interest bearing	–	13,262	–	–	13,262
Fixed interest rate instruments	1.00	42,202	4,103	(459)	45,846
Variable interest rate instrument (Note 11)	–	500	–	–	500
2009					
Non-interest bearing	–	21,784	–	–	21,784
Fixed interest rate instruments	1.48	37,102	–	(541)	36,561
Variable interest rate instrument (Note 11)	–	500	–	–	500

(v) Equity price risk management

The Group is exposed to equity risk arising from equity investments classified as held-for-trading.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of held-for-trading equity investments, if equity prices had been 5% higher/lower, the Group's profit for the year ended 30 June 2010 would decrease/increase by $25,000 (2009 : $37,500).

Notes to Financial Statements

30 June 2010

4 FINANCIAL RISKS AND MANAGEMENT

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

(vi) 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.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices) (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments measured at fair values

The Group and Company have held-for-trading investments amounting to $500,000 (2009 : $750,000) which fall under the Level 2 fair value hierarchy.

The Group and Company have no financial instruments carried at fair value at the end of the reporting period.

(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 Notes 16 and 19, 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 Company manages its capital to ensure that it will able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The Company's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Company maintains gearing ratios within a set range to comply with the loan covenants imposed by the bank.

The Group's overall strategy remains unchanged from 2009. The Company is in compliance with externally imposed capital requirements for the financial year ended 30 June 2010.

Notes to Financial Statements

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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.

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

	2010 $'000	2009 $'000
Legal fees paid to the legal firm	6	7

Compensation of directors (key management personnel)

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

	Group	
	2010 $'000	2009 $'000
Short-term benefits	831	1,231
Post-employment benefits	12	11
	843	1,242

6 CASH AND BANK BALANCES

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash at bank	4,662	15,154	4,504	14,991
Cash on hand	6	15	5	10
	4,668	15,169	4,509	15,001

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
United States Dollars	1,357	4,305	1,246	4,181
Malaysia Ringgit	28	1	28	1

Notes to Financial Statements

30 June 2010

7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 0.75% to 0.95% (2009 : 2.2% to 2.48%) per annum and mature within 1 to 6 months (2009 : 3 months).

Included in the fixed and call deposits are $18,154,000 (2009 : $36,311,000) with maturity of less than 3 months (Note 28).

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	
	2010	2009
	$'000	$'000
United States Dollars	21	7,811

8 TRADE RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Outside parties	8,504	6,474	8,484	6,437

The average credit period on sale of goods is 60 days (2009 : 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 $6,566 (2009 : $27,000). This allowance has been determined by reference to past default experience.

The table below is an analysis of trade receivables as at 30 June 2010:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Not past due and not impaired	6,462	6,096	6,453	6,096
Past due but not impaired [(i)]	2,042	378	2,031	341
Impaired receivables - individually assessed				
- Customer placed under liquidation	7	7	7	7
- Past due more than 18 months and no response to repayment demands	–	20	–	20
Less: Allowance for doubtful debts	(7)	(27)	(7)	(27)
Total trade receivables, net	8,504	6,474	8,484	6,437

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

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
< 6 months	1,878	324	1,887	324
6 months to 9 months	151	3	131	3
9 months to 12 months	3	–	3	–
> 12 months (ii)	10	51	10	14
	2,042	378	2,031	341

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

Notes to Financial Statements

30 June 2010

8 TRADE RECEIVABLES (CONT'D)

Before accepting any new customers, the Group performs appropriate background checks to assess the potential customer's credit quality and defines credit limits by customers. The trade receivables that are neither past due nor impaired belong to customers who have been making regular payments to the Group and have the best credit quality. Of the trade receivables balance at the end of the year, $5,496,475 (2009 : $2,555,053) is due from four major customers.

Included in the Group's trade receivables balance are debtors with a carrying amount of $2,042,000 (2009 : $378,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. Subsequent to the end of the reporting period, $1,634,485 of the amount past due but not impaired had been collected. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Balance at beginning of the year	27	17
Amounts written off during the year	(23)	–
Increase in allowance recognised in profit or loss	3	10
Balance at end of the year	7	27

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	
	2010	**2009**
	$'000	**$'000**
United States Dollars	3,272	5,327

9 OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Deposits	20	32	4	12
Prepaid expenses	56	27	44	27
Derivative financial instrument	–	262	–	262
Others	229	334	265	334
	305	655	313	635

<u>Derivative financial instrument</u>

At 30 June 2010, the Group and the Company had no derivative financial instruments (2009 : $262,000).

