

# POWERING TO THE FUTURE



**Avi-Tech Electronics Limited**  
Annual Report 2011





## CONTENTS

Corporate Profile	2
Letter to Shareholders	5
Operations Review	8
Board of Directors	12
Executive Officers	14
Financial Highlights	15
Financial Review	18
Corporate Information	20
Corporate Governance	21





*During the year, Avi-Tech has once again proven that our strong business fundamentals and healthy cash position not only enable us to stay resilient but also allow us to make synergistic investments for continued growth.*

*As we strive to build on our positive momentum, our continued focus is set to take us deep into territories where we can identify, establish and cultivate more opportunities that can generate long-term value.*

Powering Ahead

## BY LEVERAGING ON OUR STRENGTHS

*We're constantly striving to sustain and enhance our performance based on our ability to meet the market demand for our quality solutions and services.*

### CORPORATE PROFILE

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 ("OEMs") in the medical and semiconductor industries.

We are headquartered and have our main production facilities in Singapore. 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, the People's Republic of China ("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 standards of performance excellence and which reaffirms our already strong credentials in the international market. In addition, we received numerous customer appreciation awards for our excellence in products and have achieved ISO 9001 and ISO 14001 certifications. We have also 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 efficient and advanced technological expertise

##### Burn-In Services

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

##### Burn-In Boards and Board Manufacturing

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

##### Engineering Services

- 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

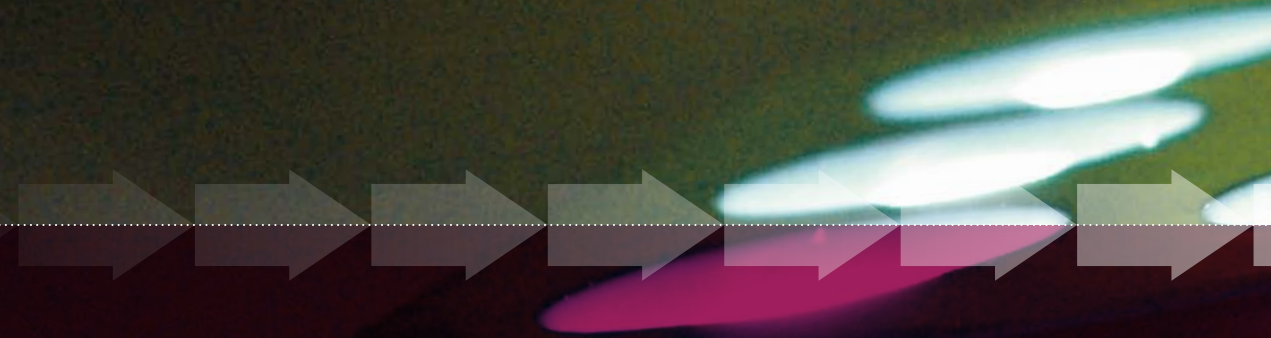
- Technical services such as field service and application support for all equipment manufactured and distributed by the Group

##### Imaging Equipment and Energy Efficient Products

- Design and manufacture of High Brightness LED ("HBLED") lighting products and systems
- Sales and manufacture of high quality coupled device or Charge Coupled Device ("CCD") cameras and instruments and innovative imaging systems for the life sciences industry

Pursuing Growth

## BY SEIZING OPPORTUNITIES



*By foraying into the business of innovating imaging equipment for the life sciences segment and energy efficient lighting solutions for the Solid State Lighting market, we have diversified our revenue base and market reach.*





## LETTER TO SHAREHOLDERS

Dear Shareholders

We, on behalf of the Board of Directors, are pleased to present our Annual Report for the financial year ended 30 June 2011 ("FY11").

The past year has been a relatively busy one in terms of our corporate activity. We incorporated two new subsidiaries in the USA, Verde Designs, Inc. and Aplegen, Inc., in the third quarter of FY11. These two subsidiaries constitute our new business segment, Imaging Equipment and Energy Efficient Products. We also re-designated our three remaining divisions to better reflect their core businesses.

On the financial front, our Burn-In Services (formerly "Burn-In and Related Services") business segment and Engineering Services (formerly "Engineering Services and Equipment

Distribution") business segment saw their revenues increase on the recovery of global demand for semiconductor chips and higher CAPEX by key customers, respectively. Unfortunately, our Burn-In Boards and Board Manufacturing (formerly "Burn-In Boards and Board Related Products") business segment bore the brunt of a weakened US economy as a strong Singapore dollar versus the US dollar eroded our price competitiveness which affected the volume of orders. As a result, revenue from this business segment fell for FY11.

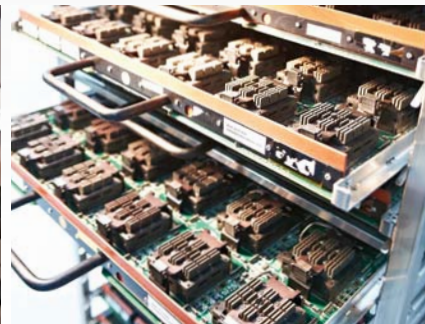
We ended the year once again with a strong cash balance and firm strategic plans in motion, extending our business and markets and strengthening our core competencies.

### OUR FINANCIAL PERFORMANCE

Our Group revenue for FY11 increased by 14.6% to \$33.9 million compared to the financial year ended 30 June 2010 ("FY10"). By the third quarter of FY11, all our business segments were registering increases in revenue, propelled by growing consumer confidence and momentum in the global economic recovery. Unfortunately, the economic situation had changed by the fourth quarter with implications for our performance going forward. In terms of geographical contribution, our overseas customers accounted for 41.3% of revenue in FY11.

The Group's gross profit increased to \$9.5 million from \$8.6 million in FY10 on the back of increased revenue. Nevertheless, gross profit margin decreased to 27.9% from 29.2% in

## LETTER TO SHAREHOLDERS



FY10 due to low profit margin contribution from Engineering Services from one of its major contracts coupled with the lower revenue from the Burn-In Boards and Board Manufacturing business segment.

Our net income fell by 73.2% to \$1.1 million which was attributed to the lower revenue contribution from the Burn-In Boards and Board Manufacturing and Engineering Services business segments. Additionally, the high operating costs of the Group's Imaging Equipment and Energy Efficient Products business segment also impacted our profits. Administrative expenses associated with the initial set-up costs of the new business segment and professional and consultancy fees for due diligence and other legal works related to our business acquisitions contributed to our lower profits.

The Group's earnings per share (diluted) based on weighted average number of ordinary shares was 0.31 cent while net asset value was 17.82 cents per share in FY11.

We generated net cash of \$2.0 million from operations in FY11 to end the year with a cash position of \$37.5 million after payment of dividend. We paid a total of \$5.2 million in dividends comprising, a final and special dividend for the financial year ended 30 June 2010, paid in November 2010, and an interim dividend for the half year ended 31 December 2010, paid in March 2011.

We maintained a healthy receivables balance, with no significant bad debts provision.

Our gearing increased to 13.3%, on account of bank loans taken for the purchase of the business and assets of the Santa Barbara Instrument Group ("SBIG"), a leading global supplier of cameras and instrumentation for the scientific community. We are, nonetheless, in a strong financial position to undertake future expansion, through both organic growth and mergers, acquisitions and other forms of collaboration, should opportunities present themselves.

### MAKING INVESTMENTS FOR FUTURE GROWTH

Over the year, we have made strategic investments to penetrate the energy efficient market and intensify our activities in the medical and life sciences industries both of which are predicted to have strong long term prospects. This was achieved by our incorporation of our US subsidiaries, Verde Designs, Inc. and Aplegen, Inc. Verde Designs, Inc. intends to penetrate the high brightness light emitting diode ("HBLED") lighting products and systems market. Aplegen, Inc. is competing in the imaging systems market, having acquired the business and assets of SBIG. With these subsidiaries, we have combined our traditionally strong manufacturing and development capabilities in the engineering field with US-based sales, marketing and R&D expertise forming synergies with the potential to create value-added products and services for our customers.

Even as we made investments in our new business segments, we continued to strengthen our capabilities in our core businesses. Our Burn-In Services business segment acquired new equipment catered to high power Burn-In services while maintaining the highest operational efficiencies. Our Burn-In Boards and Board Manufacturing business segment increased its design and manufacturing capabilities for various types of Burn-In oven systems and boards catered to other reliability tests. Our Engineering Services business segment proceeded to lay the foundations for future business opportunities by aggressively pursuing new sales and customers. It achieved a breakthrough by securing a system integration contract for a front-end semiconductor customer, a first for the division and one which may possibly lead to further business in this area.

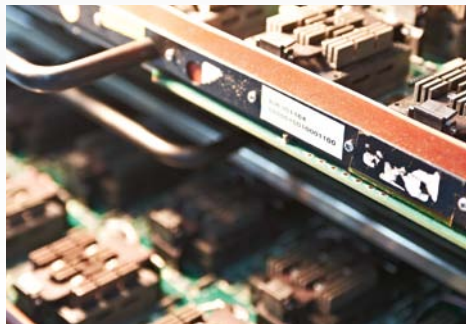
### LOOKING AHEAD

The mid to long-term prospects of our business are positive. The global semiconductor market is predicted to grow by 5.0% in 2012 and expected to remain robust until 2015, propelled by communications equipment, automotive systems, computers and end applications such as smart phones, media tablets, wired networks, industrial automation and entertainment and information devices<sup>i</sup>. This augurs well for our Burn-In Services and Burn-In Boards and Board Manufacturing business segments. Our Engineering Services business segment will also benefit from the design of more complex high power burn-in systems and front-end semiconductor equipment which will enable

<sup>i</sup> "IDC forecast five percent growth for semiconductors in 2012", Purchasing Pro News and Analysis for electronics buyers. Available: [http://www.digikey.com/us/en/purchasingpro/articles/conditions/idc-forecast-five-percent-growth-for-semiconductors-in-2012.html?WT.z\\_ref\\_page\\_id=conditions\\_hp](http://www.digikey.com/us/en/purchasingpro/articles/conditions/idc-forecast-five-percent-growth-for-semiconductors-in-2012.html?WT.z_ref_page_id=conditions_hp). We have not conducted an independent review of this information nor verified the accuracy of the contents of the relevant information.



## LETTER TO SHAREHOLDERS



it to leverage on its strong system integration and equipment manufacturing expertise. The medical and life sciences industries are also on an upward trajectory especially with a fast aging population which will be a catalyst for increased demand for medical devices and diagnostic equipment. The energy efficient market, likewise, has bright prospects as both businesses and households make the switch to green technologies which have benefits of financial savings in the long run.

In the near term, however, these growth prospects may be temporarily set back by macroeconomic factors such as high unemployment and weak consumer demand in the US and the West, the ongoing US and European debt crisis, and high costs of food, raw material and commodities, all of which could plunge the world into another global recession.

Mindful of these gathering economic storm clouds, we will embark on our growth strategies in FY12 with circumspection, managing our resources carefully, maintaining a lean but highly productive work force and ensuring operational efficiencies to drive growth.

### OUR APPRECIATION TO ALL

The Group paid a first interim dividend of 0.25 cent per ordinary share. The Board has recommended a final dividend of 0.25 cent per

share for FY11. This proposed final dividend, if approved at the Company's Annual General meeting, will be paid in November 2011.

In closing, we, on behalf of the Board, would like to extend our heartfelt thanks to our shareholders for your continued loyalty, particularly during this period of stock market volatility and slowing economic growth. Our sincere appreciation also goes out to our business partners and customers for their support. We extend our appreciation to our management and staff for their dedication, passion and contributions throughout the year.

Last but not least, we would like to thank our fellow members on the Board for their invaluable guidance, counsel and unwavering commitment.

We look forward to the year ahead. Undoubtedly, there will be challenges but with our strong business fundamentals, prudent cash management and most importantly, dynamic management team and committed staff, Avi-Tech is ready to power to the future with confidence.

