

INCORPORATION OF SUBSIDIARY AND ACQUISITION OF THE BUSINESS AND ASSETS OF THE SANTA BARBARA INSTRUMENT GROUP

1. INCORPORATION OF SUBSIDIARY

The Board of Directors of Avi-Tech Electronics Limited (the "**Company**") wishes to announce that the Company has recently incorporated a new subsidiary, "APLEGEN Inc." ("**Aplegen**") in the United States of America. The incorporation of Aplegen is funded by internal resources and is not expected to have any material impact on the net earnings per share or net tangible assets per share of the Company and its subsidiaries (the "**Group**") for the current financial year.

2. ACQUISITION OF BUSINESS AND ASSETS

2.1 Acquisition

The Board of Directors of the Company also wishes to announce that Aplegen had on 9 February 2011 entered into an asset purchase agreement (the "**Agreement**") with Santa Barbara Instrument Group ("**SBIG**"), a company based in Santa Barbara, California, USA, and its shareholders, Alan Holmes, Michael Barber, Jack Brooks and Matt Thomas (collectively, "**SBIG Shareholders**") for the acquisition by Aplegen of, *inter alia*, the business and assets, including intellectual property (the "**Assets**") of SBIG (the "**Acquisition**") and other ancillary agreements in connection with the Acquisition.

2.2 Purchase Price

The Assets will be acquired at a purchase price of: (i) US\$2,950,000 (the "**Cash Consideration**"); plus (ii) 3% of the net sales revenues received by Aplegen from the sale of cameras to customers during the first full thirty-six (36) months after the closing date ("**Closing Date**") of the Acquisition (the "**Contingent Consideration**") (the Cash Consideration and the Contingent Consideration to hereinafter collectively be referred to as the "**Purchase Price**").

The Purchase Price was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Parties. Aplegen intends to fund the Purchase Price from a combination of bank facilities and internal resources.

The Cash Consideration is to be paid by Aplegen to SBIG in cash in instalments as follows: (a) US\$2,500,000 on 9 February 2011; (b) US\$200,000 on 31 December 2012; and (c) US\$250,000 on 31 January 2014. The Contingent Consideration (if any) will be paid within 90 days of each anniversary of the Closing Date.

The Purchase Price (excluding the Contingent Consideration) represents a premium of US\$1,815,009 or 61.5% to the net tangible assets as at 8 February 2011.

2.3 Salient Conditions

Closing of the Acquisition is conditional upon fulfilment of, *inter alia*, the following conditions to the satisfaction of Aplegen on or before the Closing Date:

- (i) The representations and warranties of SBIG and SBIG Shareholders contained in the Agreement, schedules and exhibits to the Agreement, and in any certificate, document or statement delivered, shall be true and correct on and as of the Closing

Date as though such representations and warranties were made on and as of the Closing Date;

- (ii) SBIG and SBIG Shareholders shall have performed and complied with all agreements, covenants, conditions and obligations required by the Agreement to be performed or complied with;
- (iii) there shall have been no material adverse changes in the business of SBIG or the Assets as determined in the good faith judgment of Aplegen;
- (iv) there shall not be pending or threatened any claim, proceeding, investigation or inquiry, by any person seeking to prevent or change the terms of, or obtain damages in connection with, the Agreement or the transaction contemplated in the Agreement or which questions the validity or legality of the consummation of the transaction contemplated in the Agreement;
- (v) receipt by SBIG and SBIG Shareholders, and/or Aplegen of all consents, if applicable, from all third parties necessary to consummate the transaction contemplated in the Agreement; and
- (vi) SBIG and SBIG Shareholders delivered or caused to be delivered to Aplegen documents specified in the Agreement, including:
 - (a) a current Certificate of Good Standing evidencing SBIG's corporate standing in each state where it is incorporated or qualified to do business; and
 - (b) certified resolutions of SBIG's board of directors and SBIG Shareholders authorizing the entering into of the Agreement and the performance of SBIG's obligations under the Agreement.

2.4 Closing

The closing of the purchase and sale of the Assets (the "**Closing**") shall take place at the offices of SBIG on or before the Closing Date which shall be 9 February 2011 or such other time and on such other date as the parties shall mutually agree.

3. INFORMATION ON SBIG

SBIG is one of the leading global suppliers of high quality charged coupled device or charge coupled device (CCD) cameras and instrumentation for the scientific community. SBIG also supplies instruments to the life sciences market. For over twenty years, SBIG has built a track record of innovation and quality by providing highly advanced imaging instruments to some of the world's most prestigious institutions, including National Aeronautics and Space Administration (NASA), Lawrence Livermore National Laboratory, Mt. Palomar Observatory and the German Space Agency.