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

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30 June 2010

10 INVENTORIES

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Finished goods	26	–	–	–
Work-in-process	542	309	542	309
Raw materials	2,069	2,272	2,069	2,272
	2,637	2,581	2,611	2,581

The costs of inventories recognised as an expense includes $5,142 (2009 : $Nil) in respect of write-back of inventory. Previous write-downs have been reversed as a result of those inventories having been used in the production of finished goods.

11 HELD-FOR-TRADING INVESTMENTS

	Group and Company	
	2010	2009
	$'000	$'000
At fair value:		
Unquoted investment A	–	250
Unquoted investment B	500	500
	500	750

Unquoted investment A relates to a cash investment in an investment fund with an annual interest rate of 3%. The investment fund matured in May 2010 and was redeemed for total proceeds of $372,240.

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

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

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

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

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

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

12 HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company	
	2010	2009
	$'000	$'000
Bonds, at amortised cost:		
Current (a)	5,109	–
Non-current (b)	4,062	–

(a) The average effective interest rate of the bonds is 1.27% (2009 : Nil%) per annum.

As at 30 June 2010, the bonds have nominal value amounting to $5,000,000 (2009 : $Nil), with coupon rates ranging from 2.3% to 4.95% (2009 : Nil%) per annum and mature within 12 months.

The bonds have fair values amounting to $5,052,400 (2009 : $Nil). The fair value of the bonds was determined based on the quoted prices in active markets.

Notes to Financial Statements

30 June 2010

12 HELD-TO-MATURITY FINANCIAL ASSETS (CONT'D)

(b) The average effective interest rate of the bonds is 2.08% (2009 : Nil%) per annum.

As at 30 June 2010, the bonds have nominal value amounting to $4,000,000 (2009 : $Nil), with coupon rates ranging from 2.1% to 5% (2009 : Nil%) per annum and maturity dates ranging from 20 December 2011 to 5 March 2012 (2009 : Nil).

The bonds have fair values amounting to $4,046,200 (2009 : $Nil). The fair value of the bonds was based on the quoted prices in active markets.

The held-to-maturity financial assets are denominated in the functional currency of the Company.

13 SUBSIDIARIES

	Company	
	2010	**2009**
	$'000	**$'000**
Unquoted equity shares, at cost	2,933	2,933
Loan to subsidiary	810	555
Advance to subsidiary	159	–
Less: Impairment	(2,933)	–
	969	3,488

Details of the company's subsidiaries as at 30 June 2010 are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held		Principal activity
		2010 %	2009 %	
Avi-Tech Electronics (Suzhou) Co., Ltd (1)	People's Republic of China ("China")	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	Marketing and business development.
Avi-Tech Esave Pte Ltd (3)	Singapore	100	–	Manufacturing and repairing electronic products and manufacturing and trading in energy saving products.
Avi-Tech, Inc. (4)	USA	100	–	Marketing and selling burn-in Boards.

(1) Audited by Jiangsu Huaxing CPAs Co., Ltd.
(2) Dissolved on 5 March 2010.
(3) Incorporated in 2010, audited by Deloitte & Touche LLP, Singapore.
(4) Incorporated in 2010, not required to be audited by law in its country of incorporation.

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. Advance to subsidiary is unsecured, interest-free and repayable on demand.

Notes to Financial Statements

30 June 2010

13 SUBSIDIARIES (CONT'D)

During the year, the management carried out a review of the recoverable amount of its investment in its subsidiary in China that renders burn-in services in China (Note 31). An impairment loss of $2,932,779 (2009 : $Nil) was made for its equity investment in the subsidiary (being a cash generating unit, CGU) in consideration of the Company's ability to recover its capital investment in the CGU. Impairment loss was made taking into consideration the recoverable amount of the CGU which is based on its value-in-use. In estimating the CGU's value-in-use, the management has used a discount factor of 12%.