Khor Thiam Beng  
Chairman

Lim Eng Hong  
Chief Executive Officer



## OPERATIONS REVIEW



Group revenue in FY11 improved by 14.6% to \$33.9 million, from \$29.6 million in FY10 on contribution from the Group's newly constituted Imaging Equipment and Energy Efficient Products segment, as well as increased revenue from the Burn-In Services and Engineering Services segments. The revenue contribution from these business segments offset the revenue decline from the Burn-In Boards and Board Manufacturing segment. The Burn-In Services segment registered a \$2.5 million increase in revenue to \$13.8 million in FY11. The Burn-In Boards and Board Manufacturing segment turned in \$11.0 million in sales, a \$1.6 million decrease over FY10. The Engineering Services segment posted a \$0.7 million improvement in revenue to \$6.4 million in FY11. The Imaging Equipment and Energy Efficient Products segment achieved \$2.7 million in revenue for FY11. In terms of markets, Singapore and USA led the leading revenue generators, contributing 58.7% and 26.3% respectively to overall Group revenue.

### BURN-IN 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. We have 5,000 sq.m. of space in our Serangoon North premises dedicated to Burn-In services, with an additional 2,000 sq.m. in our Burn-In facility in Suzhou, China, which provides testing services for the semiconductor manufacturers in the Suzhou/Shanghai region. Our improved performance in FY11, as compared to the previous year, was attributed to the recovery in global demand for semiconductor chips, which consequently boosted demand for our Burn-In services. The increased demand for high power Burn-In services also contributed to improved sales.

In terms of revenue contribution to the Group, Burn-In Services contributed 40.6% as compared to 38.3% in FY10.

In December 2010, we acquired another high power Burn-In system to cater to the increased demand for high power Burn-In services. Despite our stronger performance as compared to the previous year, we continued to maintain tight control over costs including manpower and electricity expenses, which allowed our segment to remain profitable throughout the entire period under review. We strengthened our rapport with our existing customers, while initiating and developing bonds with new ones, allowing us to cultivate strong relationships for future growth.

While we expect the demand for high power Burn-In services to be sustained with early indications confirming this trend, since the last quarter of FY11 the dynamics of the global economy have turned quite drastically. The USA and Europe are grappling with debt crisis and the Japanese economy is making a slow recovery after the devastating earthquake and tsunami earlier this year. These events have consequently impacted some of our customers as consumer demand has softened, with manufacturing output decreasing. We



## OPERATIONS REVIEW



*“By expanding our services and capabilities to include new platforms and equipment, we will be positioned to penetrate new markets and widen our customer base, thus growing our future sales.”*

will monitor the situation closely while at the same time seeking to enhance our revenue stream by acquiring new customers, seizing new business opportunities and strengthening our current capabilities and service standards. We will continue to champion training and the fostering of a high level of teamwork. We are optimistic that the division will be able to overcome the challenges that lie ahead.

### **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 services 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 BOARD MANUFACTURING**

We are involved in the designing and manufacturing of 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 assembly capabilities to meet the ever-changing, increasingly sophisticated customer requirements.

In FY11, this segment contributed 32.5% to overall revenue as compared to 42.5% in FY10. The lower sales resulted from decreased orders from our USA customers as the price competitiveness of our products was eroded by the appreciation of the Singapore dollar vis-à-vis the US dollar.

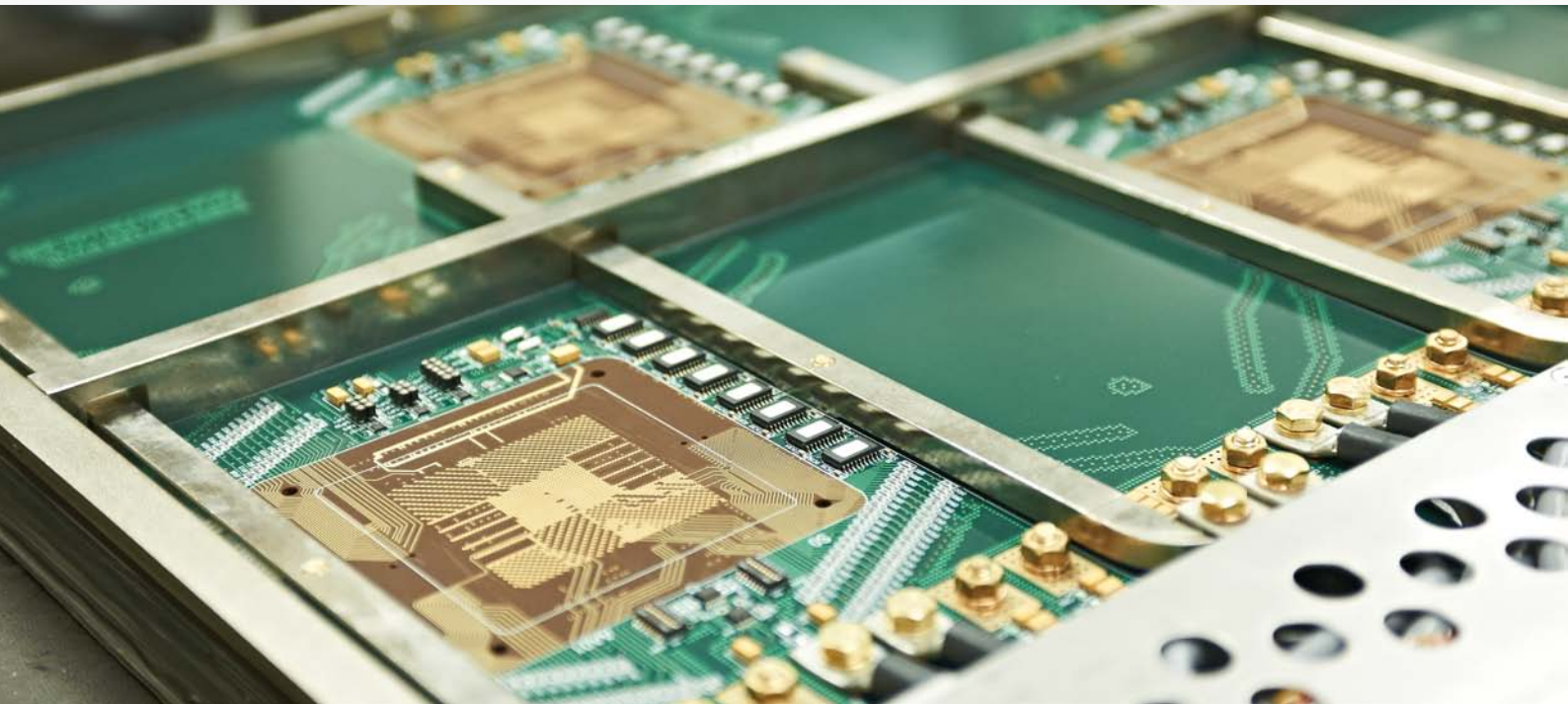
In the coming year, we intend to get qualification for newer Burn-In platforms to cater for higher power devices in order to expand our market

offerings to our customers who require such Burn-In boards. We are also looking at expanding our services to test boards which can be catered to engineering or back-end semiconductor testing. By expanding our services and capabilities to include new platforms and equipment, we will be positioned to penetrate new markets and widen our customer base, thus growing our future sales.

### **ENGINEERING SERVICES**

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.

## OPERATIONS REVIEW



The segment contributed 19.0% to Group revenue, compared with 19.2% in FY10. Significantly, during the year, the division secured its first front-end semiconductor customer, with the award of a multi-million dollar contract for system integration of lithography equipment. This will pave the way for future contracts with other front-end semiconductor players as we demonstrate our capabilities and track record in this area. The medical and life sciences industries were still sluggish during the year, with expenditure lagging behind the general economic recovery.

In FY12, we will focus efforts on increasing our competencies in system integration of front-end semiconductor equipment and increase our activities in the medical and life sciences industries. We will also continue to leverage on our engineering experience in the electronics, electrical, mechanical and refrigeration fields, to enhance our capabilities and expertise in the area of high power Burn-In systems for the Burn-In and test of complex semiconductor

devices. Despite the consequences that another economic downturn may have on this segment, given that any cut in capital expenditure by our customers almost directly impacts manufacturing and repair services which are the mainstay of this division, we are confident that having widened our customer base, we have become more resilient in the face of challenges.

### IMAGING EQUIPMENT AND ENERGY EFFICIENT PRODUCTS

This new division is constituted by the incorporation in the second half of FY11 of two US-based companies, Aplegen, Inc., a life sciences systems and instrument subsidiary, and Verde Designs, Inc., an energy efficient products-focused company in the area of HBLEDD lighting products and systems for the Solid State Lighting (“SSL”) market.

With new products being developed, research and development being undertaken and initial start-up and operational costs, the performance of this division in the near future will have a negative impact on the Group's profit. Nevertheless, we remain optimistic of the long term growth prospects for this segment. Aplegen, Inc., intends to become a strong player in the rapidly growing life sciences industry by providing innovative imaging systems to pharmaceutical companies, government institutes and universities worldwide. The market for imaging equipment for the life sciences industry is estimated to be around US\$500 million. As for Verde Designs, Inc., it has been working with several potential customers to design prototype samples for evaluation. The Group sees tremendous potential in the LED market with the total worldwide market for HBLEDDs forecast to grow from US\$5 billion in 2008 to approximately US\$20 billion in 2014<sup>i</sup>. With the entry into these markets, Avi-Tech has carved out new territories for expansion, both in terms of products and geography.

<sup>i</sup> Information obtained from LEDs Magazine, part of PennWell's Technology Group, Tulsa, OK. We have not conducted an independent review of this information nor verified the accuracy of the contents of the relevant information.



## OPERATIONS REVIEW



*“Bearing in mind the economic outlook, the Group will maintain its competitiveness, increase operational efficiencies and practise prudent cost management. Despite challenging times in the near future, our longer term industry prospects remain promising.”*

### HUMAN RESOURCE DEVELOPMENT

As a people-oriented organisation, developing our human capital has always been a key focus of our management policy. We conducted regular management employee dialogue sessions throughout the year to garner feedback and further improve the working environment of our people, as well as to foster team spirit. We reviewed our employees' training and career development needs during the year, conducting both in-house and external training programmes for our staff. Additionally, five personnel were sent for external training programmes to the USA. We awarded a total of 55 long service awards to recognise long-term contributions to the organisation.

### 2012 PROSPECTS

We stand at an uncertain juncture in global economics. The confluence of the Eurozone and US debt crisis, the sluggish growth in western economies and the struggling Japanese

economy herald the possibility of another recession. Furthermore, sustained electronics and semiconductor weakness, in addition to those broader economic factors highlighted, will have a direct impact on our performance. Our business environment will continue to be challenging with the strengthening of the Singapore dollar vis-à-vis the US dollar eroding our competitiveness, and increases in raw material and energy prices squeezing our margins. Bearing in mind the economic outlook, the Group will maintain its competitiveness, increase operational efficiencies and practise prudent cost management. Despite challenging times in the near future, our longer term industry prospects remain promising. The trend of outsourcing Burn-In services is set to continue, the development of more complex semiconductor devices performing at higher speeds will drive demand for refrigeration-based thermal solutions for high power Burn-In systems for the Burn-In and test of

such complex semiconductor devices, while the growth of the medical, life sciences and energy efficient products industries signal new untapped growth opportunities. These, coupled as always, with our sound business policies, prudent financial management and clear growth strategy will see our businesses through impending challenges, to emerge stronger, more nimble and responsive.

## BOARD OF DIRECTORS



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

### 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 40 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 40 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies

behind the Group's diversification into other related business areas. Prior to setting up our Company, Mr Lim was the test manager in charge of semiconductor testing and Burn-In in National Semiconductor, part of a USA multinational corporation.

Mr Lim is active in the community and has been sitting on the School Advisory Committee (SAC) of Pei Ying Primary School for the past 24 years, the last four 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 30 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 the National University of Singapore (Business School), 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.



