



## AVI-TECH ELECTRONICS LIMITED

(Incorporated in Singapore on 31 December 1981)  
(Company Registration No. 198105976H)

PROSPECTUS DATED 11 JULY 2007

(Registered by the Monetary Authority of Singapore on 11 July 2007)

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.**

We have made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares ("Shares") in the capital of Avi-Tech Electronics Limited (our "Company") already issued as well as the new Shares (the "New Shares") which are the subject of the Invitation (as defined herein) and the new Shares (the "Option Shares") which may be issued upon the exercise of options to be granted under the Avi-Tech Employee Share Option Scheme (the "ESOS" or "Scheme"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST.

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in, and for quotation of, all our existing issued Shares, the New Shares as well as the Option Shares. If completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, moneys paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claims against us, the Manager, the Placement Agent or the Underwriter.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiary, our Shares, the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the merits of our existing Shares, the New Shares or the Option Shares, as the case may be, being offered or in respect of which an Invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

**Investing in our Shares involves risks which are described in the Section "RISK FACTORS" of this Prospectus. No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.**



## INVESTMENT HIGHLIGHTS

- Over 20-year track record as one of the region's leading providers of total Burn-In Solutions.
- Established long term close working relationships with key global semiconductor customers such as Infineon Technologies Asia Pacific Pte Ltd and Advanced Micro Devices (Singapore) Pte Ltd ("AMD").
- Strong brand equity with numerous awards such the prestigious Singapore Quality Class award and the Enterprise 50 Award (Ranking: 1st in 1999).
- Well-positioned to capitalise on increasing demand for Burn-In solutions driven by expected continual rise in demand for semiconductor devices use in automotive





products and microprocessors, continued outsourcing of Burn-In services and increased complexity of semiconductors.

- Proposed dividend of not less than 20% of net profit attributable to shareholders for FY2007 and FY2008<sup>1</sup>.
- Healthy gross profit margin and strong order book of more than S\$14.35 million as at the Latest Practicable Date.

<sup>1</sup> The actual dividend declared in respect of any particular financial year or period will be subject to factors outlined in the Prospectus under "Dividend Policy". Investors should note that the above statement is merely a statement of our present intention and shall not constitute a legally binding statement of our future dividends.



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## Well-positioned

to capitalise on growing demand for Burn-In solutions driven by continual increase in demand for semiconductor devices use in automotive products, and microprocessors used in desktops, notebooks and servers and industrial electronics



Invitation in respect of 88,000,000 New Shares as follows:-

- (a) 3,000,000 Offer Shares at S\$0.33 for each Offer Share by way of public offer; and
- (b) 85,000,000 Placement Shares by way of placement, comprising:-
  - (i) 76,000,000 Placement Shares at S\$0.33 for each Placement Share by way of Placement Shares Application Forms;
  - (ii) 200,000 Internet Placement Shares at S\$0.33 for each Internet Placement Share for applications made through the IPO website [www.ePublicOffer.com](http://www.ePublicOffer.com); and
  - (iii) 8,800,000 Reserved Shares at S\$0.33 for each Reserved Share reserved for our Non-Executive Directors, employees, suppliers, business associates and those who have contributed to the success of our Group, payable in full on application.

**Manager**

**WESTCOMB**  
FINANCIAL GROUP

WESTCOMB CAPITAL PTE LTD

**Placement Agent and Underwriter**

Westcomb Securities Pte Ltd



# ABOUT US

Incorporated in Singapore in 1981, Avi-Tech Electronics Limited is one of the region’s leading “one-stop” total Burn-In solutions provider to the semiconductor industry.



## OUR CORE BUSINESS

Our principal business activities involve the provision of the following:

### Burn-In and Related Services

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

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

- Design, manufacture and assembly of Burn-In and Electronic Boards



### Engineering Services and Equipment Distribution

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

## OUR AWARDS & ACHIEVEMENTS

As a testament to our brand equity and achievement of business excellence and Quality Assurance (“QA”), we have received numerous awards:

- Singapore Quality Class (“SQC”) awarded by SPRING Singapore in 1998 and subsequent renewals for the award in 2001, 2003 and 2005
- Enterprise 50 (“E-50”) award supported by the Economic Development Board of Singapore in 1999 (Ranking: 1st), 1998 (Ranking: 31st) and 1997 (Ranking: 41st)
- Customers appreciation awards
- ISO 9001 and ISO 14001 certifications



## OUR MAJOR CUSTOMERS

Our major customers are key players in the global semiconductor business:

- Infineon Technologies Asia Pacific Pte Ltd
- Advanced Micro Devices (Singapore) Pte Ltd
- Unisys Corporation
- Singway Corporation
- Dialog Semiconductor GMBH







## OUR MARKET PRESENCE

Headquartered in Singapore with a total staff strength of 296 as at the Latest Practicable Date, we have production facilities in Singapore. We have global clientele located in Singapore, Taiwan, Malaysia, PRC, USA, Europe, Thailand and the Philippines.



“one-stop”

total Burn-In solutions provider  
to the semiconductor industry

## OUR PRODUCTION FACILITIES AND CAPABILITIES

Our Singapore production facility has a total built up area of approximately 12,000 sq. m. and we occupy approximately 10,000 sq. m. as at the Latest Practicable Date.

Currently, our Singapore facility has 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 operate 24 hours daily seven days per week on four shifts and we also offer round the clock delivery and collection services to our customers.

## OUR COMPETITIVE STRENGTHS

### Proven strong track record with customer centric business processes

- Over 20 years track record as one of the region's leading providers of total Burn-In solutions.

### Long-term close working relationship with customers

- Established close working relationships with major customers who are key players in the global semiconductor business.
- Repeat customers testifying to the confidence and synergistic long term partnerships forged.

### Awards testifying to our brand equity

- Received numerous awards and certifications testifying to our commitment towards business excellence and QA including SQC award, E-50 award and customer appreciation awards.

### Highly qualified and experienced management, engineering and sales teams

- Our management team, supported by our engineering and sales teams, is familiar with our business and understands our customers' needs and preferences.

- Our CEO, Mr Lim Eng Hong, has more than 35 years of experience in the semiconductor industry and most of our management team has more than 20 years of related industrial experience.

### Provision of cost-effective 'one-stop' total Burn-In solutions to our customers

- Excellent technical infrastructure, coupled with a team of experienced engineers, provides one-stop, cost effective total Burn-In solutions which reduces our customers' need to engage multiple suppliers.

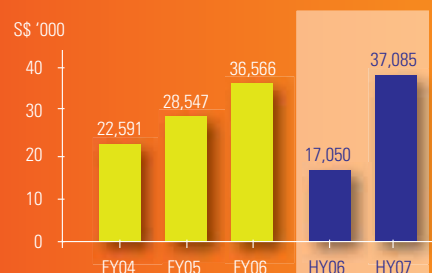
### A niche position in the industry as a provider of system integration services for High Power Burn-In Systems

- We have established working relationships with technology partners that have strong track records and who occupy niche positions in the semiconductor industry with their superior thermal design capabilities for High Power Burn-In Systems.

## OUR FINANCIAL PERFORMANCE

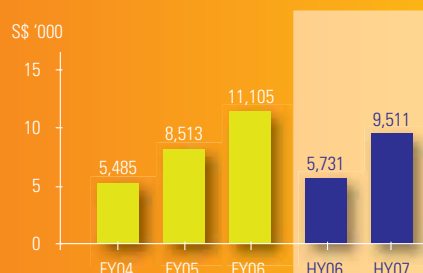
### Revenue

For year ended 30 June



### Profit Before Tax

For year ended 30 June



## OUR ORDER BOOKS

As at the Latest Practicable Date, our order books amounts to approximately S\$14.35 million, including \$611,000 from Design and Manufacture of Burn-In Boards and Board Related Products, \$13.57 million from Engineering Services and \$173,000 from Equipment Distribution.

## OUR GROWTH PROSPECTS

We believe we will continue to enjoy growth in the foreseeable future because of the following:

### Expected continual increase in demand for more electronic devices

- Expected increased use of semiconductor devices especially in automotive products and microprocessors used in desktops, notebooks and servers and industrial electronics.

### Continued outsourcing of Burn-In services

- Semiconductor manufacturers are increasingly outsourcing Burn-In services to third party Burn-In and testing companies to reduce high capital investment and to lower unit manufacturing costs.

### Increased complexity of semiconductors

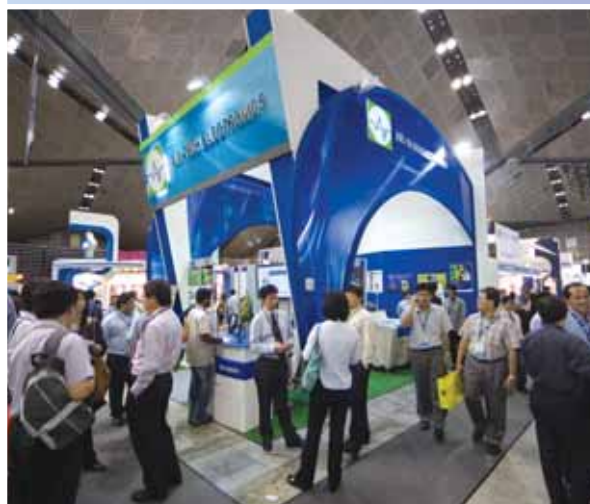
- Development of more complex semiconductors will create opportunities for our Burn-In services.
- Our engineering services will also benefit from the higher demand for High Power Burn-In function Systems which we occupy a niche position as a service provider of such high Power Burn-In Systems.

## IMPORTANT DATES FOR INVESTORS

Public offer opens on Thursday, 12 July 2007 at 2.00 p.m.

Public offer closes on Monday, 23 July 2007 at 12.00 noon

Commence trading on a "ready" basis on Wednesday, 25 July 2007 at 9.00 a.m.



## OUR FUTURE PLANS

We have the following future plans:

### Strengthen market position and expand customer base

- Strengthen market position by being responsive to customer needs and offer cost-effective solutions, through higher productivity resulting from innovation and economies of scale.
- Widen our customer-base to cover a diversified range of markets.

### Widen our operational and technical capabilities in respect of products and services

- Develop capabilities in new technologies and expanding current portfolio to offer a wider range of products and services
- Expand our local operations by pursuing activities related to our products and services as well as non-core outsourced processes.

### Enhance competitiveness

- Explore more synergistic and strategic alliances, collaborative partnerships, joint ventures and more projects with new technology partners from abroad.

### Expansion of overseas operations

- Set up new overseas facilities depending on our customer needs.
- Plan to set up Burn-In facilities in the PRC (Suzhou) for more specialised semiconductors.



*This overview section is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus (including but not limited to the section "Risk Factors"). Words and expressions not defined herein have the same meaning as the main body of the Prospectus, unless the context otherwise requires.*

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## CORPORATE INFORMATION

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<b>Board of Directors</b>	:	Khor Thiam Beng (Non-Executive Chairman) Lim Eng Hong (Chief Executive Officer) Wong Wee Lim, William (Chief Financial Officer) Goh Chung Meng (Independent Director) Michael Grenville Gray (Independent Director)
<b>Company Secretary</b>	:	Adrian Chan Pengee, LLB (Hons)
<b>Registered Office and Principal Place of Business</b>	:	19A Serangoon North Avenue 5 Singapore 554859
<b>Company Registration Number</b>	:	198105976H
<b>Share Registrar and Share Transfer Office</b>	:	Lim Associates (Pte) Ltd 3 Church Street #08-01 Samsung Hub Singapore 049483
<b>Manager</b>	:	Westcomb Capital Pte Ltd 5 Shenton Way #09-07 UIC Building Singapore 068808
<b>Placement Agent and Underwriter</b>	:	Westcomb Securities Pte Ltd 5 Shenton Way #09-08 UIC Building Singapore 068808
<b>Auditors of our Company</b>	:	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
<b>Solicitors to the Invitation</b>	:	Lee & Lee 168 Robinson Road #25-01 Capital Tower Singapore 068912
<b>Principal Bankers</b>	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624  Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513
<b>Receiving Banker</b>	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513

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## DEFINITIONS

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For the purpose of this Prospectus and the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the relevant screens of the ATMs, the relevant pages of the IB websites or the relevant pages of the IPO website, the following definitions have, where appropriate, been used:-

### Companies/Entities Within Our Group

- “Avi-Tech” or “Company”* : Avi-Tech Electronics Limited. The terms “we”, “our”, “our Company” or “us” have correlative meanings
- “Avi-Tech Suzhou”* : Avi-Tech Electronics (Suzhou) Co. Ltd
- “Group”* : Our Company and our subsidiary as at the date of this Prospectus, treated for the purpose of this Prospectus as if the group structure had been in existence since 1 July 2003

### Other Organisations and Agencies

- “Apex”* : Apex Management Consulting Services Pte Ltd
- “Authority”* : Monetary Authority of Singapore
- “CDP” or “Depository”* : The Central Depository (Pte) Limited
- “CPF”* : The Central Provident Fund
- “SCCS”* : Securities Clearing & Computer Services (Pte) Ltd
- “SGX-ST”* : Singapore Exchange Securities Trading Limited
- “Westcomb Capital” or “Manager”* : Westcomb Capital Pte Ltd
- “Underwriter” or “Placement Agent”* : Westcomb Securities Pte Ltd

### General

- “Act” or “Companies Act”* : The Companies Act (Chapter 50) Singapore
- “Application Forms”* : The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
- “Application List”* : The list of applications for subscription of the New Shares
- “associate”* : (a) in relation to an entity, means:-
- (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or
  - (ii) in any other case:-
    - (A) a director or an equivalent person;
    - (B) where the entity is a corporation, a controlling shareholder of the entity;
    - (C) where the entity is not a corporation, a controlling interest-holder of the entity;



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## DEFINITIONS

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(D) a subsidiary, a subsidiary entity, an associated company, or an associated entity; or

(E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be,

of the entity; and

(b) in relation to an individual, means:-

(i) his immediate family;

(ii) a trustee of any trust of which the individual or any member of the individual's immediate family is:-

(A) a beneficiary; or

(B) where the trust is a discretionary trust, a discretionary object,

when the trustee acts in that capacity; or

(iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares

<i>"ATM"</i>	:	Automated teller machine of a Participating Bank
<i>"ATM Application"</i>	:	Application for New Shares made through an ATM in accordance with the terms and conditions of this Prospectus
<i>"Audit Committee"</i>	:	The audit committee of our Company
<i>"CEO"</i>	:	Chief Executive Officer
<i>"CFO"</i>	:	Chief Financial Officer
<i>"Companies Act"</i>	:	The Companies Act (Chapter 50) of Singapore
<i>"Companies (Amendment) Act 2005"</i>	:	The Companies (Amendment) Act 2005 of Singapore
<i>"Controlling Shareholder"</i>	:	in relation to a corporation and in the context of the Listing Manual, refers to a person who:-  (a) holds directly or indirectly 15.0% or more of the total votes attached to all voting shares in a company (unless the SGX-ST determines that a person who satisfies this sub-paragraph is not a controlling shareholder); or

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## DEFINITIONS

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	(b)	in fact exercises control (being the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies) over a company
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus
<i>"Electronic Application"</i>	:	An ATM application, IB Application or Internet Placement Application
<i>"EPS"</i>	:	Earnings per Share
<i>"ESOS" or "Scheme"</i>	:	The employee share option scheme adopted by our Company and as described in the Section "Avi-Tech Employee Share Option Scheme" of this Prospectus
<i>"Executive Directors"</i>	:	The executive Directors of our Company as at the date of this Prospectus
<i>"Executive Officers"</i>	:	Unless otherwise stated, the management team of our Group (excluding our Directors) as at the date of this Prospectus, including our key executives who make or participate in making decisions that affect the whole or a substantial part of our business or have the capacity to make decisions which significantly affect our financial standing
<i>"FY"</i>	:	Financial year ended or ending 30 June
<i>"HY"</i>	:	Half year ended 31 December
<i>"IB"</i>	:	Internet banking
<i>"IB Application"</i>	:	Application for New Shares made through an IB website, in accordance with the terms and conditions of this Prospectus
<i>"IB website"</i>	:	An Internet banking website of a Participating Bank
<i>"Independent Directors"</i>	:	The independent Directors of our Company as at the date of this Prospectus
<i>"Internet Placement"</i>	:	The placement of the Internet Placement Shares at the Issue Price for applications through the IPO website pursuant to the Placement
<i>"Internet Placement Application"</i>	:	Application by Qualifying User for the Internet Placement Shares through the IPO website, in accordance with the terms and conditions of this Prospectus
<i>"Internet Placement Shares"</i>	:	The 200,000 Placement Shares to be placed through the IPO website, in accordance with the terms and condition of this Prospectus
<i>"Invitation"</i>	:	The invitation to the public in Singapore for the subscription of the New Shares at the Issue Price, subject to and on the terms and conditions set out in this Prospectus

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## DEFINITIONS

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<i>"IPO website"</i>	:	The Internet website of the IPO Website Operator, <a href="http://www.ePublicOffer.com">www.ePublicOffer.com</a>
<i>"IPO Website Operator"</i>	:	Westcomb Securities Pte Ltd
<i>"Issue Price"</i>	:	S\$0.33 for each New Share
<i>"Latest Practicable Date"</i>	:	20 May 2007, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>"Listing Manual"</i>	:	Listing manual of the SGX-ST
<i>"Market Day"</i>	:	A day on which the SGX-ST is open for trading in securities
<i>"NAV"</i>	:	Net asset value
<i>"New Shares"</i>	:	The 88,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions set out in this Prospectus
<i>"Nominating Committee"</i>	:	The nominating committee of our Company
<i>"Non-Executive Director(s)"</i>	:	The non-executive Director(s) of our Company as at the date of this Prospectus
<i>"Offer"</i>	:	The offer by our Company to the public in Singapore for subscription of the Offer Shares at the Issue Price, subject to and on the terms and conditions set out in this Prospectus
<i>"Offer Shares"</i>	:	The 3,000,000 New Shares, which are the subject of the Offer
<i>"Option Shares"</i>	:	The new Shares which may be issued pursuant to the exercise of the options granted pursuant to the ESOS
<i>"Participating Banks"</i>	:	DBS Bank Ltd (including POSB) ("DBS Bank"), Oversea-Chinese Banking Corporation Limited ("OCBC"), and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited ("UOB Group")
<i>"PER"</i>	:	Price earnings ratio
<i>"Placement"</i>	:	The placement by the Placement Agent on behalf of our Company of the Placement Shares for subscription at the Issue Price, subject to and on the terms and conditions set out in this Prospectus
<i>"Placement Shares"</i>	:	The 85,000,000 New Shares (including the Reserved Shares and the Internet Placement Shares), which are the subject of the Placement
<i>"PRC"</i>	:	People's Republic of China, excluding Macau and Hong Kong for the purposes of this Prospectus and for geographical reference only



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## DEFINITIONS

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<i>“Qualifying User”</i>	:	Any member of the public (being an individual) in Singapore who has registered for and holds a valid membership account with the IPO website, subject to and on the terms and conditions for membership and use of the IPO website
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company
<i>“Reserved Shares”</i>	:	The 8,800,000 Placement Shares reserved for our Non-Executive Directors, employees, suppliers, business associates and those who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The restructuring exercise undertaken by us prior to the Invitation, as described in the section “Shareholders – Restructuring Exercise”
<i>“Securities Account”</i>	:	The securities account maintained by a depositor with CDP
<i>“Securities and Futures Act”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore
<i>“Service Agreements”</i>	:	The service agreements entered into between our Company and our Executive Directors, as described in the Section “Directors, Management and Employees – Service Agreements” of this Prospectus
<i>“Share Split”</i>	:	The sub-division of one Share each into 71 Shares
<i>“Shares”</i>	:	Ordinary shares in the capital of our Company
<i>“Shareholders”</i>	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Account are credited with the Shares
<i>“Substantial Shareholder”</i>	:	A person who has an interest(s) in one or more voting shares in a company and the total votes attached to such share(s), is not less than five per cent. of the total votes attached to all the voting shares in a company
<i>“United States”, “US” or “USA”</i>	:	United States of America

### Currencies and Units of Measurement

<i>“%” or “per cent.”</i>	:	Percentage or per centum
<i>“sq. m.”</i>	:	Square metre
<i>“\$” or “S\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“US\$”</i>	:	United States dollars
<i>“RMB”</i>	:	Renminbi

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “entity” shall have the same meaning ascribed to it in Section 2 of the Securities and Futures Act.

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## DEFINITIONS

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The terms “associated entity”, “controlling interest-holder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms and Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act or any statutory modification thereof, as the case may be.

Any reference in this Prospectus, the Application Forms and Electronic Applications to Shares being allotted to you includes allotment to your CDP account.

Any reference to a time of day in this Prospectus, the Application Forms and Electronic Applications shall be a reference to Singapore time unless otherwise stated.

Any reference to “our”, “us” and “we” or other grammatical variations thereof in this Prospectus shall, unless otherwise stated, mean our Company, our Group or any member of our Group as the context requires.

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## GLOSSARY OF TECHNICAL TERMS

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To facilitate a better understanding of our business, the following glossary provides a description of some of the technical terms and abbreviations which are used in this Prospectus. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms:-

<i>"Burn-In"</i>	:	An electrical stress test that employs voltage and temperature to accelerate the electrical failure of a device. A Burn-In test process can involve Dynamic Burn-In, Static Burn-In and TDBI (as defined below). Burn-In essentially simulates the operating life of the device, since the electrical excitation applied during Burn-In may mirror the worst-case bias that the device will be subjected to in the course of its useable life. Burn-In may be used as a reliability monitor or as a production screen to weed out potential infant mortality failures
<i>"Burn-In Board"</i>	:	A PCB with sockets mounted to perform Burn-In for semiconductor devices. The Burn-In Board is able to withstand long hours of operations under extreme temperatures
<i>"Burn-In System"</i>	:	A system comprising electronic circuits that are packaged in a discrete form to perform stress-testing of semiconductor devices and comprises a chamber that holds Burn-In Boards and subjects the Burn-In Boards to extreme temperatures and for long hours with the required signals and voltages
<i>"capacitors"</i>	:	Widely used to store energy and discharge it when needed
<i>"de-ionized water"</i>	:	Water that has charged particles removed. Water needs to be de-ionized to prevent such particles from being left on the assembled PCB after washing, which may cause electrical short-circuit
<i>"DUT"</i>	:	Device Under Test
<i>"Dynamic Burn-In"</i>	:	When the DUT is exercised, the Burn-In is referred to as Dynamic Burn-In. The exercise can be dynamic activity (clock signals of various frequencies) or functional exercise (signals that simulate actual use)
<i>"HAST"</i>	:	Highly Accelerated Temperature/Humidity Stress Test, a stress test that is performed to basically accelerate corrosion, particularly that of the die metal lines and thin film resistors
<i>"High Power Burn-In Systems"</i>	:	Burn-In Systems that control the temperatures of each DUT individually and can make very rapid and wide increases or decreases in temperature (as compared with the gradual increases and decreases in temperature of a normal Burn-In System)
<i>"HTOL"</i>	:	High Temperature Operating Life Test, a test that is performed to determine the reliability of devices under operation at high temperature conditions over an extended period of time. It consists of subjecting the parts to a specified bias or electrical stressing, for a specified amount of time, and at a specified high temperature
<i>"IC"</i>	:	Integrated circuit, a semiconductor device fabricated on a wafer, which is a large and thin circular base material made of silicon. An IC consists of thousands or millions of tiny resistors, capacitors, diodes and transistors combined into a system to perform multiple functions



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## GLOSSARY OF TECHNICAL TERMS

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<i>"IC Scanner"</i>	:	Equipment used to inspect or measure the dimensions of ball/lead type chip or discrete device with its housing attached, which electrically interconnects the chip with outside circuitry
<i>"Microprocessor"</i>	:	A central processing unit fabricated on one or more chips, containing the basic arithmetic, logic, and control elements of a computer that are required for processing data
<i>"Mixed Signal Tester"</i>	:	Test equipment used in semiconductor testing for telecommunications, imaging, radio frequency and automotive devices
<i>"PCB"</i>	:	Printed Circuit Board, a board of insulating material in which electronic circuits are printed in different layers of copper by the application of photographic, chemical and electroplating processes
<i>"QA"</i>	:	Quality Assurance
<i>"semiconductor"</i>	:	The basic building block of an electronic device. It is made from material that is neither electrically conductive nor insulative, such as silicon, gallium arsenide and germanium. Such materials possess selective conductivity characteristics which make them useful as electronics material
<i>"SPRING Singapore"</i>	:	Standards, Productivity and Innovation Board
<i>"Static Burn-In"</i>	:	A fundamental Burn-In process in which semiconductor devices are electrically stressed with direct current power supply at high temperatures in a chamber for an extended period of time
<i>"socket"</i>	:	A receptacle into which a packaged IC is inserted to form a temporary electrical interconnection between the IC and external circuitry
<i>"solder"</i>	:	An alloy of tin and other metals. It is used to form physical and electrical bonds between electronic components/sockets and the PCB
<i>"Tape and Reel"</i>	:	Tape and reel equipment, the equipment used in packing and sealing finished products into individual pockets of a carrier tape, and in rolling this tape onto a reel. Taping and reeling is an alternative packaging process for small surface mount devices that are impractical to ship in tubes
<i>"TDBI"</i>	:	Test During Burn-In applies functional input patterns and monitors the outputs of the DUTs for correct functional response. This method identifies the precise time and conditions of any failures. Generally, TDBI systems are more costly and demand more programming time. TDBI signal timing must be precise and monitoring strobes must be carefully placed to capture the response
<i>"Test Handlers"</i>	:	Mass production electrical testing can only be possible by attaching a test handler to an automatic test equipment (an "ATE"). A test handler refers to the equipment used in presenting the unit to be tested to the test site of the ATE, allowing the ATE to test the unit. After testing, the handler puts the unit to the appropriate output locations based on the ATE test results
<i>"turnkey"</i>	:	A type of outsourcing method which encompass complete handling of project from procurement to full assembly
<i>"Wafer Prober"</i>	:	Equipment used to transfer the wafer to a probe card

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “forecast”, “if”, “possible”, “probable”, “project”, “should” and “could” or similar words and phrases. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the business strategy, plans and prospects of our Group and future prospects of the industry that we are in are forward-looking statements.

These forward-looking statements, including without limitation, statements as to our revenue and profitability, expected growth in demand, prospects and business strategies, other expected industry trends and matters discussed in this Prospectus regarding matters that are not historical fact, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risk factors and uncertainties include, amongst others:-

- (i) changes in political, social and economic conditions and the regulatory environment of Singapore and other countries in which we conduct business;
- (ii) changes in currency exchange rates;
- (iii) our anticipated growth strategies and expected internal growth;
- (iv) changes in prices and fees for our products and services;
- (v) changes in the availability and prices of products and services we need to operate our business;
- (vi) changes in customer preferences;
- (vii) changes in competitive conditions and our ability to compete under these conditions;
- (viii) changes in our future capital needs and the availability of financing and capital to fund these needs;
- (ix) factors described under the Section “Risk Factors” of this Prospectus; and
- (x) other factors beyond our control.

Given the risks and uncertainties that may cause our Group’s actual future results, performance or achievements to be materially different from that expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on those statements. Neither our Company, the Manager, the Placement Agent and Underwriter nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Our Company, the Manager, the Placement Agent and Underwriter disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the Listing Manual regarding corporate disclosure and the requirements of the Securities and Futures Act. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance has arisen since the Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

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## **SELLING RESTRICTIONS**

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This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such an offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such an offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the lodgement and registration of this Prospectus in Singapore in order to permit a public offering of the New Shares and the public distribution of this Prospectus in Singapore. We have not lodged or registered this Prospectus in any other jurisdiction. The distribution of this Prospectus and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Manager, the Placement Agent and Underwriter to inform themselves about, and to observe and comply with, any such restrictions.



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## DETAILS OF THE INVITATION

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### LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued, the New Shares which are the subject of the Invitation as well as the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Our acceptance of applications will be conditional upon, *inter alia*, the SGX-ST granting permission to deal in, and for quotation for all our existing issued Shares, the New Shares as well as the Option Shares. If completion of the Invitation does not take effect because the SGX-ST's permission is not granted or for any other reasons, moneys paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against our Company, the Manager or the Placement Agent and Underwriter.

The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiary, our Shares, the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the merits of our Shares, the New Shares or the Option Shares, as the case may be, being offered or in respect of which an Invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

No shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of all the information given in this Prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge, information and belief, the facts contained in this Prospectus are true and accurate and not misleading in all material aspects, and that all expressions of opinion, intention and expectation contained herein are honestly held and made after due and careful consideration, and that this Prospectus constitutes full and true disclosure of all material facts as at the date of this Prospectus about the Invitation, our Group, our Shares, the New Shares or the Option Shares and there are no other material facts the omission of which would make any statement in this Prospectus misleading.

We have not authorised any person to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, our Directors, the Manager or the Placement Agent and Underwriter. Neither the delivery of this Prospectus and the Application Forms nor any documents relating to the Offer or the Placement, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the Latest Practicable Date. Where material changes occur, our Company may make an announcement of the same to the SGX-ST and the public, and if required, lodge a supplementary or replacement prospectus pursuant to Section 241 of the Securities and Futures Act and take immediate steps to comply with the requirements of Section 241 of the Securities and Futures Act. You should take note of any such announcement or supplementary or replacement prospectus and, upon release of such announcement or supplementary or replacement prospectus, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

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## DETAILS OF THE INVITATION

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Where prior to the lodgement of the supplementary or replacement prospectus, you have made applications under this Prospectus to subscribe for the New Shares, and:-

- (a) where the New Shares have not been issued to you, our Company shall either:-
  - (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to withdraw your applications; or
  - (ii) treat your applications as withdrawn and cancelled, in which case your applications shall be deemed to have been withdrawn and cancelled, and our Company shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, return to you at your own risk all moneys paid in respect of your applications, without interest or any share of revenue or other benefits arising therefrom; or
- (b) where the New Shares have been issued to you, our Company shall either:-
  - (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give you the supplementary or replacement prospectus, as the case may be, and provide you with an option to return to our Company the New Shares, which you do not wish to retain title in; or
  - (ii) treat the issue of the New Shares as void, in which case the issue shall be deemed void and our Company shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, return all moneys paid in respect of your application to you at your own risk, without interest or any share of revenue or other benefit arising therefrom.

If you wish to exercise your option under paragraph (a)(i) to withdraw your application, you shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this, whereupon we shall within seven days from the receipt of such notification, return to you all moneys paid in respect of your application, without interest or any share of revenue or other benefits arising therefrom, at your own risk.

If you wish to exercise your option under paragraph (b)(i) to return our New Shares issued to you, you shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those New Shares, to our Company, whereupon we shall, within seven days from the receipt of such notification and documents, if any, return to you all moneys paid in respect of your application, without interest or any share of revenue or other benefit arising therefrom, at your own risk, and the issue of those Shares shall be deemed to be void.

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order ("stop order") to our Company, directing that no Shares or no further Shares to which this Prospectus relates, be allotted or issued. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the Securities and Futures Act, (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act or (iv) if the Authority is of the opinion that it is in the public interest to do so.

Where the Authority issues a stop order pursuant to the Securities and Futures Act and you have made applications to subscribe for the New Shares to which this Prospectus relates prior to the stop order, and:-

- (a) where the New Shares have not been issued to you, your applications shall be deemed to have been withdrawn and cancelled and our Company shall, within 14 days from the date of the stop order, pay to you all moneys you have paid on account of your applications for the New Shares; or

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## DETAILS OF THE INVITATION

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- (b) where the New Shares have been issued to you, the issue of the New Shares shall be deemed to be void and our Company shall, within 14 days from the date of the stop order, pay to you all moneys paid by you for the New Shares.

Where moneys are to be returned to you for the New Shares, it shall be paid to you without interest or any share of revenue or other benefit arising therefrom, and at your own risk, and you will not have any claim against our Company, the Manager or the Placement Agent and Underwriter.

Neither our Company, the Manager, the Placement Agent and Underwriter or any parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Investors should be aware that they may be required to bear the financial risk of an investment in our Shares for an indefinite period of time. You, as a prospective investor should consult your own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

The New Shares are offered for subscription solely on the basis of the information contained and the representations made in this Prospectus.

This Prospectus has been prepared solely for the purpose of the Invitation and may only be relied upon by you in connection with your application for the New Shares and may not be relied upon by any other person or for any other purpose. **This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unauthorised or unlawful nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such an offer, solicitation or invitation.**

Copies of this Prospectus and the Application Forms may be obtained on request, during normal business hours, subject to availability, from:-

**Westcomb Securities Pte Ltd  
5 Shenton Way #09-08  
UIC Building  
Singapore 068808**

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on:-

- (i) the SGX-ST website at <http://www.sgx.com>; and
- (ii) the Authority's website at <http://www.mas.gov.sg>.

**The Application List will open at 10.00 a.m. on 23 July 2007 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors may, in consultation with the Manager, decide, subject to any limitations under all applicable laws. In the event a supplementary or replacement prospectus is lodged with the Authority, the Application List will remain open for at least 14 days from the date of lodgement of the supplementary or replacement prospectus.**

Details of the procedures for application of the New Shares are set out in Appendix A of this Prospectus.

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## DETAILS OF THE INVITATION

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### INDICATIVE TIMETABLE FOR THE INVITATION

An indicative timetable for listing is set out below for your reference:-

Indicative Time and Date	Event
2.00 p.m. on 12 July 2007	Opening of the Offer
12.00 noon on 23 July 2007	Close of Application List
24 July 2007	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 25 July 2007	Commence trading on a “ready” basis
30 July 2007	Settlement date for all trades done on a “ready” basis on 25 July 2007

The above timetable is only indicative as it assumes that (i) the date of closing of the Application List is 23 July 2007, (ii) the date of admission of our Company to the Official List of the SGX-ST is 25 July 2007, (iii) the SGX-ST’s shareholding spread requirement will be complied with and (iv) the New Shares will be issued and fully paid-up prior to 25 July 2007. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedure may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “ready” basis and the commencement date of such trading.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

- (i) through a SGXNET announcement to be posted on the internet at the SGX-ST website at <http://www.sgx.com>; and/or
- (ii) in a local English newspaper.

**Investors should consult the SGX-ST announcement of the “ready” trading date on the Internet (at SGX-ST website at <http://www.sgx.com>) or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.**

We will provide details of the results of the Invitation as soon as it is practicable after the closure of the Application List through the channels in (i) and (ii) above.

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## PLAN OF DISTRIBUTION

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This Section should be read in conjunction with, and is qualified in its entirety by reference to Appendix A of this Prospectus.

The Issue Price is determined by us, in consultation with the Manager and the Placement Agent and Underwriter based on market conditions and estimated market demand for our Shares. The Issue Price is the same for all the New Shares and is payable in full on application.

Investors may apply to subscribe for any number of New Shares at the Issue Price in integral multiples of 1,000 Shares. In order to ensure a reasonable spread of Shareholders, we have the absolute discretion to prescribe a limit to the number of New Shares to be allotted to any single applicant and/or to allot the New Shares above or under such prescribed limit as we shall deem fit.

Application for the New Shares may be made by one of the following methods:-

### **PUBLIC OFFER**

Pursuant to the terms and conditions contained in the management and underwriting agreement dated 11 July 2007 ("the "Management and Underwriting Agreement") entered into between our Company, the Manager and the Underwriter, the Underwriter agreed to underwrite the Offer Shares.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed for or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, in consultation with the Manager and approved by the SGX-ST.

### **OFFER SHARES**

The Offer Shares are made available to the members of the public in Singapore for subscription at the Issue Price. Investors may apply for Offer Shares by way of Offer Shares Application Forms, or by way of ATM Application or IB Application.

Terms and conditions and procedures for the application for Offer Shares by way of Application Forms, or by way of ATM Application or IB Application are described in Appendix A of this Prospectus.

### **PLACEMENT**

Pursuant to the terms and conditions in the placement agreement dated 11 July 2007 (the "Placement Agreement") entered into between our Company, the Manager and the Placement Agent, the Placement Agent agreed to subscribe for and/or procure subscriptions for the Placement Shares (including the Internet Placement Shares and the Reserved Shares) at the Issue Price.

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares (other than Reserved Shares) to the extent there is an over-subscription for the Placement Shares (other than Reserved Shares) and/or to satisfy excess applications for Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.



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## PLAN OF DISTRIBUTION

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In the event of an under-subscription for the Internet Placement Shares as at the close of the Application List, that number of Internet Placement Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares by way of Placement Shares Application Forms to the extent there is an over-subscription for the Placement Shares as at the close of the Application List or to satisfy excess applications for the Offer Shares, to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers of Placement Shares (other than Reserved Shares) may be required to pay a brokerage of up to 1.0% of the Issue Price to the Placement Agent.

### **Placement Shares (other than Reserved Shares and Internet Placement Shares)**

The Placement Shares (other than Reserved Shares and Internet Placement Shares) are reserved for placement to members of the public in Singapore and institutional investors at the Issue Price.

Applications for the Placement Shares (other than Reserved Shares and Internet Placement Shares) may only be made by way of Placement Shares Application Forms.

If you have applied for the Placement Shares (other than Reserved Shares) by way of a Placement Shares Application Form, you may not make any separate application for the Placement Shares (other than Reserved Shares) using another Placement Shares Application Form or by way of an Internet Placement Application or for the Offer Shares (either using an Offer Shares Application Form or by way of an ATM Application or IB Application). Such separate applications will be deemed to be multiple applications and shall be rejected.

Additional terms and conditions and procedures for the application for Placement Shares are described in Appendix A of this Prospectus.

### **Internet Placement Shares**

The Internet Placement Shares are reserved for placement to Qualifying Users.

Qualifying Users may apply for Internet Placement Shares through the IPO website.

The offer of the Internet Placement Shares through the IPO website, will be on a first-come-first-served cum balloting basis where:-

- (a) each valid application ("Valid Application(s)") received for Internet Placement Shares shall first be deemed to be made for 100,000 Internet Placement Shares on first-come-first-served basis ("FCFS Internet Placement Shares"), and is subject to availability at the time of application; and
- (b) each excess Valid Application ("Valid Ballot Application(s)") for the FCFS Internet Placement Shares shall then be deemed to be made for the remaining 100,000 Internet Placement Shares ("Ballot Internet Placement Shares").

In the event that there are excess Valid Ballot Applications for Ballot Internet Placement Shares, successful Valid Ballot Applications for Ballot Internet Placement Shares shall be determined by ballot conducted by the IPO Website Operator.

If you have applied for Internet Placement Shares via (a) above, you will be prohibited from applying for additional Internet Placement Shares via (b) above.

If you are a Qualifying User who has made an application for Internet Placement Shares through the IPO website, you shall not make any separate application for Placement Shares by way of a Placement Shares Application Form or by way of another application through the IPO website, or for the Offer Shares (either using an Offer Shares Application Form or by way of an ATM Application or IB Application). Such separate applications will be deemed to be multiple applications and all your applications shall be rejected.

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## PLAN OF DISTRIBUTION

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**If you are a Qualifying User whose application for Internet Placement Shares is rejected because of multiple applications, you will be levied an administrative fee amounting to 20% of your application moneys (subject to Singapore Goods and Services Tax).**

Additional terms and conditions of and the procedures for the application for Internet Placement Shares through the IPO website are set out in Appendix A of this Prospectus.

### **Reserved Shares**

We have reserved 8,800,000 Placement Shares for subscription by our Non-Executive Directors, employees, suppliers, business associates and those who have contributed to the success of our Group at the Issue Price.

Such Reserved Shares (other than those subscribed for by our Non-Executive Directors) are not subject to any moratorium and may be disposed of after the admission of our Company to the Official List of the SGX-ST.

Applications for the Reserved Shares may only be made by way of Application Forms (for Reserved Shares).

Additional terms and conditions and procedures for the application for Reserved Shares are set out in Appendix A of this Prospectus.

### **Subscription of our Shares**

None of our Substantial Shareholders and Directors (other than Khor Thiam Beng, Goh Chung Meng and Michael Grenville Gray who will be offered 80,000 Reserved Shares each) intend to subscribe for New Shares in the Invitation.

We are not aware of any person who intends to subscribe for more than 5.0% of the New Shares. However, through a book-building process to assess market demand for our Shares, there may be persons who may indicate their interests to subscribe for more than 5.0% of the New Shares.

No Shares may be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

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## PROSPECTUS SUMMARY

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*The following summary highlights certain information found in greater detail elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that potential investors should consider before investing in the shares of our Company. You should read the entire Prospectus carefully, especially the Section on “Risk Factors”, before deciding to invest in our Shares.*

### OVERVIEW OF OUR GROUP

#### Our Company

Our Company was incorporated in Singapore on 31 December 1981 as a private company limited by shares. On 9 July 2007, our Company was converted into a public company and changed its name to “Avi-Tech Electronics Limited”. Our Group comprises our Company and our subsidiary, Avi-Tech Suzhou.

#### Our Business

Our Group is principally engaged in the provision of services and products to the semiconductor industry. The principal business activities of our Group can be broadly categorised into the following three segments:-

- (a) Burn-In and Related Services;
- (b) Design and Manufacture of Burn-In Boards and Boards Related Products; and
- (c) Engineering Services and Equipment Distribution.

In terms of gross profit contributions in HY2007, our three business segments contributed 49.3% (Burn-In and Related Services), 2.6% (Design and Manufacture of Burn-In Boards and Boards Related Products) and 48.1% (Engineering Services and Equipment Distribution) respectively.

#### *Burn-In and Related Services*

There are two business activities within this segment:-

- (i) Burn-In Service – we provide Static Burn-In, Dynamic Burn-In and TDBI for the semiconductor industry; and
- (ii) Tape and Reel Service – we provide this service for customers who need their finished products to be delivered in a reel form.

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

We are involved in the design, manufacture and assembly of Burn-In Boards for different types of Burn-In.

#### *Engineering Services and Equipment Distribution*

Our services and business activities under this segment are as follows:-

- (a) System Integration and Equipment Manufacturing – we perform system integration (built to design) and equipment manufacturing (design and build) services.

In February 2006, we started a new project with Unisys Corporation, which significantly expanded our engineering services in the area of system integration of High Power Burn-In Systems (built to design). In early February 2007, we entered into an agreement with another party who replaced Unisys Corporation in our business of system integration of High Power Burn-In Systems. This new business increased the share of revenue from our Engineering Services and Equipment Distribution business segment from 12.9% in FY2005 to 22.7% and 57.8% in FY2006 and HY2007 respectively.

- (b) Technical Services – we provide field service and application support to our customers for all third party equipment that we distribute.

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## PROSPECTUS SUMMARY

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- (c) Equipment Distribution – we distribute equipment and related products used in the semiconductor industry.

Further details are set out in the Section “General Information On Our Group – Our Business” of this Prospectus.

Our major customers are generally subsidiaries of large multinational semiconductor manufacturers that enjoy significant market share globally and many of our transactions are denominated in US\$. We are dependent on two key major customers, namely Infineon Technologies Asia Pacific Pte Ltd and Advanced Micro Devices (Singapore) Pte Ltd, for a significant portion of our revenue and are exposed to their product life cycle and product development. For FY2006 and HY2007, our two key major customers in aggregate accounted for approximately 68% and 70.5% of our revenue respectively. Please refer to the sections “Risk Factors” and “Foreign Exchange Exposure” of this Prospectus for further details.

### **Our Competitive Strengths**

We believe that the following are our competitive strengths:-

- (a) We have a proven strong track record with customer centric business processes;
- (b) We have established long term close working relationships with customers;
- (c) We have received awards testifying to our brand equity;
- (d) We have highly qualified and experienced management, engineering and sales teams to provide products and services to our customers in the semiconductor industry;
- (e) We are able to provide cost effective “one-stop” total Burn-In solutions to our customers; and
- (f) We occupy a niche position in the industry as a provider of system integration services for High Power Burn-In Systems as we have established working relationships with technology partners that have strong track records and who themselves occupy niche positions in the industry with their superior thermal design capabilities.

Please refer to the Section “General Information On Our Group – Competitive Strengths” of this Prospectus for more details on our competitive strengths.

### **Our Future Plans**

Our future plans are as follows:-

- (a) Strengthen market position and expand customer base;
- (b) Widen our operational and technical capabilities in respect of products and services;
- (c) Consider and explore more synergistic and strategic alliances, mergers and acquisitions, collaborative partnerships and joint ventures and exploring new technology partners to enhance competitiveness; and
- (d) Expansion of overseas operations.

Please refer to the Section “Prospects and Future Plans” of this Prospectus for more details on our future plans.

### **Where You Can Find Us**

Our registered and principal office is located at 19A Serangoon North Avenue 5, Singapore 554859. Our telephone number is (65)-6482 6168 and our facsimile number is (65)-6482 6123.

Our website is located at <http://www.avi-tech.com.sg>. **Information contained in our website does not constitute part of this Prospectus.**

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## PROSPECTUS SUMMARY

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### THE INVITATION

Size	:	88,000,000 New Shares. The New Shares, upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.
Issue Price	:	S\$0.33 for each New Share.
The Offer	:	The Offer comprises an invitation by our Company to the public in Singapore to subscribe for the 3,000,000 Offer Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises a placement of 85,000,000 Placement Shares (including 200,000 Internet Placement Shares and 8,800,000 Reserved Shares) at the Issue Price, subject to and on the terms and conditions of this Prospectus.
Reserved Shares	:	Out of 85,000,000 Placement Shares, 8,800,000 Reserved Shares will be reserved for our Non-Executive Directors, employees, suppliers, business associates and those who have contributed to the success of our Group. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares and/or to satisfy excess applications for Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.
Purpose of the Invitation	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance our public image locally and overseas and enable us to tap the capital markets for the expansion of our operations and to provide our Group with the financial flexibility to pursue future growth opportunities.
Listing Status	:	Our Shares will be quoted in Singapore dollars on the SGX-ST, subject to the admission of our Company to the Official List of the SGX-ST and permission for dealing in, and for quotation of, our existing issued Shares, the New Shares and the Option Shares being granted by the SGX-ST and that no stop orders are issued by the Authority.
Risk Factors	:	Investing in our Shares involves risks. These risks are described in the Section "Risk Factors" of this Prospectus.



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## RISK FACTORS

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*We are vulnerable to a number of risks applicable to the industry and the areas in which we operate. Our business, financial condition or results of operations could be materially and adversely affected should any of these risks materialise. To the best of our Directors' knowledge and belief, as at the Latest Practicable Date, all risks that (i) are material to investors in making an informed judgment and (ii) upon developing into actual events would have a material adverse impact on our business, results, operations or financial condition, are set out below.*

*If any of the following considerations and uncertainties developed into actual events, our business, financial condition and/or results of operations and prospects could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares.*

*You should consider carefully, together with all other information contained elsewhere in this Prospectus, the factors described below before deciding to invest in our Shares. Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances.*

### **RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY**

#### **We are dependent on the semiconductor industry**

The business of our Group is affected by the demand for semiconductor devices which in turn is dependent on demand for electronic devices.

Historically, the semiconductor industry has seen wide fluctuations in both demand and supply. Downturns in the semiconductor industry have in the past occurred owing to macroeconomic influences such as economic slowdown, regional financial crises and terrorist attacks. The industry is also susceptible to microeconomic influences such as product obsolescence and changes in product life cycles. Any material decrease in demand or orders from our customers in the semiconductor industry owing to such factors will have a material adverse impact on our business and financial performance.

#### **We are dependent on two key major customers with whom we do not have any long-term contracts**

We are dependent on two key major customers, namely Infineon Technologies Asia Pacific Pte Ltd and Advanced Micro Devices (Singapore) Pte Ltd, for a significant portion of our revenue and are exposed to their product life cycle and product development. For FY2006 and HY2007, our two key major customers in aggregate accounted for approximately 68% and 70.5% of our revenue respectively (please refer to the Section "General Information On Our Group – Major Customers" of this Prospectus for details of our major customers). In the absence of long-term sales contracts, there is no assurance that these major customers will continue to procure our services and/or products in the future or that demand from these major customers will be sustained at current levels. If any of these major customers ceases to procure our services and/or products or reduce the procurement of our services and/or products without a replacement of such procurement orders from new or existing customers, our business and profitability will be adversely affected.

#### **We may be affected by a change in our customers' manufacturing strategies**

Our customers may change their manufacturing and marketing strategies in the future by curtailing or limiting outsourcing. If any of our major customers change their manufacturing strategies and ceases to place orders with us, our business and profitability will be adversely affected.

#### **We are dependent on our technology partners**

For our Engineering Services segment of our business, especially in the area of system integration of High Power Burn-In Systems, we are dependent on our technology partners as the main product design and technologies are developed and held by our technology partners. Our relationships with our technology partners are non-exclusive and largely dependent on goodwill. There is no assurance that

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## RISK FACTORS

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these technology partners will not terminate their relationship with us. We therefore risk dedicating our resources to such projects which may not materialise and yield profitability if any of these relationships are terminated. Our financial performance and financial condition would be affected when projects in which we have committed our resources do not materialise into production.

### **Rapid technological changes may affect our ability to compete effectively**

The semiconductor industry is characterised by rapid technology changes that are driven, in part, by the changes in demand for electronic devices. These technology changes may cause high capital investment within a short span of time due to earlier obsolescence of equipment and could cause our capabilities to be less competitive or obsolete. If we fail to keep pace with technological changes, our competitiveness will be adversely affected.

### **We face competitive pressures**

Our business is competitive and we face competition from players in the market (please refer to the Section “General Information on Our Group – Competitors” of this Prospectus for more details). In the event that we are unable to retain our existing customers and/or attract new customers amidst the competition, our financial results may be adversely affected. Furthermore, competition may lead to downward price pressure for the services and products we supply. In the event that we are unable to reduce our costs amidst declining selling prices, our profit margin will be affected.

### **Our financial performance is dependent on the cost of materials and electricity costs**

We are subject to fluctuations in our cost of materials associated with factors such as potential shortages in the availability and fluctuations in the market price of materials. Cost of materials accounted for approximately 23.5%, 19.5%, 38.8% and 61.5% of our cost of sales for FY2004, FY2005, FY2006 and HY2007 respectively. In addition, our Burn-In systems utilise high electrical current, as such we are exposed to high electricity costs. Electricity costs accounted for approximately 12.9%, 13.7%, 13.6% and 8.1% of our cost of sales for FY2004, FY2005, FY2006 and HY2007 respectively.

Any significant increase in our cost of materials and/or electricity costs that cannot be passed on to our customers will increase our cost of sales and affect our profitability. In addition, if the price competitiveness for any of our services and/or products is affected as a result of passing on the price increase to our customers, our financial performance will be adversely affected.

### **We are subject to the risk of possible shortage of skilled operators and engineers**

Our business requires skilled engineers and operators. If there is a shortage of such skilled personnel, our service and manufacturing competency may be adversely affected, which will in turn have a negative impact on our business.

### **We are subject to the risk of increases in labour rates**

Salaries and wages in Singapore are generally higher compared to other countries in Southeast Asia and the PRC. Our direct labour cost accounted for approximately 22.8%, 19.6%, 16.9% and 17.2% of our cost of sales for FY2004, FY2005, FY2006 and HY2007 respectively. In the event that our wage rates increase at a faster rate compared to our overseas competitors or in the event of significant improvement in their quality with lower labour costs, this will have an adverse impact on our profit margins and profitability and adversely affect our financial results.

### **Our Singapore operations are dependent on foreign labour**

Foreign workers accounted for approximately 37.8% and 35.1% of our workforce in Singapore as at 30 June 2006 and 31 December 2006 respectively. Due to the tight supply of skilled workers for our businesses, we will continue to be reliant on foreign workers. Any change in governmental policies which restrict the employment of foreign workers in Singapore would affect our profitability, as such restrictions may result in us employing more Singaporean workers who are relatively more costly. In addition, if there is a significant increase in levies imposed by the Singapore government on employment of foreign workers, our profitability will be materially and adversely affected by the higher costs of foreign workers.

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## RISK FACTORS

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### **We are dependent on our suppliers**

We depend on our suppliers for our raw materials, including PCBs, electronic components and IC sockets. We do not have any long term commitments with any of our suppliers. In the event that these suppliers are not able to deliver the parts to us on time and we are not able to buy them from other sources in a timely manner, production and delivery to our customers will be delayed. This may result in the payment by us of penalties and additional overheads and also hurt our working relationship with the customer and ultimately our financial performance.

### **We may face claims for defects or errors in our products and services**

Any defects or errors in our products and services could result in adverse customer reaction towards us. These include negative publicity, additional expenditure to correct problems and claims against us. In addition, some of our contracts with customers include warranties that our products will be free of defects upon completion and will meet specific performance requirements and to the extent that our products do not, or are deemed not to, satisfy such warranties, we may be required to indemnify or compensate our customers for any damage or losses as well as consequential damages if our products or services are defective. There is no assurance that we will not face such claims in the future. Our Group does not maintain any product liability insurance. Any significant claim against us in the future will have material adverse effect on our results and prospects.

### **Our service and manufacturing facilities and processes are subject to quality management system certifications and customers' qualification audit**

We have obtained the requisite management system certifications which are required for us to carry on our business with our customers. As such, we must be able to continually obtain and maintain the relevant certifications. If we are unable to meet, maintain or renew such certifications or if our current certifications are revoked, our financial performance will be adversely affected.