14 CLUB MEMBERSHIP

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Club membership, at cost	–	176
Amortisation of club membership	–	(117)
	–	59

Club membership was amortised for a period of three years with effect from July 2007 and was transferred to a director as at 30 June 2010.

15 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Group				
Cost:				
At 1 July 2008	14,583	28,871	314	43,768
Additions	–	198	10	208
Disposals	–	(88)	–	(88)
Exchange differences	–	38	–	38
At 30 June 2009	14,583	29,019	324	43,926
Additions	–	2,292	6	2,298
Disposals	–	(839)	–	(839)
Exchange differences	–	(27)	–	(27)
At 30 June 2010	14,583	30,445	330	45,358
Accumulated depreciation:				
At 1 July 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 30 June 2009	2,725	25,725	286	28,736
Depreciation for the year	179	1,103	21	1,303
Eliminated on disposal	–	(839)	–	(839)
Exchange differences	–	(5)	–	(5)
At 30 June 2010	2,904	25,984	307	29,195
Impairment:				
Impairment loss as at 30 June 2009 and 30 June 2010	–	633	–	633
Carrying amount:				
At 30 June 2009	11,858	2,661	38	14,557
At 30 June 2010	11,679	3,828	23	15,530

Notes to Financial Statements

30 June 2010

15 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Company				
Cost:				
At 1 July 2008	14,583	27,916	314	42,813
Additions	–	153	10	163
Disposals	–	(87)	–	(87)
At 30 June 2009	14,583	27,982	324	42,889
Additions	–	2,289	–	2,289
Disposals	–	(839)	–	(839)
At 30 June 2010	14,583	29,432	324	44,339
Accumulated depreciation:				
At 1 July 2008	2,473	24,175	233	26,881
Depreciation for the year	252	1,145	53	1,450
Eliminated on disposals	–	(87)	–	(87)
At 30 June 2009	2,725	25,233	286	28,244
Depreciation for the year	179	980	20	1,179
Eliminated on disposals	–	(839)	–	(839)
At 30 June 2010	2,904	25,374	306	28,584
Impairment:				
Impairment loss as at 30 June 2009 and 30 June 2010	–	633	–	633
Carrying amount:				
At 30 June 2009	11,858	2,116	38	14,012
At 30 June 2010	11,679	3,425	18	15,122

The Group and the Company have certain plant and equipment with carrying amount of $39,000 (2009 : $113,000) under finance lease agreements (Note 19).

The Group and the Company's building and leasehold improvements are mortgaged as security for a bank loan (Note 16).

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.

Notes to Financial Statements

30 June 2010

16 BANK LOAN

	Group and Company 2010 $'000	2009 $'000
Current portion	612	612
Non-current portion	4,638	5,405
	5,250	6,017

The bank loan is secured by a legal mortgage on the Company's building (Note 15).

The bank loan bears an annual interest of 1.00% (2009 : 1.00%) above the bank's prevailing swap rate. The annual effective interest rate for the year was 1.85% (2009 : 3.29%). The balance of the bank loan is repayable in 34 (2009 : 39) equal quarterly instalments of $153,000 each and a final instalment of $48,000 ending on 1 November 2018.

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.

17 TRADE PAYABLES

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Outside parties	3,642	1,646	3,734	1,646

The average credit period on purchases of goods is 45 days (2009 : 45 days). No interest is charged on the trade payables.

Trade creditors and accruals principally comprise 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 2010 $'000	2009 $'000
United States Dollars	2,591	682
New Taiwan Dollars	40	–
Malaysia Ringgit	1	–

18 OTHER PAYABLES

	Group		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deposits received	45	45	45	45
Accrued expenses	1,501	1,645	1,483	1,548
Accrued directors' fees and accrued bonus to a director	150	499	150	499
Others	71	–	57	–
	1,767	2,189	1,735	2,092

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

Notes to Financial Statements

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19 FINANCE LEASES

	Minimum lease payments 2010 $'000	Minimum lease payments 2009 $'000	Present value of minimum lease payments 2010 $'000	Present value of minimum lease payments 2009 $'000
Group and Company				
Amounts payable under finance leases:				
Within one year	9	55	9	55
In the second to fifth year inclusive	44	56	33	26
After five years	–	–	–	12
	53	111	42	93
Less: Future finance charges	(11)	(18)	NA	NA
Present value of lease obligations	42	93	42	93

The effective rates of interest for finance leases are from 2.5% to 3.63% (2009 : 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.