## BOARD OF DIRECTORS

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 preparing for 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 South East 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 Engineering Services business segment of the Company and is also responsible for developing the life sciences instrumentation business and other new businesses for the Group. In addition, he also manages the Group's purchasing function.

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 management of the Engineering Services segment and overseas sales and marketing activities for Burn-In Boards and 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 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 customers' 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.

### MR ALVIN LIM TAI MENG

#### *Director of Sales & Manufacturing*

Mr Alvin Lim is our Director of Sales and Manufacturing. He joined our Company in 2002. Mr Lim is responsible for developing objectives and policies for the sales and marketing of our products and services as well as competitive positioning of the Group in all markets. He is also responsible for overseeing all Burn-In Boards and Board Manufacturing products and system integration production and maintenance functions of the Group.

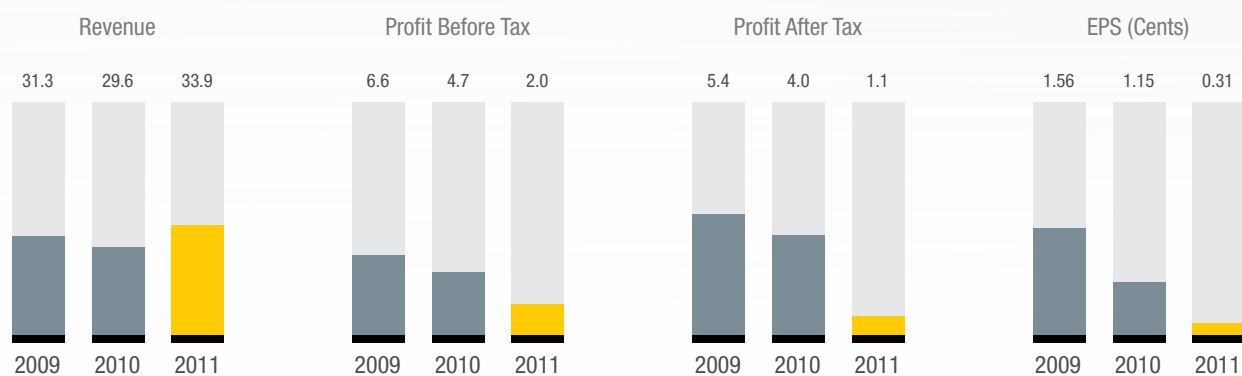
Previously, Mr Lim was our Chief Operating Officer (USA Operations) from 2009 to 2011 and was responsible for strategising and promoting all aspects of the Group's business in the USA market. Mr Lim started as a Sales Engineer with our Company, responsible for the sales and marketing team for our test 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 build to meet customers' needs and thereafter became a Special Projects Manager.

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

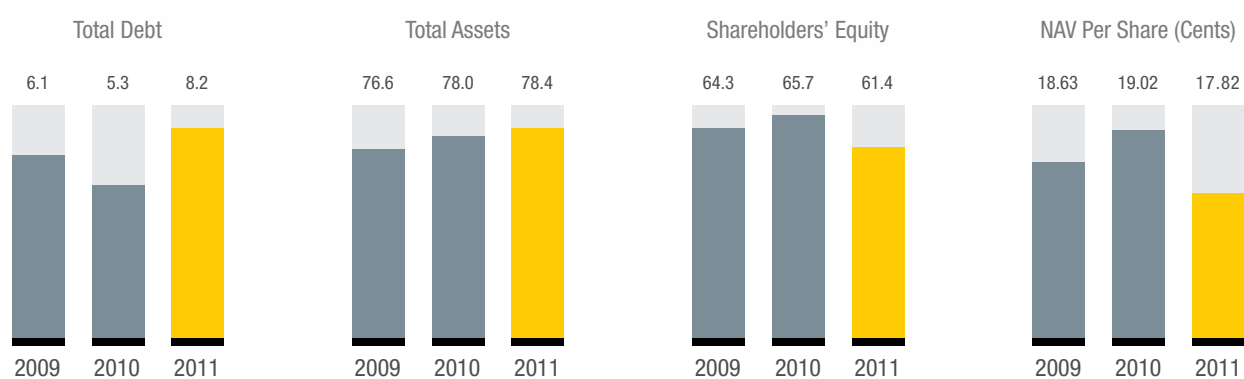


## FINANCIAL HIGHLIGHTS

### PROFIT AND LOSS (\$'M)

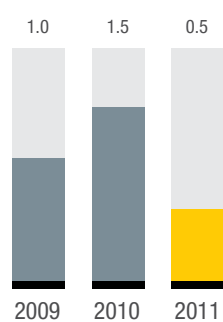


### BALANCE SHEET (\$'M)

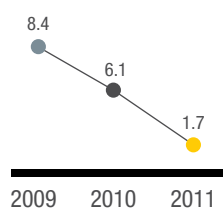


### KEY FINANCIAL RATIO

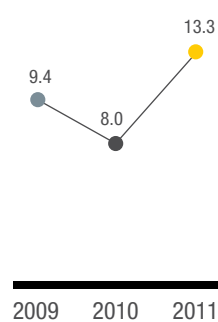
Dividend Per Share (Cents)



Return On Equity (%)



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



Striving for Long-term Value

# BY STRATEGISING FOR THE FUTURE

*Avi-Tech's strong business fundamentals and healthy cash position not only enable us to overcome challenging economic conditions and competition, but also positions us to make strategic investments for continued growth.*





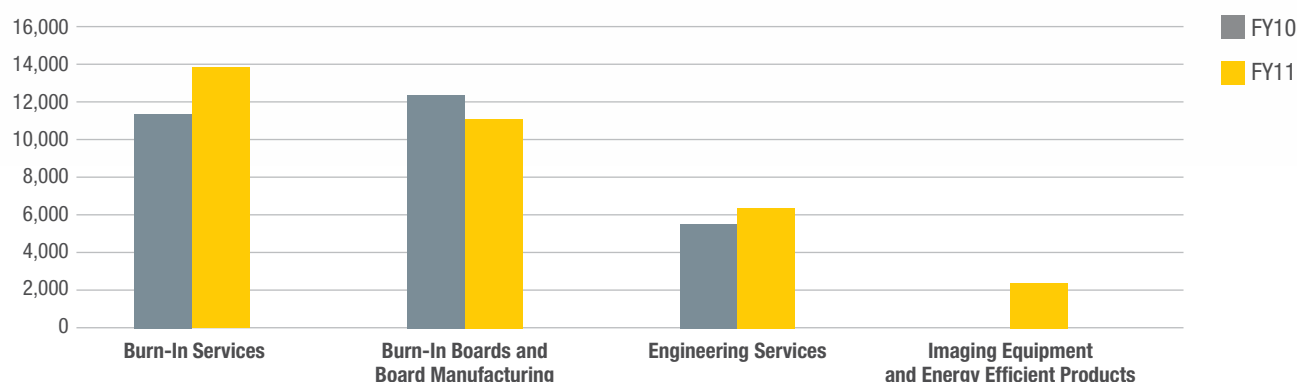
## FINANCIAL REVIEW

### CONSOLIDATED FINANCIAL PERFORMANCE (\$'000)

	FY11	FY10	Change %
Revenue	33,933	29,621	14.6
Cost of Sales	24,465	20,973	16.6
Gross Profit	9,468	8,648	9.5
Administrative expenses	8,248	5,039	63.7
Profit before income tax	1,975	4,745	(58.4)
Income tax expense	916	787	16.4
Profit for the year	1,059	3,958	(73.2)

For the financial year ended 30 June 2011 ("FY11"), the Group reported a decrease in net profit of \$2.9 million (FY10: \$4.0 million). The decrease is primarily due to lower revenue contribution from the Burn-In Boards and Board Manufacturing and Engineering Services business segments. In addition, the high operating costs of the Group's newly acquired Imaging Equipment and Energy Efficient Products business segment also contributed to the decline in profit.

### REVENUE BY BUSINESS SEGMENTS (\$'000)



Burn-In Services which contributed 40.6% of Group revenue in FY11 (FY10: 38.3%) reported revenue for the year of \$13.8 million, an increase of \$2.5 million or 22.0%. The increase is primarily due to the continuous recovery in the global demand for semiconductor chips, leading to an increase in demand for Burn-In Services. The increase in demand for high powered Burn-In Services also contributed to the increase in sales.

Burn-In Boards and Board Manufacturing contributed 32.5% of Group revenue in FY11 (FY10: 42.5%), reporting a decrease in revenue of \$1.6 million. The decrease is primarily due to decrease in orders from the USA customers, and this is attributed to the appreciation of the Singapore dollar against the US dollar, hence lowering the price competitiveness of the business segment.

Engineering Services contributed 19.0% of Group revenue in FY11 (FY10: 19.2%) and reported revenue for the year of \$6.4 million.

The Group's newly acquired Imaging Equipment and Energy Efficient Products business segment reported revenue of \$2.7 million during the year, contributing to 7.9% of Group revenue.

### COST OF SALES (\$'000)

	FY11	FY10	Change %
Cost of sales	24,465	20,973	16.6
Included in cost of sales:			
Cost of material and equipment	12,881	11,259	14.4
Salary cost	7,422	6,806	9.1
Depreciation	1,295	974	33.0
Electricity	1,599	1,106	44.6
Other direct overheads	1,268	828	53.1



## FINANCIAL REVIEW

### GROSS PROFIT (\$'000)

	FY11	FY10	Change %
Gross Profit	9,468	8,648	9.5
Gross Margin	27.9%	29.2%	(4.5)

The Group reported an increase in gross profit by \$0.9 million from \$8.6 million in FY10 to \$9.5 million in FY11. The decrease in gross margin is primarily due to the low gross profit margin reported by the Engineering Services business segment in one of its major contracts. In addition, the decline in sales reported by the Burn-In Boards and Board Manufacturing business segment further contributed to a lower gross profit margin.

### ADMINISTRATIVE EXPENSES (\$'000)

	FY11	FY10	Change %
Administrative expenses	8,248	5,039	63.7
Included in administrative expenses:			
Salary and related cost	3,596	1,940	85.4
Foreign currency exchange loss	(480)	(539)	(10.9)

Administrative expenses increased by \$3.3 million or 63.7% from \$5.0 million in FY10 to \$8.3 million in FY11. The increase is primarily due to initial set-up costs and operating costs for the newly incorporated subsidiaries and acquired businesses. In addition, there was an increase in professional and consultancy fees relating to due diligence and legal works performed on the business acquisitions.

### PROFIT FOR THE YEAR (\$'000)

	FY11	FY10	Change %
Profit before income tax	1,975	4,754	(58.4)
Income tax expense	(916)	(787)	16.4
Profit for the year	1,059	3,958	(73.2)

The Group reported a decline in profit of \$2.9 million or 73.2% from \$4.0 million in FY10 to \$1.1 million in FY11. The decrease is primarily due to lower revenue contribution from the Burn-In Boards and Board Manufacturing and Engineering Services business segments. In addition, the high operating costs of the Group's newly acquired Imaging Equipment and Energy Efficient Products business segment also contributed to the decline in profit. The decrease is partially offset by stronger revenue reported by the Burn-In Services business segment, primarily due to the improved profit margin from its high power Burn-In services.

### LIQUIDITY AND CAPITAL RESOURCES (\$'000)

	FY11	FY10	Change %
Cash flow from:			
Operating activities	1,961	4,374	(55.2)
Investing activities	(3,007)	(29,618)	(89.8)
Financing activities	(2,480)	(3,407)	(27.2)
Net change in cash and cash equivalents	(3,526)	(28,658)	(87.7)
Cash and cash equivalents at end of year	19,522	22,822	(14.5)

Cash provided from operating activities decreased by \$2.4 million or 55.2% from \$4.3 million in FY10 to \$2.0 million in FY11. This is primarily due to lower profit generated during the financial year.