In addition, our service and manufacturing facilities and processes are required to be approved by our customers before we are qualified to undertake the job orders. In the case of potential customers, they will need to satisfy themselves that our service and manufacturing facilities and processes are in accordance with their needs and requirements. Any refusal or inordinate delay in receiving approval from our customers will affect our operational and financial results.

### **Our profitability is affected by our capacity utilisation rates**

Our operations are characterised by high fixed costs arising from the heavy investment in plant and equipment which results in depreciation charges forming a significant component of our cost of sales. Consequently, insufficient utilisation of installed capacity can have a material adverse effect on our profitability. Therefore, our ability to maintain or increase our profitability will continue to be dependent, in large part, upon our ability to maintain our capacity utilisation rates. Capacity utilisation rates may be affected by a number of factors and circumstances, including:-

- general economic conditions;
- the cyclical nature of the semiconductor industry;
- installation of new equipment in anticipation of future business;
- the level of customers' orders;
- operating efficiencies;
- mechanical failures;
- disruptions due to expansion of operations or relocation of equipment; or
- disruptions in power supply.

Any inability on our part to maintain or increase capacity utilisation rates will have a material effect on our business, financial condition and results of operations.

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## RISK FACTORS

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### **We are dependent on our key management personnel**

Our success has been, to a significant extent, due to the collective efforts of our current manpower team in management, operations and engineering, especially our CEO, Mr Lim Eng Hong, who has been instrumental in the development of our corporate strategy and the establishment of business relationships with our Group's customers. Our continued success and growth are therefore dependent on our ability to retain their services and attract key operations and sales and marketing personnel. In particular, we consider our senior management team to be important to our success. Consequently, the loss of the services of any of our key personnel without timely replacement, or the inability to attract and retain such qualified personnel, will have a material and adverse effect on us.

### **Any adverse changes in the political, economic, regulatory or social conditions in the countries that we operate in or in which we intend to expand our business may have a material and adverse effect on our operations, financial performance and future growth**

We are governed by the laws, regulations and government policies in each of the countries that we operate in or in which we intend to expand our business and operations. Our business and future growth is dependent on the political, economic, regulatory and social conditions in these countries. Any economic downturn or changes in policies implemented by the governments in these countries, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in environmental protection laws and regulations, duties and taxation and limitations on imports and exports could materially and adversely affect our operations, financial performance and future growth.

### **Our future expansion into overseas markets may not be successful**

As disclosed in the Section "Prospects and Future Plans" of this Prospectus, we intend to expand our facilities and sales of products and services overseas where the opportunity arise. We expect to incur costs in expanding our overseas presence and sales from the overseas markets may be inadequate to cover our expansion costs. Furthermore, we have limited experience operating outside of Singapore and cannot assure that our expansion into overseas markets will be successful.

### **We are exposed to credit risk and defaults in payments**

Our trade receivables balance as at 30 June 2006 and 31 December 2006 was approximately S\$11.81 million and S\$17.3 million respectively. This accounted for approximately 50.1% and 52.1% of our current asset balance as at 30 June 2006 and 31 December 2006 respectively and therefore, our financial position and profitability are dependent on the creditworthiness of our customers. Generally, our credit terms extended to our customers vary from 30 to 90 days. Average trade receivables turnover in FY2006 and HY2007 was approximately 100 days and 84 days respectively. Defaults in payments by our customers will adversely affect our profitability. We had allowance for doubtful trade debts of S\$119,000 in FY2006. Allowance for doubtful trade debts was nil in HY2007. We are unable to assure you that risks of default by our customers will not increase in the future. In such event, our profitability will be adversely affected. Please refer to the Section "Major Customers - Credit Policy" of this Prospectus for more details.

### **Our operating results may fluctuate from quarter to quarter which may make it difficult to predict our future performance**

The semiconductor industry is cyclical in nature and has experienced significant demand fluctuations, driven by fluctuations in demand for the end-products that the semiconductors are manufactured for. Such demand fluctuations affect the demand for semiconductors, which in turn may affect the demand for our services. Factors that contribute to such uncertainties in the demand for our services include:-

- changes in the anticipated timing and volume of demand relative to our capacity;
- short term nature of our customers' commitments; and
- the potential cancellation, deferral and rescheduling of orders.

Unfavourable changes in any of the above factors may adversely affect our business, results of operations and financial condition. In addition, these factors may also affect our ability to plan for capacity changes accurately and may lead us to suffer a divergence between the time that we incur additional capital expenditure for equipment and ancillary facilities, and the anticipated demand for our products and services. In the event that such capital expenditure is not matched by a corresponding increase in the demand for our products and services, our financial position will be materially and adversely affected.

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## RISK FACTORS

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### **We may become exposed to foreign exchange risks**

Our revenue denominated in US\$ and S\$ are 39.2% and 60.8% respectively in FY2006 and 65.3% and 34.7% respectively in HY2007. Our purchases denominated in US\$ and S\$ are 60.2% and 39.1% respectively in FY2006 and 83.7% and 16.3% respectively in HY2007. Currently we do not have a formal foreign currency hedging policy to manage our foreign exchange risks. We may therefore be exposed to foreign exchange risks when there is significant fluctuation in the exchange rate of the US\$ against the S\$.

### **There is no assurance that our expansion plans will succeed in future**

As described under the Section “Prospects and Future Plans” of this Prospectus, our growth strategies involve the increase of the scale of our operations. These expansion plans will result in additional costs of investment in fixed assets as well as additional working capital requirements. In the event that we fail to achieve a sufficient level of revenue or manage our costs efficiently, our future financial performance and position may be adversely affected.

## **RISKS RELATING TO OPERATIONS IN THE PRC**

### **Economic conditions of the PRC are subject to uncertainties that may arise from changes in government policies and social conditions**

Since 1978, the PRC government has promulgated various reforms of its economic systems. Such reforms have resulted in economic growth for the PRC in the last two decades. However, the PRC government may continue to modify or reform its economic and political systems from time to time. These changes in the social, political and economic policies of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our financial performance. Our results and financial performance may be adversely affected by changes in the PRC’s political, economic and social conditions and by changes in the policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

### **Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business**

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, rules and other regulatory documents. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Further, there are no precedents on the interpretation, implementation and enforcement of the PRC laws and regulations and the higher court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of any dispute resolution may be uncertain or unpredictable and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgment by a court in the PRC in another jurisdictions. Any introduction of new laws or amendments to existing laws by the PRC which is detrimental to the business environment in which we operate will adversely affect our profitability.

### **We are subject to foreign exchange controls in the PRC**

In the PRC, foreign investment enterprises are subject to the PRC rules and regulations on currency conversion, including the Regulation for Foreign Exchange Controls in the PRC. The ability of our PRC subsidiary, Avi-Tech Suzhou, to pay dividends or to repatriate profits to us may be affected by changes in the PRC foreign exchange control. Please refer to the section “Exchange Controls” of this Prospectus for further details.



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## RISK FACTORS

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### RISKS RELATING TO INVESTMENTS IN OUR SHARES

#### **We may experience fluctuations in our operating results**

We may experience fluctuations in our operating results, caused by factors such as the securing of new contracts and economic performance of the semiconductor industry which from time to time experiences slowdowns due to cyclical fluctuations in product supply and demand. Hence, our operating results in a particular quarter, half year or year may fluctuate in comparison to an earlier comparable period, and may not be anticipated or be within the expectations of stock market analysts or investors. This in turn could have an impact on the trading price of our Shares. The year-on-year comparison of our past operating results may not be indicative of our future financial performances.

#### **There may not be a liquid market for our Shares**

Prior to the Invitation, there was no public market for our Shares. The Issue Price may not be indicative of the market price for our Shares after the completion of the Invitation. We have received an Eligibility-to-List letter from the SGX-ST for the listing of and quotation for our Shares on the SGX-ST. Listing and quotation on the SGX-ST does not, however, guarantee that a trading market for our Shares will develop or, if a market does develop, the liquidity of that market for our Shares.

#### **External factors could affect the trading price of our Shares**

The Issue Price was determined by negotiations between us, the Manager, the Underwriter and the Placement Agent and may not be indicative of prices which will prevail in the trading market. Investors may not be able to resell the Shares at a price that is attractive to them. The trading prices of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors include:-

- variations in our results of operations;
- changes in general economic and stock market conditions;
- changes in financial estimates by securities analysts;
- operating and stock price performance of other companies;
- negative publicity;
- additions or departures of key personnel; and
- involvement in litigation.

#### **New investors will incur immediate dilution and may experience further dilution**

The Issue Price is substantially higher than the NAV per Share based on the post-Invitation share capital. Investors who subscribe for the New Shares will therefore experience immediate dilution in the value of their Shares. Please refer to the Section “Dilution” of this Prospectus for further details. In addition, we intend to grant our employees options under the ESOS. To the extent such outstanding options are released to employees and new Option Shares issued pursuant to such options, there will be further dilution to investors participating in this Invitation.

#### **Future sale of shares by our Substantial Shareholders and Directors may adversely affect the market price of our Shares**

Other than as described in the Section “Shareholders – Moratorium” of this Prospectus, there are no other restrictions on the ability of our Substantial Shareholders and Directors to sell their Shares. The sale of a significant amount of our Shares in the public market, or the perception that such sale may occur, could create a downward pressure on the market price of our Shares. It may also affect our ability to sell additional Shares and impair our ability to raise additional capital in the equities market.

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## INVITATION STATISTICS

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<b>INVITATION PRICE</b>	33.00 cents
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### NAV

NAV per Share based on the unaudited condensed consolidated interim balance sheet of our Group as at 31 December 2006 adjusted for the Share Split ("Adjusted NAV"):-

- |  |             |
|--|-------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our pre-Invitation share capital of 262,400,096 Shares | 8.90 cents  |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our post-Invitation share capital of 350,400,096 Shares | 14.31 cents |

Premium of Issue Price over the Adjusted NAV per Share as at 31 December 2006:-

- |  |        |
|--|--------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our pre-Invitation share capital of 262,400,096 Shares | 271.0% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our post-Invitation share capital of 350,400,096 Shares | 131.0% |

### EPS

Historical net EPS of our Group for FY2006 based on the pre-Invitation share capital of 262,400,096 Shares	3.37 cents
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Historical net EPS of our Group for FY2006 based on the pre-Invitation share capital of 262,400,096 Shares, assuming that the Service Agreements had been in place since the beginning of FY2006	3.28 cents
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### PRICE EARNINGS RATIO

Historical PER based on the historical net EPS for FY2006 based on the pre-Invitation share capital of 262,400,096 Shares	9.8 times
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Historical PER based on the historical net EPS for FY2006 based on the pre-Invitation share capital of 262,400,096 Shares, assuming that the Service Agreements had been in place since the beginning of FY2006	10.1 times
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### NET OPERATING CASH FLOW<sup>(1)</sup>

Historical net operating cash flow per Share of our Group for FY2006 based on our pre-Invitation share capital of 262,400,096 Shares	4.07 cents
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Historical net operating cash flow per Share of our Group for FY2006 based on our pre-Invitation share capital of 262,400,096 Shares, assuming that the Service Agreements had been in place since the beginning of FY2006	3.99 cents
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## INVITATION STATISTICS

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### PRICE TO NET OPERATING CASH FLOW RATIO

Ratio of Issue Price to historical net operating cash flow per Share of our Group for FY2006 8.1 times

Ratio of Issue Price to historical net operating cash flow per Share of our Group for FY2006, assuming that the Service Agreements had been in place since the beginning of FY2006 8.3 times

### MARKET CAPITALISATION

Our market capitalisation based on the Issue Price of S\$0.33 per Share and our post-Invitation share capital of 350,400,096 Shares S\$115.6 million

**Note:-**

- (1) Net operating cash flow is defined as net profit after taxation attributable to shareholders with depreciation for property, plant and equipment added back.

## USE OF PROCEEDS AND INVITATION EXPENSES

The net proceeds to be raised by our Company from the issue of the New Shares (after deducting the estimated issue expenses in relation to the Invitation, comprising listing fees, underwriting and placement commission, professional fees and other expenses, of approximately \$2.3 million) is approximately S\$26.8 million.

We intend to utilise the proceeds from the issue of the New Shares for the following purposes:-

Purpose	Estimated amount (S\$ million)	As a percentage of gross proceeds from the Invitation (%)
(a) Expansion of our customer base and widen our portfolio of services <sup>(1)</sup>	6.0	20.7
(b) Potential mergers and acquisitions	8.0	27.6
(c) Expansion of our overseas operations	3.0	10.3
(d) Working capital	9.7	33.5
(e) Invitation expenses:-		
(i) Listing fees	0.1	0.3
(ii) Professional fees and charges	0.8	2.8
(iii) Underwriting commission, placement commission and brokerage	0.7	2.4
(iv) Miscellaneous expenses	0.7	2.4
Total	29.0	100.0

**Note:-**

- (1) The proceeds are intended to be utilised for capital expenditure of necessary infrastructure to expand our portfolio of services and products to cater to the needs of our existing and potential new customers.

For further details on the above, please refer to the Section “Prospects and Future Plans” of this Prospectus.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits with banks and financial institutions or invested in money market instruments or used for our working capital requirements as our Directors may, in their absolute discretion, deem fit.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised from the Invitation. Although no minimum amount must be raised by the Invitation in order to provide for the items above, such amount is proposed to be provided out of the Invitation or in the event the Invitation is cancelled, out of our existing bank facilities and/or funds generated from our operations.

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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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Pursuant to a management and underwriting agreement dated 11 July 2007 (the “Management and Underwriting Agreement”) entered into between our Company, the Manager and the Underwriter, our Company appointed the Manager, and the Manager has agreed to manage the Invitation. The Manager will receive a management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, the Underwriter agreed to underwrite the subscription of the Offer Shares at the Issue Price on the terms and conditions stated therein. In consideration thereof, our Company has agreed to pay the Underwriter an underwriting commission of 2.25% of the aggregate Issue Price for the total number of Offer Shares. Payment of the underwriting commission shall be made whether or not any allotment or issue of the Offer Shares is made to the Underwriter or its nominees, including any portion of the Offer Shares which have been applied to satisfy excess applications for Placement Shares.

Pursuant to a placement agreement dated 11 July 2007 (the “Placement Agreement”) entered into between our Company and the Placement Agent, the Placement Agent agreed to subscribe for and/or procure subscriptions for the Placement Shares at the Issue Price on the terms and conditions stated therein. In consideration thereof, our Company has agreed to pay the Placement Agent a placement commission of 2.5% of the aggregate Issue Price for the total number of Placement Shares. Payment of the placement commission shall be made whether or not any allotment or issue of the Placement Shares is made to the Placement Agent or its nominees, including any portion of the Placement Shares which have been applied to satisfy excess applications for Offer Shares.

Brokerage will be paid by our Company to the Underwriter, members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications of the relevant Participating Banks, at the rate of 0.25% of the Issue Price for each Offer Share. In addition, DBS Bank levies a minimum brokerage fee of \$5,000 that will be paid by our Company.

Subscribers of Placement Shares (excluding the Reserved Shares) may be required to pay a brokerage of up to 1.0% of the Issue Price to the Placement Agent.

Save as aforesaid, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Directors, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any Shares in, or debentures of, our Company.

If there shall have been, since the date of the Management and Underwriting Agreement and prior to or on the close of the Application List:-

- (a) any breach of the warranties or undertakings in the Management and Underwriting Agreement; or
- (b) any occurrence of certain specified events which comes to the knowledge of the Manager or the Underwriter; or
- (c) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or our Group as a whole; or
- (d) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore; or



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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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- (e) any change, or any development involving a prospective change or any crisis, in national or international monetary, financial economic or political conditions (including but without limiting thereto conditions in the stock market, in the foreign exchange market and conditions with respect to interest rates in Singapore and overseas); or
- (f) any occurrence or any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets and including but not limited to any act of terrorism); or
- (g) foreign exchange controls in Singapore and overseas or any occurrence of a combination of any such changes or developments or crises, or any deterioration of any such conditions; or
- (h) any other occurrence of any nature whatsoever,

which has resulted or is in the reasonable opinion of the Manager likely to result in the conditions in the stock market and/or stock markets overseas being materially and adversely affected; or the success of the Invitation being materially prejudiced; or it becoming inadvisable, inexpedient or not commercially viable or otherwise contrary to or outside the usual commercial customs or practices in Singapore for the Manager or the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement or the Invitation; or the business, trading position, operations or prospects of our Group being materially and adversely affected, the Manager (for itself and for and on behalf of the Underwriter) may at any time prior to the close of the Application List by notice in writing to our Company rescind or terminate the Management and Underwriting Agreement.

The Manager or the Underwriter may by notice in writing to our Company terminate the Management and Underwriting Agreement if:-

- (a) at any time up to the commencement of trading of our Shares on the SGX-ST, a stop order shall have been issued by the Authority in accordance with Section 242 of the Securities and Futures Act; or
- (b) at any time after the registration of this Prospectus by the Authority but before the close of the Application List, our Company fails and/or neglects to lodge a supplementary or replacement prospectus (as the case may be) if it becomes aware of:-
  - (i) a false or misleading statement in this Prospectus;
  - (ii) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or
  - (iii) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in the Prospectus if it had arisen before this Prospectus was lodged,that is materially adverse from the point of view of an investor; or
- (c) the Shares have not been admitted to the Official List of the SGX-ST on or before 25 July 2007 (or such other date as our Company and the Manager may agree).

The obligations under the Placement Agreement are conditional upon the Management and Underwriting Agreement not being determined or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the case of the non-fulfilment of any of the conditions in the Management and Underwriting Agreement or the release or discharge of the Manager and/or Underwriter (as the case may be) from their obligations under or pursuant to the Management and Underwriting Agreement, the Placement Agreement shall be terminated and the parties shall be released from their respective obligations under the Placement Agreement.

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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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Raintree Ventures Pte Ltd (“Raintree Ventures”) is the fund manager for the fund company Avia Growth Opportunities II Pte. Ltd. (formerly known as Raintree Fund 1 Pte. Ltd)(“Avia II”), operating as an exempt fund manager under the Securities and Futures Act and as an exempt financial adviser under the Financial Advisers Act, Chapter 110 of Singapore. The latter is an investor of our Company. Please refer to the Section “Shareholders” in this Prospectus for further details. Raintree Ventures is a related company of the Manager and the Placement Agent and Underwriter as Raintree Ventures is a wholly-owned subsidiary of Westcomb Financial Group Limited (“WFGL”), the holding company of the Manager and the Placement Agent and Underwriter. Neither WFGL, the Manager nor the Placement Agent and Underwriter is a direct investor of Avia II. Save for Raintree Ventures’ 19.99% interest in the ordinary shares capital of Avia II, the fund management fee and performance fee, Raintree Ventures has no other interest in Avia II. Interests in the ordinary share capital of Avia II does not confer entitlement to any distributions of Avia II. Mr Choo Chee Kong, who is the Deputy Chairman of WFGL and the Manager, has a 2.0% deemed interest in the share capital of Avia II through his spouse. Mr Choo’s spouse is also a director of Avia II, holding 2.5% interest in the fund under Avia II. Mr Choo is not involved in the management and decision-making process of the fund. Save as disclosed in the Section “Shareholders” and for Mr Choo, all other investors of Avia II are third party investors unrelated to the Manager. To ensure independence, the investment decisions of Raintree Ventures are subject to approval/veto by its investment approval committee whereby WFGL and the Manager have no control.

Raintree Ventures also wholly owns Dynamic Equity Management Limited (“Dynamic Equity Management”) and Dynamic Return Limited (“Dynamic Return”), both of which are incorporated in the British Virgin Islands. Dynamic Equity Management is the fund manager for the fund company Dynamic Return, which was established to invest WFGL’s funds. Dynamic Return is an investor in our Company. Please refer to the Section “Shareholders” in this Prospectus for further details. The investment decisions of Dynamic Equity Management are subject to approval/veto by its investment approval committee which, at the time of investment, was controlled by Darren Ho Kah Leong, a private equity investor based in Shanghai, and Lai Gin Nyap, an executive director of Westcomb Capital Sdn Bhd, a subsidiary of WFGL.

Save as disclosed above and in the Section “Shareholders” of this Prospectus, we do not have any other material relationship with the Manager and the Placement Agent and Underwriter.

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## DIVIDEND POLICY

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We paid dividends (net of tax) in FY2004, FY2005, FY2006 and HY2007 as follows:-

<b>\$'000</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>HY2007</b>
<b>Net dividend paid</b>	2,758	8,646	4,429	3,696

Since HY2007, in December 2006, we have declared another interim dividend of S\$3.70 million which has been paid in 8 January 2007.

Currently, we do not have a fixed dividend policy. As part of the preparation for the Invitation, our Directors have considered the general principles that they intend to apply when recommending dividends for approval by our Shareholders or when declaring interim dividends. The actual dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors.

In considering the form, frequency and amount of future dividends, if any, our Directors will take into account various factors, including but not limited to:-

- (i) the level of our cash and retained earnings;
- (ii) our expected financial performance and financial condition; and
- (iii) the projected levels of capital expenditure and other investment plans.

Our Company may declare annual dividends with the approval of our Shareholders in a general meeting, but the amount of such dividends shall not exceed the amount recommended by our Directors. Our Directors may also declare an interim dividend without seeking Shareholders' approval. We will pay cash dividends, if any, in Singapore dollars.

For FY2007 and FY2008, subject to the factors outlined above, our Directors intend to recommend and distribute not less than 20% of our net profit attributable to our Shareholders as dividends. However, investors should note that the intention to recommend the aforesaid dividends should not be treated as a legal obligation on our Company to do so or that the level of dividends be treated as an indication of our Company's future dividend policy. There is no assurance that dividends will be paid in the future or timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising Shareholders' value.

Information relating to taxes payable on dividends are set out in the Section "Taxation" of this Prospectus.

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## SHARE CAPITAL

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Our Company (Registration No. 198105976H) was incorporated in Singapore on 31 December 1981 under the Companies Act as a private limited company.

Pursuant to Shareholders' resolutions passed on 6 July 2007, our Shareholders approved, *inter alia*, the following:-

- (a) the conversion of our Company to a public limited company and the change of our name to "Avi-Tech Electronics Limited";
- (b) the adoption of new Memorandum and Articles of Association of our Company;
- (c) the Restructuring Exercise of the Share Split;
- (d) the adoption of the ESOS and the authorisation to the Board of Directors to implement and administer the ESOS, further described in the Section "Directors, Management and Employees – Avi-Tech Employee Share Option Scheme" of this Prospectus;
- (e) the issue of 88,000,000 New Shares pursuant to the Invitation. The New Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing issued Shares;
- (f) the listing and quotation of the issued Shares of our Company (including the 88,000,000 New Shares to be issued pursuant to Resolution (e) above) on the Official List of the SGX-ST; and
- (g) the authorisation for our Directors, pursuant to Section 161 of the Companies Act and the Articles of Association of our Company, to allot and issue Shares or convertible securities at any time and from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as our Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities issued pursuant to such authority shall not exceed 50% of the post-Invitation issued share capital of our Company, of which the aggregate number of Shares and convertible securities issued other than on a pro-rata basis to our then existing Shareholders shall not exceed 20% of the post-Invitation issued share capital of our Company. Unless revoked or varied by our Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of our Company or on the date by which the next annual general meeting is required by law to be held, whichever is earlier. For this purpose and pursuant to Rules 806(3) and 806(4) of the Listing Manual, "post-Invitation issued share capital" shall mean the enlarged issued and paid-up share capital of our Company after the Invitation after adjusting for new Shares arising from the conversion or exercise of convertible securities, new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided the options or awards were granted in compliance with the Listing Manual, and any subsequent consolidation or sub-division of Shares.

The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Companies Act was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts. As a result of these amendments, as at the date of this Prospectus, our Company has a share capital of S\$4,940,254, comprising 262,400,096 ordinary shares of no par value and has no authorised share capital.

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares which are in registered form. A summary of the Articles of Association of our Company relating to the voting rights of Shareholders is set out in the Section "Description of Ordinary Shares" of this Prospectus. There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose. The rights of and privileges attached to our Shares are stated in the Articles of Association of our Company. There is no restriction on the transfer of Shares in scripless form except to the extent imposed by law or the Listing Manual.

## SHARE CAPITAL

Details of changes in our issued and paid-up share capital since 30 June 2006, being the date of our latest audited accounts, are as follows:-

	Number of Shares	Price per Share S\$	Resultant Number of Shares	Resultant issued and paid-up share capital S\$
Issued and fully paid ordinary shares as at 30 June 2006	—	—	3,690,776	4,917,154
Issue of Shares in our Company to an employee and existing shareholder of our Company, Bambang Handoko Sutedjo, pursuant to the exercise of options granted to him under our Company previous employee share option scheme <sup>(1)</sup>	5,000	4.62	3,695,776	4,940,254
Share Split	—	—	262,400,096	4,940,254
Issue of New Shares pursuant to the Invitation	88,000,000	0.33	350,400,096	31,730,254

**Note:-**

- (1) As at the Latest Practicable Date, there are no unexercised or outstanding options granted by us for any person to subscribe for shares in our Group.

The authorised share capital and the shareholders' equity of our Company (i) as at 30 June 2006, being the date of our latest audited accounts; (ii) after taking into consideration the amendments of the Companies (Amendment) Act 2005; (iii) adjustments to reflect the Share Split; and (v) after the Invitation are set out below.

	As at 30 June 2006 S\$'000	After the issue of Shares pursuant to the exercise of options <sup>(1)</sup> S\$'000	After the FY2007 Dividends S\$'000	After the Invitation S\$'000
<b>Authorised Share Capital</b>				
Ordinary shares of S\$1.00 each	abolished	abolished	abolished	abolished
<b>Shareholders' Equity</b>				
Issued and paid-up share capital	4,917	4,940	4,940	31,730
Share premium	abolished	abolished	abolished	abolished
Reserves	18,205	18,205	10,813	10,813
Total Shareholders' Equity	23,122	23,145	15,753	42,543

**Note:-**

- (1) Issue of 5,000 Shares in our Company to an employee and existing shareholder of our Company, Bambang Handoko Sutedjo, pursuant to the exercise of options granted to him under our Company previous employee share option scheme.



## SHARE CAPITAL

Save as disclosed below, there were no changes in the issued and paid-up share capital of our Company and our subsidiary within the three years preceding the date of this Prospectus:-

Name of Company	Date of issue	Number of shares issued	Price Per Share	Total consideration	Purpose of issue	Resultant issued share capital
Company	9 October 2003	175,980 ordinary shares of S\$1.00 each	Exercise Price of S\$4.62	S\$813,027.60	Employee share option scheme <sup>(1)</sup>	S\$3,535,776 (prior to the Companies (Amendment) Act 2005 coming into effect)
	22 December 2004	65,000 ordinary shares of S\$1.00 each	Exercise Price of S\$4.62	S\$300,300	Employee share option scheme <sup>(1)</sup>	S\$3,600,776 (prior to the Companies (Amendment) Act 2005 coming into effect)
	29 April 2005	70,000 ordinary shares of S\$1.00 each	Exercise Price of S\$4.62	S\$323,400	Employee share option scheme <sup>(1)</sup>	S\$3,670,776 (prior to the Companies (Amendment) Act 2005 coming into effect)
	8 July 2005	20,000 ordinary shares of S\$1.00 each	Exercise Price of S\$4.62	S\$92,400	Employee share option scheme <sup>(1)</sup>	S\$3,690,776 (prior to the Companies (Amendment) Act 2005 coming into effect) S\$4,917,153.60 (after the Companies (Amendment) Act 2005 came into effect)
	4 October 2006	5,000 Shares	Exercise Price of S\$4.62	S\$23,100	Employee share option scheme <sup>(1)</sup>	S\$4,940,253.60
	6 July 2007	NA	NA	NA	Share Split	S\$4,940,253.60

Name of Company	Date of Issue	Registered Capital	Capital Contribution	Purpose of Issue	Resultant issued share capital
Avi-Tech Suzhou	26 May 2004	US\$126,000	US\$126,000	Subscriber shares	US\$126,000
	10 November 2006	US\$2,000,000	US\$375,000	General business requirements	US\$501,000

**Note:-**

- (1) The options granted under these previous employee share option schemes have been fully exercised. As at the Latest Practicable Date, there are no unexercised or outstanding options granted by us for any person to subscribe for shares in our Group.

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## **SHARE CAPITAL**

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Save as disclosed in the preceding paragraphs, no shares in, or debentures of, our Company or of our subsidiary have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, within the three years preceding the date of this Prospectus.

No person has, or has the right to be given, an option to subscribe for or purchase shares in, or debentures of, our Company or of our subsidiary.

## SHAREHOLDERS

### OWNERSHIP STRUCTURE

The Shareholders of our Company and their respective shareholdings before and immediately after the Invitation are set out below:-

	← Before Invitation →				← Immediately after the Invitation →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>								
Khor Thiam Beng	–	–	–	–	— <sup>(15)</sup>	–	–	–
Lim Eng Hong <sup>(1)(4)</sup>	79,438,350	30.27	26,270,000	10.01	79,438,350	22.67	26,270,000	7.50
Wong Wee Lim, William	5,680,000	2.16	–	–	5,680,000	1.62	–	–
Goh Chung Meng	–	–	–	–	— <sup>(15)</sup>	–	–	–
Michael Grenville Gray	–	–	–	–	— <sup>(15)</sup>	–	–	–
<b>Substantial Shareholders (other than Directors)</b>								
Chia Hai Tong <sup>(1)(2)(3)(4)</sup>	9,230,000	3.52	4,970,000	1.89	9,230,000	2.63	4,970,000	1.42
Lim Ai Keng <sup>(1)(2)(4)</sup>	4,970,000	1.89	9,230,000	3.52	4,970,000	1.42	9,230,000	2.63
<b>Shareholders related to our Directors and Substantial Shareholders</b>								
Lim Tai Meng, Alvin <sup>(4)</sup>	7,810,000	2.98	–	–	7,810,000	2.23	–	–
Lim Wei Ling, Elaine <sup>(4)</sup>	5,680,000	2.16	–	–	5,680,000	1.62	–	–
Loh Zee Lan, Nancy <sup>(4)</sup>	12,780,000	4.87	–	–	12,780,000	3.65	–	–
<b>Management/Employees</b>								
Bambang Handoko Sutedjo	639,000	0.24	–	–	639,000	0.18	–	–
Kwok Wai San, Philip	4,331,000	1.65	–	–	4,331,000	1.24	–	–
Lau Toon Hai	2,130,000	0.81	–	–	2,130,000	0.61	–	–
Patrick Anthony Vijayan @Thambi	710,000	0.27	–	–	710,000	0.20	–	–
Tan Kwang Seng	3,550,000	1.35	–	–	3,550,000	1.01	–	–
Zhao Fang	710,000	0.27	–	–	710,000	0.20	–	–
<b>Seed capital investors<sup>(5)</sup></b>								
Ang Chee Choo <sup>(6)</sup>	603,500	0.23	2,591,500	0.99	603,500	0.17	2,591,500	0.74
Eu It Hai	4,686,000	1.79	–	–	4,686,000	1.34	–	–
Fong Ching Loon	7,100,000	2.71	–	–	7,100,000	2.03	–	–
Goei Lay Beng	56,800	0.02	–	–	56,800	0.02	–	–
Goh Cheng Miang <sup>(7)</sup>	2,688,557	1.02	1,420,000	0.54	2,688,557	0.77	1,420,000	0.40
Hoon Mu Ling	56,800	0.02	–	–	56,800	0.02	–	–
International Aquarium (Pte) Ltd <sup>(7)</sup>	1,420,000	0.54	–	–	1,420,000	0.41	–	–
Khoo Chin Bee Garry	605,843	0.23	–	–	605,843	0.17	–	–
Law Sow Chan @ Wong Ject	852,000	0.32	–	–	852,000	0.24	–	–
Estate of Lim Ah Hock	568,000	0.22	–	–	568,000	0.16	–	–
Ng Ching Yow	3,266,000	1.24	–	–	3,266,000	0.93	–	–
Ng Kon Nin <sup>(8)</sup>	923,000	0.35	–	–	923,000	0.26	–	–
Ng Soo Lan @ Ng Soo Lung <sup>(9)</sup>	587,312	0.22	–	–	587,312	0.17	–	–
Ng Yong Hock	4,828,000	1.84	–	–	4,828,000	1.38	–	–
Ong Lian Teng <sup>(9)</sup>	3,073,377	1.17	–	–	3,073,377	0.88	–	–
Pang Koon Siong <sup>(6)</sup>	1,065,000	0.41	–	–	1,065,000	0.30	–	–
Pang Kun Sing <sup>(8)</sup>	1,065,000	0.41	–	–	1,065,000	0.30	–	–
Poh Ah Goon	56,800	0.02	–	–	56,800	0.02	–	–
Shiw Kaw @ Chew Lian Kwe	3,976,000	1.52	–	–	3,976,000	1.13	–	–
Tan Bok Yang	1,514,572	0.58	–	–	1,514,572	0.43	–	–
Toh Boon Keng	3,915,082	1.49	–	–	3,915,082	1.12	–	–

## SHAREHOLDERS

	← Before Invitation →				← Immediately after the Invitation →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Tsia Hah Tong <sup>(3)(6)</sup>	2,591,500	0.99	603,500	0.23	2,591,500	0.74	603,500	0.17
Yong Ser Sen	3,537,220	1.35	–	–	3,537,220	1.01	–	–
<b>Investors arising from the divestment of an investment fund<sup>(10)</sup></b>								
Aperchance Company Limited	4,033,865	1.54	–	–	4,033,865	1.15	–	–
Aventures 1 Pte Ltd <sup>(11)</sup>	10,650,000	4.06	–	–	10,650,000	3.04	–	–
Avia II <sup>(12)</sup>	11,698,812	4.46	–	–	11,698,812	3.34	–	–
Chew Ghim Bok	1,678,227	0.64	–	–	1,678,227	0.48	–	–
Devin Wirawan	1,613,688	0.61	–	–	1,613,688	0.46	–	–
Dynamic Return Limited <sup>(13)</sup>	3,227,234	1.23	–	–	3,227,234	0.92	–	–
Evia Growth Opportunities Ltd <sup>(14)</sup>	12,102,234	4.61	–	–	12,102,234	3.45	–	–
Ho Siok Hoon Jocelyn	5,451,167	2.08	–	–	5,451,167	1.56	–	–
Hugo Baron Huyssen Van Kattendijke	426,000	0.16	–	–	426,000	0.12	–	–
Lim Soo Shin David	3,266,000	1.24	–	–	3,266,000	0.93	–	–
Lim Ho Kee	3,227,234	1.23	–	–	3,227,234	0.92	–	–
Liew Wing Kong	1,678,227	0.64	–	–	1,678,227	0.48	–	–
Ng Tee Khiang <sup>(11)(12)(14)</sup>	2,420,461	0.92	–	–	2,420,461	0.69	–	–
Providence Investments Pte Ltd	8,165,000	3.11	–	–	8,165,000	2.33	–	–
Quak Ser Khoon	2,840,000	1.08	–	–	2,840,000	0.81	–	–
Sanfia Njoman @ Yeo San Hui	3,227,234	1.23	–	–	3,227,234	0.92	–	–
<b>Public (including Reserved Shares)</b>	–	–	–	–	88,000,000	25.11	–	–
<b>Total<sup>(15)(16)</sup></b>	262,400,096	100.00			350,400,096	100.00		

### Notes:-

- (1) Lim Eng Hong is the brother of Lim Ai Keng and the brother-in-law of Chia Hai Tong.
- (2) Chia Hai Tong is the spouse of Lim Ai Keng. Each of them is deemed to be interested in the Shares held by the other, by virtue of Section 4 of the Securities and Futures Act.
- (3) Chia Hai Tong is the brother of Tsia Hah Tong. Tsia Hah Tong is the spouse of Ang Chee Choo.
- (4) Lim Tai Meng, Alvin, Lim Wei Ling, Elaine and Loh Zee Lan, Nancy is the son, daughter and spouse respectively of Lim Eng Hong. Lim Tai Meng, Alvin and Lim Wei Ling, Elaine is also the nephew and niece respectively of Lim Ai Keng and Chia Hai Tong. Lim Eng Hong is deemed to be interested in the Shares held by Lim Tai Meng, Alvin, Lim Wei Ling, Elaine and Loh Zee Lan, Nancy.
- (5) This group of shareholders mainly represent the Company's early seed capital investors, and/or subsequent transferees, who were mainly from the aquarium fish industry.
- (6) Ang Chee Choo is the spouse of Tsia Hah Tong. Each of them is deemed to be interested in the Shares held by the other, by virtue of Section 4 of the Securities and Futures Act.
- (7) Goh Cheng Miang is a director of International Aquarium (Pte) Ltd. Goh Cheng Miang directly and indirectly owns 72.73% of International Aquarium (Pte) Ltd. and is deemed to be interested in the Shares held by International Aquarium (Pte) Ltd.
- (8) Ng Kon Nin, Pang Koon Siong and Pang Kun Sing are brothers
- (9) Ong Lian Teng is the spouse of Ng Soo Lan @ Ng Soo Lung
- (10) In 1998, a former shareholder of the Company transferred its entire shareholdings to Suez Asia Holdings Pte Ltd (an investment fund) ("Suez") and Mr Lim Eng Hong. Suez acquired the majority of such shares and thus became a shareholder of the Company in 1998. In 2004, Suez decided to dispose of all its shareholdings in the Company. This was achieved through the transfer of all its shares to 19 new investors and two existing shareholders, including Mr Lim Eng Hong. The transaction to transfer Suez's entire shareholdings in the Company to the 19 new investors and two existing shareholders

## SHAREHOLDERS

was completed in April 2005. This group of shareholders thus represent the 19 new investors who acquired their shares in 2005. Subsequently, of the 19 said new investors, three investors have sold all their shares to Mr Lim Eng Hong. Such transactions were completed in February 2007.

- (11) Aventures 1 Pte Ltd ("Aventures") is a private limited company incorporated in Singapore and established as a fund. Ng Tee Khiang is a shareholder of Aventures (with direct shareholdings of 1.34% of the issued ordinary share capital of Aventures and 1.34% of the issued preference share capital of Aventures).
- (12) Avia II is a fund managed by Raintree Ventures, a wholly-owned subsidiary of WFGL. The investors of Avia II comprise various high net worth individuals and corporations. The Manager to the Invitation, Westcomb Capital, is a wholly-owned subsidiary of WFGL. Please refer to the Section "Management, Underwriting and Placement Agreements" of this Prospectus. To ensure independence, the investment decisions for Raintree Ventures are subject to approval/veto by its investment approval committee whereby WFGL and the Manager have no control. Ng Tee Khiang is a shareholder of Avia II (with direct shareholdings of 4.80% of the issued ordinary share capital of Avia II and 6.00% of the issued preference share capital of Avia II). The preference shares held by Ng Tee Khiang do not carry any voting rights.
- (13) Dynamic Return is a fund managed by Dynamic Equity Management. Both Dynamic Return and Dynamic Equity Management are wholly-owned subsidiaries of WFGL. Please refer to the section "Management, Underwriting and Placement Agreements" of this Prospectus.
- (14) Evia Growth Opportunities Ltd. ("Evia") is a public company incorporated in Singapore and established as a fund. Ng Tee Khiang is a director and shareholder of Evia, with direct shareholdings of 6.54% of the issued ordinary share capital of Evia and 6.58% of the issued preference share capital of Evia.
- (15) Each of our Non-Executive Directors Khor Thiam Beng, Goh Chung Meng and Michael Grenville Gray will be offered 80,000 Reserved Shares at the Issue Price in recognition of their future contribution to our Group. In the event that such Non-Executive Directors accept any or all of the Reserved Shares offered to them, they may dispose of or transfer any or all their Shares six months after the admission of our Company to the Official List of the SGX-ST.
- (16) Percentages do not add up to 100 due to rounding.

Save as disclosed above, there is no other relationship between our Directors, Executive Officers and our Controlling Shareholder.

The Shares owned by our Substantial Shareholders do not carry any different voting or other rights from the New Shares which are the subject of the Invitation.

Save as disclosed above, our Company is not owned or controlled directly or indirectly by another corporation or any government or other natural or legal persons whether jointly or severally.

To the best of our knowledge, there are no arrangements the operation of which may at a subsequent date result in a change in control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation which has occurred between the beginning of the financial year ended 30 June 2006 and the Latest Practicable Date.

### Significant Changes in Percentage of Ownership

Save as disclosed below, there were no significant changes in the percentage of ownership of shares of our substantial shareholders, directors and CEO in our Company in the last three years prior to the Latest Practicable Date:-

Name	As at 30 June 2003		As at 30 June 2004		As at 30 June 2005	
	Direct Interest %	Deemed Interest %	Direct Interest %	Deemed Interest %	Direct Interest %	Deemed Interest %
Lim Eng Hong <sup>(1)</sup>	21.35	—	25.91	—	37.83	—
Chia Hai Tong <sup>(1)(2)</sup>	4.27	2.08	4.06	1.98	4.04	1.91
Lim Ai Keng <sup>(1)(2)</sup>	2.08	4.27	1.98	4.06	1.91	4.04



## SHAREHOLDERS

Name	As at 30 June 2006		As at the Latest Practicable Date	
	Direct Interest %	Deemed Interest %	Direct Interest %	Deemed Interest %
Lim Eng Hong <sup>(1)</sup>	37.62	—	30.27	10.01
Chia Hai Tong <sup>(1)(2)</sup>	4.02	1.90	4.02	1.90
Lim Ai Keng <sup>(1)(2)</sup>	1.90	4.02	1.90	4.02

**Notes:-**

- (1) Lim Eng Hong is the brother of Lim Ai Keng and the brother-in-law of Chia Hai Tong. Lim Tai Meng, Alvin, Lim Wei Ling, Elaine and Loh Zee Lan, Nancy are shareholders of our Company. They are also the son, daughter and spouse respectively of Lim Eng Hong.
- (2) Chia Hai Tong is the spouse of Lim Ai Keng. Each of them is deemed to be interested in the Shares held by the other.

### MORATORIUM

To demonstrate their commitment to our Group, each of the Shareholders of our Company immediately prior to the Invitation (as set out in the Section “Shareholders – Ownership Structure” of this Prospectus) have undertaken not to sell, transfer or otherwise dispose of any part of their respective interests in our Company for a period of six months commencing from the date of our Company’s admission to the Official List of the SGX-ST. These Shareholders include, *inter alia*, our Directors, Substantial Shareholders, management, as well as our seed capital investors and investors arising from the divestment of an investment fund whom have also agreed to be moratorised. In aggregate, the pre-Invitation Shareholders hold 262,400,096 Shares in our Company, representing 74.89% of our Company’s enlarged issued and paid-up capital after the Invitation.

Each of our Non-Executive Directors Khor Thiam Beng, Goh Chung Meng and Michael Grenville Gray will be offered 80,000 Reserved Shares at the Issue Price in recognition of their future contribution to our Group. In the event that such Non-Executive Directors accept any or all of the Reserved Shares offered to them, they may dispose of or transfer any or all their Shares six months after the admission of our Company to the Official List of the SGX-ST.

### RESTRUCTURING EXERCISE

The Share Split, whereby the Share Capital of the Company was subdivided in such manner so that every one existing ordinary share was divided into 71 Shares, resulting in an issued and paid-up Share Capital of S\$4,940,254 comprising 262,400,096 Shares, was effected in the restructuring exercise (“Restructuring Exercise”) implemented in preparation of our listing on the SGX-ST. The Restructuring Exercise of the Share Split was completed on 6 July 2007.

## DILUTION

Dilution is the amount by which the Issue Price to be paid by the subscribers of our Shares in the Invitation exceeds the NAV per Share immediately after the Invitation. Our NAV per Share as at 31 December 2006, based on the unaudited condensed consolidated interim balance sheet of our Group as at 31 December 2006, and based on the pre-Invitation issued share capital of 262,400,096 Shares, was 8.90 cents per Share.

Based on the issue of 88,000,000 New Shares at the Issue Price pursuant to the Invitation, and after deducting the estimated expenses of the Invitation and adjusting for any disposal or acquisition which occurred between 31 December 2006 and the date of registration of this Prospectus, the NAV of our Group as at 31 December 2006 after adjusting for the Invitation, would have been 14.31 cents per Share. This represents an immediate increase in NAV of 5.41 cents per Share to our existing Shareholders and an immediate dilution of 18.69 cents per Share or approximately 56.64% to our new investors.

The following table illustrates the dilution per Share:-

	Per Share
Issue Price	33.0 cents
NAV as at 31 December 2006 based on the pre-Invitation share capital of 262,400,096 Shares <sup>(1)</sup>	8.90 cents
Increase in NAV attributable to existing Shareholders <sup>(1)</sup>	5.41 cents
Adjusted NAV after the Invitation <sup>(1)</sup>	14.31 cents
Dilution in NAV to new investors <sup>(1)</sup>	18.69 cents

**Note:-**

- (1) After adding net proceeds from the Invitation of approximately S\$26.8 million and adjusting for any disposal or acquisition which occurred between 31 December 2006 and the date of registration of this Prospectus)

The following table shows the effective cash cost to our existing Directors and Substantial Shareholders of shares acquired by them during the period of three years before the date of this Prospectus, and to the new investors who subscribe for the New Shares pursuant to the Invitation:-

	No. of shares Acquired	Total Consideration S\$	Effective cash cost per share S\$
<b>Directors and Substantial Shareholder</b>			
Lim Eng Hong	127,263,808	14,404,217	0.11
Wong Wee Lim, William	1,140,757	104,435	0.09
Chia Hai Tong <sup>(1)</sup>	345,557	31,636	0.09
New public Shareholders	88,000,000	29,040,000	0.33

**Notes: -**

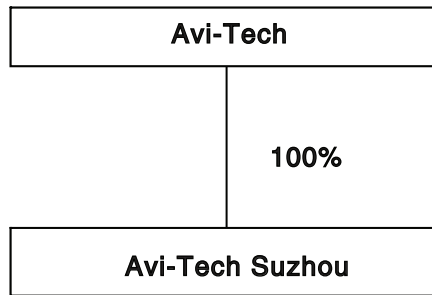
- (1) Chia Hai Tong is the spouse of Lim Ai Keng. Each of them is deemed to be interested in the Shares held by the other. Collectively, they have a deemed interest of 5.41% in our pre-Invitation share capital. Please refer to the Section "Share Capital" of this Prospectus. Lim Ai Keng has not acquired any Shares during the period of three years before the date of this Prospectus.

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## GROUP STRUCTURE

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Our Group structure as at the date of this Prospectus is as follows:-



Details of our subsidiary as at the date of this Prospectus are as follows:-

Name	Date and Place of Establishment	Principal Business	Principal Place of Business	Percentage Owned
<b>Subsidiary</b>				
Avi-Tech Suzhou	26 May 2004	Testing and aging service regarding semiconductor and IC, processing aging base plate system regarding semiconductor and IC, selling own products and providing after service for relevant products	PRC	100%

Our subsidiary is not listed on any stock exchange.

We do not have any associated companies, being an associated company, the absolute amount of the net assets, net liabilities or profit or loss before tax of which accounts for 10% or more of the absolute amount of the net assets, net liabilities or profit or loss before tax, respectively, of the Group for FY2004, FY2005, FY2006 and HY2007.

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## GENERAL INFORMATION ON OUR GROUP

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### HISTORY AND DEVELOPMENT

Our Company was incorporated in Singapore on 31 December 1981 under the Companies Act as a private company limited by shares and remained as a shell company for approximately two and a half years from the date of incorporation.

Our Company then commenced operations on 1 July 1984 with 23 personnel and three Burn-In Systems with a total area of 782 sq. m.

In 1986, our Company was qualified by our two largest customers, namely Texas Instruments Singapore and National Semiconductor Pte Ltd, as a Burn-In service provider due to fast turnaround and good engineering support. Although our Company made losses for the first two years of operations, we quickly recovered from our position of accumulated losses by the third year of our operations due to these qualifications from Texas Instruments Singapore and National Semiconductor Pte Ltd.

During the period from 1990 to 1995, our Company enjoyed steady organic growth in our business.

Our Company continued to grow rapidly and expanded our business in 1995 to include the provision of engineering services to design and build semiconductor Burn-In Systems. The strategic alliance formed between our Company and Motay Electronics (a USA company that supplies automated Burn-In Systems and other products for semiconductor testing and which was acquired by Unisys Corporation, a USA company providing such services as system integration, network engineering, project management, and technical support) helped our Company to develop our engineering services to design and build more sophisticated Burn-In Systems to cater to the semiconductor industry.

In 1997, our Company extended its capability to provide Tape and Reel Services to semiconductor manufacturers.

By 1998, with our facilities and capabilities in Burn-In and visual and mechanical inspection services as well as our design and build engineering services, our Company was able to position itself as a company that was able to provide a total Burn-In solution to various semiconductor manufacturers' needs.

In 1998, due to the need for further expansion and consolidation of our operations as well as the demands of higher energy consumption of our operations, we relocated our operations to the premises located at 19A Serangoon North Avenue 5, Singapore. These premises have a total built up area of approximately 12,000 sq. m. out of which we occupied approximately 5,000 sq. m. in 1998. Today, the Group's operations are still carried out at these premises and we have expanded to occupy a total area of approximately 10,000 sq. m. as at the Latest Practicable Date for our operations.

In the following year of 1999, our Company was awarded the Enterprise 50 ("E-50") No. 1 ranking in recognition of our excellence exhibited in such performance indicators as operating profit before tax, revenue and profit growth as well as management philosophy, innovation and market presence.

From 2002 onwards, our Company embarked on providing services in the distribution of third party Burn-In and test related equipment for use in the semiconductor testing environment.

In 2004, our Group commenced activities in the PRC (Suzhou) with the setting up of a subsidiary to take orders for our Burn-In Boards, with production activities supported directly out of our Singapore facilities.

By 2005, our Company began providing TDBI services to customers which require such services.

Since February 2006, we started a new project with Unisys Corporation, which significantly expanded our engineering services in the area of system integration of High Power Burn-In Systems in particular, Thermal Trays. In early February 2007, we entered into an agreement with another party who replaced Unisys Corporation in our business of system integration of High Power Burn-In Systems. The Company currently manufactures the second generation of designs in its business of system integration of High Power Burn-In Systems. For further details of our business in this particular area, please refer to the sections "Our Business - Engineering Services and Equipment Design" and "Trend Information" of this Prospectus.

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## GENERAL INFORMATION ON OUR GROUP

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In December 2006, our Group leased approximately 2,045 sq. m in the PRC (Suzhou). We commenced the first phase of renovations to set up our Burn-in facilities and we are expected to be ready for operations by September 2007. Please refer to the section “Material Capital Expenditure, Divestment and Commitments” of this Prospectus.

On 9 July 2007, our Company was converted into a public limited company and we changed our name to “Avi-Tech Electronics Limited”.

### INDUSTRY OVERVIEW

The semiconductor industry produces a broad range of semiconductor devices used in products that we encounter in our everyday lives. The segment of customers in the semiconductor industry which we serve is the segment that requires fail-safe or high reliability semiconductor devices.

The effective testing and Burn-In functions are an important stage in a semiconductor manufacturing process for semiconductors used in products, including consumer products and other products that require fail-safe performance, as it acts as a quality mechanism to detect defective semiconductors and to ensure zero defects prior to shipping and distribution. The result is a more reliable product for the end customers and fewer warranty service costs for the manufacturers.

With each new generation of semiconductor devices, the semiconductor industry has been developing and producing more complex semiconductor devices with smaller geometrics. These new semiconductors devices perform at higher speeds but generate more heat during application and also during the testing and Burn-In of such devices during the semiconductor manufacturing process. To avoid damage from overheating during the testing and Burn-In process of these faster and hotter semiconductor devices, High Power Burn-In Systems are required to rapidly heat and cool the semiconductor devices to carry out testing and Burn-In services.

The testing and Burn-In functions employed in the manufacturing process of semiconductors are set to increase in complexity and demand as a result of the following events taking place in the world today:-

- (a) consumers today are becoming trendier, more fashionable and more demanding resulting in the ever increasing proliferation of semiconductor product variety to satisfy consumers and in order to cope with the shorter product life cycles, manufacturers are required to dramatically shorten manufacturing cycle times and rely more on testing and Burn-In functions to ensure quality and reliability of its products;
- (b) the ever increasing demands of consumers’ cost consciousness are resulting in the drive towards lower manufacturing costs, thus manufacturers are resorting to having to upgrade their facilities (for example, from wafer fabrication using 95 nanometer process technology to 65 nanometer process technology) to generate higher output at a lower cost, however semiconductors manufactured in this process will generate more heat when used under normal circumstances thus necessitating more intensive testing and Burn-In to ensure higher product reliability during the manufacturing process;
- (c) innovation in new methods and manufacturing processes for semiconductor devices will require more Burn-In to be carried out at least in the initial stages of production in order to generate known reliability statistics;
- (d) smaller geometries in the semiconductor manufacturing process will require such products to be re-qualified and thus require more Burn-In processes to be carried out; and
- (e) ever increasing customer expectations for overall product reliability.



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## GENERAL INFORMATION ON OUR GROUP

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### OUR BUSINESS

Our Group is principally engaged in the provision of services and products to the semiconductor industry. The principal business activities of our Group can be broadly categorised into the following three segments:-

- (a) Burn-In and Related Services;
- (b) Design and Manufacture of Burn-In Boards and Boards Related Products; and
- (c) Engineering Services and Equipment Distribution.