20 DEFERRED TAX LIABILITIES

	Group and Company 2010 $'000	Group and Company 2009 $'000
Balance at beginning of year	800	1,078
Overprovision in respect of prior year	–	(128)
Charged/(reversed) to profit or loss (Note 25)	57	(139)
Change in tax rate (Note 25)	–	(11)
Balance at end of year	857	800

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

21 SHARE CAPITAL

	Group and Company			
	2010 '000	2009 '000	2010 $'000	2009 $'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning and end of year	350,400	350,400	31,732	31,732

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

Notes to Financial Statements

30 June 2010

21 SHARE CAPITAL (CONT'D)

TREASURY SHARES

Between 1 July 2008 and 30 June 2009, the Company acquired 5,180,000 of its own shares through purchases on the Singapore Exchange during the financial 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. There was no acquisition of shares by the Company during the financial year.

	Group and Company			
	2010 '000	2009 '000	2010 $'000	2009 $'000
	Number of ordinary shares			
At beginning of the year	5,180	–	618	–
Repurchased during the year	–	5,180	–	618
At end of the year	5,180	5,180	618	618

22 REVENUE

	Group	
	2010 $'000	2009 $'000
Sale of goods	19,486	24,198
Rendering of services	10,135	7,142
	29,621	31,340

23 OTHER OPERATING INCOME

	Group	
	2010 $'000	2009 $'000
Gain on disposal of plant and equipment	–	24
Interest income	604	636
Rental income	284	269
Others	473	155
	1,361	1,084

24 FINANCE COSTS

	Group	
	2010 $'000	2009 $'000
Interest expense to non-related companies:		
Bank loan	104	198
Finance leases	4	4
	108	202

Notes to Financial Statements

30 June 2010

25 INCOME TAX EXPENSE

	Group	
	2010	**2009**
	$'000	**$'000**
Current income tax		
- Current	788	1,221
- (Over)/Under provision in respect of prior years	(58)	201
	730	1,422
Deferred tax		
- Current	57	(150)
- Overprovision in respect of prior years	–	(128)
	787	1,144

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2009 : 17%) to profit before income tax as a result of the following differences:

	Group	
	2010	**2009**
	$'000	**$'000**
Profit before tax	4,745	6,567
Tax at the domestic income tax rate of 17% (2009 : 17%)	807	1,116
Tax effect of:		
Income that are not taxable in determining taxable profit	(13)	(6)
Partial tax exemption and rebate	(26)	(26)
Change in tax rate	–	(11)
(Over) Under provision of current tax and deferred tax in respect of prior years	(58)	73
Deferred tax assets not recognised	111	177
Different tax rates of subsidiary operating in other countries	6	–
Other items	(40)	(179)
	787	1,144

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

	2010	**2009**
	$'000	**$'000**
Amount at beginning of year	708	–
Arising	443	708
Amount at end of year	1,151	708
Deferred tax benefit on above not recorded at 25%	111	177

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

Notes to Financial Statements

30 June 2010

26 PROFIT FOR THE YEAR

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

	Group 2010 $'000	Group 2009 $'000
Employee benefits expense (including directors' remuneration)	8,073	7,655
(Gain)/loss on disposal of held-for-trading investments	(122)	50
Costs of defined contribution plans	558	581
Director's remuneration	652	553
Directors' fees	150	150
Director's profit share	–	345
Amortisation of club membership	59	59
Foreign currency exchange loss/(gain)	539	(295)
Non-audit fees		
paid to auditors of the Company	10	17
paid to other auditors	6	–
Fair value gain on derivative instrument	–	(262)
Research and development cost	83	–
Government grants	248	–
Cost of inventories recognised as expense	11,259	10,572

27 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 30 June 2010 and 2009 have been calculated based on the profit attributable to equity holders of the Company of $3,958,000 (2009 : $5,423,000) each divided by the weighted average share capital of 345,220,000 (2009 : 347,858,000) ordinary shares.