Cash used in investing activities decreased by \$26.6 million from cash used of \$29.6 million in FY10 to \$3.0 million in FY11. This is primarily due to placement in fixed deposits and purchase of held-to-maturity investments in FY10.

Cash used in financing activities decreased by \$0.9 million or 27.2% from \$3.4 million in FY10 to \$2.5 million in FY11. This is primarily due to the increase in bank borrowing for the acquisition of a new business. This is partially offset by the higher dividends paid of \$5.2 million in FY11 as compared to \$2.6 million in FY10.

Cash and cash equivalents decreased by \$3.3 million to \$19.5 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  
Avenue 5  
Singapore 554859  
Tel: +65 6482 6168  
Fax: +65 6482 6123  
Website: [www.avi-tech.com.sg](http://www.avi-tech.com.sg)  
Email: [enquiry@avi-tech.com.sg](mailto: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 has 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 FY11	4	4	1	1
Khor Thiam Beng	4	4	1	1
Lim Eng Hong	4	4	1	1
Wilfred Teo Chu Khiong	4	4	1	1
Goh Chung Meng	4	4	1	1
Michael Grenville Gray	4	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.

### *Principles 4 & 5: Board Membership and 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 Goh Chung Meng and Mr Wilfred Teo Chu Khiong, for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendation.

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

An evaluation of the Board's performance for FY11 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

#### *Principles 7 & 8: Procedures for Developing Remuneration Policies and 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 determining 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 specialise 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 2011.

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 2011, is as follows:

Director	Fee <sup>(1)</sup>	Salary	Variable Bonus	Benefits in kind	Total
<b>Band C <sup>(2)</sup></b>	%	%	%	%	%
Lim Eng Hong	–	74	19	7	100
<b>Band A <sup>(2)</sup></b>					
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 2011, is as follows:

Key Executive	Salary	Variable Bonus	Benefits in kind	Total
<b>Band A <sup>(2)</sup></b>	%	%	%	%
Tan Kwang Seng	83	17	–	100
Philip Kwok Wai San	86	14	–	100
Lau Toon Hai	84	16	–	100
Alvin Lim Tai Meng	84	16	–	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 FY11.

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 Company's option scheme in FY11.

The Company's subsidiary, Aplegen, Inc., ("Aplegen") adopted a share option scheme in respect of the unissued shares of Aplegen (the "Aplegen Scheme"), for participation by eligible employees of Aplegen ("Aplegen Employees").

The Aplegen Scheme is administered by our Directors, Mr Goh Chung Meng, Mr Khor Thiam Beng, Mr Lim Eng Hong and Mr Michael Grenville Gray. During the financial year under review, a total of 980,000 share options were granted to Aplegen Employees at the Net Asset Value of Aplegen, determined to be US\$1.00 per share. No options were granted at a discount. A holder of the above share options has no right to participate in any share issues of any other company.

### **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

Save as disclosed below, during the financial year under review, no Aplegen Employee has received options amounting to 5.0% or more of the total number of options available under the Aplegen Scheme:

Name of Participant Aplegen Employee	Options granted during financial year under review	Aggregate Options granted since commencement of the Aplegen Scheme to end of financial year under review	Aggregate Options exercised since commencement of the Aplegen Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
Ronald Bissinger	202,500	202,500	-	202,500
Mark Allen	202,500	202,500	-	202,500
Diping Che	202,500	202,500	-	202,500
Sia Ghazvini	202,500	202,500	-	202,500
Michael Henighan	100,000	100,000	-	100,000

The options granted to the Aplegen Employees are exercisable in five tranches. The first tranche is 37.4%, followed by four equal tranches of 15.7% each. The first tranche vests and is exercisable after the first anniversary of the date of grant. The subsequent four tranches each vests and is exercisable after the expiry of three years from the date of each of the audited accounts of Aplegen, for the financial years ending in 2012, 2013, 2014 and 2015, if the vesting conditions are met. Further details of the terms of the Aplegen Scheme are set out in the Company's announcement dated 9 February 2011.

No options under the Aplegen Scheme were granted to any Directors or controlling shareholders of the Company and their associates.

### 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 monthly 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.

## CORPORATE GOVERNANCE

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 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 2011 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 statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" which is found in this Annual Report. During the financial year under review, the remuneration paid/payable to the Company's external auditors, Deloitte & Touche LLP, is set out below:

Service Category	Fees Paid/Payable \$'000
Audit Services	87
Non-Audit Services	17
Total	104

The AC has reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP for FY11, 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 of the Company at the forthcoming AGM. The external auditors appointed/re-appointed for the Company's subsidiaries are set out in the notes to the financial statements which is found in this Annual Report.

In proposing to shareholders the re-appointment of Deloitte & Touche LLP as the external auditors to the Company and in line with Rule 712 of the Listing Manual of the SGX-ST, the Board and the AC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of our Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit; and Deloitte & Touche LLP has confirmed that it is registered with the Accounting and Corporate Regulatory Authority. Deloitte & Touche LLP has also been re-appointed as external auditors for the Company's Singapore-incorporated subsidiary.



## CORPORATE GOVERNANCE

In the appointment/re-appointment of the external auditors to the Company's foreign-incorporated subsidiaries that require its accounts to be audited under the laws of the respective countries of incorporation, and in line with Rule 716(1) of the Listing Manual of the SGX-ST, the Board and the AC considered and are satisfied that the appointments/re-appointments would not compromise the standard and effectiveness of the audit of the Company.

### RISK MANAGEMENT POLICIES AND PROCESSES

#### *Principles 12 & 13: Internal Controls and Internal Audit*

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 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.

Nevertheless, 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.

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.

In addition, the Company has outsourced the internal audit function to RSM Ethos Pte Ltd. 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. For the financial year under review, the Board and the AC have reviewed the system of internal controls and after taking into consideration and having adopted the recommendations of the Company's internal auditors, the Board is of the opinion, with the concurrence of the AC that, barring any unforeseen circumstances, the internal control systems, which addresses the financial, operational and compliance risks faced by the Group, is adequate to safeguard the interests of the shareholders. The Board, however 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.

### COMMUNICATION WITH SHAREHOLDERS

#### *Principles 14 & 15: Communication with Shareholders and Greater Shareholder Participation*

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

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

### CODE OF BUSINESS CONDUCT

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

## CORPORATE GOVERNANCE

### SECURITIES TRANSACTIONS

In line with Rule 1207(18) of the Listing Manual of the SGX-ST, the Group has issued policies on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of best practices. The Company prohibits its officers, who have access to price-sensitive and confidential information, from dealing in the Company's shares, during the periods commencing at least two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

### INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC.

The Board confirms that there are no material interested person transactions entered into during the financial year ended 30 June 2011 which fall under Rule 907 of the Listing Manual of the SGX-ST.

### MATERIAL CONTRACTS

There are 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.

## FINANCIAL CONTENTS

Report of the Directors	31
Statement of Directors	34
Independent Auditors' Report to the Members of Avi-Tech Electronics Limited	35
Statements of Financial Position	36
Consolidated Statement of Comprehensive Income	37
Statements of Changes in Equity	38
Consolidated Statements of Cash Flows	39
Notes to Financial Statements	40



## 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 2011.

### 1 DIRECTORS

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

Lim Eng Hong  
Wilfred Teo Chu Khiong  
Goh Chung Meng  
Khor Thiam Beng  
Michael Grenville Gray

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraph 5 of the Report of the Directors.

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests 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:

Names of directors and company in which interests are held	Shareholdings registered in the names of directors			Shareholdings in which directors are deemed to have an interest		
	At beginning of the year	At end of the year	At 21 July 2011	At beginning of the year	At end of the year	At 21 July 2011
<u>The Company</u>						
Lim Eng Hong	79,638,350	79,638,350	79,638,350	26,390,000	26,390,000	26,390,000
Goh Chung Meng	80,000	80,000	80,000	-	-	-
Khor Thiam Beng	180,000	180,000	180,000	-	-	-
Michael Grenville Gray	580,000	580,000	580,000	-	-	-

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2011, 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

##### Aplegen Employee Share Option Scheme (the "Scheme")

Aplegen Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in a subsidiary was approved on 9 February 2011.

The Scheme is administered by a Committee whose members are:

Goh Chung Meng  
Khor Thiam Beng  
Lim Eng Hong  
Michael Grenville Gray

Under the Scheme, the share option shall vest and be exercisable depending on the achievement of pre-determined targets over an annual performance period. The vesting tranche will lapse and become null and void if the pre-determined targets are not achieved by the relevant conditions closing date.

A total of 980,000 share options were granted to executives of the subsidiary at the Net Asset Value of the subsidiary, determined by the Committee to be US\$1.00 per share.

The number of outstanding share options under the Scheme is as follows:

Date of grant	Balance at 1.7.2010	Granted	Exercised	Cancelled/ Lapsed	Balance at 30.6.2011	Exercise price per share	Exercisable period
09.02.2011	-	980,000	-	-	980,000	US\$1.00	From 10.02.2012 to 30.06.2018

Holders of the above share options have no right to participate in any share issues of any other company.

The following are participants who received 5% or more of the total number of ordinary share options available under the Scheme:

Name of participant	Number of options granted during the year	Aggregate number granted since commencement of Scheme to the end of the financial year	Aggregate number of options exercised since commencement of Scheme to the end of the financial year	Aggregate options lapsed since commencement of Scheme to the end of the financial year	Aggregate number of granted since outstanding as at end of the financial year
Ronald Bissinger	202,500	202,500	-	-	202,500
Mark Allen	202,500	202,500	-	-	202,500
Diping Che	202,500	202,500	-	-	202,500
Sia Ghavani	202,500	202,500	-	-	202,500
Michael Henighan	100,000	100,000	-	-	100,000

There are no options granted to any of the Company's controlling shareholders or their associates, or a director of the Company.

#### (b) Unissued shares under option and options exercised

No unissued shares, other than as disclosed above, are under options at the end of the financial year.

## REPORT OF THE DIRECTORS

### 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 Group at the forthcoming Annual General Meeting (“AGM”) of the Company.

### 7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Lim Eng Hong

Wilfred Teo Chu Khiong

8 September 2011



## 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 as set out on pages 36 to 79 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 2011 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

8 September 2011

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

### REPORT ON THE FINANCIAL STATEMENTS

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 2011, 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 36 to 79.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for 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 accounts and balance sheets and to maintain accountability of assets.

### 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 about 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 of financial statements that give a true and fair view 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, 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 2011 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.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, 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  
8 September 2011

## STATEMENTS OF FINANCIAL POSITION

30 June 2011

		Group		Company	
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	6	7,349	4,668	6,751	4,509
Fixed and call deposits	7	30,173	36,675	30,173	36,675
Trade receivables	9	7,010	8,504	6,351	8,484
Other receivables and prepayments	10	539	305	806	313
Inventories	11	5,846	2,637	3,894	2,611
Derivative financial instruments	12	850	-	850	-
Held-for-trading investment	13	-	500	-	500
Held-to-maturity financial assets	14	4,031	5,109	4,031	5,109
Total current assets		55,798	58,398	52,856	58,201
<b>Non-current assets</b>					
Subsidiaries	15	-	-	2,346	969
Property, plant and equipment	16	15,524	15,530	15,154	15,122
Goodwill	17	886	-	-	-
Other intangible assets	18	2,527	-	-	-
Held-to-maturity financial assets	14	3,634	4,062	3,634	4,062
Total non-current assets		22,571	19,592	21,134	20,153
<b>Total assets</b>		<b>78,369</b>	<b>77,990</b>	<b>73,990</b>	<b>78,354</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank loans	19	7,963	612	4,250	612
Trade payables	20	3,292	3,642	2,457	3,734
Other payables	21	2,291	1,767	1,867	1,735
Finance leases	22	57	9	57	9
Income tax payable		791	762	791	746
Total current liabilities		14,394	6,792	9,422	6,836
<b>Non-current liabilities</b>					
Bank loan	19	-	4,638	-	4,638
Other payables	21	1,114	-	-	-
Finance leases	22	147	33	147	33
Deferred tax liabilities	23	992	857	992	857
Total non-current liabilities		2,253	5,528	1,139	5,528
<b>Capital and reserves</b>					
Share capital	24	31,732	31,732	31,732	31,732
Treasury shares	24	(795)	(618)	(795)	(618)
Reserves		30,423	34,556	32,492	34,876
Equity attributable to owners of the Company		61,360	65,670	63,429	65,990
Non-controlling interests		362	-	-	-
Total equity		61,722	65,670	63,429	65,990
<b>Total liabilities and equity</b>		<b>78,369</b>	<b>77,990</b>	<b>73,990</b>	<b>78,354</b>

See accompanying notes to financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2011

		Group	
	Note	2011 \$'000	2010 \$'000
<b>Revenue</b>			
Cost of sales	26	33,933 (24,465)	29,621 (20,973)
<b>Gross profit</b>		9,468	8,648
Other operating income	27	1,041	1,361
Distribution costs		(176)	(117)
Administrative expenses		(8,248)	(5,039)
Finance costs	28	(110)	(108)
<b>Profit before income tax</b>		1,975	4,745
Income tax expense	29	(916)	(787)
<b>Profit for the year</b>		1,059	3,958
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations		(14)	(29)
Other comprehensive income for the year, net of tax		(14)	(29)
<b>Total comprehensive income for the year</b>		1,045	3,929
<b>Earnings per share</b>			
Basic and diluted (cents)	31	0.31	1.15

See accompanying notes to financial statements.

## STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2011

			<----- Reserves ----->					
	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Retained profits \$'000	Total reserves \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests <sup>(1)</sup> \$'000	Total \$'000
<b>Group</b>								
Balance at 1 July 2009	31,732	(618)	106	33,110	33,216	64,330	-	64,330
Total comprehensive income for the financial year	-	-	(29)	3,958	3,929	3,929	-	3,929
Dividends paid (Note 32)	-	-	-	(2,589)	(2,589)	(2,589)	-	(2,589)
Balance at 30 June 2010	31,732	(618)	77	34,479	34,556	65,670	-	65,670
Total comprehensive income for the financial year	-	-	(14)	1,059	1,045	1,045	-	1,045
Non-controlling interests relating to outstanding share-based payment transactions of a subsidiary	-	-	-	-	-	-	362	362
Share buyback held back in treasury	-	(177)	-	-	-	(177)	-	(177)
Dividends paid (Note 32)	-	-	-	(5,178)	(5,178)	(5,178)	-	(5,178)
Balance at 30 June 2011	31,732	(795)	63	30,360	30,423	61,360	362	61,722

<sup>(1)</sup> Represents share option reserve of a subsidiary.

	Share capital \$'000	Treasury shares \$'000	Retained profits \$'000	Total reserves \$'000	Total \$'000
<b>Company</b>					
Balance at 1 July 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 32)	-	-	(2,589)	(2,589)	(2,589)
Balance at 30 June 2010	31,732	(618)	34,876	34,876	65,990
Repurchase of shares	-	(177)	-	-	(177)
Total comprehensive income for the financial year	-	-	2,794	2,794	2,794
Dividends paid (Note 32)	-	-	(5,178)	(5,178)	(5,178)
Balance at 30 June 2011	31,732	(795)	32,492	32,492	63,429

See accompanying notes to financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2011

	Group	
	2011 \$'000	2010 \$'000
<b>Operating activities</b>		
Profit before income tax	1,975	4,745
Adjustments for:		
Allowance for doubtful debts, net	10	3
Allowance/(reversal of allowance) for inventories	167	(5)
Amortisation of club membership	-	59
Amortisation of other intangible assets	161	-
Depreciation of property, plant and equipment	1,720	1,303
Gain on disposal of held-for-trading investments	-	(122)
Fair value gain on derivative financial instruments	(850)	-
Gain on disposal of property, plant and equipment	(114)	-
Share-based payment expense	362	-
Interest expense	110	108
Interest income	(507)	(604)
Operating cash flows before movements in working capital	3,034	5,487
Trade receivables	2,191	(2,033)
Other receivables and prepayments	(204)	350
Inventories	(1,921)	(51)
Trade payables	(884)	1,996
Other payables	100	(422)
Cash generated from operations	2,316	5,327
Income tax paid	(752)	(1,449)
Interest paid	(110)	(108)
Interest received	507	604
Net cash from operating activities	1,961	4,374
<b>Investing activities</b>		
Additions to property, plant and equipment	(1,728)	(2,298)
Proceeds from sale of held-for-trading investments	500	372
Acquisition of business and assets, net of cash acquired (Note 33)	(3,926)	-
Proceeds from maturity of held-to-maturity investments	5,072	-
Purchase of held-to-maturity investments	(3,566)	(9,171)
Proceeds from disposal of property, plant and equipment	120	-
Withdrawal from/(placement in) fixed deposits	521	(18,521)
Net cash used in investing activities	(3,007)	(29,618)
<b>Financing activities</b>		
Dividends paid	(5,178)	(2,589)
Treasury shares buy back	(177)	-
Proceeds from/(repayment of) finance lease obligations	162	(51)
Proceeds from loans and borrowings	3,713	-
Repayment of bank loan	(1,000)	(767)
Net cash used in financing activities	(2,480)	(3,407)
Net decrease in cash and cash equivalents	(3,526)	(28,658)
Cash and cash equivalents at beginning of the financial year	22,822	51,480
Effects of exchange rate changes on the balance of cash held in foreign currencies	226	(7)
<b>Cash and cash equivalents at end of the financial year (Note 8)</b>	<b>19,522</b>	<b>22,822</b>

See accompanying notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 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, and trading of imaging equipment and energy efficient products. The principal activities of its subsidiaries are set out in Note 15.

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 2011 were authorised for issue by the Board of Directors on 8 September 2011.

### 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 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 2010. 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 27 (2009) Consolidated and Separate Financial Statements**

FRS 27 (2009) has been adopted for periods beginning on or after 1 July 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control.

The adoption of the above revised FRS has no material effect on the amounts reported for current or prior years.

#### **FRS 103 (2009) Business Combinations**

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. The main impact of the adoption of FRS 103 (2009) *Business Combinations* on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The adoption of the above revised FRS has no material effect on the amounts reported for current or prior years.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

At the date of authorisation of these financial statements, the following revised FRSs 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 the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

Management anticipates that the adoption of the above amendment to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the year of their initial adoption.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 and the non-controlling 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) the 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 value that has been recognised in profit or loss.

**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 acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

**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".



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

Held-for-trading investments 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. Held-to-maturity investments 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 financial asset have been impacted.

For certain categories of financial assets such as 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, as well as observable changes in local or national economic conditions that come late with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset 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.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **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.

##### Deferred consideration

Deferred consideration is measured and provided based on the best estimate of the consideration required to settle in future discounted to present value.

##### Derecognition of financial liabilities

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

##### Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 12 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**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.

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

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

**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 or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**OTHER INTANGIBLE ASSETS** - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired include developed technology and trademarks and trade names. These intangible assets is amortised over their useful lives on a straight line method on the following basis:

Developed technology	6 years
Trademarks and trade names	14 years

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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.

**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.



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**SHARE-BASED PAYMENTS** - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

**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 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 each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the 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 the entity's 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 retranslated 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 retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

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 recognised in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**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.

#### Rendering of services

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.

#### 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 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 when employees have rendered the services entitling them to the contributions. 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 Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

### 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.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

#### ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and 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, are discussed below.

#### Fair value of business and assets acquired

The Group follows the guidance of FRS 103 *Business Combination*, to fair value business and assets acquired. This valuation among other factors include, the market and economic environment in which the business operates, economic performance of the entities, identification of any intangible assets, projection of revenue from the types of products and the discount rates applied. Arising from this valuation, the Group recognised a goodwill of \$886,000 (Note 17) and other intangible assets mainly comprised of developed technology of US\$1,470,000 (approximately \$1,911,000) and trademarks and trade names of US\$670,000 (approximately \$871,000) (Note 18).

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was \$886,000 (2010 : \$Nil).

#### Amortisation of other intangible assets

Other intangible assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the other intangible assets and if the expectation differs from the original estimate, such difference may impact the amount amortised in the year the estimate is changed and the future period.

The carrying amount of other intangible assets at the end of the reporting period was \$2,527,000 (2010: \$Nil).

#### Valuation of inventories including allowance for inventories

The Group reviews the carrying value of their inventories so that they are stated at the lower of cost and net realisable value. In assessing net realisable value, management identifies inventories where there has been a significant decline in price or cost and inventory items that may not be realised as a result of certain events, and estimates the recoverable amount of such inventory based on values at which such inventory items are expected to be realised at the end of the reporting period.

The carrying amount of inventories at the end of the reporting period amounted to \$5,846,000 (2010: \$2,637,000), net of allowance amounted to \$272,000 (2010: \$272,000).

#### Recoverability of loan/ advances to subsidiaries and investments in subsidiaries

As at 30 June 2011, the Company's loan and advances to its subsidiaries amounted to \$187,000 (2010 : \$810,000) and \$190,000 (2010 : \$159,000) 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 in its investment in a subsidiary and decided that full impairment was required to be made at the end of the reporting period. The carrying amount of the investments in subsidiaries is disclosed in Note 15.



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

#### (a) Categories of financial instruments

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Financial assets</b>				
<u>Amortised cost</u>				
Held-to-maturity financial assets	7,665	9,171	7,665	9,171
Loans and receivables (including cash and cash equivalents)	44,961	50,096	43,616	49,937
<u>Fair value through profit or loss</u>				
Held-for-trading investments	-	500	-	500
Derivative financial instruments	850	-	850	-
<b>Financial liabilities</b>				
<u>Amortised cost</u>				
Trade and other payables	6,697	5,409	4,324	5,469
Bank loans	7,963	5,250	4,250	5,250
Finance lease obligations	204	42	204	42

#### (b) Financial risk management policies 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.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (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.

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2010: four) major customers, which accounted for 59.8% (2010: 64.6%) of the carrying amount of trade receivables (ii) \$7,665,000 (2010: \$9,171,000) is invested in the form of bonds by issuers, which accounted for 14.3% (2010: 15.3%) 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

The Group is exposed to interest rate risk as its interest-earning and interest-bearing financial assets and financial liabilities, other than held-to-maturity financial assets and finance leases, bear variable rates of interests. Details of the fixed deposits, held-to-maturity financial assets, bank borrowings and finance leases of the Group are disclosed in Notes 7, 14, 19 and 22 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 2011 would decrease/increase by \$40,000 (2010 : decrease/increase by \$26,250).

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (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.

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

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United States Dollars	14,050	4,650	1,544	2,589	14,354	4,539	1,611	2,675
Malaysian Ringgit	11	28	-	1	11	28	-	1
New Taiwan Dollars	-	-	1	40	-	-	1	40
Euro	-	-	14	-	-	-	14	-

##### *Foreign currency sensitivity*

For a 5% increase/decrease in Singapore dollar against United States dollars, the Group's and the Company's profit before tax will decrease/increase by \$625,000 and \$637,000 (2010 : \$103,000 and \$93,000) respectively. 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.

The foreign currency risks relating to Malaysian Ringgit, New Taiwan Dollars and Euro are not significant and no foreign currency sensitivity analysis is prepared.

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.