In terms of gross profit contributions in HY2007, our three business segments contributed 49.3% (Burn-In and Related Services), 2.6% (Design and Manufacture of Burn-In Boards and Boards Related Products) and 48.1% (Engineering Services and Equipment Distribution) respectively.

### Burn-In and Related Services

There are two business activities within this segment:-

- (a) Burn-In Service; and
- (b) Tape and Reel Service

#### *Burn-In Service*

Revenue from Burn-In Services accounted for approximately S\$14.85 million, S\$19.07 million, S\$20.35 million and S\$10.06 million or 96.1%, 95.2%, 91.3% and 86.6% of our revenue from our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively.

We provide Static Burn-In, Dynamic Burn-In and TDBI for the semiconductor industry. Burn-In is a process in between the assembly and final test processes in the semiconductor manufacturing chain. It is a process whereby the individual semiconductor device is stressed at extreme temperatures with voltages and test signals applied to weed out infant mortality failures (that is, any defects caused during the design and assembly process) with the extreme temperature environment in the Burn-In chamber. Any semiconductor device that fails the Burn-In screening process will be rejected. In the semiconductor industry, it is less costly to screen out such defects at the Burn-In stage rather than at the final test process. If there is no early detection of defects, the incremental opportunity loss in dollar value to our customers is substantially higher as they approach the finished product stage as it entails the use of very costly final testers down the manufacturing chain to weed out the defective semiconductor devices. It is of even higher costs to our customers, both in terms of field replacement costs and negative publicity, if their products failed whilst being used in the consumer market place as a result of defective semiconductor devices.

The Burn-In process duration is specified by the customers depending on the device types, the specific applications of the semiconductor device and the designed reliability. The Burn-In temperature is also specified by the customer and ranges anywhere from -40 degrees Celsius to +150 degrees Celsius. Currently, we have over 120 Burn-In Systems in our in-house facilities supporting the Burn-In of different semiconductor device types ranging from microprocessors, memories, micro-controllers, automotive control circuits and custom made chips, small-outline IC package, plastic leaded chip carrier package, quad flat pack, no-leads package, thin shrink small-outline package to the latest pin grid array and ball grid array.

Many of the Burn-In Systems used in our business are designed and fabricated within our in-house facilities. We operate 24 hours daily seven days per week on four shifts. We also offer round the clock delivery and collection services to our customers. The detailed Burn-In process is covered under the manufacturing flow description.

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## GENERAL INFORMATION ON OUR GROUP

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### *Tape and Reel Service*

Revenue from Tape and Reel Services accounted for approximately S\$595,000, S\$965,000, S\$1.93 million and S\$1.55 million or 3.9%, 4.8%, 8.7% and 13.4% of our revenue from our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively.

In the semiconductor industry, the finished semiconductor product is usually delivered in various forms, for example, in trays, tubes and in reels. We provide Tape and Reel services for customers who need their finished products to be delivered in a reel form. This service can be provided independently of our Burn-In services. Our customers' finished semiconductor products are processed through a specialised machine whereby the finished products are firstly inspected and then fed into 'pockets' in a reel and then sealed with a tape. Here we employ the use of Tape and Reel machines that can perform this function efficiently and meeting the inspection criteria set by our customers on, for example, marking legibility, bent leads, orientation, scratches, package contamination and micro-cracks. The machines have sophisticated cameras installed to capture the package images and compare the images with the software defined tolerances to bin them for taping or rejection. Inputs can be either in a tray or tube form and output in the reel. Standard reels can house from 1,000 to 2,500 units of finished products depending on the package size. We provide a similar round the clock delivery and collection services for these customers as we do for our Burn-In service customers.

### **Design and Manufacture of Burn-In Boards and Boards Related products**

Revenue from this business activity accounted for approximately S\$4.46 million, S\$4.83 million, S\$5.99 million and S\$4.03 million or 19.7%, 16.9%, 16.4% and 10.9% of our total revenue in FY2004, FY2005, FY2006 and HY2007 respectively.

We are involved in the design, manufacture and assembly of Burn-In Boards for different types of Burn-In ranging from Static Burn-In, Dynamic Burn-In to TDBI and also for other different types of reliability tests, like HTOL and HAST.

### **Engineering Services and Equipment Distribution**

#### *Engineering Services*

Revenue from this business activity accounted for approximately S\$2.69 million, S\$3.67 million, S\$8.29 million and S\$21.44 million or 11.9%, 12.9%, 22.7% and 57.8% of our total revenue in FY2004, FY2005, FY2006 and HY2007 respectively.

Our engineering services are broadly categorised into the following two divisions:-

#### **(a) System Integration and Equipment Manufacturing**

Under this division, we carry out mainly system integration projects and equipment manufacturing services.

For system integration (built to design) projects, we perform full turnkey system integration services ranging from parts procurement, parts fabrication, system assembly to system verification based on drawings and specifications provided by our customers. In the process, if possible, we also recommend enhancements and improvement to our customers' designs as a value-added service to them. One of our competitive strengths is the provision of system integration services for refrigeration based High Power Burn-In Systems, which includes the manufacturing of Thermal Trays (an essential part of the High Power Burn-in System). High Power Burn-In Systems are required for the Burn-In testing of today's faster and hotter semiconductor devices. As the development of more complex semiconductor devices with smaller geometrics will enable semiconductors to perform at higher speeds thereby causing them to exhibit high thermal properties during application, this will in turn create a higher demand for High Power Burn-In Systems for the Burn-In and test of such complex semiconductor devices, for which we currently occupy a niche position in the market as a service provider of such High Power Burn-In Systems. For further details, please refer to the section "Competitive Strengths" and "Our Prospects" of this Prospectus. Since February 2006, as a result of the development of the semiconductor industry, further details of which are set out in the section "Industry Overview" of this Prospectus, we have significantly expanded our engineering services in this area of services to be provided to our customers. Our expansion efforts have included the purchase of custom made test equipment and

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## GENERAL INFORMATION ON OUR GROUP

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software, the employment of more staff and the specialised overseas training of our employees, including technicians and engineers. Potential customers for our system integration of High Power Burn-In Systems may come from the graphics and computing industry. As at the Latest Practicable Date, we have both partially and fully completed system integration projects with Unisys Corporation (for further details please refer to the section “Major Customers” of this Prospectus), Advanced Micro Devices (Singapore) Pte Ltd and Delta Design, Inc. and we are currently undertaking more similar projects including the manufacture of Thermal Trays and system integration of High Power Burn-In Systems with Advanced Micro Devices (Singapore) Pte Ltd and Delta Design Inc.

This new business increased the share of revenue from our Engineering Services and Equipment Distribution business segment from 12.9% in FY2005 to 22.7% and 57.8% in FY2006 and HY2007 respectively.

For equipment manufacturing (design and build) services, we perform detailed reviews of our customer’s needs, requests and specifications on equipment requirements, in order to design and build the equipment. We are also involved in parts procurement, parts fabrication, equipment assembly and equipment verification.

In addition to the engineering services provided as set out above, we are also commissioned by our customers to redesign their existing equipment. With our ability to integrate our expertise within our engineering department, we are able to deploy and perform appropriate value added engineering work that reduces production, manufacturing and/or testing costs for our customers. We achieve this by analysing our customer’s production, manufacturing or testing processes and equipment to determine if the operations can be simplified or made more reliable or efficient through re-engineering.

### (b) Technical Services

We provide field service and application support to our customers for all equipment that we manufacture and distribute, in particular, we provide equipment installation services, training and after sales service. We also provide to our customers field service and application support for system integration projects undertaken by us. In connection with certain of our technology partners who are based overseas, we also perform first line repair services for their customers located in Singapore.

### *Equipment Distribution*

We distribute equipment and related products used in the semiconductor industry. In particular, we distribute third party Burn-In and test equipment used in the semiconductor industry for the Burn-In, testing and packaging of semiconductor devices. Some of the key third party equipment and products we distribute include automated Test Handlers, Wafer Probers and Mixed Signal Testers. On a smaller scale, we also distribute third party test sockets and tester loadboards.

## PRODUCTION AND MANUFACTURING PROCESS

The production and manufacturing process involved in the main services and products we provide are described below:-

### **Burn-In Services**

Semiconductor devices are received from our customers which are checked by our QA inspectors. Any abnormalities discovered will be notified to our customers. The semiconductor devices are then scheduled for Burn-In.

The Burn-In process begins with the loading of the semiconductor devices onto Burn-In Boards either manually or by an automatic loader/unloader equipment. The Burn-In Boards are visually inspected before loading into the remote test station. This is followed by a remote test (commonly referred to as “pre Burn-In test”) carried out at room temperature in which an electrical current is passed through each semiconductor device to identify any defective units. The Burn-In System is then set up and checked to ensure that the correct test programme, voltages and signals are selected prior to each production Burn-In. Following that, the Burn-In Boards are loaded into the Burn-In Systems and our QA inspectors will conduct pre Burn-In checks on the selection of the test programme as well as for temperature, voltage

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## GENERAL INFORMATION ON OUR GROUP

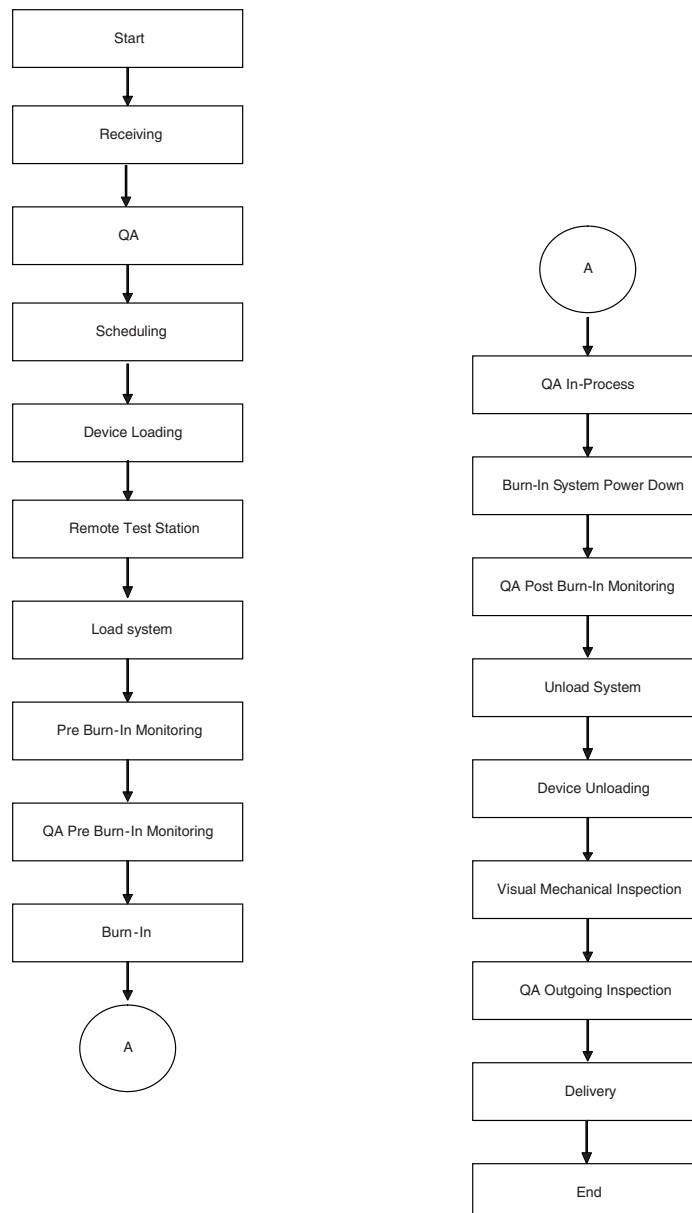
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and signals on the Burn-In Boards and will report any abnormalities discovered. After that, the Burn-In process commences whereby the semiconductor devices are subjected to predetermined stress conditions under high temperatures and electrical voltages to uncover those with a high likelihood of product failure.

During the Burn-In process, the Burn-In System will indicate the Burn-In Boards that have product failures. Such failures will be identified and defects removed to ensure good signal integrity during the Burn-In process. Our QA inspectors continually monitor the Burn-In process as it progresses to report on any abnormalities and to take the necessary actions.

Once the Burn-In process duration has been completed, our QA inspector will once again conduct electrical checks to ensure that no abnormalities have occurred. The Burn-In Boards are then unloaded from the Burn-In System and the semiconductor devices unloaded and subjected to a 100% visual inspection for chips, cracks, tarnishes, leads integrity and symbol defects, amongst other criteria, to screen out any post Burn-In rejects. Our QA inspectors will conduct a final check to verify the correct quantity of semiconductor devices tested and to screen out any semiconductor devices that have any visual defects. Finally the semiconductor devices are packaged according to our customers' requirements for delivery to our customers.

A typical Burn-In process flow is set out below:-



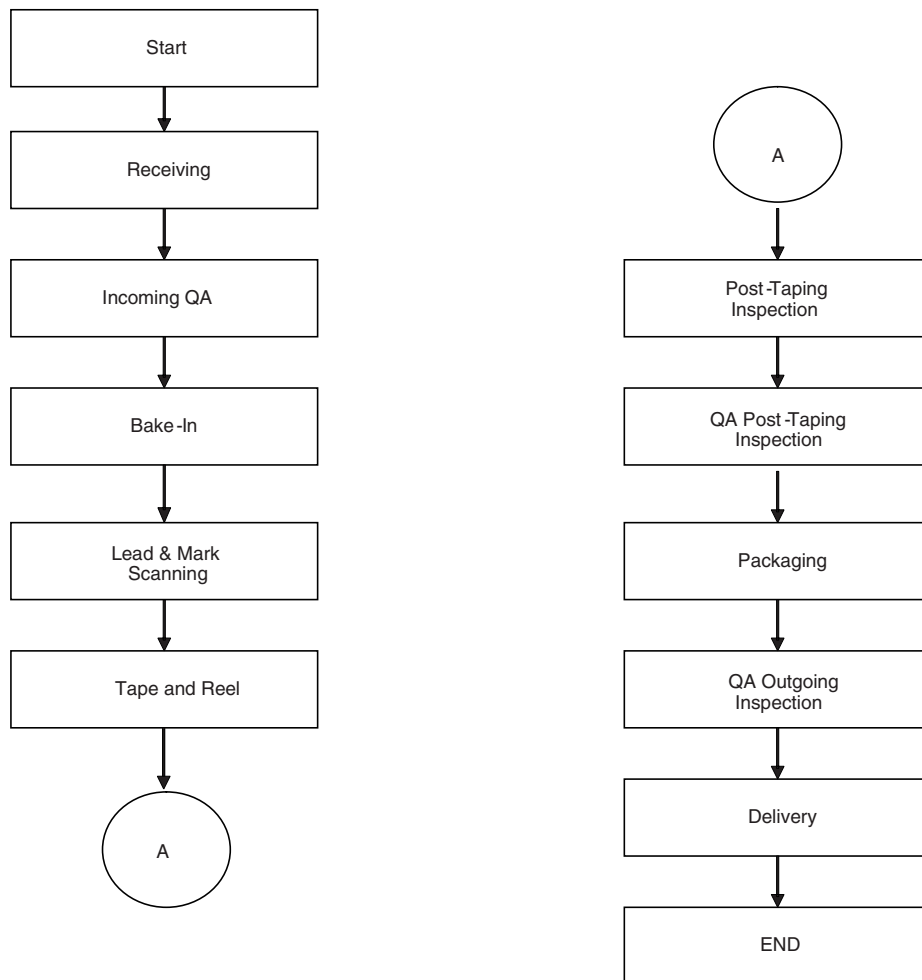
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## GENERAL INFORMATION ON OUR GROUP

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### Tape and Reel Services

For this process, we receive semiconductor devices from our customers in either tray or tube forms. After the incoming QA process, the units of finished semiconductor products may be baked in an oven to remove moisture. The semiconductor devices are then processed through a tape & reel machine which inspect the leads and markings using sophisticated cameras for marking legibility, bent leads, orientation, scratches, package contamination and micro-cracks and the semiconductor devices that pass the inspection criteria are then fed into 'pockets' in a reel and then sealed with a tape. Our QA inspectors will conduct a final check to verify the correct quantity of semiconductor devices inspected and packaged before delivery to our customers.



### Design and Manufacture of Burn-In Boards

The design and manufacture of Burn-In Boards begin with the customer specifying the connection details for the semiconductor device to be tested on the Burn-In Board. Based on this information, the board designer then proceeds to design the board outline and layout the electrical traces in the PCB.

After the board design is complete, it is handed over to an external PCB house for the fabrication of the PCB. PCBs are inspected for cosmetic defects and electrical integrity once they are delivered to us.

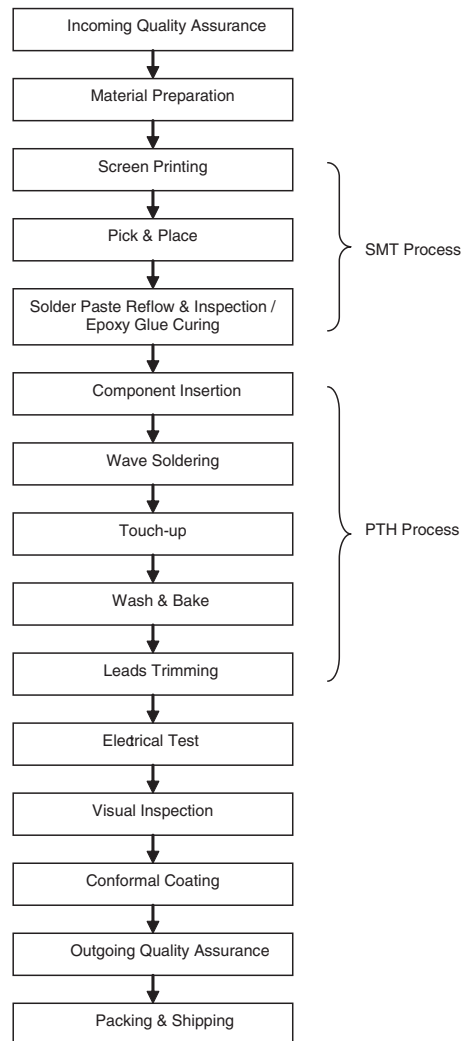
The assembly stage of the process begins by placing and attaching electronic components and sockets on PCBs using Plated Through Hole ("PTH") technology or a combination of both PTH and Surface Mount Technology ("SMT")

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## GENERAL INFORMATION ON OUR GROUP

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A typical PCB assembly process flow is set out below:-



Details of the above assembly process flow is set out below:-

**Incoming QA** - When we receive PCBs from our PCB houses after fabrication, they undergo stringent electrical and visual checks by our QA department. Any defect or non-compliance with our quality standards is immediately highlighted to the relevant PCB house for replacement or rework.

**Material preparation** - Incoming PTH components are cut to size and formed using machines so that they can be inserted into the holes of the PCB at the correct location.

**SMT process** - In this process, a controlled thin layer of solder paste or epoxy glue is applied onto the PCB at locations where SMT components are to be placed. The next stage is component 'Pick & Place', where a machine is programmed to pick up the correct SMT components and place them accurately at the correct locations on the PCB. The PCB is then put through a convection reflow oven in which it is gradually heated up. The solder paste melts and forms the solder joints between the SMT components and PCB. The epoxy glue cures and holds down the SMT components to the PCB.

**PTH process** - PTH components and sockets are picked up by operators and manually inserted into the correct holes on the PCB. These parts and those that are held down to the PCB by epoxy glue are then soldered onto the PCB by passing the board through a wave soldering machine. After wave soldering, the solder joints on the board are touched up by operators to remove any solder defects. Finally, the



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## GENERAL INFORMATION ON OUR GROUP

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board is washed in de-ionized water by an automated aqueous washing machine. For boards which require a superior level ionic cleanliness, they undergo an additional cleaning step in an ultrasonic tank using de-ionized water.

*Electrical test and visual inspection* - Every assembled board is electrically tested using an automated tester to verify the electrical connections and component values. Visual inspection of each board ensures that it conforms to our visual quality standards for board functionality and aesthetics. Any electrical test or visual inspection failure must be rectified and the board re-verified.

*Conformal coating* - This process applies a measured and controlled layer of protective coating material onto the board to keep out moisture and contaminants.

*Outgoing QA* - Our QA personnel will conduct a sample electrical and visual check from each batch of assembled boards to detect any process defect before they are shipped to our customers.

### **Engineering Services**

As at the date of this Prospectus our engineering services division is led by our Director of Engineering, Mr Kwok Wai San, Philip, who is supported by two managers, a team of approximately 20 technical staff comprising of engineers, engineering assistants and technicians and approximately 50 production workers. Our Company's expertise in the provision of engineering services resides in our experience in project management, strong electrical and mechanical skills amongst the technical staff and a strong relationship with our technology partners.

#### *System Integration (built to design)*

The system integration flow process starts with the detailed review of the fabrication drawings and bill of materials as provided by the customer. Parts are then procured and fabricated as specified. Mechanical assembly work will be the first stage in the process followed by the electrical wiring and testing. Thereafter the electronics control parts will be integrated into the system to enable system functionality check to be carried out.

Once the functionality check is completed, the system will then be subjected to a complete system verification against system specifications. To ensure reliability of the system built, the system will undergo Burn-In for at least 24 hours prior to shipment.

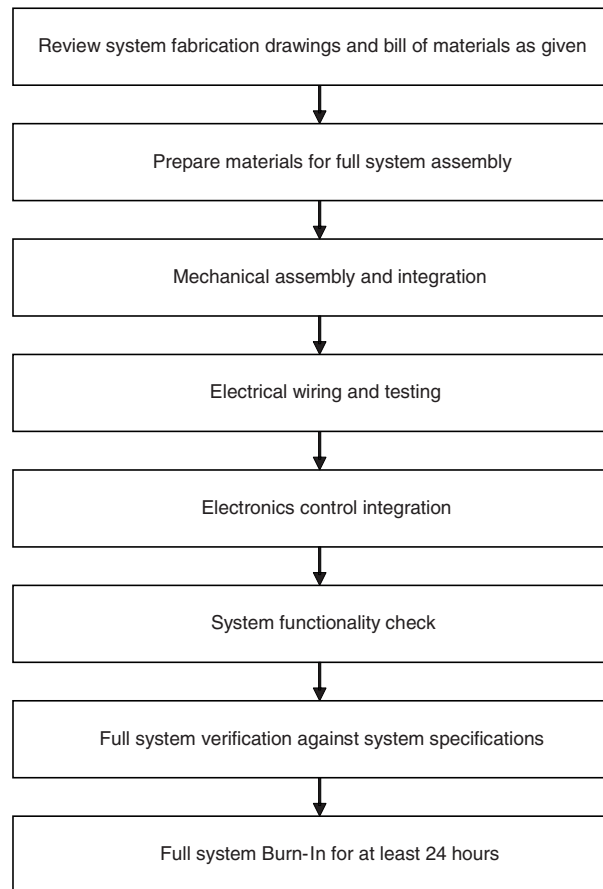
Since February 2006, we have significantly expanded our engineering services in this area of system integration of High-Power Burn-In Systems.

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## GENERAL INFORMATION ON OUR GROUP

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A typical system integration flow process is set out below:-



### *Equipment Manufacturing (design and build)*

The equipment manufacturing flow process starts with the detailed review of the customer's needs, requests and specifications on the equipment requirement. With that, a functional block diagram of the equipment is outlined. The hardware (and software) specifications for each functional block are then defined. Design work and prototype testing will then follow. Parts are then procured and fabricated as specified. Mechanical assembly work will be the first stage in the process to begin followed by the electrical wiring and testing. Thereafter the electronics control parts will be integrated into the equipment to enable system functionality check to be carried out.

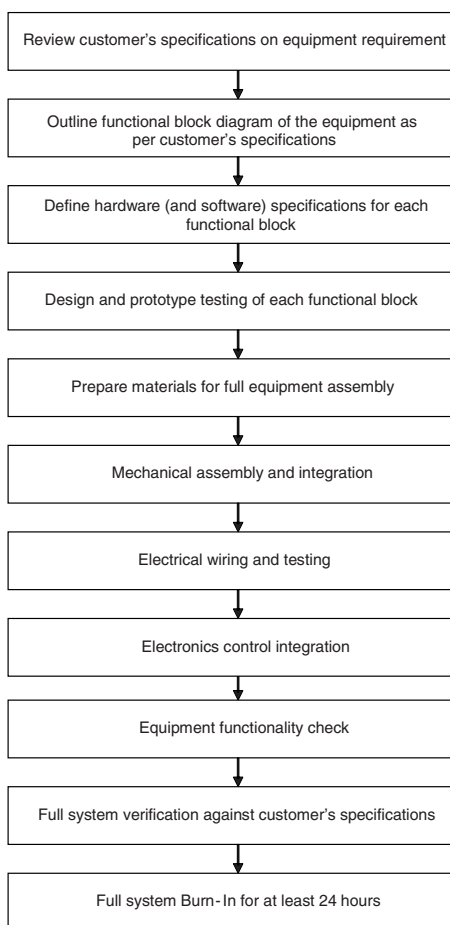
Once the functionality check is completed, the equipment will then be subjected to a complete verification against the equipment specifications. To ensure reliability of the equipment built, the equipment will undergo Burn-In for at least 24 hours prior to shipment.

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## GENERAL INFORMATION ON OUR GROUP

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A typical equipment manufacturing flow process is set out below:-



### QUALITY ASSURANCE

We maintain a QA and control management system to ensure the high quality of our products and services. We are committed to providing products and services that meet or exceed our customers' expectations. We have therefore established stringent quality control procedures to perform quality checks at all critical stages of our processes to ensure that all our products and services satisfy customers' requirements. Quality control checks are carried out, recorded and monitored by our in-house QA Department. As at the date of this Prospectus, our QA department comprises approximately 20 full time employees and is led by our QA Director, Mr Lau Toon Hai, who is supported by two engineers, an engineering assistant, a senior clerk and approximately 15 inspectors.

Our QA activities include the following:-

(a) Incoming QA

Incoming components and devices provided by our suppliers or customers that are used in our processes and products or services are subject to inspection at the point of receipt. Any defects or non-compliance with the quality standard are highlighted to our suppliers or customers for replacement or rectification. We document QA inspection on incoming components and devices supplied by our customers. Periodic reviews are conducted on the quality of our suppliers.

(b) In Process QA

We employ a wide range of QA techniques and systems at different stages of our processes to administer preventive and corrective measures to ensure that the final product meets the customers' requirements. Control plan and in-process inspection procedures are developed and deployed for use in the production processes.

## GENERAL INFORMATION ON OUR GROUP

### (c) Outgoing QA

We carry out the final inspection on the products according to the final inspection procedure. This is to ensure that the finished products meet our customers' specification.

Our QA and control management system is subject to regular audits conducted both internally and by external parties such as PSB Certification Pte Ltd (now known as TUV SUD PSB Certification Pte. Ltd.) and by our customers. This is to ensure that our system is in compliance with international standards and customer specific requirements. These audits include verification of personnel training, proper process control, proper maintenance and calibration of equipment used in our processes as well as the use of correct procedures for all operations.

As a result of our quality control measures, for the period between FY2004 to FY2006, the rejection rates of our products and services were within customers' acceptance range.

As a testimony to our commitment to QA, we have achieved the following certifications:-

Type of Certification	Year of Award	Scope	Expiration Date
ISO 9001 : 2000	2005	Design and manufacture of Burn-In Board Provision of semiconductor Burn-In Services Provision of semiconductor Tape and Reel Services	June 2010
ISO 14001 : 2004	2006	Design and manufacture of Burn-In Board Provision of semiconductor Burn-In Services Provision of semiconductor Tape and Reel Services	December 2010

### AWARDS AND CERTIFICATIONS

As a testament to our achievement of high class standards in our business operations, our Group has over the years, received awards and certifications from governmental bodies/agencies. Some of the awards and certifications received by our Group are as follows:-

Year	Award/Certificate	For	From
2005	SQC <sup>(1)</sup> : 2001 (Renewal)	Achieving world-class performance standard using SQA <sup>(2)</sup> criteria	SPRING Singapore
2003	SQC <sup>(1)</sup> : 2001 (Renewal)	Achieving world-class performance standard using SQA <sup>(2)</sup> criteria	SPRING Singapore
2001	SQC <sup>(1)</sup> : 1996	Achieving world-class performance standard using SQA <sup>(2)</sup> criteria	Productivity and Standards Board of Singapore
1999	Enterprise 50 <sup>(3)</sup> (Ranking : 1 <sup>st</sup> )	In recognition of local enterprises that contributes toward Singapore's economy	Organised by Accenture Consulting and Business Times and supported by the Economic Development Board of Singapore
1998	Enterprise 50 <sup>(3)</sup> (Ranking : 31 <sup>st</sup> )	In recognition of local enterprises that contributes toward Singapore's economy	Organised by Accenture Consulting and Business Times and supported by the Economic Development Board of Singapore

## GENERAL INFORMATION ON OUR GROUP

Year	Award/Certificate	For	From
1997	Enterprise 50 <sup>(3)</sup> (Ranking : 41 <sup>st</sup> )	In recognition of local enterprises that contributes toward Singapore's economy	Organised by Accenture Consulting and Business Times and supported by the Economic Development Board of Singapore

**Notes:-**

- (1) The Singapore Quality Class – a scheme to recognise organisations that have attained a commendable level of performance in their journey to business excellence and to assist them to reach the world-class standards of excellence based on the Singapore Quality Award framework for business excellence.
- (2) The Singapore Quality Award – a prestigious award conferred on organisation that demonstrate the highest standard of business excellence.
- (3) For further details on the Enterprise 50 award, please refer to the Section “Competitive Strengths” of this Prospectus.

### PRODUCTION FACILITIES AND CAPACITY

Our main facility is located at 19A Serangoon North Avenue 5, Singapore. The premises have a total built up area of approximately 12,000 sq. m. out of which we occupy approximately 10,000 sq. m. as at the Latest Practicable Date.

In December 2006, our Group leased approximately 2,045 sq. m in the PRC (Suzhou). We commenced the first phase of renovations to set up our Burn-in facilities and we are expected to be ready for operations by September 2007. Please refer to the section “Material Capital Expenditure, Divestment and Commitments” and “Future Plans” of this Prospectus.

#### Burn-In Services

For the Burn-In services, we have both our own in-house designed and manufactured Burn-In Systems and Burn-In Systems consigned from customers. These Burn-In Systems are used to process the semiconductor devices through the Burn-In cycle duration ranging from as low as 0.5 hours to as high as 1,000 hours as required by our respective customers.

The details of our production capacity are described below (based on in-house designed and manufactured Burn-In Systems and includes Burn-In Systems equipment consigned from our customers):-

FY2004		FY2005		FY2006		HY2007	
Approx. maximum capacity of semi-conductor devices tested per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity of semi-conductor devices tested per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity of semi-conductor devices tested per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity of semi-conductor devices tested per half year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)
98,000	56	106,000	67	118,000	61	53,800	58

**Note:-**

- (1) Our maximum production capacity calculations are derived from the weighted average maximum capacity of the number of Burn-In Systems available and factored by the weighted average number of complete Burn-Ins which our Burn-In Systems can perform during the stipulated times based on an average of 24 hours per day utilisation and after taking into account maintenance downtime. In general, the number of semiconductor devices processed by us is derived by multiplying the number of available Burn-In Board slots within a Burn-In System chamber by the number of available sockets on a Burn-In Board in which units of semiconductor devices are placed and further multiplied by 24 hours, and the product divided by the number of Burn-In hours required by our customers and handling time. The maximum capacity of the number of Burn-In Systems available and the number of complete Burn-Ins of semiconductor devices which our Burn-In Systems can perform will depend largely on a number of variables, including (i) the size of the Burn-In System chamber used and/or requested by our customers, (ii) the type of semiconductor device tested, (iii) the type of Burn-In Board used during the Burn-Ins and (iv)

## GENERAL INFORMATION ON OUR GROUP

the number of Burn-In hours requested by our customers. As we have varying sizes of Burn-In System chambers, Burn-In Boards, semiconductor devices, as well as varying number of Burn-In hours conducted, our maximum capacity calculation is based on a weighted average basis. Our production utilisation rate calculations are derived from the number of units of semiconductor devices processed for the relevant financial period divided by the weighted average maximum capacity available from the number of Burn-In Systems used. There was a slight increase in overall capacity from FY2004 to FY2006 due to our addition of new Burn-In Systems. There was however a slight decrease in overall capacity from FY2006 to HY2007 due to the reduction in the use of certain specialised customer consigned Burn-In Systems as requested by one of our customers.

### Tape and Reel Services

The details of our production capacity are described below:-

FY2004		FY2005		FY2006		HY2007	
Approx. maximum capacity per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity per year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)	Approx. maximum capacity per half year <sup>(1)</sup> ('000)	Approx. utilisation rate (%)
8,190	32	83,072	46	139,390	68	111,500	67

#### Notes:-

- (1) Tape and Reel services is not an automated process and requires the presence of an operator. Our maximum production capacity calculations are derived from the weighted average maximum capacity of the Tape and Reel equipment available based on an average of 22 hours per day utilisation (after taking into account non-production time attributable to maintenance work and operator rest times). Our production utilisation calculations are derived from the number of units of semiconductor devices processed by the Tape and Reel equipment for the relevant financial period divided by the weighted average maximum capacity available from the number of Tape and Reel equipment used. The maximum capacity of the Tape and Reel equipment available will depend largely on a number of variables, including (i) the shape and size of the semiconductor devices being processed, and (ii) the speed at which the semiconductor devices are processed through the Tape and Reel equipment. As we have varying sizes of semiconductor devices processed and also varying speeds and times in which the semiconductor devices are being fed through the Tape and Reel equipment and inspected prior to packing, our maximum capacity calculation is based on a weighted average basis. There was a substantial increase in overall number of semiconductor devices processed from FY2004 to FY2006 due to our addition of four new Tape and Reel equipment with increased throughput. There was also a substantial increase in overall number of semiconductor devices processed from FY2006 to HY2007 due to our additional of another four new Tape and Reel equipment with increased throughput.
- (2) Although our maximum capacity and utilisation rate had increased substantially from FY2004 to FY2005, the increase does not translate into a corresponding increase in revenue from our Tape and Reel business. This is mainly because in FY2004, the revenue from the Tape and Reel business includes visual mechanical inspection services and we have gradually decreased the provision of such services.

### Manufacturing of Burn-In Boards

The details of our production capacity are described below:-

FY2004		FY2005		FY2006		HY2007	
Approx. maximum capacity per year <sup>(1)</sup>	Approx. utilisation rate (%)	Approx. maximum capacity per year <sup>(1)</sup>	Approx. utilisation rate (%)	Approx. maximum capacity per year <sup>(1)</sup>	Approx. utilisation rate (%)	Approx. maximum capacity per half year <sup>(1)</sup>	Approx. utilisation rate (%)
15,000 boards	28	15,000 boards	30	15,000 boards	35	7,500 boards	46

#### Note:-

- (1) In the manufacturing of Burn-In Boards, our production capacity is limited by the speed of the machines mounting components on the PCBs, machine setup, maintenance, the size of Burn-In Board manufactured and operator rest times. On average, this process takes approximately 30 minutes per Burn-In Board of an average dimension of 24.5 inches by 11.4 inches. Based on an average of 21 hours per day, our daily output will be approximately 42 Burn-In Boards per day or approximately 15,000 Burn-In Boards per year. The approximate utilisation rate set out above is determined by the actual output (based on Burn-In Boards of average dimension of 24.5 inches by 11.4 inches) per year or half-year (as the case may be) divided by the maximum capacity. Although we manufacture Burn-In Boards of various dimensions ranging from approximately 6.5 inches by 22.8 inches to 17.3 inches by 22.5 inches, the most common dimensions of our orders are based on the Burn-In Board dimension of 24.5 inches by 11.4 inches.



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## GENERAL INFORMATION ON OUR GROUP

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### Engineering Services

As at the Latest Practicable Date, a total manufacturing area of approximately 1,000 sq. m. within our premises in Singapore is utilised for carrying out engineering services. Within this area, approximately 700 sq. m. of space is utilised for thermal tray manufacturing and approximately 300 sq. m. is utilised to provide field services, application support and other engineering services. We provide engineering services to our customers and also to our technology partners. We are sometimes also engineering services subcontractors to our technology partners. All services provided by us to our technology partners or to their customers are chargeable.

Field service refers to engineering services conducted at the customers' sites. Such engineering services include equipment installation, calibration and repairs.

Application support is performed both at the customer's site and in our premises. Application support services performed within our premises are mainly for equipment upgrade and modification where space limitation is encountered at the customer's site.

For the manufacture of Thermal Trays, the use of customised test equipment and software are employed. We only commenced the manufacture of Thermal Trays in late May 2006. Our approximate maximum capacity for HY2007 is 3,360 Thermal Trays. Based on this, our approximate utilisation rate was 50%.

As the usage of our facilities to provide engineering services to our customers varies from each project we undertake depending on specific customers' request and complexity, details of our utilisation rates of our facilities for FY2004, FY2005, FY2006 and HY2007(annualised) would not be meaningful.

### RESEARCH AND DEVELOPMENT

Our research and development activities are confined to the engineering services division of our business and is limited to product enhancement and cost improvement, as the main product design is developed by our technology partners. We undertake these efforts so as to stay competitive and to widen our manufacturing capabilities to meet the increasingly demanding needs of our customers. Moving forward, we intend to incorporate design capabilities so as to provide higher value-added services to our customers and thus to strengthen our competitive position. To achieve this, we will be training our engineers with the relevant design skills and/or solicit design services from local research institutes. Our expenses incurred for research and development were not material. No expenses were incurred for research and development in FY2004 and FY2005. Research and development in our engineering services division is led by our Director of Engineering, Mr Kwok Wai San, Philip.

### INVENTORY MANAGEMENT

Our inventories comprise of raw materials and work in progress for our Design and Manufacture of Burn-In Boards and Board Related Products and Engineering Services (System Integration and Equipment Manufacturing division) businesses. Raw materials for our Design and Manufacture of Burn-In Boards and Board Related Products business consist mostly of PCBs, sockets, electronic components and board chassis. Raw materials for our Engineering Services (System Integration and Equipment Manufacturing division) business comprise mostly mechanical parts, electronics and electrical components.

Our average inventory turnover (in days) for FY2004, FY2005, FY2006 and HY2007 are as follows:-

	FY2004	FY2005	FY2006	HY2007
Average inventory turnover (in days) <sup>(1)</sup>	37	33 <sup>(2)</sup>	48 <sup>(2)</sup>	31

**Note:-**

(1) Average inventory / Cost of materials x 365 days.

(2) The decrease in our average inventory turnover days for FY2005 was because of a shorter manufacturing cycle for products in this period. The increase in our average inventory turnover days for FY2006 was attributable to an increase in inventory due to a one time purchase pursuant to the Assignment Agreements (for further details, please refer to the Section "Major Customer" of this Prospectus). By end HY2007, we had substantially completed the project and consumed the inventory which reduces our average inventory turnover days for HY2007.

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## GENERAL INFORMATION ON OUR GROUP

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We do not have any inventory for our Burn-In and Related Services and Engineering Services (Equipment Distribution division) businesses. Semiconductor devices received from our customers for Burn-In services do not form part of our inventories. In respect of our Engineering Services (Equipment Distribution division), we will place orders for the equipment at the instructions of our customers. Equipment will be delivered directly to the customers by the principals.

### **Allowances for Stock Obsolescence**

We do not have any general policy regarding allowance for stock obsolescence. We will only make specific allowances when our management considers the inventories to be obsolete or damaged. Although our inventory has a shelf or limited life, we did not have any allowance for stock obsolescence in FY2004, FY2005, FY2006 and HY2007. This is because we do not stock up and only order the necessary quantity based on the requirements of our customers.

### **MARKETING**

Our current marketing activities are driven and co-ordinated by the Singapore headquarters. We have marketing consultants appointed in the USA. Our marketing efforts outside of the USA are based in Singapore. We also have a subsidiary in the PRC and sales consultants in the Philippines and Malaysia to support our Singapore based marketing efforts. We participate regularly in international trade shows and exhibitions in Singapore, PRC, Taiwan, Japan, Malaysia, Philippines and the USA.

Our marketing strategy is to establish a good working relationship with all customers by emphasising on total customer satisfaction from pre-sales to post-sales customer support services. We achieve this by keeping our customers regularly informed of latest market developments, providing an evaluation system to offer alternative products and service solutions to our customers, having regular sessions with our customers to obtain feedback on the latest market developments and to attend to customer complaints, and participating in our customers' product enhancement/cost reduction projects or assisting them in reviewing their product specifications and proposing lower cost alternatives.

Our rapport with our customers is crucial to our continued sales growth year-on-year and to promote long-term relationships. With our total quality and total customer satisfaction approach, we are able to enjoy repeat orders from our existing customers as well as garner new orders from potential customers.

Internally, our marketing functions are divided amongst our three business segments which are led by our following Executive Officers:-

- (a) Burn-In and Related Services – Director of Burn-In Operations, Mr Tan Kwang Seng;
- (b) Design and Manufacture of Burn-In Boards and Boards Related Products – Manufacturing Manager, Mr Low Peng Fei, Robin;
- (c) Engineering Services – Director of Engineering – Mr Kwok Wai San, Philip; and
- (d) Equipment Distribution – Senior Manager, Low Joo Hong, Ronald.

Our Executive Officers who carry out the above marketing functions are supported by our staff who are currently employed within our various divisions. We do not have a dedicated marketing team.

## GENERAL INFORMATION ON OUR GROUP

### MAJOR CUSTOMERS

Major customers accounting for 5% or more of our revenue for FY2004, FY2005, FY2006 and HY2007 are as follows:-

Customers	Product/Services Sold	Percentage of our Revenue (%)			
		FY2004	FY2005	FY2006	HY2007
Infineon Technologies Asia Pacific Pte Ltd	Burn-In services/Burn-in Boards	39.4	47.1	38.6	20.9
Advanced Micro Devices (Singapore) Pte Ltd	Burn-In services/Equipment	30.2	22.3	29.4	49.6
Unisys Corporation	Thermal Trays	—	—	—	14.0
Singway Corporation	Equipment Distribution	5.3	4.7	2.2	1.0
Dialog Semiconductor GMBH	Burn-In services/Burn-in Boards	2.0	5.7	4.0	2.7

Infineon Technologies (Group) is based in Germany and offers semiconductor and system solutions for automatic, industrial and multimarket sectors, for applications in communications, as well as memory products. Infineon Technologies Asia Pacific Pte Ltd (“Infineon”) also engages in the same business. Revenue from Infineon rose throughout FY2004 to FY2006 mainly due to the increase in Burn-In services and Burn-In Boards required for their semiconductor devices. The percentage contribution from Infineon decreased in FY2006 and HY2007 due to the overall increase in our revenue of S\$37.08 million in HY2007 as compared to revenue of S\$36.57 million in FY2006.

Advanced Micro Devices (Singapore) Pte Ltd (“AMD”) provides microprocessors, flash memory devices and silicon based solutions for customers in the communications and computer industries. The decrease in revenue over FY2004 and FY2005 for AMD was due to lesser Burn-In services as a result of shorter Burn-In times required by AMD. Revenue from AMD however increased in FY2006 and HY2007 as they increased their orders to our Engineering Services division (System Integration) for the supply of Thermal Trays and system integration of High Power Burn-In Systems.

Unisys Corporation is based in the USA and is a worldwide technology services and solutions company providing such services as system integration, network engineering, project management, and technical support. We have secured a one-off contract from Unisys Corporation in FY2006 and this contract has been substantially completed in HY2007.

Singway Corporation (“Singway”) is a company incorporated in Taiwan dealing in a variety of sockets, adapters, interface connectors, storage media and electronic components. We believe Singway’s purchases from us have declined throughout FY2004 to FY2006 due to the increase in price competitiveness in the market, causing Singway to source for cheaper alternatives.

Dialog Semiconductor GMBH is based in Germany and is a developer and supplier of power management and audio semiconductor technology. Dialog Semiconductor GMBH first began the business relationship with our Group in FY2004 and subsequently increased their volume of semiconductor devices sent to our Group for Burn-In services in FY2005. Their percentage of contribution however declined in FY2006 due largely to the overall increase in our revenue.

None of our Directors or Substantial Shareholders have any interest (direct or indirect) in the above mentioned customers.

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## GENERAL INFORMATION ON OUR GROUP

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Our Company's profitability is materially dependent on the following material contracts entered into with our customers as they each account for more than 10% of our revenue for FY2006:-

- (a) Basic Purchase Agreement dated 6 May 2003 entered into with Infineon Technologies Asia Pacific Pte Ltd for an initial period of five years and thereafter to be automatically renewed for successive period of one year unless terminated in accordance with its terms and conditions. This agreement sets out the general terms and conditions involved in the procurement of products from time to time made by Infineon Technologies Asia Pacific Pte Ltd from our Company.
- (b) General Services Agreement dated 1 January 2007 entered into with Advanced Micro Devices (Singapore) Pte Ltd which shall remain valid unless terminated in accordance with its terms and conditions. This agreement sets out the general terms and conditions involved in the procurement of products and services from time to time made by Advanced Micro Devices (Singapore) Pte Ltd from our Company. This agreement supersedes a previous General Services Agreement dated 3 February 2006 entered into between the parties, when the parties renegotiated such terms, including pricing.
- (c) Assignment and Assumption of Business Agreement and Related Agreements and Consent to Assignment entered into with Unisys Corporation and Advanced Micro Devices, Inc. ("AMD") dated 4 August 2006 (the "Assignment Agreements"). This agreement sets out the terms and conditions for the assignment to our Company from Unisys Corporation of certain purchase orders for the manufacture and sale of certain products to AMD.

Our Company's profitability may be materially dependent on the following material contract entered into with our customer:-

- (a) Manufacturing Supply Agreement dated 21 September 2006 entered into with Delta Design, Inc. for an initial period of two years and thereafter to be automatically renewed for successive period of one year unless terminated or not renewed in accordance with its terms and conditions. This agreement sets out the general terms and conditions involved in the procurement of products and services, including manufacturing of Thermal Trays, from time to time made by Delta Design, Inc. from our Company. As at the Latest Practicable Date, our Company has received purchase orders from Delta Design Inc. for the provision of Engineering Services.

### Credit Policy

Typically, we extend credit terms of between 30 and 90 days to our customers. These terms vary on a case-to-case basis depending on the customer's creditworthiness and our existing relationship with the customer. We will decide on the credit terms after a thorough evaluation of the customer's financial condition, credit history, financial strength, and the volume of the customer's order.

For our existing customers, we periodically review the credit terms and our customers' previous payment track record, and if necessary, we will amend the credit terms we grant to our customers. We will also closely monitor any outstanding overdue debts and we will take measures to collect outstanding debts due to us.

We do not have any general policy regarding allowance for doubtful trade receivables. We will only make allowance for doubtful trade receivables when the amount is determined to be unrecoverable and approved by our CEO, Mr Lim Eng Hong. We do not have any allowances for doubtful trade receivables in FY2004 and FY2005. Allowances for doubtful trade receivables amounted to approximately S\$119,000 in FY2006. Allowance for doubtful trade debts was nil in HY2007.

## GENERAL INFORMATION ON OUR GROUP

We did not have any bad debts written-off in FY2004, FY2005, FY2006 and HY2007.

The aging schedules for our trade receivables as at the end FY2004, FY2005, FY2006 and HY2007 are as follows:-

	As at 30 June 2004		As at 30 June 2005		As at 30 June 2006		As at 31 December 2006	
	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%	(S\$'000)	%
Within 30 days	2,890	50.1	2,929	35.7	4,684	39.7	5,365	31.0
31 - 60 days	1,985	34.4	2,522	30.7	3,686	31.2	7,993	46.2
61 - 90 days	770	13.3	1,939	23.6	2,025	17.1	2,048	11.9
Over 90 days	129	2.2 <sup>(1)</sup>	818	10.0 <sup>(1)</sup>	1,416	12.0	1,892	10.9
Total	5,774	100.0	8,208	100.0	11,811	100.0	17,298	100.0

The entire amount of trade receivables of approximately S\$11.81 million outstanding as at 30 June 2006 has been repaid. Of the amount of trade receivables of approximately S\$17.30 million as at 31 December 2006, approximately S\$674,000 remains unpaid as at the Latest Practicable Date.

**Note:-**

- (1) The higher average trade receivables turnover (in days) from FY2004 to FY2005 was due to (i) the increase in credit term from 60 to 90 days as required by one of our major customers and (ii) the resultant administrative delay in the payment process from this particular customer.

Our trade receivables turnover (in days) for FY2004, FY2005, FY2006 and HY2007 are as follows:-

	FY2004	FY2005	FY2006	HY2007
Average trade receivables turnover (in days) <sup>(1)</sup>	84	89	100 <sup>(2)</sup>	84

**Notes:-**

- (1) Average trade receivables / Revenue x 365 days.
- (2) The higher average trade receivables turnover (in days) for FY2006 was caused by some administrative restructuring of payment arrangements with our customer in respect of the provision of system integration services for High Power Burn-In Systems. This administrative restructuring has since been completed and our average trade receivables turnover (in days) have decreased accordingly.

## GENERAL INFORMATION ON OUR GROUP

### MAJOR PRINCIPALS AND SUPPLIERS

Major principals and suppliers accounting for 5% or more of our Group's total purchases for FY2004, FY2005, FY2006 and HY2007 are as follows:-

Principals and Suppliers	Materials Supplied	Percentage of Total Purchases (%)			
		FY2004	FY2005	FY2006	HY2007
Y.A.C. Co., Ltd (Group)	Test Handlers	6.5	3.0	14.0	—
Phoenix Innovation Pte. Ltd.	Sockets	—	6.2	7.8	—
3ID Technology & Trading Pte Ltd	HST (hybrid system test) racks	—	—	7.3	0.4
Sensata Technologies Korea Limited	Sockets	—	—	6.9	1.0
Unisys Corporation	Thermal tray materials	—	—	6.8	33.3
Shelton (S) Pte Ltd	Burn-In/Engineering infrastructure (including electrical installation services, renovation services and exhaust installation services)	—	12.0	5.1	0.4
Gryphics Inc.	Sockets	—	5.6	4.6	1.2
Yamaichi Electronics Group	Sockets	17.5	11.9	4.4	1.0
Yasunaga S & I Co. Ltd	IC Scanners	9.9	3.6	0.6	0.1
Hy-Cad Systems and Engineering Pte Ltd	Sockets	20.0	13.4	—	—
Reptron Manufacturing Services, Inc	Electronic circuit boards	—	—	—	13.6
BMW Precision Machining, Inc	Mechanical trays	—	—	—	14.1

Y.A.C. Co., Ltd. (Group) is based in Japan. They manufacture and market a diverse range of products from automation and labour-saving machinery to software. As at the Latest Practicable Date, we are appointed as exclusive distributor for Y.A.C. Co., Ltd (Group) (for the territories of Singapore, Malaysia, Thailand and Indonesia) and Gryphics Inc. (for the territories of Singapore, Malaysia, Philippines, the PRC and Indonesia). These arrangements are renewable annually. We did not purchase any supplies from Y.A.C. Co., Ltd (Group) in HY2007 because there was no demand from our customers for this principal's equipment during this period.

Phoenix Innovation Pte. Ltd. is a Singapore incorporated company that is principally engaged in the distribution and marketing of sockets.

3ID Technology & Trading Pte Ltd is a Singapore incorporated company whose registered business activities include general building engineering services.

Sensata Technologies Korea Limited is a manufacturing plant of Sensata Technologies B.V., which is a leading designer and manufacturer of sensors and controls. Sensata Technologies B.V. was formerly the Sensors & Controls business of Texas Instruments Incorporated.



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## GENERAL INFORMATION ON OUR GROUP

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Unisys Corporation is based in the USA and is a worldwide technology services and solutions company providing such services as system integration, network engineering, project management, and technical support. The purchase from Unisys Corporation in FY2006 and HY2007 was a one time purchase pursuant to the Assignment Agreements.

Shelton (S) Pte Ltd is a Singapore incorporated company whose registered business activities include building installation electrical works and general contractors.

Gryphics, Inc. is based in the USA and provides medium to high-volume, high-density, small-pitch, Gigahertz interconnection systems for various electronic industries.

Yamaichi Electronics Group is based in Japan and is involved in the supply of test and burn-in sockets, production connectors, standard and high density connectors.

Yasunaga S & I Co. Ltd is based in Japan. They produce and sell, *inter alia*, engine parts, machine tools and testing/measuring devices.

Hy-Cad Systems and Engineering Pte Ltd is a Singapore incorporated company that is principally engaged in the distribution and marketing of sockets.

Reptron Manufacturing Services, Inc, based in the USA is an electronics manufacturing services company providing engineering services, electronics manufacturing services and display integration services. Reptron Manufacturing Services, Inc is a new supplier which provides electronics parts used in our systems integration projects.

BMW Precision Machining, Inc is based in the USA and specialises in machining needs for the medical electronic, and aerospace industry. BMW Precision Machining, Inc, is a new supplier which provides mechanical parts used in our systems integration projects.