	Group 2010 $'000	Group 2009 $'000
Group net profit for the year	3,958	5,423

i) Weighted average number of shares

	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares	345,220	347,858
Effect of dilutive potential ordinary shares	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	345,220	347,858

ii) Earnings per share

Basic earnings per ordinary share (cents)	1.15	1.56
Fully diluted earnings per ordinary share (cents)	1.15	1.56

Notes to Financial Statements

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28 CASH AND CASH EQUIVALENTS

	Group	
	2010	2009
	$'000	$'000
Cash and bank balances (Note 6)	4,668	15,169
Fixed and call deposits with maturity of less than 3 months (Note 7)	18,154	36,311
Cash and cash equivalents at end of year	22,822	51,480

29 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	242	258	176	159

At the end of the reporting period, the commitments in respect of operating leases fall due as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	245	183	157	127
In the second to fifth year inclusive	682	507	629	507
After five years	4,744	5,343	4,744	5,343
Total	5,671	6,033	5,530	5,977

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 $144,000 (2009 : $137,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group and Company	
	2010	2009
	$'000	$'000
Rental income under operating leases	284	269

At the end of the reporting period, the Group and Company has contracted with customers for the following future minimum lease payments:

	Group and Company	
	2010	2009
	$'000	$'000
Within one year	345	277
In the second to fifth year inclusive	64	339

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

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30 DIVIDENDS

(i) Dividends declared and paid:

	Group and Company 2010 $'000	2009 $'000
Final one-tier tax exempt dividend of $0.005 per ordinary share of the Company in respect of the previous financial year	1,726	1,752
First interim one-tier tax exempt dividend of $0.0025 (2009 : $0.005) per ordinary share of the Company in respect of the financial year ended 30 June	863	1,732
Total	2,589	3,484

(ii) Subsequent to the end of the reporting period, the directors propose that a final one-tier tax exempt dividend of $0.0025 (2009 : $0.005) per ordinary share and one-tier tax exempt special dividend of $0.01 (2009 : $Nil) 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 24 November 2010. The total estimated dividends to be paid is $4,315,000. 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.

31 SEGMENT INFORMATION

The Group is primarily engaged in three main operating divisions namely, burn-in services, burn-in boards and boards manufacturing and engineering services and equipment distribution. Management monitors performance by the three main operating divisions and the division results are provided to the chief operating decision maker.

Principal activities of each reportable 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.

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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, rental income, interest revenue and interest expense, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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31 SEGMENT INFORMATION (CONT'D)

(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.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than financial assets of cash, fixed and cash deposits, and investments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Burn-in services $'000	**Burn-in Boards and Boards Manufacturing $'000**	**Engineering $'000**	**Total $'000**
Year ended 30 June 2010				
Revenue				
External revenue	11,341	12,600	5,680	29,621
Inter-segment revenue	–	–	–	–
Total revenue	11,341	12,600	5,680	29,621
Segment results	3,973	590	(280)	4,283
Interest expense				(108)
Interest income				604
Rental income				283
Unallocated expense				(317)
Profit before income tax				4,745
Income tax expense				(787)
Profit after income tax				3,958

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009 : Nil).

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31 SEGMENT INFORMATION (CONT'D)

(b) Segment assets and liabilities (cont'd)

Assets and Liabilities

	Burn-in services $'000	Burn-in Boards and Boards Manufacturing $'000	Engineering $'000	Total $'000
Year ended 30 June 2010				
Segment Assets				
Segment assets	18,787	5,775	2,052	26,614
Unallocated corporate assets				51,376
Total assets				77,990
Segment Liabilities				
Segment liabilities	2,055	2,440	817	5,321
Unallocated corporate liabilities				6,999
Total liabilities				12,320
Other information				
Additions to non-current assets	2,259	27	12	2,298
Depreciation				
Allocated	899	186	218	1,303
Unallocated non-cash expenses other than depreciation				(65)
Year ended 30 June 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

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31 SEGMENT INFORMATION (CONT'D)

(b) Segment assets and liabilities (cont'd)