##### (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.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

Group	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
<u>2011</u>						
Non-interest bearing	-	6,697	-	-	-	6,697
Fixed interest rate	3.69	64	165	-	(25)	204
Variable interest rate	1.16	8,055	-	-	(92)	7,963
<u>2010</u>						
Non-interest bearing	-	5,409	-	-	-	5,409
Fixed interest rate	3.07	9	44	-	(11)	42
Variable interest rate	1.85	623	2,493	2,182	(48)	5,250
<b>Company</b>						
<u>2011</u>						
Non-interest bearing	-	4,324	-	-	-	4,324
Fixed interest rate	3.69	64	165	-	(25)	204
Variable interest rate	1.30	4,305	-	-	(55)	4,250
<u>2010</u>						
Non-interest bearing	-	5,469	-	-	-	5,469
Fixed interest rate	3.07	9	44	-	(11)	42
Variable interest rate	1.85	623	2,493	2,182	(48)	5,250



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (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 flows 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
<b>Group</b>					
<u>2011</u>					
Non-interest bearing	-	14,788	-	-	14,788
Fixed interest rate instruments	1.25%	34,546	3,670	(378)	37,838
<u>2010</u>					
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 13)	-	500	-	-	500
<b>Company</b>					
<u>2011</u>					
Non-interest bearing	-	13,443	-	-	13,443
Fixed interest rate instruments	1.25%	34,546	3,670	(378)	37,838
<u>2010</u>					
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 13)	-	500	-	-	500

The derivative financial instruments of the Group and the Company are non-interest bearing and mature within 1 year.

#### (v) Equity price risk management

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

##### *Equity price sensitivity*

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 2011 would increase/decrease by \$Nil (2010 : \$25,000).

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

#### (b) Financial risk management policies and objectives (Cont'd)

##### (vi) Fair values of financial assets and financial liabilities

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values 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 value***

The Group and Company classifies the held-for-trading investments amounting to \$Nil (2010 : \$500,000) and derivative financial instruments of \$850,000 (2010 : \$Nil) as the Level 2 measurement in the fair value hierarchy.

#### (c) Capital risk management policies 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 19 and 22, cash and cash equivalents and equity attributable to owners 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 be 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 prior year. The Group is in compliance with externally imposed capital requirements for the financial years ended 30 June 2011 and 2010.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 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 arrangements of the Group are with related parties and the effect of these on the basis determined between the parties is 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.

	2011 \$'000	2010 \$'000
Legal fees paid to the legal firm	*	6

\* Less than a thousand

#### Compensation of directors (key management personnel)

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Short-term benefits	958	831	898	831
Post-employment benefits	12	12	12	12
	970	843	910	843

### 6 CASH AND BANK BALANCES

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank	7,344	4,662	6,749	4,504
Cash on hand	5	6	2	5
	7,349	4,668	6,751	4,509

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United States Dollars	3,219	1,357	3,176	1,246
Malaysian Ringgit	11	28	11	28

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 0.55% to 1.57% (2010: 0.75% to 0.95%) per annum and mature within 2 to 11 months (2010: 1 to 6 months).

Included in the fixed and call deposits are \$12,173,000 (2010: \$18,154,000) with maturity of less than 3 months (Note 8).

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

	<b>Group and Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
United States Dollars	8,173	21

### 8 CASH AND CASH EQUIVALENTS

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances (Note 6)	7,349	4,668
Fixed and call deposits that are readily convertible to a known amount of cash	12,173	18,154
Cash and cash equivalents at end of year	19,522	22,822

### 9 TRADE RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Outside parties	7,010	8,504	6,351	8,484

The average credit period on sale of goods is 60 days (2010: 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 \$7,000 (2010 : \$7,000). This allowance has been determined by reference to past default experience.

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, \$4,189,000 (2010: \$5,496,000) is due from four major customers.

Included in the Group's and Company's trade receivables balance are debtors with a carrying amount of \$1,144,000 and \$1,012,000 (2010 : \$2,042,000 and \$2,031,000) respectively, 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, \$918,000 of the amount past due but not impaired had been collected. The Group does not hold any collateral over these balances.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 9 TRADE RECEIVABLES (CONT'D)

The table below is an analysis of trade receivables as at 30 June 2011:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	5,866	6,462	5,339	6,453
Past due but not impaired <sup>(i)</sup>	1,144	2,042	1,012	2,031
Impaired receivables - individually assessed				
- Customer placed under liquidation	7	7	7	7
Less: Allowance for doubtful debts	(7)	(7)	(7)	(7)
Total trade receivables, net	7,010	8,504	6,351	8,484

<sup>(i)</sup> Aging of receivables that are past due but not impaired:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
< 6 months	1,142	1,878	1,004	1,887
6 months to 9 months	-	151	-	131
9 months to 12 months	-	3	-	3
> 12 months <sup>(ii)</sup>	2	10	8	10
	1,144	2,042	1,012	2,031

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

Movement in the allowance for doubtful debts:

	Group and Company	
	2011	2010
	\$'000	\$'000
Balance at beginning of the year	7	27
Amounts written off during the year	(10)	(23)
Increase in allowance recognised in profit or loss	10	3
Balance at end of the year	7	7

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

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
United States Dollars	2,539	3,272	2,539	3,272



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deposits	74	20	11	4
Prepaid expenses	110	56	88	44
Loan to subsidiary	-	-	187	-
Advances to subsidiaries	-	-	190	-
Others	355	229	330	265
	<u>539</u>	<u>305</u>	<u>806</u>	<u>313</u>

Loan to subsidiary is unsecured, bears an interest of 4.5% to 7% per annum and is expected to be repaid in 2012. The fair value of the loan approximates its carrying amount. Advances to subsidiaries are unsecured, interest-free and repayable on demand.

All other receivables of the Group and Company that are not denominated in the functional currencies of the respective entities are as follows:-

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United States Dollars	119	-	466	-

### 11 INVENTORIES

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finished goods	1,676	26	-	-
Work-in-process	610	542	324	542
Raw materials	3,560	2,069	3,570	2,069
	<u>5,846</u>	<u>2,637</u>	<u>3,894</u>	<u>2,611</u>

The costs of inventories recognised as an expense includes \$167,000 in respect of write-downs of inventory to net realisable value. In prior year, the cost of inventories includes a \$5,000 reversal of allowance for obsolete inventories. Previous write-downs have been reversed as a result of those inventories having been used in the production of finished goods.

### 12 DERIVATIVE FINANCIAL INSTRUMENTS

This relates to forward foreign exchange contracts entered by the Group and the Company which are outstanding as at the end of the reporting periods.

The total notional amount of outstanding forward foreign exchange contracts to which the Group is committed amounts to \$9,000,000 (2010 : \$Nil). The outstanding forward foreign exchange contracts relate to sale of US\$6,605,000 and buy S\$8,173,000 and mature on 2 August 2011.

The fair value of the Group's derivative financial instrument at the end of the reporting period approximates \$850,000 (2010: \$Nil). The fair values are measured using quoted forward foreign exchange rates for equivalent instruments at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 13 HELD-FOR-TRADING INVESTMENT

Investment in an equity-linked structured deposit in the prior year was carried at fair value. The structured deposit matured 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.

The fair value of unquoted investment was estimated by reference to current market valuations provided by financial institutions. The held-for-trading investment was denominated in the functional currency of the Company.

### 14 HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company 2011 \$'000	2010 \$'000
Bonds, at amortised cost:		
Current (a)	4,031	5,109
Non-current (b)	3,634	4,062

- (a) As at 30 June 2011, the bonds have nominal value amounting to \$4,051,000 (2010: \$5,000,000), with coupon rates ranging from 2.02% to 2.10% (2010 : 2.30% to 4.95%) per annum and mature within 12 months.

The bonds have fair values amounting to \$4,049,000 (2010: \$5,052,000). The fair value of the bonds was determined based on the quoted prices in active markets.

- (b) As at 30 June 2011, the bonds have nominal value amounting to \$3,676,000 (2010: \$4,000,000), with coupon rates ranging from 1.78% to 2.40% (2010: ranging from 2.10% to 5.00%) per annum and maturity dates ranging from 1 February 2013 to 2 July 2013 (2010 : 20 December 2011 to 5 March 2012).

The bonds have fair values amounting to \$3,643,000 (2010: \$4,046,000). 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.

### 15 SUBSIDIARIES

	Company 2011 \$'000	2010 \$'000
Unquoted equity shares, at cost	6,014	2,933
Loan to subsidiary	-	810
Advances to subsidiary	-	159
Less: Impairment	(3,668)	(2,933)
	2,346	969

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 15 SUBSIDIARIES (CONT'D)

Details of the company's subsidiaries at the end of the reporting periods are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held		Principal activity
		2011 %	2010 %	
Avi-Tech Electronics (Suzhou) Co., Ltd <sup>(1)</sup>	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 Esave Pte Ltd <sup>(2)</sup>	Singapore	100	100	Manufacturing and repairing electronic products and manufacturing and trading in energy saving products.
Avi-Tech, Inc. <sup>(3)</sup>	United States of America ("USA")	100	100	Marketing and selling burn-in Boards.
Verde Designs, Inc. <sup>(3)(4)</sup>	United States of America ("USA")	100	-	Providing Light Emitting Diode ("LED") and high brightness LED lighting products and systems.
Aplegen, Inc. <sup>(4)(5)</sup>	United States of America ("USA")	100	-	Providing high quality charged coupled device or CCD cameras and instrumentation and innovative imaging systems.

<sup>(1)</sup> Audited by Jiangsu Huaxing CPAs Co., Ltd for statutory purpose.

<sup>(2)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(3)</sup> Not required to be audited by law in its country of incorporation.

<sup>(4)</sup> Incorporated during the financial year.

<sup>(5)</sup> Audited by Deloitte & Touche LLP, in the United States of America for group consolidation purpose.

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 35). An impairment loss of \$735,000 (2010: \$2,933,000) 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. The capital investment in the CGU has been fully impaired taking into consideration the recoverable amount of the CGU which was based on its net realisable value.

# NOTES TO FINANCIAL STATEMENTS

30 June 2011

## 16 PROPERTY, PLANT AND EQUIPMENT

Group	Building and leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Total \$'000
Cost:				
At 1 July 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
Acquired on acquisition of subsidiaries	-	27	11	38
Additions	-	1,678	50	1,728
Disposals	-	(281)	-	(281)
Exchange differences	-	(78)	-	(78)
At 30 June 2011	14,583	31,791	391	46,765
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	243	1,451	26	1,720
Eliminated on disposal	-	(275)	-	(275)
Exchange differences	-	(32)	-	(32)
At 30 June 2011	3,147	27,128	333	30,608
Impairment:				
Impairment loss as at 30 June 2010 and 30 June 2011	-	633	-	633
Carrying amount:				
At 30 June 2010	11,679	3,828	23	15,530
At 30 June 2011	11,436	4,030	58	15,524

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Building and leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>Company</b>				
Cost:				
At 1 July 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
Additions	-	1,579	37	1,616
Disposals	-	(281)	-	(281)
At 30 June 2011	14,583	30,730	361	45,674
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	243	1,314	21	1,578
Eliminated on disposals	-	(275)	-	(275)
At 30 June 2011	3,147	26,413	327	29,887
Impairment:				
Impairment loss as at 30 June 2010 and 30 June 2011	-	633	-	633
Carrying amount:				
At 30 June 2010	11,679	3,425	18	15,122
At 30 June 2011	11,436	3,684	34	15,154

The Group and the Company have certain plant and equipment with carrying amount of \$279,000 (2010 : \$39,000) under finance lease agreements (Note 22).

The Group and the Company's building and leasehold improvements are mortgaged as security for a bank loan (Note 19).



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 17 GOODWILL

Goodwill acquired in business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill at the end of the reporting period is as follows:

	Group	
	2011 \$'000	2010 \$'000
Arising on acquisition of subsidiaries		
Aplegen Inc. (Note 33)	782	-
Verde Designs, Inc. (Note 33)	148	-
Exchange difference	(44)	-
	<u>886</u>	<u>-</u>

The goodwill at the end of the reporting periods arose on acquisition of business by subsidiaries during the year. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

#### *Aplegen Inc.*

No cash flow forecast was prepared for Aplegen Inc as management is of the view that since the acquisition of the assets and liabilities relating to the business of Santa Barbara Instrument Group was only recently concluded, no impairment on goodwill is expected to arise.