We are not dependent on any one supplier for our materials purchased. Our Group's purchases from principals and suppliers are dependent on factors such as the quality of goods and materials to be purchased, availability, competitive pricing and delivery time. It is our practice to select our principals and suppliers based on factors such as the purchase terms, reliability of the principal and supplier and the quality of their supplies. We only make purchases from our principals and suppliers as when the necessity arises.

None of our Directors or Substantial Shareholders have any interest (direct or indirect) in the above mentioned major principals and suppliers.

### Payment Terms

Our principals and suppliers generally grant us credit terms of between 30 days and 60 days. Our trade payables turnover (in days) for FY2004, FY2005, FY2006 and HY2007 are as follows:-

	FY2004	FY2005	FY2006	HY2007
Average trade payables turnover (in days) <sup>(1)</sup>	114	115	93	85

#### Notes:-

(1) Average trade payables / Cost of materials and equipment x 365 days.

(2) Our average trade payables turnover (in days) for FY2004, FY2005, FY2006 and HY2007 is higher than the credit terms granted to us by our suppliers. This was mainly due to the higher level of purchases in the last quarter (1 April to 30 June) of the financial years which increased the closing balances of our trade payables for their respective year ends. As mentioned in the Section "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Seasonality" of this Prospectus, we usually register lower revenue in the third quarter of our financial year due mainly to the slow down in the business activities of our customers after the festive seasons. Business usually picks up in the last quarter and continues to the second quarter of our financial year.

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## GENERAL INFORMATION ON OUR GROUP

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### INSURANCE

Our Group has effected general insurance coverage in respect of:-

- (a) Workmen's Compensation Insurance
- (b) Fire Insurance
- (c) Burglary Insurance
- (d) Public Liability Insurance
- (e) Commercial Vehicle Insurance
- (f) Fidelity Guarantee Insurance
- (g) Goods in Transit Insurance
- (h) Consequential Loss Insurance
- (i) Key Man (CEO) Insurance

To the best of their knowledge, our Directors believe that the above insurance policies are adequate for our business and operations. We review our Group's insurance coverage annually.

### STAFF TRAINING

For our business to stay competitive at all times, we believe that we must ensure that our employees are equipped with the necessary skills and knowledge to perform their job functions effectively. To achieve this, we conduct annual reviews and regular assessment of our employees' training and developmental needs. Based on the assessed needs we organise both in-house training and external training programmes for our employees.

Generally our annual training program can be classified into the following three categories:-

#### Orientation Training Program

Initial orientation training program is conducted for all new employees. This program, amongst other things, introduces our Company as well as provide an overview of our culture, rules and regulations, safety procedures, device handling, documentation procedures and environmental awareness. In the case of production staff, all are required to be trained and certified before they are entrusted to perform at their workstations.

#### Functional Training

Specific process training and functional skills enhancement training such as in-house training on electro-static discharge control and the external Skills Evaluation Training and Certification are provided to our employees to ensure that they are equipped with the necessary skills and knowledge for their respective work areas.

#### On-the-job training

On-the-job training is conducted for all new employees and from time to time for all existing employees. This training reinforces functional training and is managed and monitored by the employees' immediate supervisors and/or trainers. Before any production staff operator is released on the production line, they need to pass a certification test which consists of a written test followed by a practical test.





For FY2004, FY2005, FY2006 and HY2007, our expenses incurred for external training courses were not material.

## GENERAL INFORMATION ON OUR GROUP




### INTELLECTUAL PROPERTY

#### Trademarks

Our Group has registered the following trademarks set out below:-

Representation of Trademark	Place of Application	Class	Period of validity
<b>AVI-TECH</b> 	Singapore	9	10 years expiring on 27 October 2015
<b>AVI-TECH</b> 	Singapore	9	10 years expiring on 27 October 2015
<b>AVI-TECH</b> 	Singapore	42	10 years expiring on 27 October 2015
	Singapore	42	10 years expiring on 27 October 2015
<b>AVI-TECH</b>	Singapore	42	10 years expiring on 27 October 2015

Our Group has applied for the registration of the following trademarks set out below:-

Representation of Trademark	Place of Application	Class	Date of Application
	Singapore	9	27 October 2005
	Malaysia	9	23 March 2006
<b>AVI-TECH</b> 	Malaysia	42	23 March 2006
<b>AVI-TECH</b>	Malaysia	42	23 March 2006

The products offered by us that would use the above trademarks are Burn-In Boards and Burn-In Systems. Revenue from design and manufacture of Burn-In Boards contributed to approximately 19.7%, 16.9%, 16.4% and 10.9% of our revenue in FY2004, FY2005, FY2006 and HY2007 respectively. The revenue for manufacturing of Burn-in Systems in FY2004, FY2005, FY2006 and HY2007 was not significant.

As at the date of this Prospectus, our Group is not dependent on our trademarks applied for/registered in Singapore or Malaysia.

Save as disclosed above, we do not use or own any patents, trademarks or intellectual property which are material to our business.

## GENERAL INFORMATION ON OUR GROUP

### PROPERTIES

#### Properties

As at the Latest Practicable Date, the Group owns the following property:-

Location	Use	Land Area (sq. m.)	Built-up Area (sq. m.)	Tenure	Encumbrances
19A Serangoon North Avenue 5 Singapore	Factory/Office/Store	Approximately 5,010	12,000 <sup>(1)</sup>	30 years granted by Jurong Town Corporation, as lessor, from 1 September 1996 with an option for further term of 30 years (subject to the fulfilment of certain conditions set out in the lease)	Mortgaged to UOB Group

**Note:-**

- (1) Out of the total built up area of approximately 12,000 sq. m., we currently occupy approximately 10,000 sq. m. for our business operations. The balance of approximately 2,000 sq. m. has been sub-let by us to other tenants. The rental income derived from such sub-letting was not material for FY2004, FY2005, FY2006 and HY2007.

As at the Latest Practicable Date, our Group leases the following property:-

Location	Use	Approx Area (sq. m.)	Tenure	Lessor
Block B #06-09/10, TSC 5 Room R, No. 5 Xing Han Street, Suzhou Industrial Park Suzhou PRC 215021	Office	47	Two years from 8 June 2006 to 7 June 2008	Ascendas-Xinsu Development (Suzhou) Co., Ltd
Unit 3-A-2 Building of XianDai Industrial Square erected in Suzhou Industrial Park	Factory/Office/Store	2,045	Three years and 2 months from 1 December 2006 to 1 February 2010	China-Singapore Suzhou Industrial Park Development Co., Ltd.

### FIXED ASSETS

As at 31 December 2006, the aggregate net book value of our property, plant and equipment, comprising plant and equipment, building and leasehold improvements, computer software and plant under construction was approximately S\$17.27 million. Please refer to the Section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Review of Financial Position – Non-current Assets" of this Prospectus for more information.

No valuation has been made on our leasehold property for the purpose of inclusion in this Prospectus. To the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above fixed assets.

## GENERAL INFORMATION ON OUR GROUP

### LICENCES, PERMITS AND APPROVALS

We have the following licences, permits and approvals from the relevant government authorities, which are required for the conduct of our business (apart from those pertaining to general business requirements):-

TYPE OF LICENCE	LICENSING BODY	DESCRIPTION
<b>Singapore</b>		
Certificate of Registration of a Factory	Ministry of Manpower	Premises used as factories in Singapore are required to be registered under the Workplace Safety and Health Act 2006 (formerly governed under the Factories Act (Chapter 104)) of Singapore. Applications for registration are made to the Commissioner for Workplace Safety and Health who will issue a certificate of registration to the occupier on being satisfied that the premises are suitable for use as a factory. The certification of registration is valid for a period of one year and may be renewed on payment of the prescribed fees. If there is any change in the nature of the work for which the premises are registered as a factory; any structural change to the premises or any change in the layout of the premises; or any fact or circumstance not present when the premises were registered, the Commissioner for Workplace Safety and Health may by notice in writing, direct the occupier of the premises to comply with such requirements as may be specified in the notice. Where the occupier of any premises to whom any notice is given fails to comply with the notice, the Commissioner may revoke the certificate of registration. This certificate is valid until 31 March 2008.
Electrical Installation Licence	Energy Market Authority ("EMA")	The Electricity Act (Chapter 89A) of Singapore ("EA") requires that a licence be obtained from EMA for the use or operation of an electrical installation. The licence is valid for such period as may be approved by the EMA, and EMA may in its discretion reject the application or renewal of such licence. The licence may be suspended or revoked by EMA on breach of any of the licensing conditions or the provisions of the EA. This licence is valid until 4 June 2008.
Written Approval to Discharge Trade Effluent	Public Utilities Board	The Sewerage and Drainage Act (Chapter 293A) of Singapore requires a written approval to be obtained from the Public Utilities Board for the purposes of discharging of trade effluent into a public sewer. The Public Utilities Board may, in granting approval, impose such conditions as it thinks fit. Any approval granted by the Public Utilities Board may be revoked or suspended for any period without assigning any reason. This approval is not subject to any renewal applications.
<b>PRC</b>		
Government Approval on Foreign Investment	Suzhou Industrial Park Committee on Trade and Development	Registration Recording Form on Establishing and Changing of the Foreign Invested Enterprises with Total Investment less than Thirty Million US Dollars in Suzhou Industrial Park. This approval is not subject to any renewal applications.

## GENERAL INFORMATION ON OUR GROUP

TYPE OF LICENCE	LICENSING BODY	DESCRIPTION
<b>PRC</b>		
Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China	Jiangsu Province People's Government	According to the Wholly Foreign-Owned Enterprises Law (外资企业法) of PRC, the establishment of a wholly foreign-owned enterprise shall apply for the examination and approval by Foreign Economic and Trade Department under the State Council or other authorized agencies. This approval is not subject to any renewal applications.
Business License	Administration Bureau for Industry and Commerce of Jiangsu Province	The Company Law (公司法) of PRC (Chapter One) requires that the establishment of an enterprise shall be registered with the company registration authority. The company registration authority shall grant Business Licenses to legally established companies. According to Regulations of PRC on Administration of Registration of Companies, the company registration authority is the Administration Bureau for Industry and Commerce, and the Licenses should be reviewed annually. The operation period in this licence is from 26 May 2004 to 25 May 2054 and is subject to annual review.
Registration with relevant Government authorities Organizational Institution Entity Code Certificate	Bureau of Quality and Technology Supervision of Suzhou, Jiangsu Province	The Administration Rules on Organizational Institution Entity Code of Jiangsu Province (江苏省组织机构代码管理办法) require that all organizations within Jiangsu Province shall apply for an Organizational Institution Entity Code and the Quality and Technology Supervision Bureau in charge of the issuance and management of the Certificate. This certificate is valid up to 3 June 2008 and is subject to annual review.
Taxation Registration Certificate	Suzhou Industrial Park Administration of State Taxation  Suzhou Industrial Park Administration of Local Taxation	The Administration Rules on Tax Registration (税务登记管理办法) requires that all enterprises with a nature of production and operation shall apply for tax registration to the state and local tax authorities within 30 days from the issuance of Business License. This certificate is not subject to any renewal applications but is subject to annual review.
Pre-Foreign Exchange Registration Certificate	State Administration for Foreign Exchange, Suzhou Central Branch	The Interim Administration Rules on Foreign Exchange Registration by Enterprises with Foreign Investment (外商投资企业外汇登记管理暂行办法) requires that enterprises with foreign investment shall apply to local Foreign Exchange Administration Bureau for Foreign Exchange Registration Certificate within 30 days from obtaining the Business License. This certificate is not subject to any renewal applications but is subject to annual review.
Financial Registration Certificate	Finance Bureau of Suzhou Industrial Park Administration	The Administration Rules on Financial Registration by Enterprises with Foreign Investment (外商投资企业财政登记管理办法) requires that enterprises with foreign investment shall apply for Financial Registration Certificate within 30 days from obtaining the Business License. This certificate is valid up to 25 May 2054 and is subject to annual review.



## GENERAL INFORMATION ON OUR GROUP

TYPE OF LICENCE	LICENSING BODY	DESCRIPTION
<b>PRC</b>		
Registration Certificate for the Import & Export Application to Customs by the Consignee & Shipper	Suzhou Industrial Park Administration Customs of the People's Republic of China	The Customs Law (海关法) of the PRC requires that the consignee and the shipper shall truly declare the goods to Customs within specified time limitation. If the consignee or the shipper intentionally misdeclares the goods when entering or leaving the territory or fail to meet the time limitation, the Customs may impose a fine or a surcharge. The validity period of the Certificate is three years. This certificate is valid up to 15 November 2008 and is subject to annual review.
Statistics Registration Certificate	Statistics Bureau of Jiangsu Province	The Statistics Law (统计法) of PRC and The Interim Administration Rules on Statistics Registration of Jiangsu Province (江苏省统计登记暂行办法) require that any enterprises within Jiangsu Province shall apply for Statistics Registration Certificate. This certificate is valid up to 25 May 2054 and is subject to annual review.
Approval on the Environmental Protection for the Construction of the Project	Suzhou Industrial Park Environmental Protection Bureau	The Administration Rules on Construction Environmental Protection (建设项目环境保护条例) requires that before the constructions, the enterprises shall obtain approval from relevant administrative authorities. This approval is not subject to any renewal applications.

As at the Latest Practicable Date, none of the aforesaid approvals and licences have been suspended, revoked or cancelled and to the best of our knowledge and belief, there are at present no facts or circumstances which would cause such approvals and licences to be suspended, revoked or cancelled as the case may be or for any applications for, or for the renewal of, any of these approvals and licences to be rejected by the relevant authorities.

### COMPETITORS

We operate in a highly competitive industry on a global scale. To the best of our Directors' knowledge, our main competitors are as follows:-

#### Business Activity

#### Competitor

*Burn-In and Related Services*

Sunright Limited  
Trio-Tech International Pte Ltd  
Telford Industries Pte Ltd

*Manufacture of Burn-In Boards*

Sunright Limited  
Trio-Tech International Pte Ltd  
Tyco Electronics, Inc.

*Engineering Services (System Integration)*

UMS Holdings Limited (formerly known as Norelco Centreline Holdings Limited)

*Engineering Services (Equipment Manufacturing)*

AEHR Test Systems  
UMS Holdings Limited (formerly known as Norelco Centreline Holdings Limited)

*Equipment Distribution*

Seiko Epson Corporation  
Tokyo Electron Limited

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## GENERAL INFORMATION ON OUR GROUP

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### COMPETITIVE STRENGTHS

Our Directors believe that the competitive strengths of our Group are as follows:-

#### **We have a proven strong track record with customer centric business processes**

We believe that since our inception over 20 years ago, we have established our reputation with a proven track record as one of the region's leading provider of semiconductor Burn-In solutions and related products and services with strong emphasis on fulfilling customers' requirements to their satisfaction in an efficient and effective manner.

#### **We have established long term close working relationship with customers**

We have instilled a culture of strong emphasis on building close working relationships with our customers. We have successfully established close working relationships with our major customers, who are themselves key players in the global semiconductor business. Most of our customers have been with us for many years and our repeat customer accounts testify to the confidence and synergistic long term partnership shared between our customers and us. We have also garnered fresh business opportunities with new entrants to the Asia Pacific market which will add to our future growth.

#### **We have received awards testifying to our brand equity**

We have received numerous awards testifying to our brand equity and affirmation of our position and commitment towards business excellence and QA.

In 1998, we were awarded the Singapore Quality Class ("SQC") award by the then Singapore Productivity and Standards Board (now known as Spring Singapore). This award is conferred on organisations that demonstrate world-class standards of business excellence. We subsequently went on to secure renewals for this award in 2001, 2003 and 2005.

We were also conferred the E-50 award starting in 1997 and were ranked 41<sup>st</sup> in a list of 50 picked successful growing enterprises ("SGEs") in Singapore. The E-50 is a ranking of the top 50 private companies based primarily on a weighted average computation of a set of performance indicators over a three year period. The E-50 award is a recognised hallmark of excellence accorded by the Singapore Economic Development Board in conjunction with Accenture and Business Times to SGEs in Singapore. The E-50 companies are deemed to play an important role in the development of "an external economic wing" in Singapore's economic development, in line with the nation's desire to internationalise its local enterprises. By 1999, we were ranked as the 1<sup>st</sup> SGE in the list of E-50 companies. The Enterprise 50 is now jointly supported by the International Enterprise Singapore and sponsored by the Development Bank of Singapore. The inaugural list was published in 1995. It has become the definitive list of the 50 most enterprising, privately-held local companies in Singapore.

We have also received many appreciation awards from our customers in recognition of our excellence in quality and standards of our products and services. In particular, we were conferred a Certificate of Supplier Award for Backend Subcontracting FY2004/2005 by Infineon Technologies Asia Pacific Pte Ltd for our excellent performance in quality, technology, costs, logistics and management commitment.

#### **We have highly qualified and experienced management, engineering and sales teams to provide products and services to our customers in the semiconductor industry**

We have an experienced management team that is familiar with our business and understands our customers' needs and preferences. We are led by our CEO, Mr Lim Eng Hong, who has more than 35 years of experience in the semiconductor industry. Most of our management team has more than 20 years of related industrial experience. Our management team is supported by our engineering team which provides equipment manufacturing, system integration and engineering services to our customers. They also provide a very important and strong technical and engineering in-house infrastructure support to our Group's business and operations in terms of preventive maintenance, calibration and repair services as well as resolving any daily technical issues. We also have an experienced sales team

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## GENERAL INFORMATION ON OUR GROUP

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comprising 15 sales personnel who are ably qualified in terms of product knowledge and technical requirements to assist and advise our customers on the latest products and services that we offer as well as provide solutions to our customers. For more information on our Directors and Executive Officers and their experience, please refer to the Section “Directors, Management and Employees” of this Prospectus.

**We are able to provide cost effective “one-stop” total Burn-In solutions to our customers**

Our excellent technical infrastructure has the necessary capacity, expertise, flexibility and experience to provide a one-stop cost effective total solutions centre to cater to all the Burn-In requirements and related needs of the semiconductor industry with our team of experienced electronics, electrical, mechanical and refrigeration engineers thus reducing substantially the need for our customers to engage multiple suppliers to cater to their needs. We are able to provide a comprehensive set of services ranging from the collection and delivery of customers’ semiconductor devices, maintenance of any consigned testing equipment from our customers as well as engineering support to handle all technical problems, undertake and provide turnkey based and integrated manufacturing solutions while at the same time maintaining a high level of security within our facilities and premises and during the collection and delivery process.

**We occupy a niche position in the industry as a provider of system integration services for High Power Burn-In Systems as we have established working relationships with technology partners that have strong track records and who themselves occupy niche positions in the industry with their superior thermal design capabilities**

While there are other thermal control solutions available, the Thermal Tray, which is a refrigeration-based solution used in the semiconductor industry for active temperature control for the High Power Burn-In Systems is relatively new such that apart from our technology partner, not many suppliers in this market have the know-how to provide this solution.

In terms of establishing working relationship with partners in the industry, we only deal with and distribute products of our technology partners that are renowned for their quality and impeccable reputation. Our technological partners from the USA have successful proven track records in their products design and technology with many of their customers. Being their partner in this region will definitely strengthen our presence in terms of technical know how and experience. A case in point is our technology partner’s superior ability in thermal capabilities in terms of maintaining high power systems and semiconductor devices under test to within one degree Celsius accuracy.

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## PROSPECTS AND FUTURE PLANS

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### OUR PROSPECTS

Our Directors believe that we will continue to enjoy growth in the foreseeable future because of the following reasons:-

#### **Expected continual increase in demand for more electronic devices**

We expect an increased use of semiconductor devices, especially in automotive products and micro processors. Some of the areas of growth with high prospects identified by us include products that support the automotive industry like airbag firing circuits, ignition circuits, engine management systems and other micro-controllers, microprocessors with multiple cores that will be used in desktops, notebooks and servers and industrial electronics. We believe that we are well-positioned to take advantage of this trend.

#### **Continued outsourcing of Burn-In services**

In the past, semiconductor Burn-In services were mostly performed in-house by manufacturers. However, as the designs of semiconductors became more complex with more functionality and features, the Burn-In function for semiconductors also became more complex. Higher capital requirements for investments in Burn-In equipment and specialised engineering expertise were thus needed. In order for manufacturers to reduce the need for high capital investment, access specialised engineering expertise and to lower their unit manufacturing costs, they began outsourcing their Burn-In requirements to specialised Burn-In and testing companies. As the designs of semiconductors continue to grow in complexity, we expect manufacturers to continue to outsource their Burn-In requirements to specialised Burn-In and testing companies like our Group.

Additionally, there has been a growth in the number of companies that concentrate on design, marketing and sale of semiconductors. These companies do not have any commercial scale manufacturing or Burn-In capabilities. Such production activities are outsourced to third-party contractors that specialise in the manufacture and Burn-In of semiconductors, amongst others. We believe that the growth in the outsourcing trend will be a significant driver for our business.

#### **Increased complexity of semiconductors**

We believe that the shrinking geometrics, the increasing functional density and the ever increasing speed at which newer electronic products are being introduced into the market will create opportunities for us to provide our Burn-In services. Opportunities will also be created for our engineering services as the development of more complex semiconductor devices with smaller geometrics will enable semiconductors to perform at higher speeds thereby causing them to exhibit high thermal properties during application, which in turn create a higher demand for High Power Burn-In Systems for the Burn-In and test of such complex semiconductor devices, for which we currently occupy a niche position in the market as a service provider of such High Power Burn-In Systems.

### TREND INFORMATION

Barring any unforeseen circumstances, our Directors, based on the unaudited accounts of our Company for HY2007, note that in FY2007 our average selling prices for our products and services remain stable and there was an increase in demand for our engineering services as a result of:-

- (a) more complex and longer Burn-In processes and fabrication of more intricate and sophisticated Burn-In Boards being required to cope with the increased semiconductor complexities; and
- (b) undertaking more system integration projects of High Power Burn-In Systems from an existing major customer and from new customers.

However, our Directors expect that undertaking more system integration projects of High Power Burn-In Systems mentioned in paragraph (b) above will bring about an increase in the materials required in our production. This will increase our cost of materials and is likely to reduce our gross margins for the financial year.

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## PROSPECTS AND FUTURE PLANS

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In addition, our Directors also believe that the fluctuations in fuel prices, which in turn could affect our cost of operations such as electricity cost (please refer to the Section “Risk Factors” of this Prospectus for more details).

To the best of their knowledge and belief, our Directors believe that there are no other known recent trends in our revenue and in costs or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our turnover, profitability, liquidity or capital resources, or that would cause our financial information disclosed in this Prospectus to be misleading.

### ORDER BOOKS

#### Burn-In and Related Services

Our order books consist of open purchase orders from customers for periods of up to 12 months. Due to the fluctuating demands typical in the semiconductor business, the majority of our open purchase orders are not firm orders but are purchase demand forecasts for periods averaging three months with monthly revisions to indicate updated purchase demand projections.

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

As at the Latest Practicable Date, our orders on hand amounted to S\$611,000. The turnaround time for such orders can generally be fulfilled within two months.

#### Engineering Services and Equipment Distribution

Our engineering services are provided on a project-by-project basis. As at the Latest Practicable Date, our confirmed outstanding sales orders amounted to S\$13.57 million. Such orders, on an average basis, are generally fulfilled within six months.

For our equipment distribution business, we have received confirmed purchase orders of S\$173,000 as at the Latest Practicable Date. Such orders are generally fulfilled within a month.

### OUR FUTURE PLANS

We have the following future plans:-

#### Strengthen market position and expand customer base

We will strive to strengthen our position with existing customers by being responsive to their needs and offer cost effective solutions which will sustain the current business. We intend to offer cost effective solutions by having lower costs than the customers and then passing the benefits of the lower costs to the customers. Lower costs can be achieved by *inter alia*, higher productivity through innovation and economies of scale as an outsourced service provider. We also intend to widen the coverage of our business to include all new devices in our customers’ production and manufacturing pipeline that require our services. We also seek to widen our customer base so as to achieve a well-diversified group of customers that operate in various markets, especially in the automotive, communications, memories and the computer markets. We will endeavour to strengthen our market position and expand our customer base in Singapore and overseas.

#### Widen our operational and technical capabilities in respect of products and services

We aim to further our strategy to be a comprehensive one-stop total Burn-In solution provider by developing capabilities in new technologies and expanding our current portfolio to offer a wider range of products and services to our customers. We are currently providing TDBI services to our customers and intend to expand our operations in this area of service. We intend to set aside an estimated S\$1.1 million from the Invitation for the purchase of TDBI systems and required automated machines, which we expect to complete by end 2009 in phases. Assuming no material change in our customers’ purchasing requirements, the completion of such intended purchases of TDBI systems is anticipated to increase our production capacity by approximately five per cent.

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## PROSPECTS AND FUTURE PLANS

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We will explore more turnkey based engineering and system integration projects to widen our operational capabilities to include, amongst others, design, modification and fabrication of new driver electronics. With our engineering experience in electronics, electrical, mechanical and refrigeration fields, our prospects on system integration projects can be further explored. We may explore such prospects by proposing and working closely together with new and existing technology partners, which may include the areas of medical and the life science industry. We intend to set aside an estimated S\$1.0 million for marketing and training purposes.

We also intend to expand our Tape and Reel Services by increasing the volume of existing packages as well as adding in new packages which will entail new investment in additional equipment. We intend to set aside an estimated S\$2.5 million from the Invitation for the purchase of such equipment, which we expect to complete by end 2009 in phases. Assuming no material change in our customers' purchasing requirements, the completion of such intended purchases of Tape and Reel equipment is anticipated to approximately double our production capacity.

As we employ a flexible manufacturing setup and technical infrastructure, we also intend to expand our operations locally by pursuing activities related to our products and services as well as non core processes that can be outsourced by our customers to us thus taking advantage of our existing working infrastructure. We intend to set aside an estimated S\$1.4 million from the Invitation for the upgrading of our infrastructure of our production facilities, including but not limited to chillers, electrical systems, heat exhaust systems and Surface Mount Technology ("SMT") machines, which we expect to complete by end 2009 in phases. Assuming no material change in our customers' purchasing requirements, the completion of such intended purchases of SMT machines is anticipated to increase our production capacity by approximately 30 per cent.

### **Consider and explore more synergistic and strategic alliances, mergers and acquisition, collaborative partnerships and joint ventures and exploring more projects with new technology partners to enhance competitiveness**

We intend to consider and explore more synergistic and strategic alliances, collaborative partnerships and joint ventures. This would allow our Group to expand our core business and network of customers, lower our operational risks or to increase our range of services and products to our customers. In particular, we intend to expand our core business into providing our engineering services to the life sciences industry.

In addition, in order to keep pace with the semiconductor technology trend, we will explore more projects with new technology partners from abroad. In doing so, we will be able to enhance our competitiveness through niche products and services.

### **Expansion of overseas operations**

We intend to set up new facilities overseas after reviewing the customer base and their needs at those location. In particular, we may set up Burn-In facilities to provide testing services in the PRC (Suzhou) in respect of more specialised semiconductors. We intend to set up these facilities by transferring some of our existing Burn-In Systems from our Singapore operations to our new factory in the PRC by September 2007. We may also purchase new Burn-In Systems and other equipment. We may also be transferring some of our systems integration facilities to PRC in 2008. Assuming no material change in our customers' responses to our review of their business needs in the PRC (Suzhou), with the completion of the transfer of some of our existing Burn-In Systems from our Singapore operations (which account for approximately ten per cent. of our Burn-In System production capacity, assuming full utilisation) to our new factory in the PRC and the purchase of new Burn-In Systems and other equipment, our overall Burn-In production capacity is anticipated to increase by approximately ten per cent. by end 2009, with our PRC (Suzhou) operations accounting for approximately 20 per cent. of our overall Burn-In production capacity by end 2009. We intend to set aside an estimated S\$3.0 million from the Invitation for the expansion of our overseas operations.



## SELECTED FINANCIAL INFORMATION

*The following selected financial information should be read in conjunction with the full text of this Prospectus, including the Section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Appendix C "Consolidated Financial Statements for the financial years ended June 30, 2004, 2005 and 2006 including Independent Auditors' Report thereon and Appendix D "Report and Condensed Consolidated Interim Financial Information for the six-month period ended December 31, 2006".*

### OPERATING RESULTS OF OUR GROUP

S\$'000	Audited			Unaudited	
	FY2004	FY2005	FY2006	HY2006	HY2007
Revenue	22,591	28,547	36,566	17,050	37,085
Cost of sales	(14,070)	(16,004)	(21,041)	(9,128)	(24,086)
	8,521	12,543	15,525	7,922	12,999
Other operating income	930	547	992	236	344
Distribution costs	(123)	(125)	(148)	(73)	(519)
Administration expenses	(3,559)	(4,153)	(4,677)	(2,197)	(3,119)
Other operating expenses	(15)	(16)	(245)	—	—
Finance costs	(269)	(283)	(342)	(157)	(194)
Profit before income tax	5,485	8,513	11,105	5,731	9,511
Income tax (expense)	(1,093)	(1,186)	(2,272)	(1,181)	(1,902)
Profit for the year	4,392	7,327	8,833	4,550	7,609
EPS (pre-Invitation)(cents) <sup>(1)</sup>	1.67	2.79	3.37	1.73	2.90
EPS (post-Invitation)(cents) <sup>(2)</sup>	1.25	2.09	2.52	1.30	2.17

#### Notes:-

- (1) For comparative purposes, EPS (pre-Invitation) for the years under review is computed based on profit for the year and the pre-Invitation share capital of 262,400,096 Shares.
- (2) For comparative purposes, EPS (post-Invitation) for the years under review is computed based on profit for the year and the post-Invitation share capital of 350,400,096 Shares.

## SELECTED FINANCIAL INFORMATION

### FINANCIAL POSITION OF OUR GROUP

S\$'000	Audited 30 June 2006	Unaudited 31 December 2006
<b>Current assets</b>		
Cash and bank balances	1,905	4,849
Fixed and call deposits	7,160	6,779
Trade receivables	11,811	17,298
Other receivables and prepaid expenses <sup>(1)</sup>	395	617
Inventories	1,514	2,826
Held for trading investments <sup>(2)</sup>	800	800
Total current assets	23,585	33,169
<b>Non-current assets</b>		
Club membership	130	130
Property, plant and equipment	17,336	17,268
Total non-current assets	17,466	17,398
<b>Total assets</b>	41,051	50,567
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Bank loan	612	612
Trade payables	2,902	8,289
Other payables	3,596	3,023
Current portion of finance leases	49	48
Dividend payable	—	3,696
Income tax payable	2,159	3,250
Total current liabilities	9,318	18,918
<b>Non-current liabilities</b>		
Bank loan	7,241	6,935
Finance leases	159	138
Deferred tax liabilities	1,211	1,211
Total non-current liabilities	8,611	8,284
<b>Total liabilities</b>	17,929	27,202
<b>Net assets</b>	23,122	23,365
<b>Capital and reserves:</b>		
Share capital	4,917	4,940
Reserves	18,205	18,425
<b>Total equity</b>	23,122	23,365

**Notes:-**

- (1) In FY2006 for details on the item "Other receivables and prepaid expenses", please refer to Note 9 of the Consolidated Financial Statements in Appendix C of this Prospectus. As disclosed therein:-
  - (i) the sum of S\$49,000 relates to deposits for equipment, utilities and exhibition organisers;
  - (ii) S\$276,000 relates to prepaid expenses of which S\$246,000 was incurred in connection with our proposed listing; and
  - (iii) S\$70,000 relates to an advance made to non-related parties, of this amount, S\$65,000 has been paid, and of the remaining S\$5,000, S\$4,000 relates to tax deducted at source and S\$1,000 will be considered for provision.
- (2) "Held for trading investments" refers to unquoted investments which did not have any material fluctuations in the above mentioned period. Please refer to Note 11 of our Consolidated Financial Statements found in Appendix C of this Prospectus.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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*The following discussion of our results of operations and financial condition and should be read in conjunction with Appendix C "Consolidated Financial Statements for the financial years ended June 30, 2004, 2005 and 2006 including Independent Auditors' Report thereon" and Appendix D "Report and Condensed Consolidated Interim Financial Information for the Six-Month Period Ended December 31, 2006". This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".*

### OVERVIEW

Our Group is principally engaged in the provision of services and products to the semiconductor industry. Our operations are mainly based in Singapore. Our sector of the semiconductor industry is the testing sector. Specifically, we test semiconductors that require failsafe performance for reliability and functionality. These semiconductors are used in end-products differing as widely as automobiles to personal computers.

For the period from the beginning of FY2004 to the end of HY2007, the semiconductor industry generally experienced keen competition and volatility in terms of demand and pricing. Our business performance was not proportionately affected by such volatility because during that period we provided our products and services mainly in relation to semiconductors that are critical components that require failsafe performance, such critical components themselves being less sensitive to pricing volatility. In addition, the frequent introduction of new semiconductor devices that required Burn-In services helped buffer demand and pricing pressures.

As we, in our business, deal mainly with semiconductors that are critical components, our customers require us to be pre-qualified and subsequently re-qualified before undertaking job orders as they will need to satisfy themselves that our quality and manufacturing facilities and processes are in accordance with their stringent specifications. This qualification audit acts as an entry barrier to our segment of the industry, and as such, have also helped buffer pricing pressure.

To the best of our directors' knowledge, there is no publicly available industry information on our segment of the semiconductor business.

Our operations are mainly based in Singapore.

### Revenue

We derive our revenue from our three main business activities, namely:-

Burn-In and Related Services;

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

Engineering Services and Equipment Distribution.

#### (a) Burn-In and Related Services

Revenue from this business activity accounted for approximately S\$15.45 million, S\$20.04 million, S\$22.28 million and S\$11.61 million or 68.4%, 70.2%, 60.9% and 31.3% of our total revenue in FY2004, FY2005, FY2006 and HY2007 respectively. This revenue is derived from the provision of Burn-In Services and Tape and Reel Services. For Burn-In Services, we derive our revenue from the provision of Burn-In Services for our customers' semiconductor devices, including microprocessors, memories, microcontrollers, automotive control circuits and custom made chips. Revenue from Burn-In Services accounted for approximately S\$14.85 million, S\$19.07 million, S\$20.35 million and S\$10.06 million or 96.1%, 95.2%, 91.3% and 86.6% of our revenue from our Burn-In and Related Services in FY2004, FY2005 and FY2006 and HY2007 respectively. For Tape and Reel Services, we derive revenue from customers who need their finished products to be delivered in a reel form. Revenue from Tape and Reel Services accounted for approximately S\$595,000, S\$965,000, S\$1.93 million and S\$1.55 million or 3.9%, 4.8%, 8.7% and 13.4% of our revenue from our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Revenue for our Burn-In and Related Services is recognised upon completion of services. The revenue recognised upon completion of the services is evidenced based on signed delivery orders from customers acknowledging completion of services.

Customers for our Burn-In and Related Services are mainly multinational corporations in the semiconductor industry who have outsourced various parts of their manufacturing processes. We have to be pre-qualified by our customers before we are allowed to provide our relevant services to them. None of our customers' qualifications have been revoked since the commencement of our business.

### **(b) Design and Manufacture of Burn-In Boards and Boards Related Products**

We derive revenue from the design, manufacture and assembly of Burn-In Boards. These Burn-In Boards are distributed under our own house brand "Avi-Tech". All designs must be approved by our customers before we manufacture the Burn-In Boards. Revenue from this business activity accounted for approximately S\$4.46 million, S\$4.83 million, S\$5.99 million and S\$4.03 million or 19.7%, 16.9%, 16.4% and 10.9% of our total revenue in FY2004, FY2005, FY2006 and HY2007 respectively.

Revenue for our Design and Manufacture of Burn-In Boards and Boards Related Products is recognised upon delivery and acceptance of the Burn-In Boards to our customers.

### **(c) Engineering Services and Equipment Distribution**

Revenue from this business activity accounted for approximately S\$2.69 million, S\$3.67 million, S\$8.29 million and S\$21.44 million or 11.9%, 12.9%, 22.7% and 57.8% of our total revenue in FY2004, FY2005, FY2006 and HY2007 respectively. For Engineering Services, we derive our revenue from the implementation of system integration projects (built to design), the provision of equipment manufacturing services (design and build) and the provision of redesigning services for our customers' existing equipment. In addition, we also derive revenue from the provision of field services and application support to our customers for the third party equipment that we distribute. Revenue from Engineering Services accounted for approximately S\$1.87 million, S\$2.48 million, S\$5.61 million and S\$20.76 million or 69.6%, 67.5%, 67.7% and 96.8% of our revenue from our Engineering Services and Equipment Distribution in FY2004, FY2005, FY2006 and HY2007 respectively. The higher revenue for FY2006 is mainly attributed to the provision of system integration services of High Power Burn-In Systems for the Burn-In and test of high-power semiconductor systems and devices since February 2006. Our revenue from the manufacture of Thermal Trays and system integration of High Power Burn-In Systems accounted for approximately S\$20.12 million or 54.3% of our total revenue for HY2007. The higher revenue for HY2007 is mainly attributable to revenue contribution from the system integration services. For Equipment Distribution, revenue is derived from the distribution of third party Burn-In and test equipment used in the semiconductor industry for the testing and packaging of semiconductor devices. Revenue from Equipment Distribution accounted for approximately S\$816,000, S\$1.20 million, S\$2.68 million and S\$677,000 or 30.4%, 32.5%, 32.3% and 3.2% of our revenue from our Engineering Services and Equipment Distribution in FY2004, FY2005, FY2006 and HY2007 respectively.

Revenue for our Engineering Services and Equipment Distribution is recognised upon the completion of services or the delivery and acceptance of the equipment by our customers.

Our customers are mainly based in Singapore and we have customers based in Taiwan, Malaysia, the PRC and other countries as well. Sales to customers in Singapore has been a major contributor to our revenue and accounted for approximately 86.5%, 86.7%, 87.7% and 76.8% of our total revenue for FY2004, FY2005, FY2006 and HY2007 respectively.

Our selling prices vary according to various factors including market demand, types and level of complexity of services that we provide, cost of materials and equipment, as well as competition from our major competitors.

Market demand is affected by both general and industry specific conditions. Adverse economic conditions would most likely result in consumers (individuals and companies) reducing their overall spending, including expenditure on electronic products (the end products of semiconductors). This

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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could cause a decrease in both demand for our products and services from our customers (mainly manufacturers of semiconductors) and a decrease in our selling prices. The semiconductor industry is highly cyclical in nature. A downturn in the industry could also result in downward pressure on our selling prices.

The types and level of complexity of services that we provide could affect our selling prices. For example, Burn-In services for existing and matured semiconductor devices would usually decrease in price while Burn-In services for newer and more complex semiconductor devices would generally be higher (due to more complex operations and longer Burn-In hours). In respect of our Engineering Services, the prices vary in accordance with the level of complexity requested by our customers.

Increases in prices of our materials (typically due to shortages of supplies) and equipment would usually increase the selling prices of our Burn-In Boards and third party Burn-In and test equipment.

Increase in competition from our major competitors could have a downward pressure on our selling prices.

### Seasonality

Our engineering services and equipment distribution business as well as our design and manufacture of Burn-In Boards business are not seasonal in nature. However, as our sales may be determined by the timing, value and size of orders from our customers, we may experience fluctuations in our monthly revenues. For our Burn-In Services, we usually register slightly lower revenue in the third quarter (from January to March) of our financial year due mainly to the slow down in the business activities of our customers after the December festive seasons. For example, based on management accounts, revenue from our Burn-In Services in the third quarter of FY2004 and FY2006 was approximately 24.4% and 21.6% respectively. However, this seasonality trend may be subject to the timing of introduction of new semiconductor devices. For example, based on management accounts, revenue from our Burn-In Services in the third quarter of FY2005 was 28.1% as the volume of semiconductor devices processed in the period increased with the introduction of new semiconductor devices by a customer.

### Cost of Sales

Cost of sales accounted for approximately S\$14.07 million, S\$16.00 million, S\$21.04 million and S\$24.09 million or 62.3%, 56.1%, 57.5% and 64.9% of total revenue for FY2004, FY2005, FY2006 and HY2007 respectively.

For our Burn-In and Related Services, cost of sales comprises mainly direct labour cost, electricity cost and depreciation charges. Direct labour cost (consists mainly of cost for our operators, engineers and contract workers) amounted to approximately S\$3.52 million, S\$3.99 million, S\$4.32 million and S\$2.36 million or 51.5%, 50.1%, 47.6% and 45.4% of our cost of sales of our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively. Electricity cost amounted to approximately S\$1.76 million, S\$2.13 million, S\$2.77 million and S\$1.82 million or 25.8%, 26.7%, 30.5% and 34.9% of our cost of sales of our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively. Depreciation charges mainly comprise the depreciation cost for our plant and machinery as well as motor vehicles. Depreciation charges amounted to approximately S\$865,000, S\$1.04 million, S\$1.33 million and S\$680,000 or 12.7%, 13.1%, 14.6% and 13.1% of our cost of sales of our Burn-In and Related Services in FY2004, FY2005, FY2006 and HY2007 respectively.

For our Design and Manufacture of Burn-In Boards and Boards Related Products, cost of sales comprises mainly cost of materials and direct labour costs. Cost of materials (such as sockets, PCBs, resistors and capacitors) amounted to approximately S\$3.30 million, S\$3.12 million, S\$3.94 million and S\$3.08 million or 77.8%, 75.6%, 79.1% and 83.4% of our cost of sales of our Design and Manufacture of Burn-In Boards and Boards Related Products in FY2004, FY2005, FY2006 and HY2007 respectively. Direct labour cost (consists mainly of cost for our operators and engineers) amounted to approximately S\$622,000, S\$714,000, S\$761,000 and S\$441,000 or 14.7%, 17.3%, 15.3% and 11.9% of our cost of sales of our Design and Manufacture of Burn-In Boards and Boards Related Products in FY2004, FY2005, FY2006 and HY2007 respectively.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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For our Engineering Services and Equipment Distribution, cost of sales comprises mainly cost of equipment and direct labour costs. Cost of equipment (including the cost of materials for Engineering Services and cost of equipment for Equipment Distribution) amounted to approximately S\$2.22 million, S\$3.12 million, S\$5.71 million and S\$13.26 million or 73.9%, 80.1%, 81.8% and 87.4% of our cost of sales of our Engineering Services and Equipment Distribution in FY2004, FY2005, FY2006 and HY2007 respectively. Direct labour cost (consists mainly of cost for our engineers) amounted to approximately S\$756,000, S\$741,000, S\$1.0 million and S\$1.22 million or 25.2%, 19.0%, 14.4% and 8.1% of our cost of sales of our Engineering Services and Equipment Distribution in FY2004, FY2005, FY2006 and HY2007 respectively.

### Other Operating Income

Other operating income comprises mainly rental income and others such as interest income amounted to approximately S\$930,000, S\$547,000, S\$992,000 and S\$344,000 for FY2004, FY2005, FY2006 and HY2007 respectively.

Rental income refers to income from the leasing of our office and factory premises in Singapore to unrelated third parties. These leases are on an annual basis and amounted to approximately S\$705,000, S\$330,000, S\$283,000 and S\$141,000 or 75.8%, 60.3%, 28.5% and 40.9% of our other operating income in FY2004, FY2005, FY2006 and HY2007 respectively. Others include interest income and profit on disposal of assets and amounted to approximately S\$225,000, S\$217,000, S\$709,000 and S\$203,000 or 24.2%, 39.7%, 71.5% and 59.1% of our other operating income in FY2004, FY2005, FY2006 and HY2007 respectively.

### Distribution Costs

Distribution costs comprise mainly freight and delivery charges as well as motor vehicle maintenance expenses which amounted to approximately S\$123,000, S\$125,000, S\$148,000 and S\$519,000 for FY2004, FY2005, FY2006 and HY2007 respectively.

### Administrative Expenses

Administrative expenses comprise mainly salaries for administrative staff and management staff, operating costs of the building, travelling and entertainment expenses, indirect depreciation charges as well as professional and consultancy fees.

Salaries for administrative staff and management staff (including directors' remuneration and directors' fees) amounted to approximately S\$1.26 million, S\$1.52 million, S\$1.71 million and S\$1.14 million or 35.4%, 36.6%, 36.6% and 36.6% of our administrative expenses for FY2004, FY2005, FY2006 and HY2007 respectively. Operating costs of the building comprise mainly repair and maintenance costs, amortisation of the building, property tax and utilities and amounted to approximately S\$1.06 million, S\$1.06 million, S\$1.13 million and S\$641,000 or 29.8%, 25.5%, 24.2% and 20.5% of our administrative expenses for FY2004, FY2005, FY2006 and HY2007 respectively. Travelling and entertainment expenses consist mainly of expenses incurred during international travel undertaken by our staff and entertainment expenses incurred during marketing and sales activities and accounted for approximately S\$235,000, S\$215,000, S\$356,000 and S\$113,000 or 6.6%, 5.2%, 7.6% and 3.6% of our administrative expenses for FY2004, FY2005, FY2006 and HY2007 respectively. Indirect depreciation charges comprise mainly depreciation costs for the office equipment and furnishings amounted to approximately S\$170,000, S\$191,000, S\$216,000 and S\$146,000 or 4.8%, 4.6%, 4.6%, and 4.7% of our administrative expenses for FY2004, FY2005, FY2006 and HY2007 respectively. Professional and consultancy fees comprise mainly legal and audit fees, which accounted for approximately S\$213,000, S\$164,000, S\$216,000 and S\$166,000 or 6.0%, 3.9%, 4.6% and 5.3% of our administrative expenses for FY2004, FY2005, FY2006 and HY2007 respectively.

### Other Operating Expenses

Other operating expenses comprise mainly allowances for trade and non-trade doubtful debts and allowance for impairment loss on investment, which accounted for approximately S\$15,000, S\$16,000, S\$245,000 and nil for FY2004, FY2005, FY2006 and HY2007 respectively.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Finance Costs

Finance costs comprise mainly interest payment on the long-term bank loan for our leasehold building in Singapore which accounted for approximately S\$261,000, S\$278,000, S\$333,000 and S\$184,000 or 97.0%, 98.2%, 97.4% and 94.8% of our finance costs for FY2004, FY2005, FY2006 and HY2007 respectively.

### Taxation

The statutory corporate tax rates applicable to our Group for FY2004, FY2005, FY2006 and HY2007 are as follows:-

	FY2004	FY2005	FY2006	HY2007
Singapore	20%	20%	20%	18%
PRC	33% <sup>(1)</sup>	33%	33%	33%

#### Note:-

(1) Our Suzhou subsidiary was incorporated in May 2004.

Our effective tax rates for FY2004, FY2005, FY2006 and HY2007 were 19.9%, 13.9%, 20.5% and 20.0% respectively. The effective tax rate for FY2005 was lower mainly because of overprovision of deferred tax from previous years.

### SEGMENTATION OF BUSINESS

For the purpose of discussion, we have segmented our revenue and gross profit for FY2004, FY2005, FY2006 and HY2007 based on our business activities as set out below:-

Revenue	FY2004		FY2005		FY2006		HY2006		HY2007	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Burn-In and Related Services	15,450	68.4	20,039	70.2	22,283	60.9	11,523	67.6	11,613	31.3
Design and Manufacture of Burn-In Boards and Boards Related Products	4,456	19.7	4,832	16.9	5,992	16.4	2,478	14.5	4,030	10.9
Engineering Services and Equipment Distribution	2,685	11.9	3,676	12.9	8,291	22.7	3,049	17.9	21,442	57.8
Total	<u>22,591</u>	<u>100.0</u>	<u>28,547</u>	<u>100.0</u>	<u>36,566</u>	<u>100.0</u>	<u>17,050</u>	<u>100.0</u>	<u>37,085</u>	<u>100.0</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Gross Profit	FY2004		FY2005		FY2006		HY2006		HY2007	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Burn-In and Related Services	8,622	101.2	12,056	96.1	13,194	85.0	7,257	91.6	6,408	49.3
Design and Manufacture of Burn-In Boards and Boards Related Products	216	2.5	710	5.7	1,013	6.5	272	3.4	339	2.6
Engineering Services and Equipment Distribution	(317)	(3.7)	(223)	(1.8)	1,318	8.5	393	5.0	6,252	48.1
Total	<u>8,521</u>	<u>100.0</u>	<u>12,543</u>	<u>100.0</u>	<u>15,525</u>	<u>100.0</u>	<u>7,922</u>	<u>100.0</u>	<u>12,999</u>	<u>100.0</u>

Gross Profit Margin (%)	FY2004	FY2005	FY2006	HY2006	HY2007
Semiconductor Burn-In and Related Services	55.8	60.2	59.2	63.0	55.2
Design and Manufacture of Burn-In Boards and Boards Related Products	4.8	14.7	16.9	10.9	8.4
Engineering Services and Equipment Distribution	(11.8)	(6.1)	15.9	12.9	29.2
Overall	37.7	43.9	42.5	46.5	35.1

We have also segmented our revenue based on the location of our customers as set out below:-

Revenue	FY2004		FY2005		FY2006		HY2006		HY2007	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Singapore	19,546	86.5	24,762	86.7	32,064	87.7	14,876	87.3	28,475	76.8
Taiwan	1,253	5.5	1,515	5.3	1,087	3.0	825	4.8	355	1.0
Malaysia	810	3.6	1,004	3.5	1,336	3.7	466	2.7	633	1.7
PRC	218	1.0	551	1.9	441	1.2	381	2.2	213	0.6
Others <sup>(1)</sup>	764	3.4	715	2.6	1,638	4.4	502	3.0	7,409	19.9
Total	<u>22,591</u>	<u>100.0</u>	<u>28,547</u>	<u>100.0</u>	<u>36,566</u>	<u>100.0</u>	<u>17,050</u>	<u>100.0</u>	<u>37,085</u>	<u>100.0</u>

**Note:-**

(1) Including the USA, Europe, Thailand and the Philippines.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### REVIEW OF RESULTS OF OPERATIONS

#### FY2004 vs FY2005

##### Revenue

Revenue increased by approximately S\$5.96 million or 26.4% from S\$22.59 million in FY2004 to S\$28.55 million in FY2005. This increase was due to higher contributions from all our business activities. Revenue contribution from Burn-In and Related Services, Engineering Services and Equipment Distribution and Design and Manufacture of Burn-In Boards and Boards Related Products increased by approximately S\$4.59 million, S\$991,000 and S\$376,000 respectively.

The increase of 29.7% in revenue from our Burn-In and Related Services was mainly due to an increase of 27.3% in the volume of semiconductor devices Burn-In (mainly from our existing customers) in FY2005. In addition, we were qualified by a new customer in FY2004 and secured bulk orders for the Burn-In of semiconductor devices for this new customer in FY2005.

The increase of 36.9% in revenue from our Engineering Services and Equipment Distribution was mainly due to the securing and completion of a system integration project (the design and build of a Burn-In system) worth approximately S\$450,000 and the sale of a lead scanner machine worth US\$340,000 in FY2005.

The increase of 8.4% in revenue from our Design and Manufacture of Burn-In Boards and Boards Related Products was due mainly to the increase in sales of Burn-In Boards to the new customer (for our Burn-In and Related Services) mentioned above.

Revenue from Singapore customers increased by approximately S\$5.22 million or 26.7%, from S\$19.55 million in FY2004 to S\$24.76 million in FY2005. This was mainly due to an increase in volume of Burn-In Services as mentioned above. We also had an increase in revenue from the provision of Tape and Reel Services for a new customer. Revenue from customers in the PRC, Taiwan and Malaysia increased by approximately S\$333,000, S\$262,000 and S\$194,000 or 152.8%, 20.9% and 24.0% respectively in FY2005. This was mainly due to an increase in sales of Burn-In Boards to both new and existing customers in the abovementioned countries.

##### Cost of Sales

Cost of sales increased by approximately S\$1.93 million or 13.7%, from S\$14.07 million in FY2004 to S\$16.00 million in FY2005. This increase was mainly attributable to an increase in cost of sales for our Burn-In and Related Services and Engineering and Distribution Services of approximately S\$2.05 million (due to increases in cost of equipment, direct labour, electricity cost and depreciation charges) and a decrease in cost of sales for our Design and Manufacture of Burn-In Boards and Boards Related Products of S\$183,000 (due to the decrease in the cost of materials used).

##### Gross Profit and Gross Profit Margin

Gross profit increased by approximately S\$4.02 million or 47.2%, from S\$8.52 million in FY2004 to S\$12.54 million in FY2005. This was mainly due to the increase in total revenue and the less than proportional increase in cost of sales which can be attributed mainly to improved utilisation of our Burn-In systems in FY2005 and an increased in the selling prices of our Burn-In Boards (due to increased complexity). Accordingly, our gross profit margin improved by approximately 6.2 percentage points, from 37.7% in FY2004 to 43.9% in FY2005.

##### Other Operating Income

Other operating income decreased by approximately S\$383,000 or 41.2%, from S\$930,000 in FY2004 to S\$547,000 in FY2005. This was mainly due to a decrease in rental income of approximately S\$375,000 as we did not continue the subletting of a premises since April 2005.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Distribution Costs

Distribution expenses increased marginally by S\$2,000 or 1.6%, from S\$123,000 in FY2004 to S\$125,000 in FY2005 due mainly from increases in motor vehicle charges brought about by the rise in oil prices.