4. RATIONALE FOR THE ACQUISITION

Aplegen intends to become one of the global leaders in the rapidly growing life sciences industry by providing innovative imaging systems to pharmaceutical companies, government institutes and universities worldwide. Recognizing that life sciences instruments often use sophisticated cameras, such as those supplied by SBIG, Aplegen's acquisition of the business and assets of SBIG will enhance its capabilities in the life sciences field. Taking into account, *inter alia*, the foregoing, the Board of Directors of the Company is of the view that the Acquisition is in the best interests of the Group.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the latest announced consolidated accounts of the Group for the first quarter ended 30 September 2010, the relative figures for the Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”) are as follows:

(a)	The net asset value of the assets to be disposed of, compared with the group’s net asset value.	Not applicable
(b)	The net profits or losses attributable to the assets acquired as compared with the group’s net profits. ⁽¹⁾⁽²⁾	Not applicable
(c)	The aggregate value of the consideration given as compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares. ⁽¹⁾⁽³⁾	5.4%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition as compared with the number of equity securities previously in issue.	Not applicable

Notes:

- (1) Exchange rate of US\$1 : S\$1.275 used.
- (2) “net profits” means profit or loss before income tax, minority interests and extraordinary items. The net losses attributable to the Assets is approximately US\$76,923 (approximately S\$98,077), being the unaudited net losses attributed to the Assets for one month ended 31 January 2011.
- (3) “market capitalisation” of the issuer is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on 8 February 2011, which is the market day preceding the date of the Agreement.
- (4) Assuming Purchase Price consisting only of the Cash Consideration of US\$2,950,000 (approximately S\$3,761,250).

As the applicable relative figure computed under Rule 1006(c) exceeds 5% but does not exceed 20%, the Acquisition constitutes a discloseable transaction pursuant to Rule 1010 read together with Rule 1006 of the Listing Manual and requires the Company to immediately announce the same.

6. FINANCIAL EFFECTS OF THE ACQUISITION

The financial effects of the Acquisition on the Company and its subsidiaries (the “Group”) set out below are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the Group immediately after the completion of the Acquisition. They have also been prepared based on the audited consolidated financial statements of the Group for the year ended 30 June 2010 (“FY2010”) and on the following key assumptions:

- (i) the effect of the transaction on the earnings per share of the Group shown below is based on the assumption that the Acquisition had been effected on 1 July 2010;
- (ii) the effect of the transaction on the net tangible assets per share of the Group shown below is based on the assumption that the Acquisition was completed on 30 June 2010; and
- (iii) the Purchase Price consisting only of the Cash Consideration of US\$2,950,000.

6.1 Earnings and Net Tangible Assets

The effects of the Acquisition on the earnings per share of the Group for FY2010 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition ⁽¹⁾
Profit attributable to Shareholders (S\$'000)	3,929	3,831
Number of shares ('000)	345,220	345,220
Earnings per share (cents) ⁽²⁾	1.15	1.11

The effects of the Acquisition on the net tangible assets per share of the Group for FY2010 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition ⁽¹⁾
NTA (S\$'000)	65,670	63,356
Number of shares ('000)	345,220	345,220
NTA per share (cents) ⁽²⁾	19.02	18.35

Notes:

- (1) Based on audited consolidated profit & loss account of the Company and the unaudited profit and loss account of SBIG.
- (2) Excludes the effect on NTA of any potential tax liabilities, writebacks, adjustments and expenses that may be made or incurred (as the case may be) in respect of the Acquisition as permitted under or in connection with the Acquisition.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Acquisition.

8. APLEGEN EMPLOYEE SHARE OPTION SCHEME

Aplegen will implement a share option scheme known as the Aplegen Employee Share Option Scheme (the "**ESOS**"). 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 Aplegen 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 directors and employees whose services are vital to our well being and success.

Summary of the ESOS

- (1) Participants - Under the rules of the ESOS, directors (excluding persons who are also directors of the Company) and employees of Aplegen are eligible to participate in the ESOS.
- (2) Scheme administration - The ESOS shall be administered by a committee of directors of the Company (the "**Committee**") 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. 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, shall not exceed 49 per

cent. of the issued Shares of Aplegen on the day preceding the date of the relevant grant.

- (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 discretion of the Committee, who may 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 price equal to the Fair Market Value ("FMV") per share of Aplegen or at a discount thereto. Options which are fixed at the FMV per share may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount may be exercised after the second anniversary from the date of grant of the option.
- (6) 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 cessation of the participant's employment with Aplegen, , the death of the participant and the liquidation or winding-up of Aplegen.
- (7) 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 Aplegen a consideration of US\$1.00.
- (8) Rights of shares arising - Shares arising from the exercise of options are subject to the provisions of the constitutional documents and Articles of Incorporation of Aplegen. The shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued shares of Aplegen, save for any dividend, rights, allotments or distributions, the 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.
- (9) Duration of the ESOS - The ESOS shall continue in operation for a maximum duration of ten years.

9. RESPONSIBILITY STATEMENT

The directors of the Company (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

10. DOCUMENTS FOR INSPECTION

Copies of the Agreement are available for inspection during normal business hours at the registered office of the Company located at 19A Serangoon North 5, Singapore 554859 for three (3) months from the date of this Announcement.

By Order of the Board

Lim Eng Hong
Chief Executive Officer
9 February 2011