#### *Verde Designs, Inc.*

No cash flow forecast was prepared for Verde Designs, Inc as management is of the view that the goodwill is not significant to the Group.

### 18 OTHER INTANGIBLE ASSETS

	Developed Technology \$'000	Trademarks and Trade Names \$'000	Others \$'000	Total \$'000
<b>Group</b>				
Cost:				
Arising from acquisition of business, business, assets and liabilities of a subsidiary (Note 33)	1,911	871	56	2,838
Exchange differences	(92)	(42)	(3)	(137)
At end of the year	<u>1,819</u>	<u>829</u>	<u>53</u>	<u>2,701</u>
<b>Amortisation</b>				
Amortisation for the year and at the end of the reporting period	(133)	(26)	(2)	(161)
Exchange differences	(11)	(2)	-	(13)
At end of the year	<u>(144)</u>	<u>(28)</u>	<u>(2)</u>	<u>(174)</u>
<b>Carrying amount</b>	<u>1,675</u>	<u>801</u>	<u>51</u>	<u>2,527</u>

The other intangible assets representing mainly developed technology, and trademarks and trade names acquired on acquisition assets and liabilities relating to the business of a subsidiary during the year have finite useful lives, over which the assets are amortised.

Developed technology, trademarks and trade names and others are amortised over their estimated useful lives on a straight line basis of 6 years and 14 years respectively. The amortisation expenses have been included in the line item "administrative expenses" in profit or loss.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 19 BANK LOANS

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current portion	7,963	612	4,250	612
Non-current portion	-	4,638	-	4,638
	<u>7,963</u>	<u>5,250</u>	<u>4,250</u>	<u>5,250</u>

Details of bank loans

- (a) A bank loan of \$4,250,000 (2010 : \$5,250,000) which bears an effective interest rate of 1.30% (2010 : 1.85%) per annum, is secured by a legal mortgage on the Company's building (Note 16) and is repayable by equal quarterly instalments of \$250,000 with maturity date on 1 November 2018. This principal amount which is repayable after one year is classified as current liabilities as the loan agreement contains a repayable on demand clause.
- (b) A line of credit from a bank of \$3,713,000 which bears an effective interest rate of 1.00% (2010 : Nil), is secured by a financial guarantee provided by the Company and is repayable by 31 December 2011.

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

All the bank loans are denominated in the functional currencies of the respective entities.

### 20 TRADE PAYABLES

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Outside parties	<u>3,292</u>	<u>3,642</u>	<u>2,457</u>	<u>3,734</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases of goods is 45 days (2010: 45 days). No interest is payable on the trade payables.

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
United States Dollars	1,544	2,591	1,611	2,591
New Taiwan Dollars	1	40	1	40
Malaysian Ringgit	-	1	-	1
Euro	<u>14</u>	<u>-</u>	<u>14</u>	<u>-</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 21 OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Current:				
Deposits received	45	45	45	45
Accrued expenses	1,224	1,501	1,608	1,483
Accrued directors' fees and accrued bonus to directors	202	150	202	150
Deferred consideration (Note 33)	424	-	-	-
Others	396	71	12	57
	<u>2,291</u>	<u>1,767</u>	<u>1,867</u>	<u>1,735</u>
Non-Current:				
Deferred consideration (Note 33)	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group and Company's other payables have no significant other payables denominated in the non-functional currencies of the respective entities.

### 22 FINANCE LEASES

	Minumum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Group and Company</b>				
Amounts payable under finance leases:				
Within one year	64	9	57	9
In the second to fifth year inclusive	<u>165</u>	<u>44</u>	<u>147</u>	<u>33</u>
	229	53	204	42
Less: Future finance charges	<u>(25)</u>	<u>(11)</u>	<u>NA</u>	<u>NA</u>
Present value of lease obligations	<u>204</u>	<u>42</u>	<u>204</u>	<u>42</u>

The effective rates of interest for finance leases are from 3.3% to 3.79% (2010: 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.

### 23 DEFERRED TAX LIABILITIES

The deferred tax liability relates to excess of tax over book depreciation of property, plant and equipment. The movements thereon, during the current and prior reporting periods are as follow:

	Group and Company	
	2011	2010
	\$'000	\$'000
Balance at beginning of the year	857	800
(Reversed)/charged to profit or loss (Note 29)	(32)	57
Underprovision in respect of prior year	167	-
Balance at end of the year	<u>992</u>	<u>857</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 24 SHARE CAPITAL

	Group and Company			
	2011	2010	2011	2010
	'000	'000	\$'000	\$'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning and end of year	350,400	350,400	31,732	31,732

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

### TREASURY SHARES

This pertains to ordinary shares of the Company bought back by the Company. The total amounts paid to acquire the shares were deducted from shareholders' equity. These shares repurchased are held as treasury shares which have no rights to dividends.

	Group and Company			
	2011	2010	2011	2010
	'000	'000	\$'000	\$'000
	Number of ordinary shares			
At beginning of the year	5,180	5,180	618	618
Repurchased during the year	980	-	177	-
At end of the year	6,160	5,180	795	618

### 25 SHARE-BASED PAYMENTS

#### Aplegen, Inc - Aplegen Employee Share Option Scheme (the "Scheme")

The scheme is administered by a committee of the Company. Options are exercisable at a price of US\$1.00 per share. The share options shall vest and be exercisable depending on the achievement of pre-determined targets over an annual performance period for financial year 2012 to 2015. The vesting tranche will lapse and become null and void if the pre-determined targets are not achieved by the relevant conditions closing date and have an exercisable period of 36 months from the relevant conditions closing date.

	2011	
	Number of share options '000	Weighted average exercise price US\$
Granted during the year and at the end of the year	980	1.00
Exercisable at the end of the year	-	-

The options outstanding at the end of the year have a weighted average remaining contractual life of 9.56 years.

The estimated fair value of the options granted on 9 February 2011 was \$692,000. No option was granted in 2010.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 25 SHARE-BASED PAYMENTS (CONT'D)

The fair values for share options granted during the year were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	2011
Weighted average share price	\$1.00
Weighted average exercise price	Nil
Expected volatility	75%
Expected life	10 years
Risk free rate	2.44% to 3.37%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of comparable companies' share price over the previous 9 years.

The Group recognised total expenses of \$362,000 related to equity-settled share-based payment transactions during the year. This is included in the line item "administrative expenses" in profit or loss.

#### Verde Designs, Inc restricted stocks (the "Restricted stocks")

On 24 December 2010, the Company entered into an agreement to award a director of a subsidiary, 980,000 of ordinary share of Verde Designs, Inc ("restricted stocks") that shall vest and be exercisable depending on the achievement of pre-determined targets over an annual performance period from 30 June 2011 to 30 June 2013. The vesting will lapse and become null and void if the pre-determined targets are not achieved by the relevant conditions closing date.

Management is of the view that the pre-determined targets for financial year 2011 will not be met and no expense had been recorded.

### 26 REVENUE

	Group	Group
	2011	2010
	\$'000	\$'000
Sale of goods	18,231	19,486
Rendering of services	15,702	10,135
	<u>33,933</u>	<u>29,621</u>

### 27 OTHER OPERATING INCOME

	Group	Group
	2011	2010
	\$'000	\$'000
Gain on disposal of plant and equipment	114	-
Interest income	507	604
Rental income	351	284
Others	69	473
	<u>1,041</u>	<u>1,361</u>

### 28 FINANCE COSTS

	Group	Group
	2011	2010
	\$'000	\$'000
Interest expense to non-related companies:		
Bank loan	106	104
Finance leases	4	4
	<u>110</u>	<u>108</u>



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 29 INCOME TAX EXPENSE

	Group	
	2011 \$'000	2010 \$'000
Current income tax		
- Current	803	788
- Overprovision in respect of prior years	(22)	(58)
	<u>781</u>	<u>730</u>
Deferred tax		
- Current	(32)	57
- Underprovision in respect of prior years	167	-
	<u>916</u>	<u>787</u>

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2010: 17%) to profit before income tax as a result of the following differences:

	Group	
	2011 \$'000	2010 \$'000
Profit before tax	<u>1,975</u>	<u>4,745</u>
Tax at the domestic income tax rate of 17% (2010 : 17%)	336	807
Tax effect of:		
Expenses not deductible/(income not taxable) in determining taxable profit	42	(13)
Partial tax exemption and rebate	(36)	(26)
Under/(over) provision of current tax and deferred tax in respect of prior years	145	(58)
Deferred tax assets not recognised	633	111
Different tax rates of subsidiaries operating in other countries	(205)	6
Other items	1	(40)
	<u>916</u>	<u>787</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of \$3,681,000 (2010 : \$1,151,000) available for offset against future taxable income. No deferred tax asset has been recognised in respect of such losses, due to the unpredictability of future profit streams.

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

	2011 \$'000	2010 \$'000
Amount at beginning of year	1,151	708
Arising	<u>2,530</u>	<u>443</u>
Amount at end of year	<u>3,681</u>	<u>1,151</u>
Deferred tax benefit not recorded at the respective countries tax rate	<u>633</u>	<u>111</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 30 PROFIT FOR THE YEAR

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

	Group	
	2011	2010
	\$'000	\$'000
Employee benefits expense (including directors' remuneration)	10,251	8,073
Costs of defined contribution plans		
(included in employee benefits expense)	818	558
Director's remuneration	820	652
Directors' fees	150	150
Depreciation of property, plant and equipment	1,720	1,303
Amortisation of club membership	-	59
Amortisation of other intangible assets	215	-
Gain on disposal of property, plant and equipment	(114)	-
Gain on disposal of held-for-trading investments	-	(122)
Allowance for doubtful debts - net	10	3
Allowance/(reversal of allowance) for obsolete inventories	167	(5)
Foreign currency exchange loss - net	480	539
Gain on fair value of derivative financial instruments	(850)	-
Research and development costs	81	83
Share-based payments	362	-
Government grants	-	248
Non-audit fees		
paid to auditors of the Company	17	10
paid to other auditors	-	6
Cost of inventories recognised as expense	12,881	11,259

### 31 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Group	
	2011	2010
	\$'000	\$'000
Earnings for the purposes of basic and diluted earnings per share		
(profit for the year attributable to equity holders of the Company)	1,059	3,958
Weighted average number of ordinary shares for the purposes		
of basic and diluted earnings per share ('000)	344,975	345,220
Earnings per share (cents)	0.31	1.15

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 32 DIVIDENDS

- (i) Dividends declared and paid:

	<b>Group and Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Final one-tier tax exempt dividend of \$0.005 (2010 : \$0.005) per ordinary share of the Company in respect of the previous financial year	1,726	1,726
One-tier tax exempt special dividend of \$0.01 (2010: \$Nil) per ordinary share of the Company in respect of the previous financial year	2,589	-
First interim one-tier tax exempt dividend of \$0.0025 (2010 : \$0.0025) per ordinary share of the Company in respect of the financial year ended 30 June	863	863
<b>Total</b>	<b>5,178</b>	<b>2,589</b>

- (ii) Subsequent to the end of the reporting period, the directors propose that a final one-tier tax exempt dividend of \$0.0025 (2010 : \$0.0025) per ordinary share and one-tier tax exempt special dividend of \$Nil (2010 : \$0.01) 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 in accordance with FRS 10 - *Events After The Balance Sheet Date*. The proposed dividend is payable to all shareholders on the Register of Members on 24 November 2011. The total estimated dividend to be paid is \$861,000.

### 33 ACQUISITION OF BUSINESS AND ASSETS

#### (a) *Aplegen, Inc.*

On 9 February 2011, the Group acquired the business and assets of The Santa Barbara Instrument Group ("SBIG") through a newly incorporated subsidiary, Aplegen, Inc. ("Aplegen"). This transaction has been accounted for by the acquisition method of accounting. The details of consideration paid/payable are disclosed below.

SBIG is one of the leading global suppliers of high quality charged coupled device or charge coupled device cameras and instrumentation for the scientific community and supplies instruments to the life sciences market. The Group acquired the business and assets of SBIG with the primary reason to enhance its capabilities in the life sciences field.