### Administrative Expenses

Administrative expenses increased by approximately S\$594,000 or 16.7%, from S\$3.56 million in FY2004 to S\$4.15 million in FY2005. This was due mainly to an increase in salaries for administrative staff and management staff of approximately S\$259,000 (due to an increase in the bonus distributed in recognition of our Group's improved performance), increase in foreign currency exchange adjustment loss of S\$31,000 and preliminary expenses of S\$74,000 incurred with the establishment of our subsidiary in Suzhou, PRC and exhibition cost of S\$56,000.

### Other Operating Expenses

Other operating expenses increased by approximately S\$1,000 or 6.7% from S\$15,000 in FY2004 to S\$16,000 in FY2005. This comprises an allowance for non-trade doubtful debts of S\$15,000 in FY2004 and an impairment loss in club membership of S\$10,000 in FY2005.

### Finance Costs

Finance costs increased by approximately S\$14,000 or 5.2%, from S\$269,000 in FY2004 to S\$283,000 in FY2005. This was due mainly to the higher interest rate charged on our commercial property loan and also an increase in the bank prime lending rate. The annual effective interest rate of our property loan was 2.78% and 3.15% in FY2004 and FY2005 respectively.

### Profit Before Income Tax and Profit Before Income Tax Margin

Profit before income tax increased by approximately S\$3.02 million or 55.0%, from S\$5.49 million in FY2004 to S\$8.51 million in FY2005. This was mainly due to the increase in revenue and the less than proportional increase in cost of sales and administrative expenses. Accordingly, our profit before income tax margin improved by approximately 5.5 percentage points, from 24.3% in FY2004 to 29.8% in FY2005.

### FY2005 vs FY2006

#### Revenue

Revenue increased by approximately S\$8.02 million or 28.1% from S\$28.55 million in FY2005 to S\$36.57 million in FY2006. We registered increased contributions from all our business activities. Revenue contribution from Burn-In and Related Services, Design and Manufacture of Burn-In Boards and Boards Related Products and Engineering Services and Equipment Distribution increased by approximately S\$2.24 million, S\$1.16 million and S\$4.62 million respectively.

The increase of 11.2% in revenue from our Burn-In and Related Services was mainly due to higher Burn-In price for the processing of a high complexity semiconductor device from our existing customers. In addition, our revenue from Tape and Reel services almost doubled and was mainly due to increase of 125.4% in the volume of units processed. The increase of 24.0% in revenue from our Design and Manufacture of Burn-In Boards and Boards Related Products was due to the increase in sales of Burn-in Boards to existing customers.

The increase of 125.5% in revenue from our Engineering Services and Equipment Distribution was mainly due to the provision of system integration services of High Power Burn-In Systems for the Burn-In and test of high-power semiconductor devices worth approximately S\$2.58 million and better sales of Burn-In and test equipment.

Revenue from our Singapore based customers increased by approximately S\$7.30 million or 29.5%, from S\$24.76 million in FY2005 to S\$32.06 million in FY2006. This was mainly due to an increase in volume of Burn-In semiconductor devices as well as an increase in revenue from Tape and Reel Services required by our existing customers in Singapore. Revenue from our customer based in Malaysia,

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Philippines and USA increased by approximately S\$332,000, S\$329,000 and S\$590,000 or 33.1%, 102.5% and 359.8% respectively. This was mainly due to an increase in sales of Burn-In Boards to existing customers in the abovementioned countries.

### Cost of Sales

Cost of sales increased by approximately S\$5.04 million or 31.5%, from S\$16.00 million in FY2005 to S\$21.04 million in FY2006. This increase was mainly attributable to an increase in cost of sales for our Burn-In and Related Services of approximately S\$1.11 million (due to increases in direct labour cost, electricity cost and depreciation charges), an increase in cost of sales for our Design and Manufacture of Burn-In Boards and Boards Related Products of S\$857,000 (due to the increase in the cost of materials used) and an increase in cost of sales for our Engineering Services and Equipment Distribution of S\$3.08 million (due to increases in materials used and cost of equipment sold).

### Gross Profit and Gross Profit Margin

Gross profit increased by approximately S\$2.99 million or 23.8%, from S\$12.54 million in FY2005 to S\$15.53 million in FY2006. This was mainly due to the increase in total revenue. Gross profit margins decreased marginally by approximately 1.4 percentage points, from 43.9% in FY2005 to 42.5% in FY2006. This was due mainly to a decrease in gross margin of Burn-In services due to lower utilisation of our Burn-In systems and higher electricity charges.

### Other Operating Income

Other operating income increased by approximately S\$445,000 or 81.3%, from S\$547,000 in FY2005 to S\$992,000 in FY2006. This was mainly due to the recovery of approximately S\$480,000 (inclusive of insurance claims) in respect of monies misappropriated by a former employee of our Company. A total amount of approximately S\$1.1 million was misappropriated during the period from FY1998 to FY2005. The funds misappropriated in FY2004 and FY2005 amounted to approximately S\$155,000 and S\$153,000 respectively.

### Distribution Costs

Distribution costs increased by S\$23,000 or 18.4%, from S\$125,000 in FY2005 to S\$148,000 in FY2006 attributable to increases in delivery charges due to rising oil prices.

### Administrative Expenses

Administrative expenses increased by approximately S\$524,000 or 12.6%, from S\$4.15 million in FY2005 to S\$4.68 million in FY2006. This was due mainly to increase in travelling and entertainment expenses of S\$141,000, increase of foreign currency exchange adjustment loss of S\$116,000, the appointment of a manager in the USA of S\$90,000 and increased bonus distributed in recognition of our Group's improved performance of S\$189,000.

### Other Operating Expenses

Other operating expenses increased by approximately S\$229,000 from S\$16,000 in FY2005 to S\$245,000 in FY2006 due to increases in impairment loss in investment of S\$123,000 (due to the decrease in the fair value of our unquoted investment from S\$923,000 as at 30 June 2005 to S\$800,000 as at 30 June 2006) and allowances of doubtful trade receivables of S\$119,000.

### Finance Costs

Finance costs increased by approximately S\$59,000 or 20.8%, from S\$283,000 in FY2005 to S\$342,000 in FY2006. This was due mainly to the higher annual effective interest rate of 4.06% charged on our commercial property loan in FY2006 as a result of the increase in the bank's prevailing SWAP rate.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### **Profit Before Income Tax and Profit Before Income Tax Margin**

Profit before income tax increased by approximately S\$2.60 million or 30.6%, from S\$8.51 million in FY2005 to S\$11.11 million in FY2006. This was mainly due to the increase in gross profit and a less than proportional increase in administrative expenses as explained above. As a result, our profit before income tax margin had improved marginally by 0.6 percentage points, from 29.8% in FY2005 to 30.4% in FY2006.

### **HY2006 vs HY2007**

#### **Revenue**

Revenue increased by approximately S\$20.03 million or 117.5% from S\$17.05 million in HY2006 to S\$37.08 million in HY2007. This increase was due mainly to revenue contribution from Design and Manufacture of Burn-In Boards and Boards Related Business and Engineering Services and Equipment Distribution which increased by approximately S\$1.55 million and S\$18.39 million, respectively.

The increase of 62.6% in revenue from our Design and Manufacture of Burn-In Boards and Boards Related Business was attributed to the increase in sales of burn-in boards to our existing customers.

The increase in revenue from our Engineering Services and Equipment Distribution was seven-fold and was mainly attributed to the provision of system integration services in High Power Burn-In Systems worth approximately \$20.12 million to an existing major customer, AMD and two new customers whom we have previously not provided this service, namely Unisys Corporation and Delta Design Inc..

#### **Cost of Sales**

Cost of sales increased by approximately S\$14.96 million or 163.8%, from S\$9.13 million in HY2006 to S\$24.09 million in HY2007. This increase was mainly attributed to an increase in cost of sales for our Design and Manufacture of Burn-In Boards and Boards Related Business of S\$1.48 million (due to the increase in the amount of components used) and from our Engineering Services and Equipment Distribution of S\$12.53 million (due to increase in material used in manufacturing the system to test high-power semiconductor devices). Our Design and Manufacture of Burn-In Boards and Engineering Services and Equipment Distribution business segments require the purchase of more components as compared to our Burn-In and Related Services and hence, these business segments incur a higher cost of sales.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by approximately S\$5.08 million or 64.1%, from S\$7.92 million in HY2006 to S\$13.00 million in HY2007. This was mainly due to the increase in total revenue. Gross profit margins decreased by approximately 11.4 percentage points, from 46.5% in HY2006 to 35.1% in HY2007 due to the increases in materials used. The overall gross margin of our company decreased in HY2007, because of the higher proportion of revenue contribution from our Design and Manufacture of Burn-In Boards and Engineering Services and Equipment Distribution business segments as compared to revenue from Burn-In and Related Services which normally generate higher gross profit margins. We had a lower gross profit margin for our Burn-In and Related Services due mainly to the substantial increase in electricity cost. We also had a lower gross profit margin for our Design and Manufacture of Burn-In Boards due to higher material cost. We had a higher gross profit margin for our Engineering Services and Equipment Distribution business segments due to the Company engaging in more system integration projects (as compared to Equipment Distribution business) which generate higher profit margins.

### **Other Operating Income**

Other operating income increased by approximately S\$108,000 or 45.8%, from S\$236,000 in HY2006 to S\$344,000 in HY2007. This was mainly due to an increase in interest income of approximately S\$152,000.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### **Distribution Expenses**

Distribution expenses increased by \$446,000 or 611.0% from S\$73,000 in HY2006 to S\$519,000 in HY2007 due mainly to increases in freight and delivery expenses resulting from our increase in purchases of materials mainly for our Engineering Services and Equipment Distribution business segments.

### **Administrative Expenses**

Administrative expenses increased by approximately S\$922,000 or 41.9%, from S\$2.20 million in HY2006 to S\$3.12 million in HY2007. This was due mainly to increases in upkeep of office premises of S\$91,000, provision in profit sharing of S\$286,000 in HY2007, realised loss in exchange of S\$314,000, professional fees of S\$56,000, indirect office depreciation of S\$44,000 and cost of engaging a sales consultant in USA of S\$93,000 in HY2007.

### **Finance Costs**

Finance costs increased by approximately S\$37,000 or 23.6%, from S\$157,000 in HY2006 to S\$194,000 in HY2007. This was due mainly to the higher interest rate charged on our commercial property loan arising from increase in the bank prime lending rate. The annual effective interest rate of our property loan was 3.53 % and 4.89 % in FY2006 and HY2007 respectively.

### **Profit before income tax and profit before income tax margins**

Profit before income tax increased by approximately S\$3.78 million or 65.9%, from S\$5.73 million in HY2006 to S\$9.51 million in HY2007. This was mainly due to the increase in revenue. Profit before income tax margins decreased by approximately 8.0 percentage points, from 33.6% in HY2006 to 25.6% in HY2007 as we experienced a higher than proportional increase in cost of sales and operating costs as compared to the rate of increase in our revenue .

## **REVIEW OF FINANCIAL POSITION**

### **FY2006**

#### **Current Assets**

Current assets comprise mainly trade receivables, cash and bank balances, fixed and call deposits, inventories, other receivables and prepaid expenses as well as held for trading investments. As at 30 June 2006, our current assets amounted to approximately S\$23.59 million.

Trade receivables comprise receivables due from our customers of S\$11.81 million and accounted for approximately 50.1% of our total current assets as at 30 June 2006. Inventories consist mainly of raw materials and work-in-progress of approximately S\$1.03 million and S\$488,000 respectively. Other receivables and prepaid expenses comprise mainly prepaid listing expenses of S\$246,000, other trade and rental deposits of S\$49,000, advances and other prepaid expenses of S\$100,000. Held for trading investments comprise investment in an equity-linked structured deposit and an investment fund (net of allowance for impairment loss) of approximately S\$415,000 and S\$385,000 respectively.

#### **Non-current Assets**

Non-current assets comprise mainly property, plant and equipment and long-term investments. As at 30 June 2006, our non-current assets amounted to approximately S\$17.47 million.

Property, plant and equipment amounted to approximately S\$17.34 million as at 30 June 2006 and comprise mainly our leasehold building at 19A Serangoon North Avenue 5 and improvements, plant and equipment of S\$12.61 million and S\$4.72 million respectively. Club membership (net of allowance for impairment loss) amounted to approximately S\$130,000.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Current Liabilities

Current liabilities comprise mainly other payables, trade payables, income tax payable, bank loan and current portion of finance lease obligations. As at 30 June 2006, our current liabilities amounted to approximately S\$9.32 million.

Other payables accounted for approximately S\$3.60 million and comprise mainly accrued operating expenses. Trade payables accounted for approximately S\$2.90 million or 31.1% of our total current liabilities and are amounts due to suppliers. Bank loan (for our leasehold building) and current portion of finance lease obligations (mainly for the purchase of a motor vehicle for S\$280,000) amounted to approximately S\$612,000 and S\$49,000 respectively.

### Non-Current Liabilities

As at 30 June 2006, our non-current liabilities amounted to approximately S\$8.61 million, comprising S\$7.24 million of long-term bank loan (for our leasehold building), S\$1.21 million of deferred income tax and S\$159,000 of non-current finance lease obligations.

### Shareholders' Equity

As at 30 June 2006, shareholders' equity amounted to approximately S\$23.12 million comprising issued capital of S\$4.92 million and reserves of S\$18.20 million.

### HY2007

#### Current Assets

Current assets comprise mainly trade receivables, cash and bank balances, fixed and call deposits, inventories, other receivables and prepaid expenses as well as held for trading investments. As at 31 December 2006, our current assets amounted to approximately S\$33.17 million. This is an increase over our current assets as at 30 June 2006. The increase was mainly due to an increase in our trade receivables, cash and bank balances and inventories.

Trade receivables comprise receivables due from our customers of S\$17.30 million and accounted for approximately 52.1% of our total current assets as at 31 December 2006. This is an increase of approximately S\$5.49 million from the position as at 30 June 2006. This increase is attributed to a higher revenue of S\$37.08 million in the six-month period in HY2007 as compared to revenue of S\$36.57 million for the full year period of FY2006. Inventories consist mainly of raw materials and work-in-progress of approximately S\$1.92 million and S\$909,000 respectively. The increase in inventories of approximately S\$1.31 million from the position as at 30 June 2006 was due to carrying of additional inventories for the High Power Burn-In systems. Other receivables and prepaid expenses comprise mainly prepaid listing expenses of S\$468,000, other trade and rental deposits of S\$61,000, and other prepaid expenses of S\$88,000. Held for trading investments comprise investment in an equity-linked structured deposit and an investment fund (net of allowance for impairment loss) of approximately S\$415,000 and S\$385,000 respectively.

#### Non-current Assets

Non-current assets comprise mainly property, plant and equipment and long-term investments. As at 31 December 2006, our non-current assets amounted to approximately S\$17.40 million. This is a slight decrease over our non-current assets as at 30 June 2006.

Property, plant and equipment amounted to approximately S\$17.27 million as at 31 December 2006 and comprise mainly our leasehold building at 19A Serangoon North Avenue 5 and improvements, plant and equipment of S\$12.48 million and S\$4.79 million respectively. Club membership (net of allowance for impairment loss) amounted to approximately S\$130,000.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### Current Liabilities

Current liabilities comprise mainly other payables, trade payables, income tax payable, bank loan and current portion of finance lease obligations. As at 31 December 2006, our current liabilities amounted to approximately S\$18.92 million. This is an increase over our current liabilities as at 30 June 2006. The increase was mainly due to increase in trade payables and a dividend payable in this half year.

Other payables accounted for approximately S\$3.02 million and comprise mainly accrued operating expenses. Trade payables and dividend payable accounted for approximately S\$8.29 million and S\$3.70 million respectively or 43.8% and 19.5% respectively of our total current liabilities. Trade payables are amounts due to suppliers. This is an increase in trade payables of approximately S\$5.39 million from the position as at 30 June 2006 due to increases in purchases of materials for the High Power Burn-In systems. Dividend payable was a one-tier tax exempt interim dividend paid subsequent to 31 December 2006. Bank loan (for our leasehold building) and current portion of finance lease obligations (mainly for the purchase of a motor vehicle for S\$280,000) amounted to approximately S\$612,000 and S\$48,000 respectively.

### Non-Current Liabilities

As at 31 December 2006, our non-current liabilities amounted to approximately S\$8.28 million, comprising S\$6.94 million of long-term bank loan (for our leasehold building), S\$1.21 million of deferred income tax and S\$138,000 of non-current finance lease obligations. This is a slight decrease over our non-current liabilities as at 30 June 2006. The decrease was mainly due to a repayment of long-term bank loan of S\$306,000.

### Shareholders' Equity

As at 31 December 2006, shareholders' equity amounted to approximately S\$23.37 million comprising issued capital of S\$4.94 million and reserves of S\$18.43 million.

### WORKING CAPITAL ANALYSIS

We had net current assets of S\$12.41 million, S\$10.75 million and S\$14.27 million as at 30 June 2004, 2005 and 2006 respectively. Our cash and cash equivalents (less pledged deposits) amounted to S\$10.99 million, S\$7.16 million and S\$8.72 million as at 30 June 2004, 2005 and 2006 respectively.

As at 31 December 2006, we had net current assets of S\$14.25 million and our cash and cash equivalents (less pledged deposits) amounted to S\$11.29 million as at 31 December 2006.

Our Directors believe that our positive working capital position is sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for at least the next 12 months.

We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing working capital is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from lending institutions. The incurrence of debt will increase our interest payments required to service our debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our Shareholders.

### LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded through a combination of shareholders' equity, external borrowings and internally generated funds. Our internal sources comprise mainly cash generated from revenue derived from our customers while our external sources comprise mainly facilities from banks and financial institutions. Our main use of cash is for payments of raw materials, utilities, administrative expenses like salaries as well as repayment of bank borrowings. We finance our capital expenditure requirements mainly through long-term bank borrowings and internally generated funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As at 31 December 2006, we had a healthy working capital of S\$14.25 million and our cash and cash equivalents stood at S\$11.29 million (less pledged deposits). As at 31 December 2006, we had facilities comprising bank overdraft, letters of credit, trust receipts, property loan and finance lease obligations of S\$32.75 million. This comprise long term facilities of S\$8.0 million and short term facilities of S\$24.75 million and we have utilised S\$10.35 million comprising a term loan of S\$7.55 million and short term facilities of S\$2.80 million. The interest rate of our property loan (which will mature in July 2019) is 1.5% above the bank's SWAP rate. The rest of the facilities bear interest rates of between 0.5% and 1% per annum above the bank's prime rate and are repayable on demand/within three months.

As at the Latest Practicable Date, we had a healthy working capital of S\$19.10 million and our cash and cash equivalents stood at S\$14.53 million. As at the Latest Practicable Date, we had facilities of S\$25.75 million. This comprise long term facilities of S\$8.0 million and short term facilities of S\$17.75 million and we have utilised S\$7.80 million comprising a term loan of S\$7.24 million and short term facilities of S\$557,000. Please refer to the section entitled "Capitalisation and Indebtedness" of this Prospectus for further details of the utilised facilities.

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

In the reasonable opinion of our Directors, as at the date of lodgement of this Prospectus, the working capital available to our Group is sufficient for our present requirements.

We set out a summary of our cash flows for the periods under review:-

S\$'000	FY2004	FY2005	FY2006	HY2007
Net cash from operating activities	6,035	6,849	8,795	7,490
Net cash used in investing activities	(929)	(2,159)	(2,033)	(933)
Net cash used in financing activities	(2,114)	(8,530)	(5,192)	(4,001)
Net effect of exchange rate changes in consolidating subsidiary	—	3	(3)	7
Net increase (decrease) in cash and cash equivalents	2,992	(3,837)	1,567	2,563
Cash and cash equivalents at beginning of financial year/period	8,000	10,992	7,155	8,722
Cash and cash equivalents at end of financial year/period	10,992	7,155	8,722	11,285

### FY2004

#### Net cash from operating activities

In FY2004, we recorded positive cash flows from operating activities of approximately S\$6.04 million. This was mainly due to profit before income tax of S\$5.49 million, adjusted for depreciation of S\$1.42 million, a net cash outflow in working capital changes of S\$674,000 and net payment for interest and income tax of S\$463,000. Cash outflow in working capital changes was contributed by increases in trade receivables and other receivables and prepaid expenses of approximately S\$1.09 million, and S\$83,000 respectively. This was partially offset by cash inflow from decrease in inventories, increases in other payables and trade payables amounting to approximately S\$93,000, S\$6,000 and S\$404,000 respectively.

The increase in trade receivables was mainly due to the increase in our revenue. The increase in other receivables and prepaid expenses was mainly due to deferred expenditure for our Burn-In boards. The increase in trade payables was mainly due to increase in purchases corresponding to our increase in revenue in Design and Manufacture of Burn-in Boards and Board Related Products.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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### **Net cash used in investing activities**

In FY2004, net cash used in investing activities amounted to S\$929,000. This was mainly attributed to the acquisition of plant and equipment for our Burn-In and Related Services business of approximately S\$932,000.

### **Net cash used in financing activities**

In FY2004, net cash used in financing activities amounted to approximately S\$2.11 million. This was mainly due to dividend paid and the scheduled repayments of bank loan of approximately S\$2.76 million and S\$612,000 respectively offset from proceed by issuance of new shares and a decrease in fixed deposit pledged to the bank.

### **FY2005**

#### **Net cash from operating activities**

In FY2005, we recorded positive cash flows from operating activities of approximately S\$6.85 million. This was mainly due to profit before income tax of S\$8.51 million, adjusted for depreciation of S\$1.55 million, a net cash outflow in working capital changes of S\$1.95 million and net payment for interest and income tax of S\$1.60 million. Cash outflow in working capital changes was contributed by increases in trade receivables, inventories and other receivables and prepaid expenses of approximately S\$2.43 million, S\$99,000 and S\$34,000 respectively. This was partially offset by cash inflow from increases in other payables and trade payables amounting to approximately S\$512,000 and S\$102,000 respectively.

The increase in trade receivables and inventories was mainly due to the increase in our revenue. The increase in other payables was mainly due to accruals for profit-sharing scheme and staff bonus of approximately S\$180,000 and S\$169,000 respectively, as a result of the increased profits. The increase in trade payables was mainly due to increase in purchases corresponding to our increase in revenue in Engineering Services and Equipment Distribution.

#### **Net cash used in investing activities**

Net cash used in investing activities amounted to S\$2.16 million in FY2005. This was mainly attributed to the acquisition of plant and equipment for our Burn-In and Related Services business of approximately S\$1.29 million and investment in an equity-linked structured deposit and an investment fund of approximately S\$923,000.

#### **Net cash used in financing activities**

In FY2005, net cash used in financing activities amounted to approximately S\$8.53 million. This was mainly due to dividend paid and the scheduled repayments of bank loan of approximately S\$8.65 million and S\$459,000 respectively.

### **FY2006**

#### **Net cash from operating activities**

In FY2006, we recorded positive cash flows from operating activities of approximately S\$8.80 million. This was mainly due to profit before income tax of S\$11.11 million, adjusted for depreciation of S\$1.86 million, a net cash outflow in working capital changes of S\$2.65 million and net payment for interest and income tax of S\$1.93 million. Cash outflow in working capital changes was contributed by increases in trade receivables, inventories and other receivables and prepaid expenses of approximately S\$3.60 million, S\$901,000 and S\$3,000 respectively. This was partially offset by cash inflow from increases in other payables and trade payables amounting to approximately S\$982,000 and S\$877,000 respectively.

The increase in trade receivables and inventories was mainly due to the increase in our revenue. The increase in other payables was mainly due to accrued operating expenses of S\$760,000 (for payments of electricity of S\$386,000, leave benefits of S\$185,000 and the profit-sharing scheme of S\$189,000 as a result of the increased profits in FY2006). The increase in trade payables was mainly due to increase in purchases corresponding to our increase in revenue from Design and Manufacture of Burn-in Boards and Board Related Products and Engineering Services and Equipment Distribution.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Net cash used in investing activities

Net cash used in investing activities amounted to S\$2.03 million in FY2006. This was mainly attributed to the acquisition of plant and equipment for our Burn-In and Related Services business of approximately S\$2.26 million offset by proceeds from disposal from plant and equipment and held for trading investments of S\$228,000.

### Net cash used in financing activities

In FY2006, net cash used in financing activities amounted to approximately S\$5.19 million. This was mainly due to dividend paid and the scheduled repayments of bank loan of approximately S\$4.43 million and S\$765,000 respectively.

### HY2007

#### Net cash from operating activities

In HY2007, we recorded positive cash flows from operating activities of approximately S\$7.49 million. This was mainly due to profit before income tax of S\$9.51 million, adjusted for depreciation of S\$997,000, a net cash outflow in working capital changes of S\$2.21 million and net payment for interest and income tax of S\$1.0 million. Cash outflow in working capital changes was attributable to increases in trade receivables, inventories and other receivables and prepaid expenses of approximately S\$5.49 million, S\$1.31 million and S\$222,000 respectively. This was partially offset by cash inflow from increase in trade payables amounting to approximately S\$5.39 million.

The increase in trade receivables and inventories was mainly due to the increase in our revenue. The increase in trade payables was mainly due to increase in purchases corresponding to our increase in revenue from Design and Manufacture of Burn-in Boards and Board Related Products and Engineering Services and Equipment Distribution.

#### Net cash used in investing activities

Net cash used in investing activities amounted to S\$933,000 in HY2007. This was mainly attributed to the acquisition of plant and equipment for our Burn-In and Related Services.

#### Net cash used in financing activities

In HY2007, net cash used in financing activities amounted to approximately S\$4.0 million. This was mainly due to dividend paid and the scheduled repayments of bank loan of approximately S\$3.70 million and S\$306,000 respectively.

## MATERIAL CAPITAL EXPENDITURE, DIVESTMENT AND COMMITMENTS

### Capital Expenditure and Divestment

Our capital expenditure and divestment for FY2004, FY2005, FY2006 and HY2007 and from 1 January 2007 to the Latest Practicable Date, were as follows:-

S\$'000	FY2004	FY2005	FY2006	HY2007	1 January 2007 to the Latest Practicable Date
Capital Expenditure <sup>(1)</sup>					
Plant and equipment	932	491	1,339	924	248
Building and leasehold improvements	—	—	13	—	—
Computer software	—	—	257	9	—
Plant under construction	—	850	819	—	—
	932	1,341	2,428	933	248
Capital Divestment <sup>(2)</sup>					
Plant and equipment	—	—	106	—	—



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Notes:-

- (1) This relates to the cost of property, plant and equipment acquired during the respective financial years/periods.
- (2) This relates to the net book value of property, plant and equipment disposed of during the respective financial years/periods.

The above capital expenditure was financed by a combination of funds generated from our operations and finance leases. The above capital expenditure includes the amount of S\$216,000 incurred for the renovation of our factory in Suzhou.

### Material Commitments

As at the Latest Practicable Date, our Group had capital expenditure commitment of S\$715,000 in respect of the purchase of equipment of S\$249,000 for our Burn-In and Related Services in Singapore and factory renovation in Suzhou of S\$466,000. Upon the completion of the renovation, we will be transferring some of our existing Burn-In Systems from our Singapore operations to our new factory in the PRC. The purchase of equipment will increase the production capacities for Burn-in Services by not more than five per cent., but would improve our productivity and quality. Our Group intends to meet the capital expenditure commitment through internally generated funds and finance leases.

As at the Latest Practicable Date, our Group had operating lease commitments as follows:-

	S\$'000
- within one year	151
- after one year but not more than five years	581
- more than five years	6,344 <sup>(1)</sup>
	7,076
	7,076

### Notes:-

- (1) Amount relates to operating lease commitments on the unexpired portion of our Company's premises at 19A Serangoon North Avenue 5 leased from the Jurong Town Corporation.

### FOREIGN EXCHANGE EXPOSURE

Our revenue and purchases are mainly denominated in Singapore dollars and United States dollars. The table set forth, for the periods indicated, the percentage breakdown of our revenue and purchases in the different currencies for FY2004, FY2005, FY2006 and HY2007:-

	FY2004	As a percentage of revenue		HY2007
		FY2005	FY2006	
Singapore dollars	73.7	72.1	60.8	34.7
United States dollars	25.6	26.1	39.2	65.3
Others <sup>(1)</sup>	0.7	1.8	—	—

	FY2004	As a percentage of purchases		HY2007
		FY2005	FY2006	
Singapore dollars	26.2	44.1	39.1	16.3
United States dollars	63.9	53.5	60.2	83.7
Others <sup>(1)</sup>	9.9	2.4	0.7	—

### Note:-

- (1) Sales and purchases made in Japanese Yen and Malaysian Ringgit

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Our net foreign currency exchange adjustment loss for FY2004, FY2005, FY2006 and HY2007 are as shown below:-

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>HY2007</b>
Foreign currency exchange adjustment loss (net) (S\$'000)	79	110	226	314
As percentage of revenue (%)	0.3	0.4	0.6	0.8
As percentage of profit before income tax (%)	1.4	1.3	2.0	3.3

We are exposed to foreign exchange risks arising from different exchange rates between the date of purchase invoice and the time of payment for such purchases as well as between the time of customers invoicing and the time when actual payments were received.

We will, from time to time, review our foreign exchange position. When appropriate, we may utilise hedging instruments to minimise any significant impact of foreign currency fluctuation on our operating results.

For the purposes of preparing the financial statements, the assets and liabilities of our foreign subsidiary are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results of our foreign subsidiary are translated using the weighted average exchange rates for the financial year. The exchange differences arising on the translation of our foreign subsidiary are taken directly to the foreign currency translation reserve which amounted to S\$3,000 and S\$(3,000) as at 30 June 2005 and 30 June 2006 respectively. Please see the accounting policies on foreign currencies in Appendix C of this Prospectus.

### CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and cash equivalents, indebtedness and capitalisation of our Group:-

- (i) based on our audited combined balance sheet on an actual basis as at 30 June 2006;
- (ii) as at the Latest Practicable Date; and
- (iii) as adjusted to give effect to the issue of New Shares pursuant to the Invitation and the application of the net proceeds from the Invitation

This table should be read in conjunction with Appendix C of this Prospectus and the Section "Management's Discussion and Analysis of Financial Performance and Position" of this Prospectus.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(\$'000)	As at 30 June 2006	As at the Latest Practicable Date	As adjusted for the Invitation
Cash and cash equivalents	8,722	14,531	41,321
<u>Indebtedness</u>			
Bank loans (secured)			
- current portion	612	612	612
- non current portion	7,241	6,629	6,629
Finance leases (secured)			
- current portion	49	48	48
- non current portion	159	159	159
	8,061	7,448	7,448
<u>Capitalisation</u>			
Share capital	4,917	4,940	31,730
Reserves	18,205	24,170	24,170
Shareholders' equity	23,122	29,110	55,900
Total capitalisation and indebtedness	31,183	36,558	63,348

### Contingent Liabilities

As at the Latest Practicable Date, we had contingent liabilities of S\$557,000 relating to a banker's guarantee given to a utility provider.

Save as disclosed above, our Group has no other indebtedness, capitalisation, liabilities under acceptances, acceptance credits, mortgages, charges, obligations under finance leases, guarantees, or other material contingent liabilities as at the Latest Practicable Date.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### DIRECTORS

Our Board of Directors is entrusted with responsibility for the overall management of our Group. Information regarding our Directors is set out below:-

Name	Age	Address	Occupation
Khor Thiam Beng	65	34 Blair Road Singapore 089934	Advocate and Solicitor
Lim Eng Hong	57	12A Sunrise Avenue Singapore 806675	CEO
Wong Wee Lim, William	60	331 River Valley Road #08-04 Singapore 238363	CFO
Goh Chung Meng	49	5 Siglap Road #23-34 Mandarin Gardens Singapore 448908	Director of TauRx Therapeutics Ltd, WisTa Laboratories Ltd and PoreDeen Pte Ltd.
Michael Grenville Gray	61	3 Jalan Kebaya Holland Grove Estate Singapore 278291	Senior Advisor to Tricor Singapore Pte Ltd

Mr Goh Chung Meng and Mr Michael Grenville Gray are our Independent Directors. They do not have any existing business or professional relationship with us or the other Directors or Substantial Shareholders of our Company.

Our CEO, Mr Lim Eng Hong, is the brother of Mdm Lim Ai Keng and the brother-in-law of Mr Chia Hai Tong, who are Substantial Shareholders of our Company. Our employee, Mr Lim Tai Meng, Alvin, is related to our CEO. Mr Lim Tai Meng, Alvin is a Section Manager in our Engineering Services Department and he is the son of our CEO. Save as disclosed, none of the Directors are related to each other, to any of our employees or to any of our Substantial Shareholders.

None of our Directors has any arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or other person pursuant to which such Director was appointed as a Director of our Company.

There is no shareholding qualification for Directors under the Articles of Association of our Company.

There have been no Directors of our Company who have stepped down just prior to the Latest Practicable Date.

No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

We have not entered into any agreement, arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or any other person pursuant to which we will appoint any of our Directors or any person nominated by any of them as a director of our Company.

Information on the area of responsibility as well as the business and working experience of each of our Directors is set out below.

**Mr Khor Thiam Beng** is our Non-Executive Chairman. He was appointed to our Board on 30 October 2006. Mr Khor is an Advocate and Solicitor of the Supreme Court of Singapore, a Commissioner for Oaths and is a member of both the Law Society of Singapore and the Singapore Academy of Law. He has been in private practice for more than 38 years and was the managing partner of Messrs Khor Thiam

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Beng & Partners since 1987. Mr Khor's areas of practice include real estate, corporate and banking matters. Mr Khor holds a Bachelor of Laws Degree from the University of Singapore. The working relationship between Mr Khor and our Company began in or around 1984 when he started providing general legal services to our Company. Due to the long working relationship and intimate knowledge of our commercial operations, we have continued to use the services of his law firm even till the present day.

**Mr Lim Eng Hong** is the founder of our Company and is also our CEO. He was appointed to our Board since 1984. He has more than 35 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies behind the Group's diversification into other related business areas. Prior to setting up our Company, Mr Lim was the test manager in charge of semiconductor testing and Burn-In in National Semiconductor, part of a USA multinational corporation. Mr Lim holds separate Diplomas in Telecommunication Engineering from the Singapore Polytechnic and Management Studies from the Singapore Institute of Management.

**Mr Wong Wee Lim, William** is our CFO. He was appointed to our Board since 1984 and oversees the various functions of accounting, financial reporting, cost management accounting, foreign exchange management, credit control, tax, cash flow planning and financial systems of our Group. Mr Wong is a Certified Public Accountant and a member of the Institute of Chartered Secretaries and Administrators. He has been in private practice for 16 years as the sole practitioner of a CPA firm and five years as a partner in a CPA firm. Prior to this, Mr Wong has held positions of Financial Controller and Company Secretary in a USA multinational corporation. He brings with him a wealth of experience having held various managerial and middle management positions in accounting and finance and in diversified industries including electronics, motor, marine, scientific and the ophthalmology industries. He is a practising member of the Institute of Certified Public Accountants in Singapore and a practising Fellow of the Institute of Certified Public Accountants in Australia. Mr Wong is also an Associate of the Institute of Chartered Secretaries and Administrators.

**Mr Goh Chung Meng** is an Independent Director of our Company. He was appointed to our Board in 2001. Mr Goh is a director of TauRx Therapeutics Ltd, WisTa Laboratories Ltd and PoreDeen Pte Ltd, which are Singapore incorporated biomedical science research companies. After graduating from NUS (Business Administration), Mr Goh began his career in 1982 with the management consulting arm of Deloitte & Touche in Singapore solving financial and management problems for USA and European clients operating in South East Asia. He was actively involved in Deloitte & Touche's first insolvency business division here in 1985 when Singapore faced its first official economic recession. The corporate restructuring activities led Mr Goh to corporate finance and mergers & acquisition work. During the period from 1985 to 1990, Mr. Goh worked as a senior consultant for Deloitte & Touche Management Consultants in Singapore where he was involved in wide variety of consulting assignments including a two years stint helping to start up an insolvency unit during the 1985 recession. In addition to his standard consulting assignments assisting his clients in their Business Plans, Financial Feasibility Studies and Market Research, he was involved in implementing voluntary liquidation of public listed companies. After the economic recovery in 1987, Mr. Goh refocused his consultancy assignments on corporate finance work that eventually leads to M&A or significant equity restructuring. In 1990, he was headhunted by a USA executive search firm to join Carr Indosuez Asia (Merchant Banking unit of Credit Agricole and formerly known as Banque Indosuez). Mr Goh was subsequently invited in 1995 by the merchant bank's parent company, SUEZ, to join its newly created US\$200 million Asian Venture Capital Fund known as Suez Asia Holdings. He was director, Investments, of the Fund focussing on South East Asia and China private equity investments. Mr Goh has been a pioneer board member of TauRx Therapeutics Ltd since the company's founding in 2002. Mr Goh also provides independent contractual services to ACE Investment Management Pte Ltd (a boutique private equity investment consultancy company) on a case by case basis in relation to the origination and the structuring of private equity transactions. Mr Goh was previously a Qualified Business Angel of the National Science and Technology Board in 2001 and he currently serves as a Panel Member of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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**Mr Michael Grenville Gray** is an Independent Director of our Company. He was appointed to the Board on 30 October 2006. Mr Gray is the Senior Advisor to Tricor Singapore Pte Ltd, a professional firm involved in corporate secretarial, accounting services and outsourcing. Prior to his retirement at the end of 2004, Mr Gray was a partner in PricewaterhouseCoopers, Singapore and before that Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos). He has over 30 years experience in professional practice most of which has been in Southeast Asia. Mr Gray spent ten years in the shipping industry before training as a Chartered Accountant with Coopers & Lybrand in the United Kingdom. He was admitted as a member to the Institute of Chartered Accountants in England and Wales (FCA) in 1976. Apart from being a FCA, Mr Gray has a Bachelor of Science Degree in Maritime Studies from the University of Plymouth and a Masters of Arts in South East Asian Studies from the National University of Singapore. He is a Fellow of the Chartered Institute of Logistics and Transport, Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Singapore Institute of Directors. He founded the Coopers & Lybrand practice in Indochina and was the CEO thereafter. He is an active member of the Singapore Institute of Directors (SID), where he is editor of the SID Bulletin. Mr Gray is a Singapore citizen and has held a number of positions in Statutory Boards, grassroots organisations and Voluntary Welfare Organisations. He received, from the Singapore Government, the Public Service Medal (P.B.M.) in 1992 and the Public Service Star (B.B.M.) in 1999.

### **Experience and Expertise of the Board of Directors**

All our Directors possess the relevant experience and expertise to act as directors of our Company, as evidenced by their business and working experience set out above. In addition, our Executive Directors, Non-Executive Chairman and Independent Directors have attended the Listed Company Director's Course organised jointly by the SGX and the Singapore Institute of Directors to familiarise themselves with the roles and responsibilities of a director of a publicly listed company in Singapore. The Board will, if necessary appoint suitable external consultants, as approved by the Board and/or the Audit Committee, to act as advisers to the Independent Directors, for a continuous period of not less than 12 months from the date our Company is admitted to the Official List of the SGX-ST.



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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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The present and past directorships (held in the last five years preceding the date of this Prospectus) of each of the Directors, other than directorships held in our Company, are set out below:-

<b>Name of Director</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Khor Thiam Beng	<u>Group Companies</u> NIL <u>Other Companies</u> ETLA Limited HB Media Holdings Pte Ltd Khor Holdings Pte Ltd Mondania Pte. Ltd. Suzuki Technology Pte. Ltd.	<u>Group Companies</u> NIL <u>Other Companies</u> Grand Bigwin Pte Ltd
Lim Eng Hong	<u>Group Companies</u> Avi-Tech Electronics (Suzhou) Co. Ltd <u>Other Companies</u> NIL	<u>Group Companies</u> NIL <u>Other Companies</u> Avi-Tech Holdings Pte. Ltd. (struck off) Avital Systems Pte Ltd (struck-off) Iva-Tech Pte Ltd (struck-off) Resource Semiconductor Pte Ltd (struck-off) Zenwell Pte Ltd
Wong Wee Lim, William	<u>Group Companies</u> Avi-Tech Electronics (Suzhou) Co. Ltd <u>Other Companies</u> NIL	<u>Group Companies</u> NIL <u>Other Companies</u> Ackwell Agencies Pte Ltd (struck-off) Aero Foundation Pte. Ltd. (struck-off) Avi-Tech Holdings Pte. Ltd. (struck off) Avital Systems Pte Ltd (struck-off) Richard Oliver International Pte Ltd Sagared Asia Investments Pte. Ltd.
Goh Chung Meng	<u>Group Companies</u> NIL <u>Other Companies</u> PoreDeen Pte. Ltd. TauRx Therapeutics Ltd. WisTa Laboratories Ltd.	<u>Group Companies</u> NIL <u>Other Companies</u> Cableways International Pte Ltd ICUS Pte Ltd Immervision International Pte Ltd Shanxi Huashan San Te Co. Ltd. Suez Asia Holdings (S) Pte Ltd ThaiPan Group Pte. Ltd. Wuhan Moshan Cableways Co. Ltd.
Michael Grenville Gray	<u>Group Companies</u> NIL <u>Other Companies</u> Kumarama Investments Pte. Ltd. NDRX Investment Holdings Pte. Ltd. (In Liquidation) Raffles Marina Holdings Ltd. Singapore International Foundation Song Hin Sdn Bhd Uon, Singapore Pte. Ltd.	<u>Group Companies</u> NIL <u>Other Companies</u> PricewaterhouseCoopers (Indochina) Pte Ltd PricewaterhouseCoopers Indochina Holdings Inc PricewaterhouseCoopers-AISC Ltd PricewaterhouseCoopers Vietnam Ltd PricewaterhouseCoopers (Cambodia) Ltd PricewaterhouseCoopers (Laos) Ltd

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### EXECUTIVE OFFICERS

The day-to-day management of our operations are entrusted to our Executive Directors, who are assisted by a team of experienced and qualified Executive Officers. Information regarding our Executive Officers is set out below:-

Name	Age	Address	Position
Tan Kwang Seng	57	2 Greenwood Walk Singapore 289094	Director of Burn-In Operations
Kwok Wai San, Philip	52	3 Jalan Anak Bukit #08-03 Sherwood Towers Singapore 588998	Director of Engineering
Low Peng Fei, Robin	30	6 Simei Rise #05-18 Singapore 528802	Manufacturing Manager
Low Joo Hong, Ronald	49	Blk 226C Compassvale Walk #12-369 Singapore 543226	Senior Manager (Sales and Application)
Lau Toon Hai	48	Blk 411, Yishun Ring Road #04-1809 Singapore 760411	QA Director
Lee Say Hiang, Jenny	60	Blk 36 Bedok South Avenue 2 #07-391 Singapore 460036	Human Resource and Security Director

None of the Executive Officers is related to each other or to any of our Directors or Substantial Shareholders.

None of our Executive Officers has any arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or other person pursuant to which such Executive Officer was appointed as an Executive Officer of our Group.

There have been no Executive Officers of our Company who have stepped down just prior to the Latest Practicable Date.

Information on the business and working experience of our Executive Officers is given below:-

**Mr Tan Kwang Seng** is our Director of Burn-In operations. He is responsible for the production, planning, engineering and customer service support for the Burn-In operations of the Group. Mr Tan has over 30 years working experience (including ten years in the semiconductor industry at National Semiconductor; six years in the disk drive manufacturing industry at Micropolis (S) Pte Ltd; six years in the Republic of Singapore Air Force and four years in the consumer electronics industry). Mr Tan's field of experience covers areas including technical management overseeing a wide range of responsibilities in engineering (test, industrial and R&D) and maintenance and operations (production and planning). He joined our Company in 1999. Mr Tan holds a Bachelor of Engineering Degree from the University of Singapore and a Masters of Business Administration Degree from the Golden Gate University, San Francisco California, USA.

**Mr Kwok Wai San, Philip** is our Director of Engineering with more than 25 years experience in the semiconductor industry. He is responsible for the overall performance and management of our Engineering Services Department. He is also responsible for managing our Group's overseas sales and marketing activities for all Burn-In Boards related products. He joined our Company in 1990. Prior to joining our Company, he was employed by National Semiconductor (S) Pte Ltd as an Engineering Manager. Mr Kwok holds separate Diplomas in Electronic and Communications Engineering and Management Studies from the Singapore Polytechnic and the Singapore Institute of Management respectively.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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**Mr Low Peng Fei, Robin** is our Manufacturing Manager. He is responsible for overseeing all production, process and maintenance functions for the Board Manufacturing operations of our Group. He joined our Company in 2001. He holds a Bachelor of Science Degree from Cornell University, Ithaca, New York, USA and a Masters of Science in Engineering (Industrial and Operations Engineering) Degree from the University of Michigan, Ann Arbor, Michigan, USA.

**Mr Low Joo Hong, Ronald** is our Senior Manager (Sales and Application) with over 25 years experience in the semiconductor industry. He oversees our Equipment Representative Sales and Distribution team and is responsible for the sale and distribution of third party burn-in and test equipment used in the semiconductor industry. He joined our Company in 2004. Prior to joining our Company, he was working with Semitech Electronics Ltd for five years as their regional sales manager responsible for sales and service support of semiconductor test equipment with customers located in South East Asia and the PRC. He has also worked for National Semiconductor Manufacturer Singapore Pte Ltd for 18 years as a senior engineer. Mr Low holds a Diploma in Electrical and Electronics Engineering from the Ngee Ann Technical College (now known as the Ngee Ann Polytechnic) and a Certificate in Industrial Management from the Singapore Polytechnic.

**Mr Lau Toon Hai** is our QA Director with over 20 years experience in the electronics engineering industry. He is responsible for setting up and maintaining a functional quality organisation and quality system for our Group. Areas falling under his duties and responsibilities include the overseeing of the quality control procedures of our Group as a whole and updating our Group's quality control system to keep alongside with current industrial and commercial standards and our customer's requirements. He joined our Company in 1994. Prior to joining our Group, he has worked with companies including Philips (S) Pte Ltd, Archive (S) Pte Ltd and Conner Peripherals (S) Pte Ltd. Mr Lau holds a Diploma in Electronics and Communication Engineering from the Singapore Polytechnic.

**Mdm Lee Say Hiang, Jenny** is our Human Resource and Security Director. She is responsible for the planning, organising and administration of human resources as well as planning and directing of human resources development, performance and career management programmes. She is also responsible for the physical security, protection services and privacy of our Company and its employees and for coordinating all corporate activities with security implications. Mdm Lee holds a Diploma in Management Studies from the Singapore Institute of Management. She joined our Company in 1984.

The present and past directorships (held in the last five years preceding the date of this Prospectus) of each of the Executive Officers are set out below.

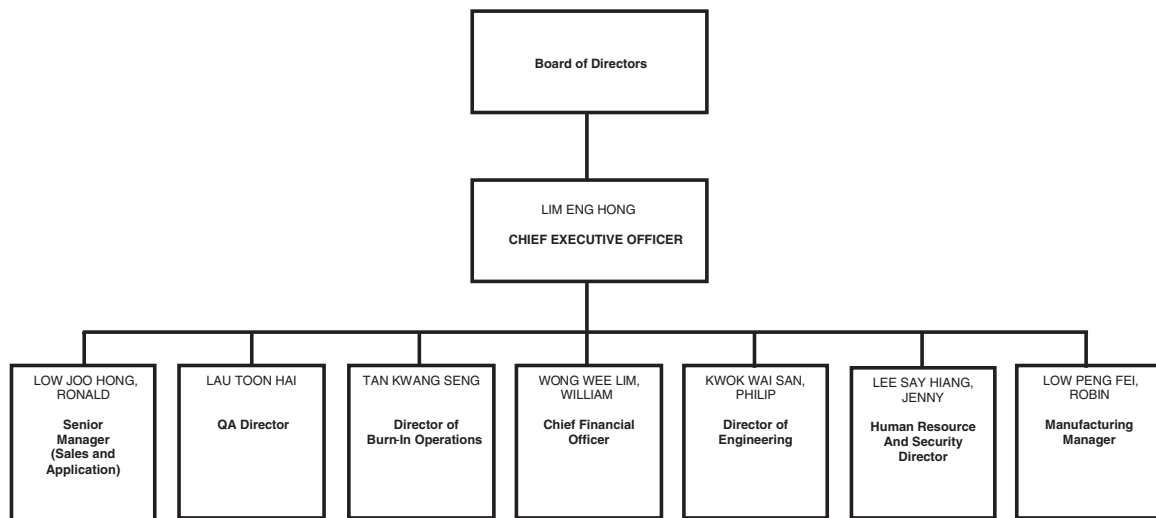
Name of Executive Officer	Present Directorships	Past Directorships
Tan Kwang Seng	<u>Group Companies</u>	<u>Group Companies</u>
	Avi-Tech Electronics (Suzhou) Co. Ltd	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL
Kwok Wai San, Philip	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	Yuli Pte. Ltd	NIL

Save as disclosed, none of our Executive Officers have any present or past directorships (held in the last five years preceding the date of this Prospectus).

## DIRECTORS, MANAGEMENT AND EMPLOYEES

### MANAGEMENT REPORTING STRUCTURE

The management reporting structure of our Group is set out below:-



### REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation (in bands of S\$250,000) (including any benefit in kind) paid (including any deferred compensation accrued for the financial year in question and payable at a later date) or payable by us and our subsidiary in respect of FY2005 and FY2006, and the estimated amount paid or payable in respect of FY2007, to each of our Directors and Executive Officers for services rendered by them in all capacities to our Group are as follows:-

	FY2005 <sup>(1)</sup>	FY2006 <sup>(1)</sup>	FY2007 <sup>(1)(2)</sup> (estimated)
<b>Directors</b>			
Khor Thiam Beng	—	—	Band A
Lim Eng Hong	Band D <sup>(3)</sup>	Band E <sup>(3)</sup>	Band E <sup>(3)(4)</sup>
Wong Wee Lim, William	Band A	Band A	Band A
Goh Chung Meng	Band A	Band A	Band A
Michael Grenville Gray	—	—	Band A
<b>Executive Officers</b>			
Tan Kwang Seng <sup>(5)</sup>	Band A	Band A	Band A
Kwok Wai San, Philip <sup>(5)</sup>	Band A	Band A	Band A
Low Peng Fei, Robin	Band A	Band A	Band A
Low Joo Hong, Ronald	Band A	Band A	Band A
Lau Toon Hai <sup>(5)</sup>	Band A	Band A	Band A
Lee Say Hiang, Jenny	Band A	Band A	Band A

**Notes:-**

- (1) Band A : Remuneration of an amount between S\$0 and S\$249,999.  
Band D : Remuneration of an amount between S\$750,000 and S\$999,999.  
Band E : Remuneration of an amount between S\$1,000,000 and S\$1,249,999
- (2) The estimated amount of remuneration payable for FY2007 above does not include any Option Shares granted or that may be granted to the Directors and Executive Officers pursuant to the ESOS. It also excludes any bonus, profit-sharing or profit linked component, save for our CEO, Mr Lim Eng Hong.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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- (3) Pursuant to the terms of our CEO, Mr Lim Eng Hong's existing agreement with our Company, which is deemed to be terminated on the day prior to the date our Company is admitted to the Official List of the SGX-ST, for each financial year of our Company, for which the net profits of the Company and its subsidiaries or associated companies shall exceed S\$1.6 million (or such higher amount as may, from time to time, be determined by our Company), our Company shall pay Mr Lim a performance bonus based on the following formula:-

Net Profits	Aggregate incentive bonus
More than S\$1.6 million but less than or equal to S\$8 million	Five per cent. of net profits
More than S\$8 million	Seven per cent. of net profits

Net profits means the profits shown by the audited profit and loss accounts of our Company for the relevant financial year after with the following adjustments:- (a) deducting *inter alia* expenses of working and management and any revenue expenses charged directly against reserves; (b) before deducting any taxation on profits or on capital gains; (c) without taking into account profits and losses of a capital nature arising on a disposal of property of the Company; and (d) any further adjustments which the auditors of our Company consider fair and reasonable. With respect to any period of his appointment embracing part only of a financial year, the Company shall pay Mr Lim the abovesaid performance bonus on a pro-rated basis.

- (4) Pursuant to the terms of our CEO, Mr Lim Eng Hong's new service agreement with our Company, which commences from the date our Company is admitted to the Official List of the SGX-ST, Mr Lim is entitled to participate in a Profit Sharing Scheme. Further details are set out in this Section "Service Agreements" of this Prospectus.
- (5) Tan Kwang Seng, Kwok Wai San, Philip and Lau Toon Hai were granted options under our Company's employee share option scheme to subscribe for shares in our Company. In FY2005 and FY2006: (a) Tan Kwang Seng exercised his options at the exercise price of S\$4.62 per share and was allotted in aggregate 50,000 shares in our Company; (b) Kwok Wai San, Philip exercised his options at the exercise price of S\$4.62 per share and was allotted in aggregate 50,000 shares in our Company; and (c) Lau Toon Hai exercised his options at the exercise price of S\$4.62 per share and was allotted in aggregate 30,000 shares in our Company. As at the beginning of FY2007, neither Tan Kwang Seng, Kwok Wai San, Philip or Lau Toon Hai hold any unexercised outstanding options to subscribe for shares in our Group.

Save as disclosed, for each of FY2005 and FY2006 and for the current financial year up to the Latest Practicable Date, none of our Directors or Executive Officers have, or have the right to be given, an option to subscribe for or purchase shares in, or debentures of, our Company or of our subsidiary.