	Burn-in services $'000	Burn-in Boards and Boards Manufacturing $'000	Engineering $'000	Total $'000
Segment Assets				
Segment assets	8,829	4,846	9,827	23,502
Unallocated corporate assets				53,054
Total assets				76,556
Segment Liabilities				
Segment liabilities	1,739	748	1,308	3,795
Unallocated corporate liabilities				8,431
Total liabilities				12,226

Year ended 30 June 2009

	Burn-in services $'000	Burn-in Boards and Boards Manufacturing $'000	Engineering $'000	Total $'000
Other information				
Additions to non-current assets	59	109	40	208
Depreciation				
Allocated	1,036	212	327	1,575
Unallocated non-cash expenses other than depreciation				59

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 (non-current assets excluding financial assets) are based on the geographical location of the assets and capital expenditure.

	2010 $'000	2009 $'000
Revenue from external customers		
Singapore	17,077	19,227
Malaysia	2,642	1,750
Philippines	453	706
USA	7,472	7,640
Others [1]	1,977	2,017
	29,621	31,340
Carrying amount of non-current assets		
Singapore	15,127	14,234
China	403	382
	15,530	14,616

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

Notes to Financial Statements

30 June 2010

31 SEGMENT INFORMATION (CONT'D)

Information about major customers

Included in revenues of $29,621,000 (2009 : $31,340,000) are revenues of approximately $10,749,000 (2009 : $6,017,000) which arose from burn-in services to the Group's largest single customer which accounts for 10% or more of the Group's revenue.

Statistics of Shareholdings

As at 24 September 2010

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1	0.08	227	0.00
1,000 - 10,000	524	42.09	2,735,915	0.79
10,001 - 1,000,000	669	53.73	60,571,270	17.55
1,000,001 and above	51	4.10	281,912,684	81.66
Total	1,245	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	18,414,000	5.33
3.	DMG & PARTNERS SECURITIES PTE LTD	13,490,046	3.91
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	7,408,000	2.15
10.	FONG CHING LOON	7,200,000	2.09
11.	ESTATE OF NG YONG HOCK, DECEASED	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.	EU IT HAI	5,186,000	1.50
18.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,657,000	1.35
19.	DBS NOMINEES PTE LTD	4,574,500	1.33
20.	KWOK WAI SAN	4,481,000	1.30
Total		215,228,630	62.38

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

Statistics of Shareholdings

As at 24 September 2010

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 68.5% 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 29 October 2010 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2010 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.

   Khor Thiam Beng **(Resolution 2)**
   Michael Grenville Gray **(Resolution 3)**

   Khor Thiam Beng will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman and member of the Audit Committee, Remuneration Committee and Nominating Committee.

   Michael Grenville Gray will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Remuneration Committee and Nominating Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

3. To approve the payment of Directors' fees of S$150,000 for the year ended 30 June 2010. (FY2009 : S$150,000) **(Resolution 4)**

4. To approve the final one-tier tax exempt dividend of 0.25 cents per ordinary share and the special one-tier tax exempt dividend of 1.0 cent per ordinary share for the year ended 30 June 2010. **(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) in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated in accordance with (ii) below); and

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued shares shall be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, 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 SGX-ST transacted through the ready market 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

   (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");

Notice of Annual General Meeting

(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
14 October 2010

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 in the capital of the Company (excluding treasury shares), 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 Avenue 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 26 August 2010 that the Transfer Books and Register of Members of the Company will be closed on 10 November 2010 for the preparation of dividend warrants in respect of the one-tier tax exempt final dividend and one-tier tax exempt special dividend to be proposed at the Annual General Meeting of the Company to be held on 29 October 2010.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., of 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 9 November 2010 will be registered to determine shareholders' entitlements to the one-tier tax exempt final dividend and one-tier tax exempt special dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 9 November 2010 will be entitled to the proposed dividends.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 24 November 2010.

PROXY FORM

2010 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 29 October 2010 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. Khor Thiam Beng as a Director		
3	Re-election of Mr. Michael Grenville Gray as a Director		
4	Approval of Directors' Fees		
5	Approval of proposed Final Dividend and Special 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 ________________ 2010.

____

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

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

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