#### Consideration transferred (at acquisition date fair values)

	<b>\$'000</b>
Cash	3,730
Future instalment payment	483
Contingent consideration arrangement <sup>(i)</sup>	1,055
<b>Total</b>	<b>5,268</b>

- <sup>(i)</sup> The contingent consideration includes an amount the Company is required to pay the vendors of an additional 3% of the net revenue received by Aplegen from the sale of cameras to customers during the first full thirty-six months after the closing date of the acquisition. This is estimated to approximate \$910,000.

The future instalment payment of \$483,000 and contingent consideration arrangement of \$631,000 is recorded as non-current liability (Note 21). The remaining contingent consideration arrangement of \$424,000 is recorded as current liability as it is due within 12 months from the end of the reporting period (Note 21).

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 33 ACQUISITION OF BUSINESS AND ASSETS (CONT'D)

Assets acquired and liabilities assumed at the date of acquisition:

	<b>\$'000</b>
<b>Current assets</b>	
Trade and other receivables	737
Inventories	1,427
<b>Non-current assets</b>	
Other intangible assets	2,838
Plant and equipment	18
<b>Current liabilities</b>	
Trade and other payables	(534)
<b>Net assets acquired and liabilities assumed</b>	<u>4,486</u>

Goodwill arising on acquisition

	<b>\$'000</b>
Consideration transferred	5,268
Less: Fair value of identifiable net assets acquired	(4,486)
Goodwill arising on acquisition	<u>782</u>

Goodwill arose in the acquisition of SBIG business and assets is attributable to the anticipated benefit of future operating synergies from the combination, revenue growth and future market development.

Net cash outflow on acquisition

	<b>\$'000</b>
Consideration paid in cash	3,730
Deferred consideration	1,538
Total consideration	<u>5,268</u>

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 33 ACQUISITION OF BUSINESS AND ASSETS (CONT'D)

#### (b) *Verde Designs LLC*

On 22 December 2010, the Group acquired the business and assets of Verde Designs LLC for cash consideration of US\$150,000 (approximately \$196,000) through a newly incorporated subsidiary, Verde Designs, Inc. ("Verde"). This transaction has been accounted for by the acquisition method of accounting.

	<b>\$'000</b>
Consideration transferred (at acquisition date fair values)	196

Assets acquired and liabilities assumed at the date of acquisition:

	<b>\$'000</b>
<b>Current assets</b>	
Inventories	28
<b>Non-current assets</b>	
Plant and equipment	20
<b>Net assets acquired</b>	48

Goodwill arising on acquisition

	<b>\$'000</b>
Consideration transferred	196
Less: Fair value of identifiable net assets acquired	(48)
Goodwill arising on acquisition	148

Goodwill arose in the acquisition of Verde business and assets is attributable to the anticipated benefit from penetration into the business of providing Light Emitting Diode ("LED") and high brightness LED lighting products and systems for the Solid State Lighting market.

Net cash outflow on acquisition

	<b>\$'000</b>
Consideration paid in cash	196

Impact of acquisition on the results of the Group

Included in the Group's profit for the year is losses of \$2,255,000 contributed by the additional business acquired by Aplegen and Verde. Revenue for the year contributed by Aplegen and Verde amounted \$2,693,000.

Had the business combinations during the year been effected at 1 July 2010, the Group's revenue and profit for the year would have been \$38,340,000 and \$1,049,000 respectively.

Acquisition-related costs amounting to \$147,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other operating expenses' line item in the statement of comprehensive income.



## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 34 OPERATING LEASE ARRANGEMENTS

#### (a) The Group and Company as lessee

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under operating leases recognised as an expense in the year	393	242	176	176

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

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Within one year	468	245	166	157
In the second to fifth year inclusive	887	682	644	629
After five years	4,840	4,744	4,840	4,744
Total	6,195	5,671	5,650	5,530

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 \$166,000 (2010: \$144,000) per annum are subject to annual revision.

#### (b) The Group and Company as lessor

	Group and Company	
	2011	2010
	\$'000	\$'000
Rental income under operating leases	351	284

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	
	2011	2010
	\$'000	\$'000
Within one year	57	345
In the second to fifth year inclusive	-	64

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

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 35 SEGMENT INFORMATION

The Group is primarily engaged in three main operating divisions namely, burn-in services, burn-in boards and boards manufacturing, engineering services and equipment distribution and imaging equipment and energy efficient products. Management monitors performance by the four 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.

#### Imaging equipment and energy efficient products (Imaging)

Imaging comprises of the businesses in life sciences systems and instrument industry, and energy efficient products-focused in the area of Light Emitting Diode and high brightness lighting products and systems.

#### (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.

#### (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 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.

# NOTES TO FINANCIAL STATEMENTS

30 June 2011

## 35 SEGMENT INFORMATION (CONT'D)

### Segment revenue and results

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

	Burn-in services		Manufacturing		Engineering		Imaging		Eliminations		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue</b>												
External revenue	13,799	11,341	11,017	12,600	6,436	5,680	2,681	-	-	-	33,933	29,621
Inter-segment revenue	-	-	-	-	-	-	11	-	(11)	-	-	-
<b>Total revenue</b>	<b>13,799</b>	<b>11,341</b>	<b>11,017</b>	<b>12,600</b>	<b>6,436</b>	<b>5,680</b>	<b>2,692</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>33,933</b>	<b>29,621</b>
<b>Segment results</b>												
Interest expense	5,382	3,973	(106)	590	(1,162)	(280)	(2,222)	-	-	-	1,892	4,283
Interest income											(110)	(108)
Rental income											507	604
Unallocated income											351	283
Unallocated expense											114	-
											(779)	(317)
Profit before income tax											1,975	4,745
Income tax expense											(916)	(787)
<b>Profit for the year</b>											<b>1,059</b>	<b>3,958</b>

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 35 SEGMENT INFORMATION (CONT'D)

#### Assets and liabilities and other segment information

	Burn-in Services		Manufacturing		Engineering		Imaging		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment Assets</b>										
Segment assets	12,057	18,787	6,409	5,775	7,559	2,052	6,557	-	32,582	26,614
Unallocated corporate assets									45,787	51,376
Total assets									<u>78,369</u>	<u>77,990</u>
<b>Segment Liabilities</b>										
Segment liabilities	992	2,055	972	2,449	1,736	817	6,100	-	9,800	5,321
Unallocated corporate liabilities									6,847	6,999
Total liabilities									<u>16,647</u>	<u>12,320</u>
<b>Other information</b>										
Additions to non-current assets	1,151	2,259	249	27	216	12	151	-	<u>1,767</u>	<u>2,298</u>
<b>Depreciation</b>										
Allocated	1,223	899	223	186	250	218	24	-	<u>1,720</u>	<u>1,303</u>

#### 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.

	2011 \$'000	2010 \$'000
<u>Revenue from external customers</u>		
Singapore	19,928	17,077
Malaysia	2,891	2,642
Philippines	185	453
USA	8,938	7,472
Others <sup>(1)</sup>	1,991	1,977
	<u>33,933</u>	<u>29,621</u>

<sup>(1)</sup> Includes Germany, Thailand, Taiwan and China.

## NOTES TO FINANCIAL STATEMENTS

30 June 2011

### 35 SEGMENT INFORMATION (CONT'D)

	2011 \$'000	2010 \$'000
<u>Carrying amount of non-current assets</u>		
Singapore	18,790	15,127
USA	3,542	-
China	239	403
	<u>22,571</u>	<u>15,530</u>

#### Information about major customers

Included in revenues of \$33,933,000 (2010 : \$29,621,000) are revenues of approximately \$12,932,000 (2010 : \$10,749,000) which arose from one of the customers under the burn-in services segment. This accounts for 38% or more of the Group's revenue.

## STATISTICS OF SHAREHOLDINGS

As at 28 September 2011

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1	0.08	227	0.00
1,000 - 10,000	501	40.70	2,591,915	0.75
10,001 - 1,000,000	678	55.08	58,548,958	17.01
1,000,001 and above	51	4.14	283,098,996	82.24
<b>Total</b>	<b>1,231</b>	<b>100.00</b>	<b>344,240,096*</b>	<b>100.00</b>

\* Excluding treasury shares

### TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	LIM ENG HONG	62,118,350**	18.05
2.	LOH ZEE LAN NANCY	20,590,000	5.98
3.	UNITED OVERSEAS BANK NOMINEES PTE LTD	18,229,000	5.30
4.	DMG & PARTNERS SECURITIES PTE LTD	13,690,046	3.98
5.	EVIA GROWTH OPPORTUNITIES LTD	12,102,234	3.52
6.	AVENTURES 1 PTE LTD	10,650,000	3.09
7.	PROVIDENCE INVESTMENTS PTE LTD	8,165,000	2.37
8.	FONG CHING LOON	7,200,000	2.09
9.	SOESANTO LEO	7,197,000	2.09
10.	CITIBANK NOMINEES SINGAPORE PTE LTD	7,016,000	2.04
11.	HSBC (SINGAPORE) NOMINEES PTE LTD	6,988,865	2.03
12.	ESTATE OF NG YONG HOCK, DECEASED	6,828,000	1.98
13.	TSIA HAH TONG	6,606,500	1.92
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	1.51
18.	LIM AI KENG	5,174,000	1.50
19.	DBS NOMINEES PTE LTD	4,692,500	1.36
20.	KWOK WAI SAN	4,481,000	1.30
<b>TOTAL</b>		<b>223,725,495</b>	<b>64.99</b>

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



## STATISTICS OF SHAREHOLDINGS

As at 28 September 2011

### SUBSTANTIAL SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Lim Eng Hong	79,638,350	23.13	26,390,000	7.67
Loh Zee Lan Nancy	20,590,000	5.98	-	-

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

Approximately 67.4% 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: 6,160,000

Percentage of treasury shares held against total number of issued shares (excluding treasury shares): 1.8%

## 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 27 October 2011 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 2011 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.  
  
 Goh Chung Meng **(Resolution 2)**  
 Wilfred Teo Chu Khiong **(Resolution 3)**  
  
 Goh Chung Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and Nominating Committee and member of the Audit Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”).
3. To approve the payment of Directors’ fees of S\$150,000 for the year ended 30 June 2011. (FY10 : S\$150,000) **(Resolution 4)**
4. To approve the final one-tier tax exempt dividend of 0.25 cent per ordinary share for the year ended 30 June 2011. **(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),

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

## NOTICE OF ANNUAL GENERAL MEETING

- (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 share 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 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 a 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”);

- (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;

## NOTICE OF ANNUAL GENERAL MEETING

- (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  
12 October 2011

## 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. With the exception of members holding shares through nominee companies, who may each appoint more than two proxies, 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 23 August 2011 that the Transfer Books and Register of Members of the Company will be closed on 10 November 2011 for the preparation of dividend warrants in respect of the one-tier tax exempt final dividend to be proposed at the Annual General Meeting of the Company to be held on 27 October 2011.

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 2011 will be registered to determine shareholders' entitlements to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 9 November 2011 will be entitled to the proposed final dividend.

The proposed dividend, if approved at the Annual General Meeting, will be paid on 24 November 2011.



# PROXY FORM

## 2011 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 27 October 2011 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 direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

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

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' and Auditors' Reports and Audited Accounts		
2	Re-election of Mr. Goh Chung Meng as a Director		
3	Re-election of Mr. Wilfred Teo Chu Khiong as a Director		
4	Approval of Directors' Fees		
5	Approval of proposed Final Dividend		
6	Re-appointment of Messrs. Deloitte & Touche LLP as Auditors		
7	General Mandate to Directors to issue Shares		
8	Mandate to Directors to issue Scheme Shares		
9	Proposed Renewal of Share Buyback Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

\_\_\_\_\_  
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. With the exception of members holding shares through nominee companies, who may each appoint more than two proxies, 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/her 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