No amount has been set aside or accrued by us or our subsidiary to provide for pension, retirement or similar benefits to any of our Directors or Executive Officers.

### Review of Remuneration of Employees Related to our Directors or Substantial Shareholders

Our employee, Mr Lim Tai Meng, Alvin, is related to our CEO, Mr Lim Eng Hong. Mr Lim Tai Meng, Alvin is the Section Manager in our Engineering Services Department and he is the son of our CEO. Mr Lim Tai Meng, Alvin commenced his employment with our Group in April 2002. The aggregate remuneration paid to him in FY2006 (comprising salary, bonus and benefits-in-kind) was approximately S\$36,000. The basis for determining Mr Lim Tai Meng, Alvin's remuneration was the same as the basis for determining the remuneration of unrelated employees. Save as disclosed in this sub-Section and under the Sections "Directors" and "Executive Officers" of this Prospectus, as at the Latest Practicable Date, none of our Executive Officers or other employees is related to any of our Directors or Substantial Shareholders.

Any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of our Nominating Committee. The remuneration of employees who are related to our Directors and Substantial Shareholders will be reviewed annually by our Remuneration Committee. This is to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for any employees who are related to our Directors and Substantial Shareholders will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from the review.

The remuneration paid to employees who are immediate family members of our Directors will be disclosed in our annual reports in the event that such remuneration exceeds S\$150,000 for that financial year.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### SERVICE AGREEMENTS

#### Executive Directors

On 30 October 2006, our Company entered into separate service agreements (the "Service Agreements") with our CEO, Mr Lim Eng Hong, and with our CFO, Mr Wong Wee Lim, William.

Under the terms of our CEO's Service Agreement, it is entered into for an initial period of three years commencing from the date our Company is admitted to the Official List of the SGX-ST (the "CEO's Initial Period") and renewable thereafter as may be agreed between the parties.

During the CEO's Initial Period, our Company may at any time terminate the Service Agreement by giving our CEO not less than six months' notice in writing or by paying salary in lieu of notice. Our CEO shall not be entitled to terminate his Service Agreement with the Company during the CEO's Initial Period, without the prior consent of our Board of Directors. After the CEO's Initial Period, the Service Agreement may be terminated by either party upon giving to the other party notice in writing of not less than six months or by payment of salary in lieu of such notice.

The Service Agreement may also be terminated by our Company by summary notice upon the occurrence of certain specified events, including where our CEO becomes of unsound mind or is convicted of a criminal offence (other than any offence which in the reasonable opinion of our Board of Directors does not affect his position as an Executive Director of our Company) or bankruptcy.

The Service Agreement does not provide for any benefits upon its termination.

The Service Agreement contains non-competition and non-solicitation clauses which are binding on our CEO for a period of 12 months from the date of cessation of employment with our Company. These obligations are absolute and unconditional save in the event that the Service Agreement is terminated by our Company without cause or good reason, these obligations of non-competition and non-solicitation shall be conditional upon:- (i) shareholders' approval pursuant to Rule 906 of the Listing Manual of the SGX-ST (if applicable) for the making by our Company to our CEO of 12 monthly payments of S\$40,000 each from our Company (totalling S\$480,000), (the "Payment(s)"); and (ii) the receipt of the Payment(s) by the Executive, the first payment of which shall be paid not later than the first day of the month immediately following the cessation date of employment with our Company, and, thereafter on the first day of each following month, time being of the essence. Our CEO acknowledges that nothing in the Service Agreement obliges our Company to make any Payment(s), or having made Payment(s) or parts thereof, to continue making such Payment(s) to our CEO, in the event our Company decides at anytime, in our sole discretion, that we do not require our CEO to perform or continue performing the said non-competition and non-solicitation obligations.

In addition, under the terms of our CEO's Service Agreement, our CEO is entitled to a monthly basic salary of S\$35,000 which shall be subject to annual review but shall not at anytime be reduced below S\$25,000. Our CEO is also entitled to an annual bonus of not less than three months' salary, the use of a motor vehicle and club membership, all of which are held by him on trust for our Company. In respect of the club membership, the beneficial interest will vest completely in our CEO without any further action by either our Group or our CEO if he remains in the employment of our Company as our CEO for the whole of the CEO's Initial Period. Our Company will also bear for our CEO, the cost of a driver, monthly subscription fees of the club membership and expenses incurred at the club in connection with the Company's business and insurance premiums for the sole and exclusive benefit of our CEO. In addition, our CEO will also be entitled to a profit sharing incentive bonus ("Profit Sharing Scheme") based on the audited consolidated profit before income tax (before the aforesaid profit-sharing incentive bonus) ("PBT") of our Group for the relevant year as listed below:-



## DIRECTORS, MANAGEMENT AND EMPLOYEES

Audited Consolidated Profit Before Income Tax	Percentage of PBT to be allocated as profit-sharing incentive bonus
Less than S\$5.5 million	0%
From S\$5.5 million and up to S\$8.0 million	S\$275,000 plus five per cent. of the amount of PBT exceeding S\$5.5 million
More than S\$8.0 million	S\$400,000 plus seven per cent. of the amount of PBT exceeding S\$8.0 million

Our CEO's entitlement to the PBT shall be pro-rated accordingly if he leaves our Company before completion of a full financial year.

Under the terms of our CFO's Service Agreement, it is entered into for an initial period of two years commencing from the date our Company is admitted to the Official List of the SGX-ST (the "CFO's Initial Period") and renewable thereafter.

During the CFO's Initial Period, our Company may at any time terminate the Service Agreement by giving our CFO not less than six months' notice in writing or by paying salary in lieu of notice. Our CFO shall not be entitled to terminate his Service Agreement with the Company during the CFO's Initial Period, without the prior consent of our Board of Directors. After the CFO's Initial Period, the Service Agreement may be terminated by either party upon giving to the other party notice in writing of not less than six months or by payment of salary in lieu of such notice.

The Service Agreement may also be terminated by our Company by summary notice upon the occurrence of certain specified events, including where the Appointee becomes of unsound mind or is convicted of a criminal offence (other than any offence which in the reasonable opinion of our Board of Directors does not affect his position as CFO) or bankruptcy.

The Service Agreement does not provide for any benefits upon its termination.

The Service Agreement contains non-competition and non-solicitation clauses which are binding on our CFO for a period of 12 months from the date that our CFO ceases to be an employee of our Company.

Under the terms of the Service Agreement, our CFO is entitled to, *inter alia*, a monthly basic salary of S\$10,000 and our CFO may be paid such bonus or performance incentives which the Remuneration Committee may at its absolute discretion determine.

Both our CEO and CFO are entitled to be reimbursed for travel, accommodation, entertainment and other out-of-pocket expenses reasonably incurred by him in the discharge of his duties.

Had the Service Agreements been in existence from the beginning of FY2006, the total remuneration payable to our Directors would have been approximately S\$1.30 million instead of S\$1.03 million and the profit before tax for our Group would have been approximately S\$10.84 million instead of S\$11.11 million.

### Executive Officers

We have also entered into various contracts, contained in letters of employment, with each of our Executive Officers. Such letters typically provide for the salary payable, working hours, annual leave and grounds of termination.

Save as disclosed above, there are no other existing or proposed service contracts between our Directors or Executive Officers and our Company or of our subsidiary.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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### CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our shareholders.

#### Board Composition and Quorum

The composition of our Board of Directors shall be such that the majority of the Directors shall always be Non-Executive Directors, with the Chairman of the Board to be a Non-Executive Director. In addition, the quorum for all physical meetings of the Board of Directors shall include at least one Independent Director.

#### Audit Committee, Nominating Committee and Remuneration Committee

In accordance with the Code of Corporate Governance, we have set up an Audit Committee, a Nominating Committee and a Remuneration Committee. The Chairman and the majority of the members of the Audit Committee, Nominating Committee and Remuneration Committee shall always be independent.

##### Audit Committee

Our Audit Committee comprises our Independent Directors, Mr Goh Chung Meng and Mr Michael Grenville Gray and our Non-Executive Chairman, Mr Khor Thiam Beng. The chairman of the Audit Committee is Mr Michael Grenville Gray.

The Audit Committee serves as a channel of communication between our Board and our external auditors on matters relating to and arising out of the external audit. In particular, our Audit Committee will perform the following functions:-

- (i) assist our Board in discharging its statutory responsibilities on financial and accounting matters;
- (ii) review the audit plans and reports of the external and internal auditors and consider the effectiveness of the actions taken by management on the auditors' recommendations;
- (iii) appraise and report to our Board on the audits undertaken by the external and internal auditors, the adequacy of the disclosure of information, and the adequacy, appropriateness and quality of the system of management and internal controls;
- (iv) review the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or dismissal of the auditors;
- (v) review and ensure proper accounting of our Group's budgeting process, proper authorisation and recording of the project costs and accuracy in the computation and recognition of revenue;
- (vi) review interested person transactions, as defined in the Listing Manual (see the Section "Interested Person Transactions and Potential Conflicts of Interest" of this Prospectus); and
- (vii) review the remuneration of employees who are related to our Directors or Substantial Shareholders.

Apart from the duties listed above, the Audit Committee shall also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Audit Committee in respect of matters in which he is interested.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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The CFO of the Group shall circulate report(s) to the Audit Committee on the financial affairs of our Group on a monthly basis. These reports would include (but shall not be limited to) the profit and loss, balance sheet and cash flow statements of our Group, sales, staff numbers and allocation, health and safety issues, and latest corporate developments.

### Nominating Committee

Our Nominating Committee comprises Mr Goh Chung Meng, Mr Michael Grenville Gray and Mr Khor Thiam Beng. The chairman of the Nominating Committee is Mr Goh Chung Meng. The functions of the Nominating Committee are as follows:-

- (a) re-nomination of our Directors having regard to the Director's contribution and performance;
- (b) determining annually whether or not a Director is independent; and
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria which should be approved by the Board and address how the Board has enhanced long-term shareholders' value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participate in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as a director.

### Remuneration Committee

Our Remuneration Committee comprises Mr Goh Chung Meng, Mr Michael Grenville Gray and Mr Khor Thiam Beng. The chairman of the Remuneration Committee is Mr Goh Chung Meng. The primary objective of the Remuneration Committee is to facilitate appropriateness, transparency and accountability on the issue of executive remuneration. Our Remuneration Committee will recommend to our Board a framework of remuneration for our Board and key executives, and to determine specific remuneration packages for each executive director. The committee's recommendations will be submitted for endorsement by the entire Board. The committee should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options and benefits in kind.

Each member of the Remuneration Committee shall abstain from voting on any resolutions and making any recommendations and/or participate in any deliberations of the Remuneration Committee in respect of the assessment of his remuneration package.

### **Internal Auditors**

Our Company shall appoint internal auditors to check on the internal affairs of our Group. The internal auditors shall present quarterly reports to the Audit Committee in respect of their work which may include review and report on the risk and control environment, business processes and any special projects commissioned by the Audit Committee. The internal auditor should only report directly to the Audit Committee.

## DIRECTORS, MANAGEMENT AND EMPLOYEES

### EMPLOYEES

The number of employees of our Company as at the end of each of the last three financial years and as at the Latest Practicable Date are as follows:-

#### Breakdown by function

	FY2004	FY2005	FY2006	HY2007	As at the Latest Practicable Date
Executive Directors and Executive Officers	8	8	8	8	8
Middle Management	13	13	24	22	22
Engineers and Technicians	44	48	62	76	77
Production Workers	115	137	117	159	153
Administrative and Finance	28	28	30	34	36
Total	208	234	241	299	296

#### Breakdown by geographic location

	FY2004	FY2005	FY2006	HY2007	As at the Latest Practicable Date
Singapore	203	229	238	297	294
Malaysia	2	2	—	—	—
PRC	2	2	2	2	2
Philippines	1	1	1	—	—
Total	208	234	241	299	296

Our employee turnover for FY2004, FY2005, FY2006 and HY2007 was approximately 1.68%, 1.75%, 1.84% and 1.69% respectively. The disproportionate increase in Production Workers over that of the number of Engineers and Technicians between FY2006 and HY2007 was due mainly to the recruitment of manpower for our new Engineering Services activity pertaining to the manufacture of Thermal Trays and system integration of High-Power Burn-In Systems.

None of our employees are unionised.

### AVI-TECH EMPLOYEE SHARE OPTION SCHEME

On 6 July 2007, our shareholders approved a share option scheme known as the Avi-Tech Employee Share Option Scheme (the “ESOS”), the rules of which are set out in Appendix B of this Prospectus. The ESOS complies with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain executive directors and employees whose services are vital to our well being and success.

As at the Latest Practicable Date, no options have been granted under the ESOS.

#### Objectives of the ESOS

The objectives of the ESOS are as follows:-

- (i) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;
- (ii) to retain key employees and Directors whose contributions are essential to the long-term growth and prosperity of our Group;

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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- (iii) to instil loyalty to, and a stronger identification by participants with the long-term prosperity of, our Group;
- (iv) to attract potential employees with relevant skills to contribute to our Group and to create value for the shareholders of our Company; and
- (v) to align the interests of participants with the interests of the shareholders of our Company.

### Summary of the ESOS

A summary of the rules of the ESOS is set out as follows:-

#### (1) Participants

Under the rules of the ESOS, executive and non-executive directors (including our independent directors) and employees of our Group and our associated companies ("Group Employees"), are eligible to participate in the ESOS. For this purpose, a company is our "associated company" if we and/or our subsidiary hold at least 20 per cent. but not more than 50 per cent. of the issued shares in that company and provided our Company has control over the associated company. As at the Latest Practicable Date, we do not have any associated companies.

Our Controlling Shareholder and his associates will also be eligible to participate in the ESOS. As at the date of this Prospectus, the Controlling Shareholder who is eligible to participate in the ESOS is Mr Lim Eng Hong, who is our CEO. Our employee, Mr Lim Tai Meng, Alvin, is related to our CEO, Mr Lim Eng Hong. Mr Lim Tai Meng, Alvin is a Section Manager in our Engineering Services Department and he is the son of our CEO. For further details on the remuneration terms of Mr Lim Tai Meng, Alvin, please refer to the Section "Directors, Management and Employees - Review of Remuneration of Employees Related to our Directors or Substantial Shareholders" of this Prospectus.

#### (2) Scheme administration

The ESOS shall be administered by the Remuneration Committee (the "Committee") (please refer to the Section "Corporate Governance" of this Prospectus) with powers to determine, *inter alia*, the following:-

- (a) persons to be granted options;
- (b) number of options to be offered; and
- (c) recommendations for modifications to the ESOS.

As at the Latest Practicable Date, the Committee comprises Mr Goh Chung Meng, Mr Michael Grenville Gray and Mr Khor Thiam Beng. The Committee will consist of directors (including directors who may be participants of the ESOS). A member of the Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of options granted or to be granted to him.

#### (3) Size of the ESOS

The aggregate number of shares over which the Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the ESOS and any other share option schemes of our Company, shall not exceed 15 per cent. of the issued Shares of our Company on the day preceding the date of the relevant grant.

Our Company believes that this 15 per cent. limit set by the SGX-ST gives our Company sufficient flexibility to decide upon the number of Option Shares to offer to its existing and new employees. 15 per cent. of the post-Invitation share capital of our Company constitutes approximately 52,560,000 Shares. As at the Latest Practicable Date, there are about 150 eligible participants of the ESOS. As it is intended that the ESOS shall last for ten years, assuming that there is no change in the total issued share capital of the Company, the number of options that may be

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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granted in a year will average approximately 5,256,000. The number of eligible participants is expected to grow over the years. Our Company, in line with its goals of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of options available under the ESOS is limited, our Company may only be able to grant a small number of options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of options to offer to new employees as well as to existing ones. The number of options offered must also be significant enough to serve as a meaningful reward for contribution to our Group. However, it does not indicate that the Committee will definitely issue Option Shares up to the prescribed limit. The Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

The aggregate number of Shares available to Controlling Shareholders and their Associates (if eligible) shall not exceed 25 per cent. of the Shares available under the ESOS and the number of Shares available to each Controlling Shareholder or his Associate (if eligible) shall not exceed 10 per cent. of the Shares available under the ESOS.

(4) Maximum entitlements

The number of shares comprised in any options to be offered to a participant in the ESOS shall be determined at the absolute discretion of the Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future development of that participant.

(5) Options, exercise period and exercise price

The options that are granted under the ESOS may have exercise prices that are, at the Committee's discretion, set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price ("Market Price Options") may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date of grant of the option ("Incentive Option"). Options granted to employees of our company and our subsidiaries under the ESOS will have a life span of 10 years. All other options granted under the ESOS will have a life span of five years.

(6) Grant of options

Under the rules of the ESOS, there are no fixed periods for the grant of options. As such, offers of the grant of options may be made at any time from time to time at the discretion of the Committee. However, no option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

(7) Termination of options

Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy of the participant, the death of the participant; a take-over of our Company; and the winding-up of our Company.

(8) Acceptance of options

The grant of options shall be accepted within 30 days from the date of the offer. Offers of options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.



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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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(9) Rights of shares arising

Shares arising from the exercise of options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date ("Record Date") for which is prior to the relevant exercise date of the option. "Record Date" means the date as at the close of business on which the shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.

(10) Duration of the ESOS

The ESOS shall continue in operation for a maximum duration of ten years and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(11) Abstention from voting

Participants who are shareholders are to abstain from voting on any shareholders' resolution relating to the ESOS.

### **Grant of options with a discounted exercise price**

The ability to offer options to participants of the ESOS with exercise prices set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. Discounted options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered options at a discount as only employees who have made outstanding contributions to the success and development of the Group would be granted options at a discount.

The flexibility to grant options with discounted prices is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Committee will have absolute discretion to:-

- (i) grant options set at a discount to Market Price of a share (subject to a maximum limit of 20%); and
- (ii) determine the participants to whom, and the options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions.

It is envisaged that our Company may consider granting the options with exercise prices set at a discount to the Market Price of the shares prevailing at the time of grant under circumstances including (but not limited to) the following:-

- (a) Firstly, where it is considered more effective to reward and retain talented employees by way of a discounted price option rather than a market price option. This is to reward the outstanding performers who have contributed significantly to our Group's performance and the discounted price option serves as additional incentives to such Group employees. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence during such period the ability to offer such options at a discount would allow our Company to grant options on a more realistic and economically feasible basis. Furthermore, options granted at a discount will give an opportunity to Group employees to realise some tangible benefits even if external events cause the share price to remain largely static.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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- (b) Secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through a discounted price option rather than paying him a cash bonus. For example, options granted at a discount may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of market price options or discounted price options, as part of eligible employees' compensation packages. The ESOS will provide Group Employees with an incentive to focus more on improving the profitability of the Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of the Shares after the vesting period.
- (c) Thirdly, where due to speculative forces and having regard to the historical performance of the Share price, the market price of the Shares at the time of the grant of the options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

The Committee will have the absolute discretion to grant options where the exercise price is discounted, to determine the level of discount (subject to a maximum discount of 20% of the Market Price) and the grantees to whom, and the options to which, such discount in the exercise price will apply provided that the Company's shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

Our Company may also grant options without any discount to the market price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the options (whether such options are granted at the market price or at a discount to the market price), such as restricting the number of shares for which the option may be exercised during the initial years following its vesting.

### **Participation of executive and non-executive directors (including independent directors) and employees of our Group and associated companies in the ESOS**

The extension of the ESOS to executive and non-executive directors (including independent directors) and employees of our Group and associated companies allows our Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the ESOS will also enable us to attract, retain and provide incentives to its participants to produce higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating participants generally to contribute towards the long-term growth of our Group.

### **Participation of Controlling Shareholders and their associates in the ESOS**

The purpose for the participation is to provide an opportunity for eligible directors and employees who are Controlling Shareholders or associates of Controlling Shareholders who have contributed significantly to the growth and performance of our Group to participate in the equity of our Company.

We acknowledge that the services and contributions of the eligible directors and employees who are Controlling Shareholders or associates of Controlling Shareholders are important to the development and success of our Group. The extension of the ESOS to the eligible directors and employees who are Controlling Shareholders and/or their associates allows our Company to have a fair and equitable system to reward the eligible Directors and employees who have made and continue to make important contributions to the long-term growth of our Group notwithstanding that they are Controlling Shareholders or their associates.

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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Although the Controlling Shareholders and/or their associates may already have shareholding interests in our Company, the extension of the ESOS to encompass them ensures that they are equally entitled, with the other eligible directors and employees of our Group who are not Controlling Shareholders or their associates, to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the ESOS solely for the reason that he/she is a Controlling Shareholder or an associate of a Controlling Shareholder.

Specific approval of the independent shareholders is required for the grant of options to such persons as well as the actual number of and terms of such options. When it is proposed that options may be granted under the ESOS to eligible directors and employees who are Controlling Shareholders or associates of Controlling Shareholders, in accordance with the Rules and the requirements under the Listing Manual, each such grant of options is subject to the approval of independent shareholders. In seeking such independent shareholders' approval, clear justification as to their participation, number of Option Shares and terms (including the subscription price) of options to be granted to the Controlling Shareholders and/or their associates shall be provided. Accordingly, we are of the view that there are sufficient safeguards against any abuse of the ESOS resulting from the participation of Controlling Shareholders and their associates.

It is proposed that Mr Lim Eng Hong, who is our CEO and Controlling Shareholder of our Company, be entitled to participate in the ESOS. The shareholding interests of Mr Lim Eng Hong in the issued share capital of our Company as at the Latest Practicable Date are set out in the Section "Shareholders – Ownership Structure" of this Prospectus.

### **Rationale and justification for participation by Lim Eng Hong**

Mr Lim Eng Hong is our CEO and founder of our Group. Our Company recognises that Mr Lim is responsible for the growth and success of our Group.

As a founder of our Group, Mr Lim has been instrumental in developing, steering and implementing our Group's corporate directions and strategies since its inception. With his extensive experience in the semiconductor Industry, he has been using his wealth of experience and expertise to further the business goals of our Group. Our Company has experienced rapid growth and has developed itself as a total Burn-In solutions provider.

The leadership provided by Mr Lim will be critical to our Group as we embark on the next phase of our growth. Our Company is of the view that the experience and contributions of Mr Lim towards the growth of our Group is invaluable and his continuing contributions are required for the continued success of our Group. His experience and proven track record illustrates the value of his leadership and vision to our Group. There will be a substantial loss to the Company should we fail to retain his services. Although Mr Lim already has a shareholding interest in our Company, the extension of the ESOS to him will ensure that he is equally entitled with the other employees who are not controlling shareholders to take part in and benefit from this system of remuneration, thereby enhancing his long-term commitment to our Group.

**The participation in the ESOS by Mr Lim will take place only after the listing of our Company on the SGX-ST.**

### **Cost of Options granted under the ESOS to our Company**

Any options granted under the ESOS would have a fair value. In the event that such options are granted at prices below the fair value of the options, there will be a cost to our Company. The amounts of such costs may be more significant in the case of discounted options, where such options are granted with exercise prices set at a discount to the prevailing market price of the Shares. The cost to our Company of granting options under the ESOS would be as follows:–

- (i) the exercise of an option at the exercise price would translate into a reduction of the proceeds from the exercise of such Option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company;

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## DIRECTORS, MANAGEMENT AND EMPLOYEES

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- (ii) as the monetary cost of granting options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's EPS;
- (iii) the effect of the issue of new Shares upon the exercise of options, is that our Company's NAV per Share will increase if the exercise price is above the NAV per Share and decrease, if the exercise price is below the NAV per Share; and
- (iv) the grant of options under the ESOS will have an impact on our Company's reported profit under Singapore Financial Reporting Standards ("SFRS") share-based payment requires the recognition of an expense in respect of option granted under the ESOS. The expense will be based on the fair value of the options at the date of grant (as determined by an option-pricing model) and will be recognised over the vesting period. The requirement to recognise an expense in respect of options granted to employees as set out in SFRS 102 is effective for financial periods beginning on or after 1 January 2005.

It should be noted that the financial effects discussed in (i), (ii), and (iii) above would materialise only upon the exercise of the relevant options. The cost of granting options discussed in (iv) above would be recognised in the financial statements even if the options are not exercised in (iv).

Under Singapore Financial Reporting Standards 102 Share-based payment, the fair value of employee services received in exchange for the grant of the options is recognised as an expense. The fair value of services received from the employees of the ultimate holding company and its subsidiaries in exchange for the grant of the options is also similarly recognised as an expense over the vesting period.

For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each option granted at the grant date and the number of options vested by the vesting date, with a corresponding increase in equity. Before the end of the vesting period, at each balance sheet date, the equity revises its estimates of the number of options that are expected to be vested the vesting date and it recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement is made. The proceeds received net of any directly attributable transaction costs are credited to the share capital when the options are exercised.

During the vesting period, both the expense recognised and the potential Shares to be issued under the ESOS reduce the consolidated earnings per Share. When the options are exercised, the consolidated net assets will be increased by the amount of cash received in subscription for the new Shares. On a per Share basis, the effect is accretive if the subscription price is above the net assets per Share but dilutive otherwise.

We have made an application to the SGX-ST for permission to deal in, and for quotation of, the Shares which may be issued upon the exercise of options to be granted under the ESOS. The approval of the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiary, our Shares, the New Shares or the Option Shares.

The rule of the ESOS are set out in Appendix B to this Prospectus. Details of the number of option granted, the number of options exercised and the exercise price (as well as any discount involved) will be disclosed in our annual report. The committee currently appointed to administer the ESOS is the Remuneration Committee.

As at the date of this Prospectus, no Options have been granted.

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## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

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### INTERESTED PERSON TRANSACTIONS

Transactions between our Group and any interested persons (namely, our Directors or any of our Controlling Shareholders or their respective Associates) are generally known as interested person transactions.

Save as disclosed below and in the Section “Shareholders” of this Prospectus, none of our Directors or Controlling Shareholders or their respective Associates was or is interested in any transactions undertaken by our Group within the three most recent completed financial years and ending on the Latest Practicable Date, which are material in the context of the Invitation.

Save as disclosed below, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or our subsidiary, or are proposed to be acquired or disposed of by or leased to our Company or our subsidiary.

Save as disclosed below, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiary, taken as a whole.

### PAST INTERESTED PERSON TRANSACTIONS

#### Transactions between Apex Management Consulting Services Pte Ltd (“APEX”) and our Company

The entire share capital of Apex is held by Mdm Hedy Tan Li Kheng and Mdm Lim Kong Lang who is the spouse and mother-in-law respectively of our CFO, Mr Wong Wee Lim, William. During the last three financial years, Apex provided business management and consultancy services to our Company on a monthly retainer basis. Such business management and consultancy services included preparation on profit plans, valuation of acquisition targets, general secretarial and taxation matter. The expertise that Apex provides to the Company is specifically in the area of profit planning. The services were provided based on normal commercial terms and prevailing market rates and were conducted at arms’ length basis. No written agreement was made or formalised for the services provided by Apex.

For FY2004, FY2005, FY2006, HY2007 and for the period from 1 January 2007 to the Latest Practicable Date, the annual retainer fees collected by Apex from our Company is as follows:-

					From 1 January 2007 to the Latest Practicable Date
(S\$)	FY2004	FY2005	FY2006	HY2007	
Fees paid to Apex Management Consulting Services Pte Ltd	30,000	30,000	30,000	15,000	11,613

Our Group will cease to use the professional services of Apex upon the listing of our Company on the SGX-ST. However, in the event that there is a need for our Group to engage the services of Apex in the future, such transactions will be conducted in adherence to the procedures and guidelines for interested person transactions as set out below and Mr Wong will abstain from reviewing and voting on that particular transaction.

### EXISTING AND FUTURE INTERESTED PERSON TRANSACTIONS

#### Transactions between Messrs Khor Thiam Beng & Partners and our Group

Our Group has paid fees to Messrs Khor Thiam Beng & Partners, a firm of Advocates and Solicitors, in which, our Non-Executive Chairman, Mr Khor Thiam Beng, is the managing partner, for legal services rendered by Messrs Khor Thiam Beng & Partners to our Group from time to time. Mr Khor does not have any interest in our Group.



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## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

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The legal fees (including disbursements) paid or payable by our Group to Messrs Khor Thiam Beng & Partners for FY2004, FY2005, FY2006, HY2007 and for the period from 1 January 2007 to the Latest Practicable Date are as follows:-

(S\$)	FY2004	FY2005	FY2006	HY2007	From 1 January 2007 to the Latest Practicable Date
Legal Fees	1,239	1,500	62,110	2,064	4,242

Our Directors are of the opinion that the legal fees paid to Messrs Khor Thiam Beng & Partners are at arms' length and are comparable to fees charged by Messrs Khor Thiam Beng & Partners for similar services to other parties.

It is envisaged that we may continue to engage the services of Messrs Khor Thiam Beng & Partners in future as and when the need arises. As matters involving our Group will be handled by other partners and associates of Messrs Khor Thiam Beng & Partners, our Directors are of the view that the provision of such services will not interfere with Mr Khor's independent judgement in his role as our Non-Executive Chairman. In the event that Mr Khor is interested in any matters handled by Messrs Khor Thiam Beng & Partners involving our Group, he will adhere to the procedures and guidelines for interested person transactions as set out below and abstain from reviewing and voting on that particular transaction.

### REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee is responsible for ensuring that any interested person transactions entered into by our Group are entered into on an arm's length basis and on normal commercial terms not prejudicial to the interests of our Group and our minority Shareholders. In particular, our Audit Committee shall ensure that relevant terms and conditions are not more favourable to the interested person than if such transaction was entered into with an unrelated third party so as to ensure that our Group is not disadvantaged by reason of transacting with the interested person rather than a third party.

All future interested person transactions will be properly documented and submitted to our Audit Committee for periodic review on a quarterly basis. We will maintain a register to record all interested person transactions and the basis on which they are entered into. The annual internal audit plan shall incorporate a review of all interested person transactions entered into by the Group.

We have implemented the following procedures to ensure that all interested person transactions are undertaken on an arm's length basis and on normal commercial terms:-

- (1) prior approval must be obtained from at least one Independent Director for transactions having a value of S\$100,000 and above; and
- (2) to the extent that our Audit Committee deems it appropriate, the prices and terms of at least two other competitive offers from unrelated third parties, contemporaneous in time, will be obtained when purchasing or obtaining services from an Interested Person. At least one Independent Director will review these offers to ensure that the interests of our minority Shareholders are not prejudiced.

Our Directors, however, note that there may arise situations where time is of the essence, for example, when a particular product or service is required urgently, and we may not have sufficient time to follow the above procedures. In such cases and only if the value of that transaction does not exceed 2.5% of our last audited net tangible assets, we will proceed with the transaction and document all the relevant facts for review by our Audit Committee at its next meeting. Our Audit Committee can then recommend any changes to the above procedures to cater for such situations in the future, if necessary.



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## **INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST**

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Interested person transactions, if any, will be reviewed by our Audit Committee and our Board at least quarterly to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account.

Our Audit Committee and our Board shall also review the internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls.

Our Audit Committee and our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

Our Audit Committee and our Board shall have overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within our Company, as they deem appropriate.

In the event that a member of our Board or a member of our Audit Committee (where applicable) is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

Our Group will comply with the provisions of Chapter 9 of the Listing Manual in respect of all interested person transactions and where required under the Listing Manual or by any act or law, we shall seek the approval of our shareholders for such interested person transactions.

### **POTENTIAL CONFLICTS OF INTEREST**

Save as disclosed in the Sections "Shareholders" and "Interested Person Transactions and Potential Conflicts of Interest":-

- (a) no Director or Controlling Shareholder of our Company or their respective associates has any interest, direct or indirect, in any transactions to which our Group is to be a party;
- (b) no Director or Controlling Shareholder of our Company or their respective associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as the Group; and
- (c) no Director or Controlling Shareholder of our Company or their respective associates has any interest, direct or indirect, in any enterprise or company that is the Group's customer or supplier of goods or services.

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## DESCRIPTION OF ORDINARY SHARES

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### DESCRIPTION OF SINGAPORE COMPANY LAW RELATING TO SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our Shareholders as conferred by the laws of Singapore and the Articles of Association of our Company (“Articles of Association”). These statements summarise the material provisions of our Articles of Association but are qualified in entirety by reference to our Articles of Association, a copy of which will be available for inspection at our office during normal business hours for a period of six months from the date of registration of this Prospectus.

#### Ordinary Shares

There are no founder, management, deferred or unissued shares reserved for issue for any purpose. The rights and privileges of our shares are stated in our Articles of Association.

We have only one class of shares, namely, our ordinary shares. Our Articles of Association provide that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Board may think fit and issue preference shares which are, or at our option are, redeemable, subject to certain limitations.

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the listing rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our own Shares.

#### New Shares

New Shares and/or convertible securities (where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities) may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares and/or convertible securities to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares and/or convertible securities to be issued other than on a *pro-rata* basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new Shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of our annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board who may allot and issue the same with such rights and restrictions as they may think fit.

#### Shareholders

Only persons who are registered in our Register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for our Shares, are recognised as our Shareholders.

We will not, except as required by the law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the depository register for that Share. We may close our Register of Shareholders for any time or times if we provide the Accounting & Corporate Regulatory Authority of Singapore with at least 14 days’ notice and the SGX-ST at least 10 clear market days’ notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the Register of Shareholders to determine our Shareholders’ entitlement to receive dividends and other distributions.

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## DESCRIPTION OF ORDINARY SHARES

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### Transfer of Shares

There is no restriction on the transfer of fully-paid Shares except where required by law or the Listing Manual or the rules or by-laws of SGX-ST. Our Board may decline to register any transfer of Shares which are not fully-paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by SGX-ST. Our Board may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may reasonably require. We will replace lost or destroyed certificates for Shares if we are properly notified and the applicant pays a fee which will not exceed S\$2 for each share certificate and furnishes any evidence and indemnity that our Board may require.

### General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board may convene an extraordinary general meeting whenever it thinks fit and must do so if our Shareholders representing not less than 10% of the total voting rights of all our Shareholders request in writing that such a meeting be held. In addition, two or more of our Shareholders holding not less than 10% of our issued share capital may call for an extraordinary general meeting. Unless otherwise required by law or by our Articles of Association, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Memorandum of Association and Articles of Association, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### Voting Rights

A holder of Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a Shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every Shareholder present in person or by proxy shall have one vote, and on a poll, every Shareholder present in person or by proxy shall be entitled to one vote for every Share which he or she holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

### Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits. See "Bonus and Rights Issue" below. Our Board may also declare interim dividends without the approval of our Shareholders. All dividends are paid *pro-rata* amongst our Shareholders in proportion to the amount paid-up on each Shareholder's Shares, unless the rights attached to an issue of any Share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

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## DESCRIPTION OF ORDINARY SHARES

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### Bonus and Rights Issue

Our Board may, with the approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of the SGX-ST or any stock exchange on which we are listed.

### Takeovers

The Securities and Futures Act and the Singapore Code on Take-overs and Mergers ("Singapore Take-over Code") regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Any person acquiring an interest, either on his own or together with persons acting in concert with him, in 30% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Take-over Code. An offer for consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding six months. A mandatory takeover offer is also required to be made if a person who, either on his own or together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting shares and such person, or any person acting in concert with him, acquires in any six month period additional voting shares representing more than 1% of our voting shares. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:-

- (a) the following companies:-
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv); and
  - (vi) companies whose associated companies include any of (i), (ii) (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a persons with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:-
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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## DESCRIPTION OF ORDINARY SHARES

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- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
  - (v) companies controlled by any of (i), (ii), (iii), or (iv).

### **Liquidation or Other Return of Capital**

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

### **Indemnity**

As permitted by Singapore law, our Articles of Association provide that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, Director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

### **Limitations on Rights to Hold or Vote on our Shares**

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles of Association on the rights of non-resident Shareholders to hold or vote on our Shares.

### **Minority Rights**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:-

- (a) our affairs are being conducted or the powers of our Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself.

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## DESCRIPTION OF ORDINARY SHARES

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Without prejudice to the foregoing, Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct or our affairs in the future;
- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of minority Shareholder's Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.



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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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1. We were incorporated in Singapore on 31 December 1981 under the Companies Act as a private company limited by shares bearing the registration number 198105976H. The nature of our Company's business is stated in the Section "General Information On Our Group – Our Business" of this Prospectus. The Memorandum of Association of the Company states, *inter alia*, that the liability of members is limited. The Memorandum of Association is available for inspection at our registered office as stated in the Section "General And Statutory Information - Documents Available For Inspection" of this Prospectus.
2. The provisions in the Articles of Association of our Company relating to, *inter alia*, their remuneration, their shareholding qualification and their retirement and re-election, the borrowing powers exercisable by them and the voting powers of our Directors on contracts, arrangements or transactions in which they are interested,:-
  80. **NUMBER OF DIRECTORS.** All the Directors of the Company shall be natural persons. Until otherwise determined by a general meeting the number of Directors shall not be less than two and there shall not be any maximum number.
  81. **POWER TO ADD TO DIRECTORS.** The Directors shall have power from time to time and at any time to appoint additional Directors; PROVIDED ALWAYS THAT the total number of Directors shall not exceed the prescribed maximum. A Director so appointed shall retire from office at the close of the next annual general meeting, but shall be eligible for re-election.
  82. **DIRECTOR'S QUALIFICATION AND RETIREMENT AGE LIMIT.** A Director shall not be required to hold any share qualification in the Company, but subject to the provisions of the Act he shall not be of or over the age of 70 years at the date of his appointment.
  83. **ALTERNATE DIRECTORS.** Any Director may from time to time and at any time appoint any person (not disapproved by a majority of the other Directors for the time being and who shall not be a person who is already a Director of the Company and who is not already an alternate Director of the Company) to act as his alternate, and may at any time remove the alternate Director so appointed by him from office. An alternate Director so appointed may be reimbursed by the Company such expenses as might properly be reimbursed to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointer and such appointer may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. He is also entitled to receive notices of and attend all meetings of the Directors, and to vote as a Director at any such meeting at which the Director appointing him is not present, and generally in the absence of his appointor to perform all the functions of his appointor as a Director. Any fee paid by the Company to the alternate Director shall be deducted from the remuneration payable to his appointor. All appointments and removals of alternate Directors made by any Director in pursuance of the provisions of this Article shall be in writing under the hand of the Director making the same and left at the Office. The nomination of an alternate Director shall be valid if made by facsimile; PROVIDED ALWAYS THAT such nomination shall be confirmed within three months from the date of such facsimile by a written nomination complying with the abovementioned requirements, and any act done by the alternate Director nominated in such facsimile between the date thereof and the date of the receipt within the prescribed period by the Company of the written nomination shall be as valid and effectual as if such alternate Director had been duly appointed in the first instance, whether such written nomination shall be received by the Company within the prescribed period or not.
  84. **DIRECTORS' REMUNERATION.** Fees payable to the Directors shall from time to time be determined by the Company in general meeting and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Unless otherwise directed by the said ordinary resolution, such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office. Fees payable to non executive directors shall be by a fixed sum and not by way of commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover. The Directors shall also be paid such travelling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of Directors. If by arrangement with the other Directors any Director shall perform or render any special duties or services outside his ordinary duties as a Director, the Directors may pay him special remuneration, in addition to his ordinary remuneration, and such special remuneration may be by way of additional salary or otherwise, as may be arranged PROVIDED ALWAYS THAT such special remuneration, if payable by way of fees to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover, and if payable by way of salaries to executive directors may not include a commission on or percentage of turnover.

85. **DIRECTOR MAY BE INTERESTED IN OTHER COMPANIES.** A Director of the Company may be or become a Director or other officer of, or otherwise be interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.
88. **CHIEF EXECUTIVE OFFICER OR MANAGING DIRECTOR.** The Directors may from time to time appoint a Chief Executive Officer or Managing Director (or other equivalent position or positions) of the Company and, subject to the provisions of any contract of service entered into in any particular case, may remove or dismiss him or them from office and appoint another or others in his or their places. Where an appointment is for a fixed period such period shall not exceed five years.

A Chief Executive Officer or Managing Director (or person holding an equivalent position) who is a Director shall (subject to the provisions of any contract of service between him and the Company) be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors. The appointment of a Director as Chief Executive Officer or Managing Director (or other equivalent position) shall not automatically determine if he ceases from any cause to be a Director, unless the contract of service or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim he may have for damages for breach of any contract of service between him and the Company.

A Chief Executive Officer or Managing Director (or person holding an equivalent position) shall receive such remuneration as the Directors may determine but shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

A Chief Executive Officer or Managing Director (or person holding an equivalent position) shall at all times be under the control of the Directors but subject thereto the Directors may entrust to and confer upon a Chief Executive Officer or Managing Director (or person holding an equivalent position) for the time being any of the powers exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, alter or vary all or any such powers.

90. **DIRECTORS' BORROWING POWERS.** The Directors may borrow or raise from time to time for the purposes of the Company or secure the payment of such sums as they may think fit, and may secure the repayment or payment of any such sums by mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit.

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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94. **DIRECTORS MAY CONTRACT WITH COMPANY.** A Director may contract with and be interested in any transaction or proposed transaction with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required (but not limited) by Section 156 of the Act. No Director shall vote as a Director in respect of any contract, arrangement or transaction in which he has directly or indirectly a personal material interest, although he shall be counted in the quorum present at the meeting.
97. **OFFICE OF DIRECTOR VACATED IN CERTAIN CASES.** Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated:
- (1) if he becomes a bankrupt or he makes any arrangement or composition with his creditors;
  - (2) if he is prohibited from being a Director by reason of any order made under any provision of the Statutes;
  - (3) if he is found lunatic or becomes of unsound mind; or
  - (4) if he resigns his office by notice in writing to the Company.
99. **ELECTION OF DIRECTORS.**
- (1) An election of Directors shall take place at every annual general meeting of the Company. All Directors except any Director appointed to fill a casual vacancy pursuant to Article 100 are subject to retirement by rotation as prescribed in Article 99(2) below.
  - (2) At such annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number rounded to the nearest one third shall retire from office.
  - (3) A retiring Director shall be eligible for re-election.
  - (4) PROVIDED ALWAYS THAT every Director shall retire from office at least once every 3 years and shall be eligible for re-election, the Directors to retire in every year shall be those who have been longest in office since the last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.
100. **VACANCY TO BE FILLED BY DIRECTORS.** Any vacancy occurring in the Board of Directors may be filled up by the Directors or the Members in the general meeting. A Director so appointed by the Directors shall retire from office at the next following general meeting but shall be eligible for re-election.
101. **NOMINATION OF DIRECTORS FOR ELECTION.** No person not being a retiring Director shall be eligible for election to the office of Director at any general meeting unless the Member intending to propose him has, at least eleven clear days before the meeting, left at the Office of the Company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him; PROVIDED ALWAYS THAT in the case of a person recommended by the Directors for election, nine clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board of Directors shall be served on the registered holders of shares at least seven days prior to the meeting at which the election is to take place.

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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102. **DIRECTOR MAY BE REMOVED BY ORDINARY RESOLUTION.** The Company may by ordinary resolution remove any Director before the expiration of his period of office, and may, if thought fit, by ordinary resolution appoint another Director in his stead.
3. The following provisions of our Articles of Association relate to the rights, preferences and restrictions attaching to the shares in the capital of our Company:-
3. **ISSUE OF SHARES.** The shares taken by the subscribers to the Memorandum of Association shall be issued by the Directors. Subject as aforesaid and to these Articles, the shares shall be under the control of the Directors, who may allot and issue the same to such persons on such terms and conditions and at such times as the Directors think fit.
4. **SPECIAL RIGHTS.** Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine; PROVIDED ALWAYS THAT the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares of the Company.
5. **REDEEMABLE PREFERENCE SHARES.** Subject (but not limited) to Section 70 of the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.
6. **RIGHTS OF PREFERENCE SHAREHOLDERS.** Holders of preference shares shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Company. They shall have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividends on the preference shares are in arrears more than six months.
7. **MODIFICATION OF RIGHTS OF PREFERENCE SHAREHOLDERS.** The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned; PROVIDED ALWAYS THAT where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.
8. **RIGHTS NOT VARIED BY ISSUE OF ADDITIONAL SHARES.** The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
9. **NO TRUSTS RECOGNISED.** No person, other than the Depository, shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the registered holder, except only as by these Articles otherwise provided for or as required by the Statutes or pursuant to any order of Court.

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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10. **OFFER OF NEW SHARES.** Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the Singapore Exchange's listing rules, all new shares of whatever kind shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.
18. **DIRECTORS MAY MAKE CALLS.** The Directors may, subject to the provisions of these Articles, from time to time make such calls upon the Members in respect of all moneys unpaid on their shares as they think fit; PROVIDED ALWAYS THAT fourteen days' notice at least is given of each call and each Member shall be liable to pay the amount of every call so made upon him to the persons, by the instalments (if any) and at the times and places appointed by the Directors. A call may be revoked or postponed as the Directors may determine.
19. **WHEN CALL DEEMED TO HAVE BEEN MADE.** A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
22. **PAYMENTS IN ADVANCE OF CALLS.** Any Member may pay to the Company and the Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies for the time being remaining uncalled on his shares but the monies so paid in advance shall not, whilst carrying interest, confer a right to participate in the profits of the Company.
23. **MONIES PAID IN ADVANCE OF CALLS.** In respect of any monies paid in advance of any call, or so much thereof as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed between them and such Member, in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up.
24. **SUM PAYABLE ON ALLOTMENT DEEMED TO BE A CALL.** Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, shall, for all purposes of these Articles, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the relevant provisions of these Articles, shall apply as if such sum were a call duly made and notified as hereby provided.
26. **TRANSFER OF SHARES.** There shall be no restriction on the transfer of fully paid up shares (except where required by law or, where the Company is listed on the Singapore Exchange, the rules, bye-laws or listing rules of the Singapore Exchange) but the Directors may in their discretion refuse to register a transfer to a transferee of whom they do not approve, in the case of shares not fully paid up, PROVIDED ALWAYS THAT in the event of the Directors refusing to register a transfer of shares, they shall within one month, or in the event of the Company being listed on the Singapore Exchange, within ten market days beginning with the day on which the application for such transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act.



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27. **FORM OF TRANSFER.** Every transfer shall be in writing in the form approved by the Directors and in the event of the Company being listed on the Singapore Exchange, by the Singapore Exchange. Every instrument of transfer must be in respect of only one class of shares and must be duly stamped in accordance with any applicable law for the time being in force relating to stamp duty and shall be left at the Office accompanied by the Certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer.
45. **RIGHTS OF STOCKHOLDERS.** The holders of stock shall according to the number of stock held by them have the same rights privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock which would not if existing in shares have conferred that privilege or advantage.
48. **POWER TO ISSUE INSTRUMENTS.** Subject to these Articles, the Company may by ordinary resolution in general meeting give to the Directors general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution, to:
- (A) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
  - (B) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

provided that:

- (1) the aggregate number of shares to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant instrument), does not exceed 50 per cent. (or such other limit as may be prescribed by any rules of the Singapore Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to any adjustments effected under any relevant Instrument) does not exceed 20 per cent. (or such other limit as may be prescribed by any rules of the Singapore Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the rules of the Singapore Exchange from time to time) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be calculated based on the issued share capital of the Company at the time of the passing of the ordinary resolution, after adjusting for:
  - (a) new shares arising from the conversion, exercise or vesting, as the case may be, of convertible securities, share options or share awards outstanding or subsisting at the time of the passing of the ordinary resolution; provided that



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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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such options or awards were granted pursuant to a share option scheme effected and administered in compliance with the rules of the Singapore Exchange; and

- (b) any subsequent consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the provisions of the listing rules of the Singapore Exchange for the time being in force (unless such compliance is waived by the Singapore Exchange) and these Articles; and
  - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the ordinary resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).
51. **SHARE REPURCHASE.** Subject to and in accordance with the provisions of the Act, the listing rules of the Singapore Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.

Where ordinary shares or stocks are purchased or acquired by the Company in accordance with the provisions of the Act, the Company may hold the shares or stocks (or any of them) or deal with any of them, at any time.

Any ordinary share which is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition by the Company unless held in treasury; preference shares that are purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Act.

52. **TREASURY SHARES.** If the Company has only one class of shares, the aggregate number of shares held as treasury shares shall not at any time exceed ten per cent. of the total number of shares of the company at that time.

Where the share capital of the Company is divided into shares of different classes, the aggregate number of shares of any class held as treasury shares shall not at any time exceed 10% of the total number of the shares in that class at that time.

In event of contravention of the above, the company shall dispose of or cancel the excess shares in the manner provided by the Act.

The company shall not exercise any right in respect of the treasury shares, including any right to attend or vote at meetings. The Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights, any purported exercise of such a right is void.

No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of the treasury shares.

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53. **RIGHTS OF SHAREHOLDERS MAY BE ALTERED.** Subject (but not limited) to the provisions of Section 74 of the Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the share capital paid or credited as paid on the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him.
64. **HOW RESOLUTION DECIDED.** At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is demanded by either:-
- (i) the Chairman of the meeting; or
  - (ii) not less than two Members present in person or by proxy and entitled to vote at the meeting; or
  - (iii) a Member or Members present in person or by proxy and representing not less than ten per cent. of the total voting rights of all the Members having the right to vote at the meeting; or
  - (iv) a Member or Members present in person or by proxy and holding not less than ten per cent. of the total number of paid-up shares of the Company (excluding treasury shares).
65. **RESULT OF VOTING.** A demand for a poll may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn) a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution.
66. **VOTES COUNTED IN ERROR.** If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.
67. **HOW POLL TO BE TAKEN.** No poll shall be demanded on the election of a Chairman or on any question of adjournment of the meeting. A poll demanded on any other question shall be taken at such time and place, and in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. Any business other than that upon which a poll has been demanded may be proceeded with at a meeting pending the taking of the poll.
68. **CHAIRMAN TO HAVE CASTING VOTE.** In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman shall be entitled to a second or casting vote.
72. **VOTES OF JOINT HOLDERS OF SHARES.** In the case of joint holders any one of such persons may vote, but if more than one of such persons be present at a meeting, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holder; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be).

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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73. **VOTES OF LUNATIC MEMBER.** A person of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal curator and such last mentioned persons may give their votes either personally or by proxy.
74. **MEMBERS INDEBTED TO COMPANY IN RESPECT OF SHARES NOT ENTITLED TO VOTE.** No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares held by him in the Company, whether in his own name or in a Securities Account, and whether alone or jointly with any other person, have been paid.
75. **APPOINTMENT OF PROXIES.** A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any General Meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. A proxy need not be a Member of the Company. No shareholder shall be entitled so to vote or be recognised in a quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid.
76. **INSTRUMENT APPOINTING A PROXY TO BE LEFT AT THE OFFICE.** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority shall be deposited at the Office not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
77. **FORM OF PROXY.** An instrument appointing a proxy or representative shall be in writing in the common form or any other form approved by the Directors and: -
- (1) in the case of an individual, shall be signed by the appointor or by his attorney; and
  - (2) in the case of a corporation, shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
79. **CORPORATION ACTING BY REPRESENTATIVES AT MEETING.** Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.
114. **DISTRIBUTION OF PROFITS.** Subject to any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company which it shall from time to time determine to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up or credited as paid up thereon respectively otherwise than in advance of calls.
115. **DECLARATION OF DIVIDENDS.** The Directors may, with the sanction of a general meeting, from time to time declare dividends, but no such dividend shall be payable except out of the profits of the Company which are not in relation to the purchase or acquisition, or sale or disposal, of treasury shares. Any dividend unclaimed after six years from the date of declaration shall be made forfeit and revert to the Company. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company, and may also from time to time if in their opinion such payment is so justified, pay any preferential dividends which by the terms of issue of any shares are made payable on fixed dates. No higher dividend shall be paid than is recommended by the Directors, and the declaration of the Directors as to the amount of the net profits shall be conclusive. Subject to the provisions of the Act where any asset,

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses, thereof, such profits or losses, as the case may be, shall, at the discretion of the Directors, be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividend accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest such dividend or interest when paid may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.

119. **PAYMENT OTHERWISE THAN IN CASH.** Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors. Any shares allotted as fully paid bonus shares in respect of the treasury shares shall be treated for the purposes of this Act as if they were purchased by the Company at the time they were allotted.
120. **DIRECTORS MAY FORM RESERVE FUND AND INVEST.** The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall at the discretion of the Directors be applicable for meeting contingencies, or for repairing or maintaining any works connected with the business of the Company, or for equalising dividends, or for distribution by way of special dividend or bonus, or may be applied for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company or invest the same in such securities, other than the shares of the Company, as they may select. The Directors may also from time to time carry forward such sums as they may deem expedient in the interests of the Company.
122. **COMPANY MAY CAPITALISE RESERVES AND UNDIVIDED PROFITS.** (A) The Company in general meeting may at any time and from time to time pass a resolution that any sum not required for the payment or provision of any fixed preferential dividend, and (1) for the time being standing to the credit of any reserve accounts of the Company, or (2) being undivided net profits in the hands of the Company, be capitalised, and that such sum be appropriated as capital to and amongst the ordinary shareholders in the proportions in which they would have been entitled thereto if the same had been distributed by way of dividend on the ordinary shares, and in such manner as the resolution may direct, and such resolution shall be effective; and the Directors shall in accordance with such resolution apply such sum or any part thereof on behalf of the shareholders aforesaid in paying up the whole or part of any uncalled balance which shall for the time being be unpaid in respect of any issued ordinary shares held by such shareholders or otherwise deal with such sum as directed by such resolution. Where any difficulty arises in respect of any such distribution, the Directors may settle the same as they think expedient, and in particular they may issue fractional certificates, fix the value for distribution of any fully paid up shares or debentures, make cash payments to any shareholders on the footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trust for the persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors. When deemed requisite a proper contract for the allotment and acceptance of any shares to be distributed as aforesaid shall be delivered to the Registrar of Companies for registration in accordance with Section 63 of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution and such appointment shall be effective.

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## MEMORANDUM AND ARTICLES OF ASSOCIATION

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- (B) In addition and without prejudice to the power to capitalise profits and other moneys provided for by this Article, the Directors shall have power to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares on terms that such shares shall, upon issue, be held by or for the benefit of non-executive Directors as part of their remuneration under Article 84 approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit. The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation authorised pursuant to this Article 122(B).
127. **ACCOUNTS TO BE AUDITED.** Once at least in every year the accounts of the Company shall be examined, and the correctness of the profit and loss account and balance sheet ascertained by one or more Auditor or Auditors, and the provisions of Sections 205, 206, 207, 208 and 209 of the Act and any modification or re enactment thereof for the time being in force in regard to audit and Auditors shall be observed.
132. **DISTRIBUTION IN SPECIE.** If the Company shall be wound up, the liquidators may, with the sanction of a special resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved on otherwise than in accordance with such rights the Members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to (but not limited to) Section 306 of the Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the distribution of any shares or other consideration receivable by the liquidators amongst the Members otherwise than in accordance with their existing rights, and any such determination shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section.
4. There are no limitations on the rights of our Shareholders who are regarded as non-residents of Singapore to hold or vote their shares.



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## EXCHANGE CONTROLS

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The following is a description of the exchange controls existing in the jurisdictions in which our Group operates which may affect the repatriation of capital and the remittance of profits by or to our Company.

### SINGAPORE

There are currently no laws, decrees, regulations or other legislation in Singapore that may affect the following:-

- (a) the repatriation of capital, including the availability of cash and cash equivalents for use by our Group; or
- (b) the remittance of profits affecting dividends, interest or other payments to our Shareholders.

### PRC

Major reforms have been introduced in the foreign exchange control system of the PRC since 1993. The People's Bank of China ("PBOC"), with the authorisation of the State Council, issued on 28 December 1993 the Notice on the Further Reform of the Foreign Exchange Control System and on 26 March 1994, the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange which came into effect on 1 January 1994 and 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1 April 1996 and were revised on 14 January 1997. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement Sale and Payment of Foreign Exchange, which took effect on 1 July 1996. On 25 October 1998, the PBOC and the State Administration of Foreign Exchange ("SAFE") issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for foreign-invested enterprises may only be conducted through designated foreign exchange banks. On 21 July 2005, the PBOC issued the Public Announcement on Reforming the RMB Exchange Rate Regime.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC. Under the new regulations, the previous dual exchange rate system for Renminbi was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People's Bank of China, having regard to the trading prices between Renminbi and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the Renminbi exchange rates against major foreign currencies.

In general, all organisations and individuals within the PRC, including foreign investment enterprises, are required to remit their foreign exchange earnings to the PRC. In relation to the PRC enterprises, their recurrent foreign exchange earnings are generally required to be sold to designated foreign exchange banks unless specifically approved otherwise. Foreign investment enterprises (including sino-foreign equity joint ventures and sino-foreign co-operative enterprises as well as wholly foreign owned enterprises or WFOE), on the other hand, are permitted to retain a certain percentage of their recurrent foreign exchange earnings (which is determined by SAFE or its local branch on a case-to-case basis) and the sums retained may be deposited into foreign exchange bank accounts maintained with designated foreign exchange banks.

Capital foreign exchange earnings must be deposited into foreign exchange bank accounts maintained with designated foreign exchange banks and can generally be retained in such accounts. At present, control on the purchase of foreign exchange for trade-related payments is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated foreign exchange banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investment party, then, subject to the due payment of tax on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained



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## EXCHANGE CONTROLS

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with designated foreign exchange banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated foreign exchange banks upon the presentation of the resolutions of our Directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transactions, the approval of the SAFE is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or enter into any other capital account transaction involving the purchase of foreign exchange, except as otherwise provided by the PRC regulations. In addition, under certain notices promulgated by the PBOC in 1998, all the PRC borrowers of foreign exchange loans are not permitted to purchase foreign currencies with RMB to prepay such borrowings. However, according to a notice published by PBOC and the SAFE on 19 September 2001, a PRC borrower is allowed to purchase foreign currencies with RMB to prepay onshore foreign exchange loans subject to the approval of SAFE.

When conducting actual foreign exchange transactions, the designated foreign exchange banks may, based on the exchange rate published by the PBOC and subject to certain limits, determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (“CFETC”) formally came into operation on 4 April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through the Swap Centre (a statutory foreign exchange transaction institution engaging in foreign exchange business under the direction and administration of the State Administration of Foreign Exchange) or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated foreign exchange banks. CFETC is restricted to conducting foreign exchange transactions between banks and RMB inter-bank lending between financial institutions.

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## TAXATION

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*The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to subscription, ownership and disposal of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to subscribe, own and dispose of our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of subscribing, owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.*

### SINGAPORE INCOME TAX

#### General

##### *Individuals*

All individuals, resident or non-resident, are subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions such as certain investment income. All foreign-sourced income received in Singapore by resident individuals on or after 1 January 2004 will be exempt from Singapore income tax. However, this exemption will not apply to foreign-sourced income received through a partnership in Singapore. Non-resident individuals are not subject to Singapore income tax on foreign-sourced income.

An individual is tax resident in Singapore in a year of assessment if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he normally resides in Singapore (except for temporary absences).

For a Singapore tax resident individual, his taxable income (after deduction of personal reliefs) is subject to tax on a progressive scale varying from 0% to a maximum rate of 21% in the year of assessment 2006 i.e. calendar year 2005. This maximum rate will be further reduced to 20% in the year of assessment 2007 i.e. calendar year 2006.

Non-Singapore resident individuals deriving Singapore-sourced income are generally subject to tax at a rate equivalent to the prevailing corporate tax rate of 20%, with effect from year of assessment 2005. This rate would continue to apply to non-Singapore resident individuals notwithstanding the reduction in corporate tax rate to 18% with effect from year of assessment 2008 (please refer to the note below).

##### *Corporations*

Corporate taxpayers, resident or non-resident, subject to certain exceptions, are subject to Singapore income tax on income that is accruing in or derived from Singapore and foreign income received or deemed received in Singapore.

However, foreign-sourced income in the form of dividends, branch profits and service income received or deemed received in Singapore on or after 1 June 2003 by a resident corporate taxpayer shall be exempt from tax in Singapore provided the following conditions are met:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and

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## TAXATION

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- (iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

A corporate taxpayer is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore.

The prevailing corporate tax rate in Singapore is 20% with effect from the year of assessment 2005 i.e. the financial year ended in 2004. In addition, three-quarters of up to the first \$10,000 of a company's chargeable income and one-half of up to the next \$90,000 will be exempt from corporate income tax.

In the 2007 Budget Statement delivered on 15 February 2007 by the 2<sup>nd</sup> Minister for Finance, it was proposed that with effect from the year of assessment 2008 i.e. the financial year ended in 2007, the Singapore corporate tax rate will be reduced to 18%. In addition, the above partial tax exemption threshold will be increased to \$300,000, i.e. three-quarters of up to the first \$10,000 of a company's chargeable income and one-half of up to the next \$290,000 will be exempt from corporate income tax with effect from year of assessment 2008.

The remaining chargeable income (after the partial tax exemption) will be taxed at the prevailing corporate tax rate. The above partial tax exemption will not apply to Singapore dividends received by companies.

### **Dividend Distributions**

#### *One-Tier Corporate Taxation System*

Singapore adopted the "one-tier" corporate taxation system ("one-tier system") with effect from 1 January 2003. Under this system, tax paid by a Singapore tax resident company on its profits is final and Singapore dividends distributed out of after-tax profits of the company are tax exempt in the hands of the shareholders.

As we have moved to the one-tier system, our Shareholders would receive tax exempt (one-tier) dividends and such dividends will be tax exempt to all Shareholders.

#### *Withholding Taxes*

Based on current tax law in force, no Singapore withholding tax is imposed on our dividend payments made to non-resident shareholders.

### **Gains on Disposal of our Shares**

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterization of capital gains and hence, gains from disposal of shares may be construed to be of an income nature and subject to income tax if they arise from activities which the Inland Revenue Authority of Singapore ("IRAS") regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of our Shares, if regarded as capital gains by the IRAS, are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the profits on disposal would be taxable as income.

### **Stamp Duty**

There is no stamp duty payable on the issuance and subscription of our Shares.

Stamp duty is generally payable on the instrument of conveyance, assignment or transfer on sale of any stock or shares or interest thereof at the rate of \$2.00 for every \$1,000 or any part thereof based on the value of the consideration or the net asset value of the shares, whichever is higher.

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## TAXATION

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The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares) or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP.

### **Estate Duty**

Singapore estate duty is imposed on the value of immovable property situated in Singapore which passes on the death of an individual domiciled outside Singapore, subject to specific exemption limits. Movable assets owned by individuals who are not domiciled in Singapore are now exempt from estate duty.

Singapore estate duty is imposed on the value of immovable property situated in Singapore and movable property, wherever it may be, owned by individuals who are domiciled in Singapore at the time of death, subject to specific exemption limits.

Our Shares are considered to be movable property situated in Singapore as we are a company incorporated in Singapore. Accordingly, our Shares held by an individual domiciled in Singapore may be potentially subject to Singapore estate duty upon such individual's death. Singapore estate duty is payable to the extent that the value of our Shares aggregated with any other assets subject to Singapore estate duty exceeds \$600,000. Unless estate duty exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond \$600,000 will be taxed at 5% on the first \$12,000,000 of the deceased individual's dutiable assets and any excess over \$12,000,000 will be taxed at 10%.

Individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

### **Goods and Services Tax ("GST")**

The sale of shares is considered a supply of services for Singapore GST purposes. Generally, a supply of services made by a GST-registered person is subject to GST at the current standard rate of 7% unless the supply of services can qualify for zero-rating (i.e. charge GST at 0%) under the Goods and Services Tax Act, ("GST Act") or is exempt under the GST Act.

The sale of our Shares by a GST-registered investor in the course of or furtherance of a business carried on by him through the Singapore exchange or to another person belonging in Singapore qualifies for exemption under the GST Act. However, any possible input GST which is incurred by the investor in making wholly exempt supplies is not recoverable from the Comptroller. This is only applicable if the GST-registered investor is not a financial institution since most financial institutions are subject to fixed input tax recovery rate prescribed by the Comptroller of GST.

If the sale of our Shares by a GST-registered investor is made to another person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale would qualify for zero-rating under the GST Act. Any possible input GST which is incurred by the investor in making zero-rated supplies is recoverable from the Comptroller. This is only applicable if the GST-registered investor is not a financial institution since most financial institutions are subject to fixed input tax recovery rate prescribed by the Comptroller of GST.

The charges on brokerage, handling and clearing services rendered by a GST registered person (for example, broker) to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7%. Similar services rendered to an investor belonging outside Singapore should qualify for zero-rating provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

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## CLEARANCE AND SETTLEMENT

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Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, securities accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10.00 for each withdrawal of 1,000 Shares or less and a fee of \$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of \$200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## GENERAL AND STATUTORY INFORMATION

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### INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS OR CONTROLLING SHAREHOLDERS

1. Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders:-
  - (a) has had, at any time during the last 10 years an application or a petition under any bankruptcy laws in any jurisdiction filed against him, or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;
  - (b) has had, at any time during the last 10 years an application or a petition under any law of any jurisdiction that was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - (c) has any unsatisfied judgment against him;
  - (d) has been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
  - (e) has had, at any time been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;
  - (f) has had, at any time in the last ten (10) years, had any judgment entered against him in any civil proceedings, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (g) has been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - (h) has been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
  - (i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
  - (j) has, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of : —
    - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
    - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
    - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or



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## GENERAL AND STATUTORY INFORMATION

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- (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

- (k) has been the subject of any current or past investigation or disciplinary proceedings, or have been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

### Lim Eng Hong

In Singapore civil proceedings Suit No. DC 3028/2000, a Third Party Notice was issued against our CEO, Mr Lim Eng Hong. However, Mr Lim was never served with the Third Party Notice and only learnt about the Third Party Notice in 2005 during a due diligence process. Mr Lim noted that the matter has been concluded in the Subordinate Courts of Singapore and that a Notice of Discontinuance has been filed in 2001 in respect of the matter. In the Third Party Notice, Mr Lim was alleged to have breached the terms of a guarantee and other contractual terms. There were however no allegation of fraud, misrepresentation or dishonesty made against Mr Lim in the Third Party Notice.

## MATERIAL CONTRACTS

- 2. Neither our Company nor our subsidiary have entered into any contracts, not being contracts entered into in the ordinary course of business, within the two years preceding the date of lodgement of this Prospectus and are or may be material.

## LITIGATION

- 3. Neither our Company nor our subsidiary is engaged in any legal or arbitration proceedings in the last 12 months before the date of the lodgment of this Prospectus, as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Invitation and our Directors have no knowledge of any proceedings pending or threatened against our Company or our subsidiary or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the profitability of our Company or our subsidiary.

## MISCELLANEOUS

- 4. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.
- 5. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.
- 6. Save as disclosed in this Prospectus, no expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within two years preceding the Latest Practicable Date, been acquired or disposed of by or leased to our Company or our subsidiary or are proposed to be acquired or disposed of by or leased to our Company or our subsidiary.
- 7. Application moneys received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Oversea-Chinese Banking Corporation Limited ("Receiving Bank"). In the ordinary course of business, the Receiving Bank will deploy these moneys in the interbank money market. All profits derived from the deployment of such moneys will accrue to the Receiving Bank. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.

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## GENERAL AND STATUTORY INFORMATION

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8. Details, including the names, addresses and professional qualifications (including membership in a professional body) of our auditors of the Group for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006 and for the period up to 31 December 2006 are as follows:-

Name and address	Professional body	Partner-in-charge Professional qualification
<b>Auditors</b>		
Deloitte & Touche 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809	Institute of Certified Public Accountants of Singapore	Philip Yuen Ewe Jin Certified Public Accountant
		A practising member of the Institute of Certified Public Accountants of Singapore

9. We currently have no intention of changing our auditors after the listing of our Company on the SGX-ST.
10. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since the end of the period covered by the Report and Condensed Consolidated Interim Financial Information for the Six-Month Period Ended December 31, 2006 as set out in Appendix D of this Prospectus, that is 31 December 2006, to the Latest Practicable Date, which may have a material effect on the Consolidated Financial Statements for the financial years ended June 30, 2004, 2005 and 2006 including Independent Auditors' Report thereon as set out in Appendix C of this Prospectus and the Report and Condensed Consolidated Interim Financial Information for the Six-Month Period Ended December 31, 2006 as set out in Appendix D of this Prospectus.
11. Save as disclosed in the Section "Share Capital" of this Prospectus, no shares in or debentures of our Company or of our subsidiary have been issued, or are proposed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash, within the three years preceding the date of lodgement of this Prospectus.
12. As at the date of this Prospectus, save as disclosed in the Section "General Information on Our Group – History and Development, Major Customers and Intellectual Property", the business or profitability of our Group is not materially dependent on any patent or licence, industrial, commercial or financial contract (including a contract with a customer or supplier) or new manufacturing process.

### ACQUISITION OF PROPERTY

13. No property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiary which is to be paid for, wholly or partly, out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of this Prospectus, other than property in respect of which the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or our subsidiary, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.

### INTERESTS OF EXPERT

14. No expert is employed on a contingent basis by our Company or our subsidiary, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiary, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.
15. Save as disclosed in the Section "Risk Factors" of this Prospectus, our Directors are not aware of any relevant material information, including trading factors or risks not mentioned elsewhere in this Prospectus, which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiary.

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## GENERAL AND STATUTORY INFORMATION

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16. There have been no public takeovers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred during the last and current financial year.
17. To the best of our knowledge and belief, there are no arrangements the operation of which may at a subsequent date result in a change in control of our Company.

### CONSENTS

18. Deloitte & Touche, the Auditors, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the "Consolidated Financial Statements for the financial years ended June 30, 2004, 2005 and 2006 including Independent Auditors' Report thereon" in Appendix C of this Prospectus, the "Report and Condensed Consolidated Interim Financial Information for the Six-Month Period Ended December 31, 2006" in Appendix D of this prospectus and to the references to its name in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
19. The Manager and the Placement Agent and Underwriter has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to their respective names in the form and context in which they appear in this Prospectus and to act in such capacities in relation to this Prospectus.
20. Each of the Manager, the Placement Agent and Underwriter, Solicitors to the Invitation, Placement Agent and Underwriter, the Share Registrar, the Principal Bankers and the Receiving Banker do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

### RESPONSIBILITY STATEMENT BY THE MANAGER

21. The Manager acknowledges that, having made due and careful enquiry and to the best of its knowledge and belief, based on information furnished to it by our Group, this Prospectus constitutes a full and true disclosure of all material facts about the Invitation and our Group and it is not aware of any other facts, the omission of which would make statements herein misleading.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS

22. This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the truth and accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statement herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Company and our subsidiary.

### DOCUMENTS AVAILABLE FOR INSPECTION

23. The following documents or copies thereof may be inspected at our registered office at 19A Serangoon North Avenue 5 Singapore 554859 during normal business hours for a period of six months from the date of registration of this Prospectus:-
  - (a) the Memorandum and Articles of Association of our Company;
  - (b) the Consolidated Financial Statements for the financial years ended June 30, 2004, 2005 and 2006 including Independent Auditors' Report thereon;

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## GENERAL AND STATUTORY INFORMATION

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- (c) the Report and Condensed Consolidated Interim Financial Information for the Six-Month Period Ended December 31, 2006
- (d) the Audited Financial Statements of our subsidiary, Avi-Tech Suzhou, for FY2004, FY2005 and FY2006;
- (e) the letters of consent referred to in the Section “General and Statutory Information – Consents” of this Prospectus; and
- (f) the Service Agreements referred to in the section “Directors, Management and Employees – Service Agreements” of this Prospectus.

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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You are invited to apply and subscribe for the New Shares at the Issue Price for each New Share subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 NEW SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF NEW SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of ATM Application or IB Applications.

Your application for Internet Placement Shares may only be made by way of an Internet Placement Application through the IPO Website at "[www.ePublicOffer.com](http://www.ePublicOffer.com)" if you have a valid membership account with the IPO Website Operator.

Your application for the Placement Shares (other than Internet Placement Shares and Reserved Shares) may only be made by way of Placement Shares Application Forms. Your application for Reserved Shares may only be made by way of Reserved Shares Application Forms.

**YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE NEW SHARES.**

3. **You (being other than an approved nominee company) are allowed to submit ONLY one application in your own name for:-**
  - (a) **the Offer Shares by any one of the following:-**
    - (i) **Offer Shares Application Form;**
    - (ii) **ATM Application; or**
    - (iii) **IB Application,**
  - OR**
  - (b) **the Placement Shares (other than Reserved Shares) by any one of the following:-**
    - (i) **Placement Shares Application Form; or**
    - (ii) **Internet Placement Application.**

**If you have made an application for Reserved Shares, you may submit ONE application for Offer Shares OR ONE application for Placement Shares (other than Reserved Shares) provided that you adhere to the terms and conditions of this Prospectus. Such application shall not be treated as multiple applications.**

**If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares (other than Reserved Shares) or both Offer Shares and Placement Shares (other than Reserved Shares), all your applications shall be deemed to be multiple applications and shall be rejected.**

**JOINT OR MULTIPLE APPLICATIONS SHALL BE REJECTED.** If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company.

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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**A Qualifying User whose application for Internet Placement Shares is rejected because of multiple applications will be levied an administrative fee amounting to 20% of the Qualifying User's application moneys (subject to Singapore goods and services tax).**

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks or the IPO Website Operator, as the case may be) bear post office box numbers.

In addition, applicants who wish to subscribe for the Internet Placement Shares through the IPO website (a) must not be corporations, sole proprietorships, partnerships or any other business entities; (b) must be over the age of 21 years; (c) must not be undischarged bankrupts; (d) must apply for the Placement Shares in Singapore; (e) must have a mailing address in Singapore; and (f) must be customers who maintain valid membership accounts with the IPO Website Operator.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank or the IPO Website Operator at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank or the IPO Website Operator, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from the CDP will be sent to your address last registered with CDP.**
9. **Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in this Prospectus (including the accompanying Application Forms or the instructions for Electronic Applications) or with the terms and conditions of this Prospectus or which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in this Prospectus (including the accompanying Application Forms or the instructions for Electronic**



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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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**Applications) or the terms and conditions of this Prospectus, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and we will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, our Company will give due consideration to the desirability of allotting the New Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you. This will be the only acknowledgement of application moneys received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an over-subscription for Offer Shares as at the close of the Application List and/or Placement Shares (including the Internet Placement Shares and the Reserved Shares) are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.
13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted to you pursuant to your application, to our Company, the Manager, the Underwriter, the Placement Agent and any other parties so authorised as the foregoing persons.
14. Any reference to the “you” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form, an ATM Electronic Application or an IB Application; an individual, a corporation, an approved nominee and trustee applying for the Placement Shares other than Reserved Shares through the Placement Agent by way of a Placement Shares Application Form or the Internet Placement Shares by way of an Internet Placement Application through the IPO website; and an individual, a corporation, an approved nominee and trustee applying for the Reserved Shares by way of Reserved Shares Application Form.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:-
  - (a) irrevocably offer to subscribe for the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Memorandum and Articles of Association of our Company; and
  - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the IPO website, or the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (c) agree that the aggregate Issue Price for the New Shares applied for is due and payable to our Company forthwith;
  - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot any New Shares to you; and
  - (e) agree and warrant that if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Manager, the Underwriter and/or the Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, inter alia, our Company being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in, and for quotation of, all our existing Shares, the New Shares and the Option Shares on a “ready” basis on the SGX-ST;
  - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the section entitled “Management, Underwriting and Placement Agreements” of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
  - (c) the Authority has not served a stop order which directs that no further Shares to which this Prospectus relates be allotted.
17. Our Company will not hold any applications in reserve.
18. Our Company will not allot Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
19. Additional terms and conditions for applications by way of printed Application Forms are set out on pages A-4 to A-7 of this Prospectus.
20. Additional terms and conditions for applications by way of Electronic Applications are set out on pages A-8 to A-16 of this Prospectus.

### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING PRINTED APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**” on pages A-1 to A-4 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares and the **BLUE** Application Forms for Placement Shares and the **PINK** Application Forms for Reserved Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company reserves the right to reject applications which do not conform strictly to the instructions set out in this Prospectus (and the accompanying Application Forms) or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with the Share Registrar and Share Transfer Office. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the New Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a BANKER’S DRAFT or CASHIER’S ORDER drawn on a bank in Singapore, made out in favour of “**AVI-TECH SHARE ISSUE ACCOUNT**” crossed “**A/C PAYEE ONLY**”, with your name and address written clearly on the reverse side. **We will not accept applications accompanied by ANY OTHER FORM OF PAYMENT.** We will reject remittances bearing “NOT TRANSFERABLE” or “NON TRANSFERABLE” crossings. **No acknowledgement or receipt will be issued by our Company, the Manager, the Placement Agent or the Underwriter for applications and application moneys received.**
8. Unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting after the close of the Application List at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk in the shortest possible time.

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form in accordance with the provisions of this Prospectus, you agree that:-
- (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws**, you agree that:-
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
  - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and none of our Company, the Manager, the Underwriter, the Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

### Applications for Offer Shares

1. Your applications for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:-
- (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in the official envelope "A" provided;
  - (b) in the appropriate spaces on official envelope "A":-
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for; and
    - (iii) affix adequate Singapore postage;
  - (c) seal official envelope "A"; and

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (d) write, in the appropriate box provided on the larger official envelope “B”, the number of Offer Shares you have applied for; and insert official envelope “A” into official envelope “B”, seal official envelope “B” and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to Lim Associates (Pte) Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483**, so as to arrive by **12.00 noon on 23 July 2007** or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws. **Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

### Applications for Placement Shares (other than Internet Placement Shares and Reserved Shares)

1. Your application for Placement Shares (other than Internet Placement Shares and Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed and signed **BLUE** Placement Shares Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable in respect of the number of Placement Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to Lim Associates (Pte) Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483**, to arrive by **12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Alternatively, you may remit your application moneys by electronic transfer to the account of Oversea-Chinese Banking Corporation Limited, account number 517-196713-001, in favour of **“AVI-TECH SHARE ISSUE ACCOUNT”** for the number of Placement Shares applied for **by 12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.** If you remit your application moneys via electronic transfer, you should fax and send a copy of the remittance advice to Westcomb Capital Pte Ltd at fax number 6227 3936 to arrive by **12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.**

### Application for Reserved Shares

1. Your application for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed and signed **PINK** Reserved Shares Application Form and your remittance in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Reserved Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if dispatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVERY BY HAND at your own risk to Lim Associates (Pte) Ltd, 3 Church Street, #08-01 Samsung Hub, Singapore 049483**, so as to arrive by **12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.



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## **APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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### **ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS**

The procedures for Electronic Applications at ATMs are set out on the ATM screens (in the case of ATM Applications), the IB website screens (in the case of IB Applications) of the relevant Participating Banks and the IPO website (in the case of Internet Placement Applications).

Currently, DBS Bank and the UOB Group are the only Participating Banks through which an IB Application can be made on the respective IB websites of DBS Bank and the UOB Group.

Internet Placement Applications may be made through the IPO website.

For illustration purposes, the procedures for Electronic Applications through ATMs, the IB website of DBS Bank and the IPO website are set out respectively in the “Steps for Applications for Offer Shares through ATMs of DBS Bank”, “Steps for Applications for Offer Shares through the IB website of DBS Bank” and the “Steps for Applications for Internet Placement Shares through the IPO website” (collectively known as the “Steps”) appearing on pages A-13 to A-16 of this Prospectus.

The Steps set out the actions that you must take at an ATM, the IB website of DBS Bank or the IPO website to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for:-

- (a) Offer Shares through an ATM or the IB website of a relevant Participating Bank; and
- (b) Internet Placement Shares through the IPO website.

To make an ATM Application:-

- (a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. Upon the completion of your ATM Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your ATM Application. The Transaction Record is for your retention and should not be submitted with any Application Form.
- (b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

To make an IB Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password given by the relevant Participating Bank. Upon completion of your IB Application, there will be an on-screen confirmation (“Confirmation Screen”) of the application which you can print out for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

To make an Internet Placement Application, you must be registered as a user of the IPO Website and have a User Name (“User Name”) and a Password given by the IPO Website Operator. Upon completion of your Internet Placement Application, there will be an on-screen confirmation (“Provisional Allocation Screen”) of the application which you can print out for your record. This printed record of the Confirmation Screen is for your retention and is to accompany your payment for the Internet Placement Shares, and should not be submitted with any Application Form. An electronic mail (email) containing the information in the Provisional Allocation Screen will also be sent to your email account registered with the IPO Website.



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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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Further, you must ensure, when making an IB Application or Internet Placement Application that:-

- (a) you are currently in Singapore at the time of making of such application;
- (b) your mailing address for IB with the relevant Participating Bank and the IPO website is in Singapore;
- (c) you are not a US person<sup>(1)</sup> (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended from time to time),

and you will be asked to declare the above accordingly. Otherwise, your application is liable to be rejected.

**Note:-**

- (1) For details, please refer to definition of “US person” on the IB websites or the IPO website

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**” on pages A-1 to A-4 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for New Shares, you may be required to confirm statements to the following effect in the course of activating the Electronic Application:-
  - (a) that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for the New Shares and this Prospectus prior to effecting the Electronic Application and agrees to be bound by the same;
  - (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to the Share Registrar, CDP, SCCS, our Company and the Manager (the “Relevant Parties”); and
  - (c) that this is your only application and it is made in your own name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of your Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR NEW SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT THE ATM OR THE IB WEBSITES OR ON THE APPLICATION FORMS OR THROUGH THE IPO WEBSITE. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR THE OFFER SHARES AND VICE VERSA.**

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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3. For an ATM Application or IB Application, you must have sufficient funds in your bank account with your Participating Bank at the time you make your ATM Application or IB Application, failing which your ATM Application or IB Application will not be completed. **Any ATM Application or IB Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your ATM Application or IB Application is being made shall be rejected.**

An applicant who makes an application for New Shares through the IPO website will be advised through the IPO website on the amount payable and the method(s) of payment.

4. You irrevocably agree and undertake to subscribe for and to accept the number of New Shares applied for as stated on the Transaction Record or Confirmation Screen. You also irrevocably agree and undertake to subscribe for and to accept any lesser number of New Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such New Shares or not to allot any New Shares to you, you agree to accept such decision as final.

If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM, clicking “Confirm” or “OK” on the IB website screen or “Confirm” on the IPO website screen) of the number of New Shares applied for shall signify and shall be treated as your acceptance of the number of New Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **Our Company will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application moneys will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within twenty-four hours after the close of the Application List. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank or if you have applied for the Internet Placement Shares through the IPO website, by ordinary post or such other means as the IPO Website Operator may agree with you, at your own risk, within 14 Market Days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application moneys received in the designated share issue account.

Responsibility for timely refund of application moneys arising from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks or the IPO Website Operator. Therefore, you are strongly advised to consult your Participating Bank or the IPO Website Operator as to the status of your Electronic Application and/or the refund of any moneys to you from unsuccessful or partially unsuccessful Electronic Application, to determine the exact number of New Shares allotted to you before trading the New Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, the IPO Website Operator, our Company, the Manager, the Placement Agent or the Underwriter assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

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6. If your ATM Application or IB Application is unsuccessful, no notification will be sent by the Participating Bank.

You may check the results of your ATM Applications as follows:-

Bank	Telephone	Also available at	Operating hours	Service expected from
DBS	1800 339 6666 (for POSB account holders)  1800 111 1111 (for DBS account holders)	Internet Banking  www.dbs.com <sup>(1)</sup>	24 hours	Evening of the balloting day
OCBC	1800 363 3333	ATM / Phone Banking / Internet Banking <sup>(2)</sup>	24 hours	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions – “IPO Enquiry”) <sup>(1)</sup>  www.uobgroup.com <sup>(1)(3)</sup>	24 hours	Evening of the balloting day

**Notes:-**

- (1) If you make your IB Applications through the IB Websites of DBS or the UOB Group, you may check the results through the same channels listed in the table above in relation to ATM Applications made at ATMs of DBS or the UOB Group.
- (2) If you make your Electronic Application through the ATMs of OCBC, you may check the results of your application through the same channels listed in the table above.
- (3) You may also check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB Phone Banking Services.

If you make your Electronic Application through the IPO website, you can check the result of your application through the IPO website. Whether or not your application is successful, you will be notified of the results of your application via an email sent to the email address registered with the IPO website.

7. **ATM Applications and IB Applications shall close at 12.00 noon on 23 July 2007 or such other date and time as our Company may, in consultation with the Manager, decide**, subject to any limitations under all applicable laws.
8. You are deemed to have requested and authorised us to:-
- register the Offer Shares or Placement Shares allotted to you in the name of CDP for deposit into your Securities Account;
  - send the relevant Share certificate(s) to CDP;
  - (for ATM Applications or IB Applications) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application moneys, should your ATM Applications or IB Applications be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within twenty-four hours after the close of the Application List;

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- (d) (for ATM Applications or IB Applications) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys, should your ATM Applications or IB Applications be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within the shortest possible time after the close of the Application List; and
  - (e) (for Internet Placement Applications) return or refund (without interest or any share of revenue or other benefit arising therefrom) of the full application moneys, should your Internet Placement Application be rejected, is expected to be effected to you by ordinary post at your own risk within 14 days after the close of the Application List).
- 9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks or the IPO Website Operator and if, in any such event, our Company, the Manager, the Placement Agent, the Underwriter, the relevant Participating Bank or the IPO Website Operator do not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Manager, the Placement Agent, the Underwriter, the relevant Participating Bank or the IPO Website Operator for New Shares applied for or for any compensation, loss or damage.
- 10. Our Company does not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee.
- 11. All your particulars in the records of your Participating Bank or the IPO Website Operator at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank or the IPO Website Operator and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank or the IPO Website Operator, as the case may be.
- 12. **You should ensure that your personal particulars as recorded by both CDP, the relevant Participating Bank or the IPO Website Operator are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
- 13. By making and completing an Electronic Application, you are deemed to have agreed that:-
  - (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks or the IPO Website Operator acting as agents of our Company, at the ATMs, the IB websites and the IPO website:-
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, the acceptance of our Company and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (b) none of our Company, the Manager, the Placement Agent, the Underwriter, the Participating Banks or the IPO Website Operator shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Manager, the Placement Agent, the Underwriter nor any other person involved in the Invitation shall have any liability for any information not so contained.

### Steps For Applications for ATM Applications through ATMs of DBS Bank

Instructions for ATM Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an ATM Application through an ATM of DBS are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C”, “SGX”, “No.” and “Max” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “SGX-ST”, “Number” and “Maximum”, respectively. Instructions for ATM Applications on the ATM screens of Participating Banks (other than DBS) may differ slightly from those represented below.

- Step 1 : Insert your personal DBS ATM Card.
- 2 : Enter your Personal Identification Number.
- 3 : Select “MORE SERVICES”.
- 4 : Select language (for customer using multi-language card).
- 5 : Select “ESA-IPO SHARE/INVESTMENTS”.
- 6 : Select “ELECTRONIC SECURITY APPLICATION (IPOS/BONDS/ST-NOTES)” to “AVITECH”.
- 7 : Read and understand the following statements which will appear on the screen:-

THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.

Press the “Enter” key to confirm that you have read and understood.

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8 : Press the “ENTER” key to acknowledge:-

YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLICATION AMOUNT FROM YOUR BANK ACCOUNT(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER/VENDOR.

FOR FIXED AND MAX PRICE SECURITY APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

YOU ARE NOT A US PERSON AS REFERRED TO IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

9 : Select your nationality.

10 : Select the DBS account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application monies.

11 : Enter the number of securities you wish to apply for using cash.

12 : Enter your own 12-digit CDP Securities Account number. (Note:- This step will be omitted automatically if your CDP Securities Account number has already been stored in DBS’s records).

13 : Check the details of your securities application, your NRIC or passport number and CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm your application.

14 : Remove the Transaction Record for your reference and retention only.

### Steps for Applications for Offer Shares through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “Amount”, “and”, “NRIC”, “SGX-ST” and “Number” respectively).

Step 1: Click on to DBS Bank website ([www.dbs.com](http://www.dbs.com))

2: Login to Internet Banking.

3: Enter your User ID and PIN.

4: Select “Electronic Security Application”.

5: Click “Yes” to proceed and to warrant that you have observed and complied with all applicable laws and regulations.

6: Click on “AVITECH” and click the “Submit” button.



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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- 7: Click “Confirm” to confirm:-
- (1) You have read, understood & agreed to all terms of application and the Prospectus.
  - (2) You consent to disclose your name, IC/passport No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share application amount from your DBS/POSB Accounts(s) to share registrars, SCCS, CDP, CPF Board and issuer(s).
  - (3) This application is made in your name and at your own risk.
  - (4) For FIXED price share application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.
  - (5) You are not a US person as referred to in the Prospectus/Document, where applicable.
- 8: Fill in details for share application and click “Submit”.
- 9: Check details of your application, your IC/passport No. and no. of shares on the screen and click “OK” to confirm your application.
- 10: Print Confirmation Screen (optional) for your reference & retention only.

### Steps for Internet Placement Applications

The steps for making an Internet Placement Application are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “&”, “I/C” and “No.” refer to “Account”, “NRIC” and “Number” respectively).

- Step 1 : Click on to the IPO Website ( [www.ePublicOffer.com](http://www.ePublicOffer.com) )
- Step 2 : Login by entering your User Name and Password
- Step 3 : Select the counter “AVI-TECH” from the list of current counters offered
- Step 4 : Click “I Agree” to proceed and to warrant that you have observed and complied with all applicable laws and regulations and agree to the terms and conditions stated on the IPO Website
- Step 5 : View and/or download a copy of the Prospectus
- Step 6 : Click “Confirm” to confirm the following statements:-
- (1) **I have read, understood & agreed to these terms and conditions, and the Prospectus/Document or Profile Statement and if applicable, the Replacement or Supplementary Prospectus/Document or Profile Statement in relation to the IPO Shares;**
  - (2) **I consent to the disclosure of my name, I/C or passport number, address, nationality, CDP Securities Account number, and securities application amount to share registrars of the securities, the SGX-ST, SCCS, CDP, the issuer/vendor(s) of the IPO Shares;**
  - (3) **I am currently resident in Singapore;**

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## APPENDIX A TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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- (4) I am not a US Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) and not currently resident in United States;
- (5) I understand that the IPO shares have not been and will not be registered under the United States securities law and, subject to certain exception, may not be offered or sold within the United States, that there will be no public offer of the IPO shares in the United States, and any failure to comply with this restriction may constitute a violation of United States securities laws;
- (6) This application for the IPO shares is made in my own name and at my own risk; and
- (7) I am not an associate (as defined in the Listing Manual of the SGX-ST) or a director or substantial shareholder (as defined in the Companies Act (Chapter 50) of Singapore) of the Issuer.

Step 7 : Click “Confirm” when you have completed the above steps.

Step 8 : Check details of your application (including information on your name, your CDP number, your NRIC number, your email address, the amount payable) on the screen and click “CONFIRM” to confirm your application.

Step 9 : Print email confirmation and proceed to make payment as described in the email confirmation.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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### 1. The Scheme

The Scheme shall be called the “**Avi-Tech Employee Share Option Scheme**”.

### 2. Definitions

2.1 Except where the context otherwise requires, the following words and expressions shall have the following meanings:-

“Act”	:	The Companies Act, Chapter 50 of Singapore as amended, modified or supplemented from time to time.
“Articles”	:	The Articles of Association of the Company, as amended from time to time.
“Associated Company”	:	In relation to a corporation and in the context of the Listing Manual, refers to a company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control.
“Associated Company Employees”	:	Any confirmed employee (including directors) of an Associated Company selected by the Committee to participate in the ESOS.
“Auditors”	:	The auditors of the Company for the time being.
“Board”	:	The board of directors of the Company.
“CDP”	:	The Central Depository (Pte) Limited.
“CPF”	:	Central Provident Fund.
“Committee”	:	The remuneration committee of the Company, or such other committee comprising directors of the Company duly authorised and appointed by the Board to administer the ESOS.
“Company”	:	Avi-Tech Electronics Limited.
“control”	:	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company.
“Controlling Shareholder”	:	<p>In relation to a corporation and in the context of the Listing Manual, refers to:-</p> <p>(a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or</p> <p>(b) a person who has an interest in the voting shares of the corporation of an aggregate of not less than 15% of the total votes attached to all voting shares in the corporation.</p>
“Date of Grant”	:	In relation to an Option, the date on which the Option is granted to a Participant pursuant to Rule 7.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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<i>“Director”</i>	:	A person holding office as a director for the time being of the Company, its subsidiary or Associated Company, as the case may be.
<i>“ESOS”</i>	:	The Avi-Tech Employee Share Option Scheme, as the same may be modified or altered from time to time.
<i>“Executive Director”</i>	:	A director of the Company, its subsidiaries and/or its Associated Companies, as the case may be, who performs an executive function within the Company, the relevant subsidiary or Associated Company, as the case may be.
<i>“Exercise Price”</i>	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 9, as adjusted in accordance with Rule 10.
<i>“Financial Year”</i>	:	Each period of twelve (12) months or more or less than twelve (12) months, at the end of which the balance of accounts of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company.
<i>“Grantee”</i>	:	A person to whom an offer of an Option is made.
<i>“Group”</i>	:	The Company, its subsidiaries and its Associated Companies.
<i>“Group Employee”</i>	:	Any confirmed employee of the Group (including any Executive Director) selected by the Committee to participate in the ESOS in accordance with Rule 4.
<i>“Listing Manual”</i>	:	Listing Manual of the SGX-ST
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities.
<i>“Market Price”</i>	:	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices.
<i>“Market Price Option”</i>	:	An Option granted with the Exercise Price set at the Market Price.
<i>“Non-Executive Director”</i>	:	A director of the Company, its subsidiaries and/or its Associated Companies, as the case may be, other than an Executive Director but including the Independent Directors of the Company.
<i>“Offer Date”</i>	:	The date on which an offer to grant an Option is made pursuant to the ESOS.
<i>“Offeree”</i>	:	The person to whom an offer of an Option is made.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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- “Option”* : The right to subscribe for Shares granted or to be granted to a Group Employee pursuant to the ESOS and for the time being subsisting.
- “Option Share”* : The new Shares to be issued by the Company upon the exercise of the Options
- “Participant”* : The holder of an Option.
- “Record Date”* : The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
- “Rules”* : Rules of the Avi-Tech Employee Share Option Scheme.
- “Securities Account”* : The securities account maintained by a Depositor with CDP.
- “Shareholders”* : The registered holders for the time being of the Shares (other than the CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register.
- “Shares”* : Ordinary shares in the capital of the Company.
- “Subsidiary”* : A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Act.
- “SGX-ST”* : Singapore Exchange Securities Trading Limited.
- “Trading Day”* : A day on which the Shares are traded on the SGX-ST.
- “S\$”* : Singapore dollar.
- 2.2 The term “Depositor”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to it by Section 130A of the Act and the term “associate” shall have the meaning ascribed to it by the SGX-ST Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST (as modified, supplemented or amended from time to time).
- 2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.4 Any reference to a time of a day in the ESOS is a reference to Singapore time.
- 2.5 Any reference in the ESOS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 3. OBJECTIVES OF THE ESOS**
- The ESOS will provide an opportunity for Group Employees who have contributed significantly to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out in Rule 4 of the ESOS, to participate in the equity of the Company.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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The ESOS is primarily a share incentive scheme. It recognises the fact that the services of such Group Employees and Directors are important to the success and continued well-being of the Group. Implementation of the ESOS will enable the Company to give recognition to the contributions made by such Group Employees. At the same time, it will give such Group Employees an opportunity to have a direct interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:-

- (a) the motivation of each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) the retention of key employees and Executive Directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instill loyalty to, and a stronger identification by the Participants with the long-term prosperity of, our Company;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders of the Company; and
- (e) to align the interests of the Participants with the interests of the Shareholders of the Company.

### 4. ELIGIBILITY

- 4.1 Confirmed Group Employees (including Executive and Non-Executive Directors) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.
- 4.2 Persons who are Controlling Shareholders or their associates shall, if each such person meets the eligibility criteria in Rule 4.1, be eligible to participate in the ESOS provided that:-
  - (i) their participation in the ESOS is specifically approved by independent Shareholders in a separate resolution for each such person;
  - (ii) the aggregate number of Option Shares available to Controlling Shareholders and their associates shall not exceed 25% of the total number of Option Shares available under the ESOS; and
  - (iii) the number of Option Shares available to any one Controlling Shareholder or his associate shall not exceed 10% of the total number of Option Shares available under the ESOS.

No Option shall be granted to such Controlling Shareholders or their associates unless the actual number and terms of Options to be granted shall be approved by independent Shareholders in a separate resolution for each such person. A circular, letter or notice to Shareholders proposing such a resolution shall include a clear rationale for the proposed participation by such Controlling Shareholders or their associates. Such circular, letter or notice to Shareholders shall also include a clear rationale for the number and terms (including Exercise Price) of the Options to be granted.

- 4.3 There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group.
- 4.4 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the ESOS may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.



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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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### **5. MAXIMUM ENTITLEMENT**

Subject to Rule 4 and Rule 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the ESOS shall be determined at the discretion of the Committee who shall take into account criteria such as rank, past performance, years of service and potential development of the participant.

### **6. LIMITATION ON SIZE OF THE ESOS**

The aggregate amount of Shares over which the Committee may grant Options on any date, when added to the amount of Shares issued and issuable in respect of all Options granted under the ESOS shall not exceed fifteen (15) per cent. of the issued share capital of the Company on the day immediately preceding the Offer Date of the Option.

### **7. OFFER DATE**

7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the ESOS is in force, except that no Option shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.

7.2 An offer to grant the Option to a Grantee shall be made by way of a letter (the "Letter of Offer") in the form or substantially in the form set out in Schedule A, subject to such amendments as the Committee may determine from time to time.

### **8. ACCEPTANCE OF OFFER**

8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within thirty (30) days after the relevant Offer Date and not later than 5.00 p.m. on the thirtieth (30th) day from such Offer Date (a) by completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration and (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the ESOS in accordance with these Rules.

8.2 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.

8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice given pursuant to Rule 12 which does not strictly comply with the terms of the ESOS.

8.4 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.

8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares.

8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.

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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-

- (a) it is not accepted in the manner as provided in Rule 8.1 within the thirty (30) day period; or
- (b) the Participant dies prior to his acceptance of the Option; or
- (c) the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
- (d) the Grantee being a Group Employee ceases to be in the employment of the Group or (being a Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
- (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

### **9. EXERCISE PRICE**

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:-

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:-
  - (i) the maximum discount shall not exceed twenty (20) per cent. of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
  - (ii) the Company's shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:-

- (a) the performance of the Company, its Subsidiaries and Associated Companies, as the case may be;
- (b) the years of service and individual performance of the eligible Group Employee;
- (c) the contribution of the eligible Group Employee to the success and development of the Company and/or the Group; and
- (d) the prevailing market conditions.

### **10. ALTERATION OF CAPITAL**

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:-

- (a) the Exercise Price in respect of the Shares, the amount, class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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- (b) the amount, class and/or number of Shares in respect of which additional Options may be granted to Participants,

may, be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

- 10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and (b) unless the Committee after considering all relevant circumstances considers it equitable to do so.
- 10.3 The issue of securities as consideration for an acquisition of any assets by the Company will not be regarded as a circumstance requiring adjustment under the provisions of this Rule 10.
- 10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 10.
- 10.5 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the value, class and/or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

### 11. OPTION PERIOD

- 11.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offer Date of that Option, Provided always that the Options (other than Options granted to Non-Executive Directors and/or Associated Company Employees) shall be exercised before the tenth anniversary of the relevant Offer Date and Options granted to Non-Executive Directors and/or Associated Company Employees shall be exercised before the fifth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offer Date of that Option, Provided always that the Options (other than Options granted to Non-Executive Directors and/or Associated Company Employees) shall be exercised before the tenth anniversary of the relevant Offer Date and Options granted to Non-Executive Directors and/or Associated Company Employees shall be exercised before the fifth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:-
- (a) subject to Rules 11.4, 11.5, 11.6 and 11.7, upon the Participant ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever; or

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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- (b) upon the bankruptcy of the Participant or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option; or
- (c) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(a), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

**11.4 If a Participant ceases to be employed by the Group by reason of his:-**

- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
- (b) redundancy;
- (c) retirement at or after a normal retirement age; or
- (d) retirement before that age with the consent of the Committee,

or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

**11.5 If a Participant ceases to be employed by a Subsidiary:-**

- (a) by reason of the Subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or
- (b) for any other reason, provided the Committee gives its consent in writing,

he may, at the absolute discretion of the Committee, exercise any unexercised Options within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

**11.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.**

**11.7 If a Participant, who is also an Executive Director, ceases to be a Director for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.**

## **12. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES**

**12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C (the "Exercise Notice"), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by**

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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

### **12.2 Subject to:-**

- (a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (b) compliance with the Rules of the ESOS, the Memorandum of Association and Articles of the Company,

the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot and issue the Shares in respect of which such Option has been exercised by the Participant and deliver the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

- 12.3 The Company shall, if necessary, as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.
- 12.4 Shares which are all allotted on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of CDP to the credit of the securities account of the Participant maintained with CDP or the Participant's securities subaccount with a CDP Depository Agent.
- 12.5 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum of Association and Articles of the Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.
- 12.6 Except as set out in Rule 12.2 and subject to Rule 10, an Option does not confer on a Participant any right to participate in any new issue of Shares.
- 12.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

### **13. MODIFICATIONS TO THE ESOS**

- 13.1 Any or all the provisions of the ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-
  - (a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;

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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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- (b) any modification or alteration which would be to the advantage of Participants under the ESOS shall be subject to the prior approval of the Company's Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted and listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

- 13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the ESOS in any way to the extent necessary to cause the ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 13.3 Written notice of any modification or alteration made in accordance with this Rule 13 shall be given to all Participants.

### **14. DURATION OF THE ESOS**

- 14.1 The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the ESOS is adopted by Shareholders. Subject to compliance with any applicable laws and regulations in Singapore, the ESOS may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.
- 14.2 The ESOS may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the ESOS is so terminated, no further Options shall be offered by the Company hereunder.
- 14.3 The termination, discontinuance or expiry of the ESOS shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

### **15. TAKE-OVER AND WINDING UP OF THE COMPANY**

- 15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-
  - (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6) month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
  - (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the



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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void Provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11.3, remain exercisable until the expiry of the Option Period.

- 15.2 If, under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) shall notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, provided always that the date of exercise of any Option shall be before the tenth anniversary of the Offer Date.
- 15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 15.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or soon after it despatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provisions of this Rule 15.4) and thereupon, each Participant (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid
- 15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 To the extent that an Option is not exercised within the periods referred to in this Rule 15, it shall lapse and become null and void.

### **16. ADMINISTRATION OF THE ESOS**

- 16.1 The ESOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.
- 16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as it thinks fit.

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## **APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME**

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16.3 Any decision of the Committee, made pursuant to any provision of the ESOS (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the ESOS or any rule, regulation, or procedure thereunder or as to any rights under the ESOS).

16.4 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Options to be granted to him.

### **17. NOTICES**

17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.

17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

### **18. TERMS OF EMPLOYMENT UNAFFECTED**

18.1 The ESOS or any Option shall not form part of any contract of employment between the Company, any Subsidiary or Associated Company (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the ESOS or any right which he may have to participate in it or any Option which he may hold and the ESOS or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

18.2 The ESOS shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company, any Subsidiary and/or Associated Company directly or indirectly or give rise to any cause of action at law or in equity against the Company, any Subsidiary or Associated Company.

### **19. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the ESOS shall be borne by that Participant.

### **20. COSTS AND EXPENSES OF THE ESOS**

20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.

20.2 Save for such costs and expenses expressly provided in the ESOS to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the ESOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

### **21. CONDITION OF OPTION**

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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### 22. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the ESOS, including but not limited to the Company's delay in allotting and issuing the Shares or in applying for or procuring the listing of the Shares on the SGX-ST.

### 23. DISCLOSURE IN ANNUAL REPORT

The Company shall make the following disclosure in its annual report:-

- (a) The names of the members of the Committee;
- (b) The information required in the table below for the following Participants (which for the avoidance of doubt, shall include Participants who have exercised all their Options in any particular Financial Year):-
  - (i) Participants who are Directors of the Company; and
  - (ii) Participants who are Controlling Shareholders of the Company and their associates; and
  - (iii) Participants, other than those in (i) and (ii) above who receive five (5) per cent. or more of the total number of Options available under the ESOS.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the ESOS to end of financial year under review	Aggregate Options exercised since commencement of the ESOS to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

- (c) The number and proportion of Options granted at the following discounts to average market value of the Shares in the financial year under review:-
  - (i) options granted at up to 10 per cent. discount; and
  - (ii) options granted at between 10 per cent. but not more than 20 per cent. discount.
- (d) an appropriate negative statement if any of the above is not applicable.

### 24. ABSTENTION FROM VOTING

Grantees who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the ESOS.

### 25. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

### 26. GOVERNING LAW

The ESOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the ESOS, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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### Schedule A

#### AVI-TECH EMPLOYEE SHARE OPTION SCHEME LETTER OF OFFER

Serial No : \_\_\_\_\_

Date: \_\_\_\_\_

To: Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Address: \_\_\_\_\_

#### **Private and Confidential**

Dear Sir/Madam,

We have the pleasure of informing you that, pursuant to the Avi-Tech Employee Share Option Scheme (the "ESOS"), you have been nominated to participate in the ESOS by the Committee (the "Committee") appointed by the Board of Directors of Avi-Tech Electronics Limited (the "Company") to administer the ESOS. Terms as defined in the ESOS shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option (the "Option"), to subscribe for and be allotted \_\_\_\_\_ Shares at the price of S\$\_\_\_\_\_ for each Share.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the rules of the ESOS, a copy of which is available for inspection at the business address of the Company.

If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on \_\_\_\_\_, failing which this offer will lapse.

Yours faithfully

For and on behalf of  
Avi-Tech Electronics Limited

*Conditions (if any) to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.*

Enc.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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### Schedule B

### AVI-TECH EMPLOYEE SHARE OPTION SCHEME ACCEPTANCE FORM

Serial No : \_\_\_\_\_

Date: \_\_\_\_\_

To: The Committee  
Avi-Tech Employee Share Option Scheme  
Avi-Tech Electronics Limited  
19A Serangoon North Avenue 5  
Singapore 554859

Closing Date for Acceptance of offer : \_\_\_\_\_

Number of Shares Offered : \_\_\_\_\_

Subscription Price for each Share : S\$ \_\_\_\_\_

Total Amount Payable : S\$ \_\_\_\_\_

I have read your Letter of Offer dated \_\_\_\_\_ and agree to be bound by the terms of the Letter of Offer and the ESOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for \_\_\_\_\_ Shares at S\$ \_\_\_\_\_ for each Share and enclose cash for S\$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP, or my securities sub-account with a CDP Depository Agent (as the case may be) (collectively, the "CDP charges").

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

**\*Delete accordingly**

**Notes:-**

1. The Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential"; and
2. The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.



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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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### Schedule C

#### AVI-TECH EMPLOYEE SHARE OPTION SCHEME FORM OF EXERCISE OF OPTION

To: The Committee  
Avi-Tech Employee Share Option Scheme  
Avi-Tech Electronics Limited  
19A Serangoon North Avenue 5  
Singapore 554859

<b>Total number of ordinary shares (the "Shares") offered at S\$_____ for each Share (the "Exercise Price") under the ESOS on _____ (Date of Grant)</b>	:	
<b>Number of Shares previously allotted thereunder</b>	:	
<b>Outstanding balance of Shares to be allotted thereunder</b>	:	
<b>Number of Shares now to be subscribed</b>	:	

1. Pursuant to your Letter of Offer dated \_\_\_\_\_ and my acceptance thereof, I hereby exercise the Option to subscribe for \_\_\_\_\_ Shares in Avi-Tech Electronics Limited (the "Company") at S\$\_\_\_\_\_ for each Share.
2. I request the Company to allot and issue the said Shares referred to above in the name of The Central Depository (Pte) Limited (the "Depository") to the credit of my \*Securities Account with the Depository/Securities Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and to deliver the certificate(s) relating thereto to the Depository. I further agree to bear such fees or other charges as may be imposed by the Depository and any stamp duty payable in respect thereof.
3. I enclose a \*cheque/cashier's order/banker's draft/postal order no. \_\_\_\_\_ for S\$\_\_\_\_\_ in payment for the subscription of S\$\_\_\_\_\_ for the total number of the said Shares and the CDP charges of S\$\_\_\_\_\_.
4. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Avi-Tech Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.
5. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

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## APPENDIX B RULES OF AVI-TECH EMPLOYEE SHARE OPTION SCHEME

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**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

\*(i) Direct Securities Account No. : \_\_\_\_\_

OR

\*(ii) Securities Sub-Account No. : \_\_\_\_\_

Name of Depository Agent : \_\_\_\_\_

OR

\*(iii) CPF Investment Account No. : \_\_\_\_\_

Name of Agent Bank : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

**\*Delete accordingly**

**Note:-**

The form entitled "Form of Exercise of Option" must be forwarded to the Company Secretary in an envelope marked "Private and Confidential"

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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**AVI-TECH ELECTRONICS (S)  
PTE LTD AND ITS SUBSIDIARY  
(Registration No. 198105976H)**

**CONSOLIDATED FINANCIAL STATEMENTS,  
INCLUDING INDEPENDENT AUDITORS'  
REPORT THEREON**

**FOR THE FINANCIAL YEARS ENDED  
JUNE 30, 2004, 2005 AND 2006**

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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November 16, 2006

The Board of Directors  
Avi-Tech Electronics (S) Pte Ltd  
19A Serangoon North Avenue 5,  
Singapore 554859

Dear Sirs

**Independent Auditors' Report on the Consolidated Financial Statements of  
Avi-Tech Electronics (S) Pte Ltd and its subsidiary**

We have audited the accompanying consolidated financial statements of Avi-Tech Electronics (S) Pte Ltd (the "Company") and its subsidiary (collectively the "Group"), set out on pages C-3 to C-32, comprising the Group's consolidated balance sheets as at June 30, 2004, 2005 and 2006 and its consolidated profit and loss statements, changes in equity and cash flows for each of the financial years ended June 30, 2004, 2005 and 2006. These consolidated financial statements of the Group are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group present fairly, in all material respects, the state of affairs of the Group as at June 30, 2004, 2005 and 2006 and of the results of the business, changes in equity and cash flows of the Group for the financial years ended June 30, 2004, 2005 and 2006 in accordance with Singapore Financial Reporting Standards.

This report has been prepared solely in connection with the proposed listing of the Company's shares on the Singapore Exchange Securities Trading Limited. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. No audited financial statements of the Company or its subsidiary have been prepared for any period subsequent to June 30, 2006.

Yours faithfully

DELOITTE & TOUCHE  
Certified Public Accountants  
Singapore

Philip Yuen Ewe Jin  
Partner

**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

**AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY**

**A. CONSOLIDATED BALANCE SHEETS  
AS AT JUNE 30, 2004, 2005 AND 2006**

	<u>Note</u>	As at June 30, <u>2006</u> \$'000	As at June 30, <u>2005</u> \$'000	As at June 30, <u>2004</u> \$'000
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and bank balances	6	1,905	897	2,132
Fixed and call deposits	7	7,160	6,601	9,214
Trade receivables	8	11,811	8,208	5,774
Other receivables and prepaid expenses	9	395	392	358
Inventories	10	1,514	613	514
Held for trading investments	11	800	990	169
Total current assets		23,585	17,701	18,161
<b>Non-current assets</b>				
Associate	13	—	—	—
Club membership	14	130	130	140
Property, plant and equipment	15	17,336	16,873	17,082
Total non-current assets		17,466	17,003	17,222
<b>Total assets</b>		41,051	34,704	35,383
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities</b>				
Bank loan	16	612	612	612
Trade payables	17	2,902	2,025	1,923
Other payables	18	3,596	2,614	2,102
Current portion of finance leases	19	49	54	57
Income tax payable		2,159	1,646	1,058
Total current liabilities		9,318	6,951	5,752
<b>Non-current liabilities</b>				
Bank loan	16	7,241	8,006	8,465
Finance leases	19	159	77	87
Deferred tax liabilities	20	1,211	1,041	1,758
Total non-current liabilities		8,611	9,124	10,310
<b>Capital and reserves</b>				
Share capital	21	4,917	3,671	3,536
Reserves		18,205	14,958	15,785
Total equity		23,122	18,629	19,321
<b>Total liabilities and equity</b>		41,051	34,704	35,383

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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The consolidated financial statements of the Group for the financial years ended June 30, 2004, 2005 and 2006 set out on pages C-3 to C-32 were approved by the Board of Directors and authorised for issue on November 16, 2006 and are signed on its behalf by:

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LIM ENG HONG  
(DIRECTOR)

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WONG WEE LIM WILLIAM  
(DIRECTOR)

November 16, 2006

See accompanying notes to financial statements.



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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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**AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY**

**B. CONSOLIDATED PROFIT AND LOSS STATEMENTS  
FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006**

		← Year ended June 30, →		
	<u>Note</u>	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
<b>Revenue</b>	22	36,566	28,547	22,591
Cost of sales		(21,041)	(16,004)	(14,070)
<b>Gross profit</b>		15,525	12,543	8,521
Other operating income	23	992	547	930
Distribution costs		(148)	(125)	(123)
Administration expenses		(4,677)	(4,153)	(3,559)
Other operating expenses		(245)	(16)	(15)
Finance costs	24	(342)	(283)	(269)
<b>Profit before income tax</b>	25	11,105	8,513	5,485
Income tax expense	26	(2,272)	(1,186)	(1,093)
<b>Profit for the year</b>		8,833	7,327	4,392
<b>Earnings per share</b>	27			
Basic (dollars)		2.39	2.05	1.26
Diluted (dollars)		2.39	2.03	1.21

See accompanying notes to financial statements.

**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

**AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY**

**C. STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006**

	Share capital \$'000	Share premium \$'000	Reserves Currency translation reserve \$'000	Retained earnings \$'000	Total reserves \$'000	Total \$'000
Balance at July 1, 2003	3,360	28	—	13,486	13,514	16,874
Dividend paid (Note 28)	—	—	—	(2,758)	(2,758)	(2,758)
Issue of shares (Note 21)	176	637	—	—	637	813
Net profit for the year	—	—	—	4,392	4,392	4,392
Balance at June 30, 2004	3,536	665	—	15,120	15,785	19,321
Dividend paid (Note 28)	—	—	—	(8,646)	(8,646)	(8,646)
Issue of shares (Note 21)	135	489	—	—	489	624
Currency translation differences	—	—	3	—	3	3
Net profit for the year	—	—	—	7,327	7,327	7,327
Balance at June 30, 2005	3,671	1,154	3	13,801	14,958	18,629
Dividend paid (Note 28)	—	—	—	(4,429)	(4,429)	(4,429)
Issue of shares (Note 21)	20	72	—	—	72	92
Adjustments arising from abolition of par value of shares (Note 21)	1,226	(1,226)	—	—	(1,226)	—
Currency translation differences	—	—	(3)	—	(3)	(3)
Net profit for the year	—	—	—	8,833	8,833	8,833
Balance at June 30, 2006	4,917	—	—	18,205	18,205	23,122

See accompanying notes to financial statements.

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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**AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY**

**D. CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006**

	Year ended June 30, <u>2006</u> \$'000	Year ended June 30, <u>2005</u> \$'000	Year ended June 30, <u>2004</u> \$'000
<b>Operating activities</b>			
Profit before income tax	11,105	8,513	5,485
Adjustments for:			
Depreciation of property, plant and equipment	1,859	1,550	1,421
Dividend income	—	(3)	(3)
Loss arising from revaluation of held for trading investments	123	53	—
Impairment loss on club membership	—	10	—
Interest expense	342	283	269
Interest income	(171)	(58)	(45)
Gain on disposal of plant and equipment	(40)	(6)	—
Gain on disposal of held for trading investments	(15)	—	—
Operating cash flows before movements in working capital	13,203	10,342	7,127
Trade receivables	(3,603)	(2,434)	(1,094)
Other receivables and prepaid expenses	(3)	(34)	(83)
Inventories	(901)	(99)	93
Trade payables	877	102	404
Other payables	982	512	6
Cash generated from operations	10,555	8,389	6,453
Income tax paid	(1,589)	(1,315)	(194)
Interest paid	(342)	(283)	(269)
Interest received	171	58	45
Net cash from operating activities	8,795	6,849	6,035
<b>Investing activities</b>			
Additions to plant and equipment (Note A)	(2,261)	(1,294)	(932)
Dividend received	—	3	3
Purchase of held for trading investments	—	(923)	—
Proceeds from:			
Disposal of plant and equipment	146	6	—
Disposal of held for trading investments	82	49	—
Net cash used in investing activities	(2,033)	(2,159)	(929)

See accompanying notes to financial statements.

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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**AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY**

**D. CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 (cont'd)**

	Year ended June 30, <u>2006</u> \$'000	Year ended June 30, <u>2005</u> \$'000	Year ended June 30, <u>2004</u> \$'000
<b>Financing activities</b>			
Dividend paid	(4,429)	(8,646)	(2,758)
Proceeds from issue of shares	92	624	813
Repayment of finance leases	(90)	(60)	(57)
Repayment of bank loan	(765)	(459)	(612)
Decrease in fixed deposits pledged as security to bank (Note 7)	—	11	500
Net cash used in financing activities	(5,192)	(8,530)	(2,114)
<b>Net effect of exchange rate changes in consolidating subsidiary</b>	(3)	3	—
Net increase (decrease) in cash and cash equivalents	1,567	(3,837)	2,992
Cash and cash equivalents at beginning of year	7,155	10,992	8,000
<b>Cash and cash equivalents at end of year (Note 29)</b>	8,722	7,155	10,992

Note A:

During the financial year, the Group acquired plant and equipment with an aggregate cost of approximately \$2,428,000 (2005 : \$1,341,000; 2004 : \$932,000) of which approximately \$167,000 (2005 : \$47,000; 2004 : \$Nil) was acquired under finance lease arrangements. Cash payments of approximately \$2,261,000 (2005 : \$1,294,000; 2004 : \$932,000) were made to purchase plant and equipment.

See accompanying notes to financial statements.

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## APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON

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### AVI-TECH ELECTRONICS (S) PTE LTD AND ITS SUBSIDIARY

#### E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1 GENERAL

The Company (Registration No. 198105976H) is a private limited company incorporated in Singapore as Avi-Tech Electronics (S) Pte Ltd, with its principal place of business and registered office at 19A Serangoon North Avenue 5, Singapore 554859. The consolidated financial statements are expressed in Singapore dollars.

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

Deloitte & Touche, Singapore (a member of the Institute of Certified Public Accountants of Singapore), located at 6 Shenton Way, #32-00 DBS Building Tower Two, Singapore 068809, had acted as auditors of Avi-Tech Electronics (S) Pte Ltd for the financial years June 30, 2004, 2005 and 2006.

The consolidated financial statements of the Group and the balance sheet of the Company for the financial years ended June 30, 2004, 2005 and 2006 were authorised for issue by the Board of Directors on November 16, 2006.

##### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** – The consolidated 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 Financial Reporting Standards ("FRS").

In the preparation of the consolidated financial statements, the Group has adopted all the FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for the periods presented in the consolidated financial statements. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial information.

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

FRS 107	-	Financial Instruments: Disclosures
INT FRS 107	-	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	-	Scope of FRS 102: Share-based Payment
INT FRS 109	-	Reassessment of Embedded Derivatives
INT FRS 110	-	Interim Financial Reporting and Impairment

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

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

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## **APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON**

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The directors anticipate that the adoption of the above FRS, INT FRS and amendments to FRS that were issued but not yet effective until future periods will not have a material impact on the financial statements of the Group.

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

**BASIS OF CONSOLIDATION** – The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company made up to June 30 each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the subsidiary are measured at their fair values at the date of acquisition.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### 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.

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

### Cash and cash equivalents

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



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## APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON

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### Financial liabilities and 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. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### 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 rate 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 for borrowing costs.

### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**INVENTORIES** – Inventories are measured at the lower of cost (weighted-average method) and net realisable value. Cost includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**ASSOCIATES** – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The equity method of accounting is used. The carrying amount of such investment is reduced to recognise any decline in the net recoverable value.

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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## **APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON**

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

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

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

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

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

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

**PROVISIONS** – Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where effect is material.

**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.

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

Rentals payable under operating leases are charged to profit and loss statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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## **APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON**

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

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

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

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

- i) Revenue from sale of manufactured products is recognised upon the passage of title to the customer, which generally coincides with delivery and acceptance.
- ii) Revenue from the performance of services is recognised upon completion of services.
- iii) Rental income from operating leases is recognised as income on a straight-line basis over the term of the relevant lease.
- iv) Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

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

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

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

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## APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 INCLUDING INDEPENDENT AUDITORS' REPORT THEREON

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

#### ***Critical judgements in applying the Group's accounting policies***

In the process of applying the Group's accounting policies, which are described in Note 2, the directors are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

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

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

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
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**4 FINANCIAL RISKS AND MANAGEMENT**

i) Credit risk

The Group is exposed to concentration of credit risk given that its revenue is generated mainly from two major customers, which accounted for 69.6% (2005 : 80.9%; 2004 : 62.7%) of total receivables. The Group believes that such risk is mitigated by good financial standing of these customers.

The Group places its cash with creditworthy institutions.

ii) Interest rate risk

Interest-earning financial assets are mainly fixed deposits (short-term and long-term), which bear fixed interest in the range of 0.325% to 6.8% (2005 : 0.175% to 1.783%; 2004 : 0.175% to 0.520%) per annum.

The Group is exposed to interest rate risk as its borrowings, other than finance leases, bear variable rates of interests determined based on a margin over the bank's swap rate. Details of the bank borrowings are disclosed in Note 16. The Group does not use derivative financial instruments to mitigate this risk.

iii) Foreign exchange risk

The Group operates in Singapore with transactions primarily denominated in Singapore dollars. Accordingly, the Group's exposure to foreign exchange risk is not significant.

iv) Liquidity risk

The Group has sufficient cash resources and undrawn committed borrowing facilities to ensure the necessary liquidity.

v) Fair values of financial assets and liabilities

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

**5 RELATED PARTY TRANSACTIONS**

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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

(A) Related Parties Transactions

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Management and consultancy fees paid to a related party	30	30	30

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In addition to the above related party transactions, the Company paid fees to a firm for legal services rendered to the Group. The managing partner of the firm is a newly appointed director of the Company subsequent to June 30, 2006.

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Legal fees paid to a legal firm	62	2	1

(B) Compensation of directors (key management personnel)

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Short-term benefits	1,171	966	783
Post-employment benefits	7	4	18
	<u>1,178</u>	<u>970</u>	<u>801</u>

6 CASH AND BANK BALANCES

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Cash at bank	1,885	894	2,126
Cash on hand	20	3	6
	<u>1,905</u>	<u>897</u>	<u>2,132</u>

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
United States dollars	806	676	975
Malaysia Ringgit	2	2	8

7 FIXED AND CALL DEPOSITS

This includes fixed deposits of \$343,000 (2005 : \$343,000; 2004 : \$354,000) pledged to a bank for banking facilities (Note 16) and performance guarantee (Note 32).

The deposits bear interest in the range of 0.325% to 6.8% (2005 : 0.175% to 1.783%; 2004 : 0.175% to 0.520%) and mainly matures within 3 months (2005 : 3 months; 2004 : 3 months).



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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
United States dollars	1,438	25	25
Japanese Yen	—	6	6
	<u>          </u>	<u>          </u>	<u>          </u>

**8 TRADE RECEIVABLES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Outside parties	11,811	8,208	5,774
	<u>          </u>	<u>          </u>	<u>          </u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods to third parties of \$118,657 (2005 : \$Nil; 2004 : \$Nil).

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
United States dollars	4,746	1,879	2,052
	<u>          </u>	<u>          </u>	<u>          </u>

**9 OTHER RECEIVABLES AND PREPAID EXPENSES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Deposits	49	42	29
Prepaid expenses	276	86	86
Advances to non-related parties	70	383	398
	<u>          </u>	<u>          </u>	<u>          </u>
	395	511	513
Less: Allowance for advances to non-related parties	—	(119)	(155)
	<u>          </u>	<u>          </u>	<u>          </u>
Net	395	392	358
	<u>          </u>	<u>          </u>	<u>          </u>

Included in prepaid expenses are \$246,000 (2005 : \$50,000; 2004 : \$Nil) of prepaid expenses incurred in connection with the proposed listing of the shares of the Company in the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

**10 INVENTORIES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Work-in-progress	488	170	69
Raw materials	1,026	443	445
	<u>          </u>	<u>          </u>	<u>          </u>
	1,514	613	514
	<u>          </u>	<u>          </u>	<u>          </u>

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**11 HELD FOR TRADING INVESTMENTS**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
At fair value/cost:			
Quoted equity shares	–	430	479
Unquoted investment A	385	423	–
Unquoted investment B	415	500	–
	<u>800</u>	<u>1,353</u>	<u>479</u>
Less: Allowance for impairment loss:			
Quoted equity shares	–	(363)	(310)
	<u>800</u>	<u>990</u>	<u>169</u>
Fair value of quoted equity shares	<u>–</u>	<u>67</u>	<u>148</u>
Fair value on unquoted investment A	<u>385</u>	<u>402</u>	<u>–</u>
Fair value of unquoted investment B	<u>415</u>	<u>500</u>	<u>–</u>

Unquoted investment A relates to a cash investment in an investment fund. The investment fund matures in May 2010 with an annual interest rates of 3% (2005 : 3%; 2004 : 3%).

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

- (a) in respect of first year, 6%; and
- (b) in respect of subsequent 4 years, based on the performance of share prices of 8 companies in a basket, in comparison to Standard & Poor's 500 Index.

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

The Group's held for trading investments that are not denominated in the functional currencies of the respective entities are as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Japanese Yen	–	45	37
New Taiwan Dollars	–	22	63

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**12 SUBSIDIARY**

Details of the subsidiary at end of the financial year are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation/ establishment and operation</u>	<u>Proportion of ownership interest/ voting power held</u>			<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %	<u>2004</u> %	
Avi-Tech Electronics (Suzhou) Co., Ltd	People's Republic of China	100	100	100	Inactive

The subsidiary is audited by Horwath China Shanghai Certified Public Accountants, located at A4., No. 61 Nan Jing Dong Road, Shanghai, People's Republic of China.

**13 ASSOCIATE**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Cost of unquoted equity shares	—	1	1
Allowance for impairment loss of investment in associate	—	(1)	(1)
Net	—	—	—

Details of the associate are as follows:

<u>Associate</u>	<u>Country of incorporation and operation</u>	<u>Properties of ownership interest/ voting power held</u>			<u>Principal activity</u>
		<u>2006</u> %	<u>2005</u> %	<u>2004</u> %	
Avital Systems Pte Ltd	Singapore	(a)	30.0	30.0	Dormant

(a) During financial year, the associate's application for striking off under Section 344 of the Companies Act, Cap. 50 was approved by the Accounting and Corporate Regulatory Authority. Accordingly, the cost of investment and advances was duly set off against the allowance made.

**14 CLUB MEMBERSHIP**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Club membership, at cost	176	176	176
Allowance for impairment loss	(46)	(46)	(36)
	130	130	140

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**15 PROPERTY, PLANT AND EQUIPMENT**

	Building and leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Plant under construction \$'000	Total \$'000
Cost:					
At July 1, 2003	14,570	19,341	–	2,067	35,978
Transfer	–	2,067	–	(2,067)	–
Additions	–	932	–	–	932
At June 30, 2004	14,570	22,340	–	–	36,910
Additions	–	491	–	850	1,341
Disposals	–	(70)	–	–	(70)
At June 30, 2005	14,570	22,761	–	850	38,181
Additions	13	1,339	257	819	2,428
Disposals	–	(276)	–	–	(276)
Transfers	–	1,669	–	(1,669)	–
At June 30, 2006	14,583	25,493	257	–	40,333
Accumulated depreciation:					
At July 1, 2003	1,213	17,194	–	–	18,407
Depreciation for the year	252	1,169	–	–	1,421
At June 30, 2004	1,465	18,363	–	–	19,828
Depreciation for the year	252	1,298	–	–	1,550
Disposals	–	(70)	–	–	(70)
At June 30, 2005	1,717	19,591	–	–	21,308
Depreciation for the year	252	1,553	54	–	1,859
Disposals	–	(170)	–	–	(170)
At June 30, 2006	1,969	20,974	54	–	22,997
Net book value:					
At June 30, 2006	12,614	4,519	203	–	17,336
At June 30, 2005	12,853	3,170	–	850	16,873
At June 30, 2004	13,105	3,977	–	–	17,082

Certain plant and equipment with carrying amount of \$300,000 (2005 : \$208,000; 2004 : \$208,000) are under finance leases agreements (Note 19).

The building and leasehold improvements are mortgaged as security for a bank loan (Note 16).

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**16 BANK LOAN**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Bank loan	7,853	8,618	9,077
Current portion	(612)	(612)	(612)
Non-current portion	<u>7,241</u>	<u>8,006</u>	<u>8,465</u>

The bank loan is secured by a legal mortgage on the Group's building (Note 15) and a pledge of the Group's fixed deposits of \$343,000 (2005 : \$343,000 ; 2004 : \$354,000) (Note 7).

The bank loan bears an annual interest of 1.5% (2005 : 1.5%; 2004 : 2%) above the bank's prevailing SWAP rate. The annual effective interest rate for the year was 4.06% (2005 : 3.15%; 2004 : 2.78%). The balance of the bank loan is repayable in 51 (2005 : 56; 2004 : 59) equal quarterly instalments of \$153,000 each and a final instalment of \$50,253 ending July 1, 2019.

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

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

**17 TRADE PAYABLES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Outside parties	<u>2,902</u>	<u>2,025</u>	<u>1,923</u>

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
United States Dollars	1,010	845	1,138
Japanese yen	<u>4</u>	<u>1</u>	<u>65</u>

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**18 OTHER PAYABLES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Deposits received	45	118	118
Accrued expenses	2,794	1,928	1,594
Accrued directors' fees and accrued bonus to a director	757	568	390
	<u>3,596</u>	<u>2,614</u>	<u>2,102</u>

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

**19 FINANCE LEASES**

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payment</u>		
	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Amounts payable under finance leases:						
Within one year	56	61	64	49	54	57
In the second to fifth year inclusive	184	76	99	159	63	87
After five years	—	17	—	—	14	—
	<u>240</u>	<u>154</u>	<u>163</u>	<u>208</u>	<u>131</u>	<u>144</u>
Less: Future finance charges	(32)	(23)	(19)	NA	NA	NA
Present value of lease obligations	<u>208</u>	<u>131</u>	<u>144</u>	<u>208</u>	<u>131</u>	<u>144</u>

The rates of interest for finance leases are from 3.3% to 3.43% (2005 : 2.40% to 3.43%; 2004 : 2.40% to 3.43%) per annum.

All lease obligations are denominated in Singapore dollars.

The fair value of the Group's lease obligation approximate their carrying amount.

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

**20 DEFERRED TAX LIABILITIES**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Balance at beginning of year	1,041	1,758	1,845
Charged (Reversed) to profit and loss (Note 26)	170	(717)	(87)
Balance at end of year	<u>1,211</u>	<u>1,041</u>	<u>1,758</u>



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The following are the movement of deferred tax liabilities:

	<u>Excess of tax over book depreciation</u> \$'000	<u>Unabsorbed capital allowances</u> \$'000	<u>Net deferred tax liabilities</u> \$'000
At July 1, 2003	1,859	(14)	1,845
(Reversed) Charged to profit and loss (Note 26)	(101)	14	(87)
	<hr/>	<hr/>	<hr/>
At June 30, 2004	1,758	–	1,758
Reversed to profit and loss (Note 26)	(717)	–	(717)
	<hr/>	<hr/>	<hr/>
At June 30, 2005	1,041	–	1,041
Charged to profit and loss (Note 26)	170	–	170
	<hr/>	<hr/>	<hr/>
At June 30, 2006	<u>1,211</u>	<u>–</u>	<u>1,211</u>

## 21 ISSUED CAPITAL

	<u>2006</u> '000	<u>2005</u> '000	<u>2004</u> '000	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
	<u>Number of ordinary shares</u>					
Issued and paid:						
At beginning of the year	3,671	3,536	3,360	3,671	3,536	3,360
Exercise of share options	20	135	176	20	135	176
Transfer from share premium account	–	–	–	1,226	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	<u>3,691</u>	<u>3,671</u>	<u>3,536</u>	<u>4,917</u>	<u>3,671</u>	<u>3,536</u>

During the financial year, the Company issued 20,000 (2005 : 135,000; 2004 : 176,000) ordinary shares of \$1.00 (2005 : \$1.00; 2004 : \$1.00) at a premium of \$3.62 (2005 : \$3.62; 2004 : \$3.62) upon exercise of options by non-directors (2005 : non-directors; 2004 : director) under the 1999 Employees' Share Option Scheme. At the end of the financial year, 5,000 (2005 : 25,000; 2004 : 160,000) ordinary shares of the Company under option remains unissued.

As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of share premium account has been transferred to the Company's share capital account in the current year.

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

## 22 REVENUE

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Sale of goods	7,715	8,508	7,141
Rendering of services	28,851	20,039	15,450
	<hr/>	<hr/>	<hr/>
	<u>36,566</u>	<u>28,547</u>	<u>22,591</u>

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**23 OTHER OPERATING INCOME**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Commission income	—	—	67
Gain on disposal of plant and equipment	40	6	—
Gain on disposal of held for trading investments	15	—	—
Interest income	171	58	45
Rental income	283	330	705
Dividend income from other long-term investments	—	3	3
Others	483	150	110
	<u>992</u>	<u>547</u>	<u>930</u>

**24 FINANCE COSTS**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Interest expense to non-related companies:			
Bank loan	333	278	261
Finance leases	9	5	8
	<u>342</u>	<u>283</u>	<u>269</u>

**25 PROFIT BEFORE INCOME TAX**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Employee benefits expense (including directors' remuneration)	8,341	7,652	6,752
Costs of defined contribution plans costs	535	456	515
Director's remuneration	368	382	408
Directors' fees	140	120	105
Director's profit share	660	468	288
Loss arising from revaluation of held for trading investments	123	53	—
Impairment loss on club membership	—	10	—
Foreign currency exchange adjustment loss	226	110	79
Cost of inventories recognised as expense	9,654	6,240	5,518

**26 INCOME TAX EXPENSE**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Current - Singapore	2,102	1,720	1,053
- Foreign	—	—	7
Deferred	170	55	(61)
Overprovision of deferred tax in prior years	—	(772)	(26)
Underprovision of current tax in prior years	—	183	120
	<u>2,272</u>	<u>1,186</u>	<u>1,093</u>

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The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 20% (2005 : 20%; 2004 : 20%) to profit before income tax as a result of the following differences:

	2006 \$'000	2005 \$'000	2004 \$'000
Profit before tax	11,105	8,513	5,485
Tax at the domestic rate of 20%	2,221	1,703	1,097
Tax effect of expenses that are not deductible in determining taxable profit	11	31	14
Tax effect of partial tax exemption and rebate	(10)	(10)	(10)
Effect of changes in tax rates	–	–	(168)
Underprovision of current tax in prior years	–	183	120
Overprovision of deferred tax in prior years	–	(772)	(26)
Tax effect of other items	50	51	66
	<u>2,272</u>	<u>1,186</u>	<u>1,093</u>

## 27 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended June 30, 2004, 2005 and 2006 have been calculated based on the consolidated profit attributable to equity holders of the Company of \$8,833,000 (2005 : \$7,327,000; 2004 : \$4,392,000) each divided by the weighted average share capital of 3,689,000 (2005 : 3,581,000; 2004 : 3,482,000) ordinary shares.

	← Year ended June 30 →		
	2006 \$'000	2005 \$'000	2004 \$'000
Group net profit for the year	8,833	7,327	4,392
	No. of shares ('000)	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares	3,689	3,581	3,482
Effect of dilutive potential ordinary shares	4	22	133
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,693</u>	<u>3,603</u>	<u>3,615</u>
Basic earnings per ordinary share (dollars)	2.39	2.05	1.26
Fully diluted earnings per ordinary share (dollars)	2.39	2.03	1.21

## 28 DIVIDENDS

During the financial year ended June 30, 2004, the Company paid a final dividend of \$1 per ordinary shares less tax on the ordinary shares of the Company totalling \$2,757,905 in respect of the financial year ended June 30, 2003.

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During the financial year ended June 30, 2005, the Company paid the following dividends:

- a) final dividend of \$1 per ordinary share less tax on the ordinary shares of the Company totalling \$2,828,621 in respect of the financial year ended June 30, 2004; and
- b) interim dividends of \$2 per ordinary share less tax on ordinary shares of the Company totalling \$5,817,242 in respect of the financial year ended June 30, 2005.

During the financial year ended June 30, 2006, the Company declared and paid an interim one-tier tax exempt dividend of \$1.20 per ordinary share of the Company totalling \$4,428,931 in respect of the financial year ended June 30, 2005.

**29 CASH AND CASH EQUIVALENTS**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Cash and bank balances	1,905	897	2,132
Fixed and call deposits	6,817	6,258	8,860
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>8,722</u>	<u>7,155</u>	<u>10,992</u>

The above fixed deposits exclude pledged deposits of \$343,000 (2005 : \$343,000; 2004 : \$354,000) (Note 7).

**30 CAPITAL EXPENDITURE COMMITMENTS**

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	308	336	—
	<hr/>	<hr/>	<hr/>

**31 OPERATING LEASE COMMITMENTS**

- (a) The Group as a lessee

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Minimum lease payments under operating leases recognised as an expense in the year	205	186	193
	<hr/>	<hr/>	<hr/>

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Future minimum lease payments payable:			
Within 1 year	151	190	192
Within 2 to 5 years	581	719	714
After 5 years	6,478	8,289	3,065
	<hr/>	<hr/>	<hr/>
Total	<u>7,210</u>	<u>9,198</u>	<u>3,971</u>

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

Land rentals for the building of \$180,000 (2005 : \$179,000; 2004 : \$179,000) per annum are subject to annual revision.

(b) The Group as a lessor

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Rental income under operating leases	283	330	705

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Within 1 year	40	243	279
Within 2 to 5 years	—	40	283

32 CONTINGENT LIABILITY

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Performance guarantee given to a supplier	440	273	273

33 SEGMENT INFORMATION

Business segment

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

Principal activities of each business segment are as follows:

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

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

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

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

Engineering Services and Equipment Distribution (Engineering)

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

a) Segment revenue and expenses

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

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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.

**Consolidated Profit and Loss Statements and Balance Sheet**

	<b>Burn-in services \$'000</b>	<b>Manufacturing \$'000</b>	<b>Engineering \$'000</b>	<b>Total \$'000</b>
<b>Year ended June 30, 2006</b>				
<b>Revenue</b>				
External revenue	22,283	5,992	8,291	36,566
Inter-segment revenue	—	—	—	—
Total revenue	22,283	5,992	8,291	36,566
Segment results	10,492	141	344	10,977
Interest expense				(342)
Interest income				171
Rental income				283
Dividend income				—
Unallocated income				16
Profit before income tax				11,105
Income tax expense				(2,272)
Profit after income tax				8,833
<b>Assets</b>				
Segment assets	17,789	5,582	5,162	28,533
Unallocated corporate assets				12,518
Total assets				41,051
<b>Liabilities</b>				
Segment liabilities	1,740	2,203	2,556	6,499
Unallocated corporate liabilities				11,430
Total liabilities				17,929
<b>Other information</b>				
Capital expenditure	2,428	—	—	2,428
Depreciation:				
Allocated	1,330	52	10	1,392
Unallocated				467
Unallocated non-cash expenses other than depreciation				137



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	Burn-in services \$'000	Manufacturing \$'000	Engineering \$'000	Total \$'000
<b>Year ended June 30, 2005</b>				
<b>Revenue</b>				
External revenue	20,039	4,832	3,676	28,547
Inter-segment revenue	—	—	—	—
Total revenue	20,039	4,832	3,676	28,547
Segment results	9,976	123	(825)	9,274
Interest expense				(283)
Interest income				58
Rental income				330
Dividend income				3
Unallocated expenses				(869)
Profit before income tax				8,513
Income tax expense				(1,186)
Profit after income tax				7,327
<b>Assets</b>				
Segment assets	16,909	4,344	2,261	23,514
Unallocated corporate assets				11,190
Total assets				34,704
<b>Liabilities</b>				
Segment liabilities	2,149	1,133	1,357	4,639
Unallocated corporate liabilities				11,436
Total liabilities				16,075
<b>Other information</b>				
Capital expenditure	1,341	—	—	1,341
Depreciation:				
Allocated	1,043	54	10	1,107
Unallocated				443
Unallocated non-cash expenses other than depreciation				63

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	Burn-in services \$'000	Manufacturing \$'000	Engineering \$'000	Total \$'000
<b>Year ended June 30, 2004</b>				
<b>Revenue</b>				
External revenue	15,450	4,456	2,685	22,591
Inter-segment revenue	—	—	—	—
Total revenue	15,450	4,456	2,685	22,591
Segment results	7,033	(381)	(980)	5,672
Interest expense				(269)
Interest income				45
Rental income				705
Dividend income				3
Unallocated expenses				(671)
Profit before income tax				5,485
Income tax expense				(1,093)
Profit after income tax				4,392
<b>Assets</b>				
Segment assets	14,570	2,859	2,367	19,796
Unallocated corporate assets				15,587
Total assets				35,383
<b>Liabilities</b>				
Segment liabilities	856	2,223	946	4,025
Unallocated corporate liabilities				12,037
Total liabilities				16,062
<b>Other information</b>				
Capital expenditure	932	—	—	932
Depreciation:				
Allocated	865	121	13	999
Unallocated				422
Non-cash expenses other than depreciation	—	—	—	—

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**Geographical segments**

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
<u>Revenue</u>			
Singapore	32,064	24,762	19,546
Malaysia	1,336	1,004	810
Taiwan	1,087	1,515	1,253
China	441	551	218
Others <sup>(1)</sup>	1,638	715	764
	<hr/>	<hr/>	<hr/>
Consolidated	36,566	28,547	22,591
	<hr/>	<hr/>	<hr/>
<u>Carrying amount of segment assets</u>			
Singapore	40,966	34,522	35,383
China	85	182	–
	<hr/>	<hr/>	<hr/>
Consolidated	41,051	34,704	35,383
	<hr/>	<hr/>	<hr/>
<u>Capital expenditure</u>			
Singapore	2,425	1,339	932
China	3	2	–
	<hr/>	<hr/>	<hr/>
Consolidated	2,428	1,341	932
	<hr/>	<hr/>	<hr/>

(1) Including United States of America ("USA"), Europe, Thailand and Philippines.

**34 EVENTS AFTER THE BALANCE SHEET DATE**

On October 4, 2006, the Company issued 5,000 new shares for \$23,100 upon exercise of options by a non-director under the 1999 Employees' Share Option Scheme.

On October 19, 2006, the Company declared an interim one-tier tax exempt dividend of \$1 per ordinary share of the Company totalling \$3,695,776 in respect of the financial year ending June 30, 2007.

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**APPENDIX C CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEARS ENDED JUNE 30, 2004, 2005 AND ¥2006 INCLUDING  
INDEPENDENT AUDITORS' REPORT THEREON**

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**35 RECLASSIFICATIONS AND COMPARATIVE FIGURES**

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements and following the Group and Company's adoption of FRSs that became effective during the year. As a result, certain line items have been amended on the face of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statements, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Previously reported</u> \$'000	<u>After reclassification</u> \$'000	<u>Previously reported</u> \$'000	<u>After reclassification</u> \$'000
<u>Non-current assets</u>				
Other long-term investments	1,120	—	309	—
Club membership	—	130	—	140
	<u>1,120</u>	<u>130</u>	<u>309</u>	<u>140</u>
<u>Current assets</u>				
Held for trading investments	—	990	—	169
	<u>1,120</u>	<u>1,120</u>	<u>309</u>	<u>309</u>

**AVI-TECH ELECTRONICS PTE. LTD.  
(Formerly known as Avi-Tech  
Electronics (S) Pte Ltd)  
AND ITS SUBSIDIARY  
(Registration No. 198105976H)**

**REPORT AND CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**FOR THE SIX-MONTH PERIOD  
ENDED DECEMBER 31, 2006**

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## **APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006**

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**AVI-TECH ELECTRONICS PTE. LTD.  
(Formerly known as Avi-Tech Electronics (S) Pte Ltd)  
AND ITS SUBSIDIARY**

### **REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

#### **C O N T E N T S**

	<u>PAGE</u>
Report from independent auditors on unaudited condensed consolidated interim financial information	D-3
Unaudited condensed consolidated interim balance sheet	D-4 to D-5
Unaudited condensed consolidated interim profit and loss statement	D-6
Unaudited condensed consolidated interim statement of changes in equity	D-7
Unaudited condensed consolidated interim cash flow statement	D-8 to D-9
Notes to unaudited condensed consolidated interim financial information	D-10 to D-14

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## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

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### REPORT FROM INDEPENDENT AUDITORS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION For the six-month period ended December 31, 2006

March 21, 2007

The Board of Directors  
AVI-TECH ELECTRONICS PTE. LTD.  
(Formerly known as Avi-Tech Electronics (S) Pte Ltd)  
19A Serangoon North Avenue 5  
Singapore 554859

Dear Sirs

We have reviewed the condensed consolidated interim balance sheet of Avi-Tech Electronics Pte. Ltd. (the "Company") as of December 31, 2006 and the related condensed consolidated interim profit and loss statement, statement of changes in equity and consolidated cash flows statement for the six-month period then ended set out on pages D-4 to D-14.

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with Singapore Financial Reporting Standard (FRS) 34, *Interim Financial Reporting*. Our responsibility is to issue a report on these condensed consolidated interim financial information based on our review. These condensed consolidated interim financial information have been prepared solely in connection with the proposed listing of Avi-Tech Electronics Pte. Ltd. on the Singapore Exchange Securities Trading Limited. This report is made solely to you, as a body and for no other purpose.

We conducted our review in accordance with Singapore Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than on audit. We have not performed on audit and, accordingly, we do not express an audit opinion.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information are not prepared, in all material respects, in accordance with the basis of the preparation set out in Note 2 of the condensed consolidated interim financial information and Singapore Financial Reporting Standards (FRS) 34, *Interim Financial Reporting*.

We have not carried out an audit or review in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements on the financial information for the six-month period ended December 31, 2005 and, accordingly, we do not express any such assurance on the financial information for this period.

Yours faithfully

Deloitte & Touche  
Certified Public Accountants  
Singapore

Philip Yuen Ewe Jin  
Partner



## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

**AVI-TECH ELECTRONICS PTE. LTD.**  
**(Formerly known as Avi-Tech Electronics (S) Pte Ltd)**  
**AND ITS SUBSIDIARY**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
**December 31, 2006**

	<u>Note</u>	December 31, 2006 (Unaudited) \$'000	June 30, 2006 (Audited) \$'000
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and bank balances		4,849	1,905
Fixed and call deposits		6,779	7,160
Trade receivables	6	17,298	11,811
Other receivables and prepaid expenses		617	395
Inventories		2,826	1,514
Held for trading investments		800	800
Total current assets		33,169	23,585
<b>Non-current assets</b>			
Club membership		130	130
Property, plant and equipment	7	17,268	17,336
Total non-current assets		17,398	17,466
<b>Total assets</b>		50,567	41,051
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Bank loan	8	612	612
Trade payables		8,289	2,902
Other payables		3,023	3,596
Current portion of finance leases		48	49
Dividend payable		3,696	—
Income tax payable		3,250	2,159
Total current liabilities		18,918	9,318
<b>Non-current liabilities</b>			
Bank loan	8	6,935	7,241
Finance leases		138	159
Deferred tax liabilities		1,211	1,211
Total non-current liabilities		8,284	8,611
<b>Capital and reserves</b>			
Share capital	9	4,940	4,917
Reserves		18,425	18,205
Total equity		23,365	23,122
<b>Total liabilities and equity</b>		50,567	41,051

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## **APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006**

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The unaudited condensed consolidated interim financial information of the Group for the six-month period ended December 31, 2006 set out on pages D-4 to D-14 were approved by the Board of Directors and authorised for issue on March 21, 2007 and are signed on its behalf by:

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LIM ENG HONG  
(DIRECTOR)

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WONG WEE LIM WILLIAM  
(DIRECTOR)

March 21, 2007

See accompanying notes to financial information.

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## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

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**AVI-TECH ELECTRONICS PTE. LTD.**  
**(Formerly known as Avi-Tech Electronics (S) Pte Ltd)**  
**AND ITS SUBSIDIARY**

### **UNAUDITED CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS STATEMENT** **For the six-month period ended December 31, 2006**

		Six-month ended December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
	<u>Note</u>		
<b>Revenue</b>	10	37,085	17,050
Cost of sales		(24,086)	(9,128)
<b>Gross profit</b>		12,999	7,922
Other operating income		344	236
Distribution costs		(519)	(73)
Administrative expenses		(3,119)	(2,197)
Finance costs		(194)	(157)
<b>Profit before tax</b>		9,511	5,731
Income tax expense	11	(1,902)	(1,181)
<b>Profit for the period</b>		7,609	4,550
<b>Earnings per share</b>			
Basic (dollars)	12	2.06	1.24
Diluted (dollars)	12	2.06	1.23

See accompanying notes to financial information.

## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

**AVI-TECH ELECTRONICS PTE. LTD.**  
(Formerly known as Avi-Tech Electronics (S) Pte Ltd)  
**AND ITS SUBSIDIARY**

### UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY For the six-month period ended December 31, 2006

			← Reserves Currency translation reserve →			
	Share capital \$'000	Share premium \$'000	\$'000	Retained profits \$'000	Total reserves \$'000	Total \$'000
<u>Group</u>						
Balance at July 1, 2005	3,671	1,154	3	13,801	14,958	18,629
Dividend paid (Note 13)	—	—	—	(4,428)	(4,428)	(4,428)
Issue of shares	20	72	—	—	72	92
Currency translation differences	—	—	3	—	3	3
Profit for the period	—	—	—	4,550	4,550	4,550
Balance at December 31, 2005	<u>3,691</u>	<u>1,226</u>	<u>6</u>	<u>13,923</u>	<u>15,155</u>	<u>18,846</u>
Balance at July 1, 2006	4,917	—	—	18,205	18,205	23,122
Dividend proposed (Note 13)	—	—	—	(7,392)	(7,392)	(7,392)
Issue of shares	23	—	—	—	—	23
Currency translation differences	—	—	3	—	3	3
Profit for the period	—	—	—	7,609	7,609	7,609
Balance at December 31, 2006	<u>4,940</u>	<u>—</u>	<u>3</u>	<u>18,422</u>	<u>18,425</u>	<u>23,365</u>

See accompanying notes to financial information.

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## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

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**AVI-TECH ELECTRONICS PTE. LTD.**  
**(Formerly known as Avi-Tech Electronics (S) Pte Ltd)**  
**AND ITS SUBSIDIARY**

### **UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT** **For the six-month period ended December 31, 2006**

	Six-month ended December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
<b>Operating activities</b>		
Profit before income tax	9,511	5,731
Adjustments for:		
Depreciation expense	997	916
Interest expense	194	169
Interest income	(187)	(35)
Gain on disposal of plant and equipment	—	(47)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	10,515	6,734
Trade receivables	(5,487)	(662)
Other receivables and prepaid expenses	(222)	(39)
Inventories	(1,312)	(197)
Trade payables	5,387	576
Other payables	(573)	239
	<hr/>	<hr/>
Cash generated from operations	8,308	6,651
Income tax paid	(811)	(794)
Interest paid	(194)	(169)
Interest received	187	35
	<hr/>	<hr/>
Net cash from operating activities	7,490	5,723
	<hr/>	<hr/>
<b>Investing activities</b>		
Additions to plant and equipment (Note B)	(933)	(1,382)
Proceeds from:		
Disposal of plant and equipment	—	153
Disposal of held for trading investments	—	46
	<hr/>	<hr/>
Net cash used in investing activities	(933)	(1,183)
	<hr/>	<hr/>

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**APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006**

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	Six-month ended December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
<b>Financing activities</b>		
Dividend paid (Note 13)	(3,696)	(4,428)
Proceeds from issue of shares	23	92
Payment of finance lease obligations	(22)	(63)
Repayment of bank loan	(306)	(459)
	<hr/>	<hr/>
Net cash used in financing activities	(4,001)	(4,858)
	<hr/>	<hr/>
<b>Net effect of exchange rate changes in consolidating subsidiary</b>	7	3
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	2,563	(315)
Cash and cash equivalents at beginning of the financial period	8,722	7,155
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the financial period (Note A)</b>	<u>11,285</u>	<u>6,840</u>

Note A:

Cash and cash equivalents consist of:

Cash and bank balances	4,849	1,757
Fixed and call deposits	6,779	5,426
	<hr/>	<hr/>
	11,628	7,183
Less: Pledged deposits	(343)	(343)
	<hr/>	<hr/>
Total	<u>11,285</u>	<u>6,840</u>

Note B:

During the financial period, the Group acquired plant and equipment with an aggregate cost of \$933,000 (2005 : \$1,549,000) of which \$Nil (2005 : \$167,000) was acquired under finance lease arrangements. Cash payments of \$933,000 (2005 : \$1,382,000) were made to purchase plant and equipment.

See accompanying notes to financial information.

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## **APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006**

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**AVI-TECH ELECTRONICS PTE. LTD.**  
**(Formerly known as Avi-Tech Electronics (S) Pte Ltd)**  
**AND ITS SUBSIDIARY**

### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**For the six-month period ended December 31, 2006**

#### **1 GENERAL**

During the financial period, the Company changed its name from Avi-Tech Electronics (S) Pte Ltd to Avi-Tech Electronics Pte. Ltd.

#### **2 BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial information have been prepared in accordance with Singapore Financial Reporting Standards (FRS) 34, *Interim Financial Reporting*.

The unaudited condensed consolidated interim financial information have been prepared to provide an update on the consolidated financial information for the year ended June 30, 2006 prepared in accordance with FRS. These condensed consolidated interim financial information focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2006 prepared in accordance with FRS.

#### **3 SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial information have been prepared using historical cost convention, except as disclosed in the accounting policies in its consolidated financial statements for the financial year ended June 30, 2006.

The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2006.

#### **4 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 Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial information. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.



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## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

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### 4 RELATED PARTY TRANSACTIONS (cont'd)

During the interim period, Group entities entered into the following transactions with related parties:

(A) Related parties transactions

	<u>Group</u>	
	Six-month ended	
	December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
Management and consultancy fees paid to a related party	15	15

In addition to the above related party transactions, the Company paid fees to a firm for legal services rendered to the Group.

	<u>Group</u>	
	Six-month ended	
	December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
Legal fees paid to a legal firm	2	30

(B) Compensation of directors and key management personnel

The remuneration of directors being members of key management are set out below:

	<u>Group</u>	
	Six-month ended	
	December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
Short-term benefits	836	582
Post-employment benefits	6	5
	842	587

The remuneration of directors and key management is determined by reference to the performance of individuals and market trends.

## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

### 5 SEGMENT INFORMATION

The following is an analysis of the revenue and results for the interim period, analysed by business segment, the Group's primary basis of segmentation.

#### Business segments

	<u>Revenue</u>		<u>Segment results</u>	
	<u>Six-month ended</u>		<u>Six-month ended</u>	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000
Burn-in and related services	11,613	11,523	5,363	6,255
Design and manufacturing of Burn-in Boards and Boards Related Products	4,030	2,478	35	(65)
Engineering service and Equipment Distribution	21,442	3,049	5,047	71
Total	<u>37,085</u>	<u>17,050</u>	<u>10,445</u>	<u>6,261</u>

### 6 TRADE RECEIVABLES

	<u>Group</u>	
	December 31, 2006	June 30, 2006
	(Unaudited)	(Audited)
	\$'000	\$'000
Outside parties	<u>17,298</u>	<u>11,811</u>

The average credit period is 30 to 90 days (June 30, 2006 : 30 to 90 days).

An allowance has been made for estimated irrecoverable amounts from the sale of goods to third parties of \$118,000 (June 30, 2006 : \$119,000).

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

	<u>Group</u>	
	December 31, 2006	June 30, 2006
	(Unaudited)	(Audited)
	\$'000	\$'000
United States dollars	<u>10,995</u>	<u>4,746</u>

### 7 PROPERTY, PLANT AND EQUIPMENT

During the financial period, the Group acquired fixed assets of approximately \$933,000 (six-month period ended December 31, 2005 : \$1,549,000).

### 8 BANK LOAN

The bank loan is secured by a legal mortgage on the Company's building and a pledge of the Company's fixed deposits of \$343,000 (June 30, 2006 : \$343,000).

## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

### 9 SHARE CAPITAL

The Companies (Amendment) Act 2005 came into effect on January 30, 2006. Among other things, the concept of par value, authorised share capital and share premium have been abolished. Accordingly, the share premium amount of \$1,226,000 has been transferred to the share capital account.

### 10 REVENUE

	<u>Group</u>	
	Six-month ended December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
Sale of goods	22,728	5,527
Rendering of services	14,357	11,523
	37,085	17,050

### 11 INCOME TAX EXPENSE

The Group's consolidated effective tax rate for the six-month period ended December 31, 2006 was 20.0% (six-month period ended December 31, 2005 : 20.6%).

### 12 EARNINGS PER SHARE

The calculation of basic earnings per share for the financial period ended December 31, 2006 and 2005 have been calculated based on the consolidated profit attributable to equity holders of the Company of \$7,609,000 (2005 : \$4,550,000) each divided by the share capital of 3,692,000 (2005 : 3,680,000) ordinary shares.

	<u>Six-month ended</u>	
	December 31, 2006 (Unaudited) \$'000	December 31, 2005 (Unaudited) \$'000
Net profit for the period	7,609	4,550
	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares	3,692	3,680
Effects of dilutive potential ordinary shares	—	5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,692	3,685
Basic earnings per ordinary share	2.06	1.24
Fully diluted earnings per ordinary share	2.06	1.23

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## APPENDIX D REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006

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### 13 DIVIDENDS

During the financial period, the Company declared a first and second interim one-tier tax exempt dividend of \$1.00 per ordinary share totalling \$7,392,000 in respect of the financial year ended June 30, 2007, of which \$3,696,000 was paid during the financial period. The remaining \$3,696,000 was paid subsequent to December 31, 2006.

In the previous financial period, the Company declared and paid an interim one-tier tax exempt dividend of \$1.20 per ordinary share totaling \$4,428,000 in respect of the financial year ended June 30, 2005.

### 14 COMMITMENTS

At the end of the financial period, the Company has commitments of \$2,316,000 (June 30, 2006 : \$Nil) to invest in a subsidiary.

The Group is committed to acquire property, plant and equipment amounting to \$331,000 (June 30, 2006 : \$308,000).

### 15 CONTINGENT LIABILITY

	<u>Group</u>	
	December 31, 2006 <u>(Unaudited)</u> \$'000	June 30, 2006 <u>(Audited)</u> \$'000
Performance guarantee given to a supplier	440	440

These are covered by fixed deposits pledged to a bank.





## AVI-TECH ELECTRONICS LIMITED

Company Registration No. 198105976H

19A Serangoon North Avenue 5  
Singapore 554859