

ANNUAL REPORT 2006



reaching universal horizons

OUR MISSION :

To Be A One-Stop Digital,
Wireless and Broadband
Communications Technology
Products Innovator

ABOUT US:

Founded in 1994, SGX-mainboard listed Addvalue Technologies Ltd (symbol: addvaltech) is a leading one-stop digital, wireless and broadband communications technology products innovator, which provides comprehensive satellite communication solutions, tracking and telemetry communications solutions and digital wireless design services. Its customers and business partners include global leaders in the communications, information technology and electronics industries.

Headquartered in Singapore, the Group employs over 90 people and serves a global market with customers in North America, Europe and Asia.

For more information on Addvalue Technologies Ltd, please visit our web site: www.addvaluetech.com.



“Reaching Universal Horizons”

A YEAR IN TRANSFORMATION

The past year had been an eventful and challenging one.

We took strategic steps to streamline our operations and focus on businesses with higher margins and robust growth prospects.

We forged an exciting new foray into the global satellite communications market, which will be a key growth driver of the Group.

Our focus is to grow businesses where our core competencies are maximized for higher value products and services. These include:-

1. Satellite communication solutions
2. Tracking and telemetry solutions
3. Digital wireless design services.

HIGHLIGHTS OF THE YEAR

In the past year, we made much progress in preparation for the commercialization of the first Asia-made Broadband Global Area Network (BGAN) satellite terminal – the Wideye™ SABRE™ 1, which operates on the satellite infrastructure of Inmarsat PLC (“Inmarsat”). Inmarsat, a US\$2.8 billion company listed on the London Stock Exchange, is the pioneer of global mobile satellite communications in the world. Addvalue is privileged to be one of the four authorized suppliers of Inmarsat to supply BGAN terminals globally.

Our intensive development efforts over the years bore fruit on June 20, 2006 when we officially launched the Wideye™ SABRE™ 1 at CommunicAsia 2006, one of the world’s largest annual international exhibitions on information and communications technology.





message
from
chairman

Our strategy for the BGAN terminal design is to develop an engine for the BGAN terminal architecture, known as the core module which is now used in the development of the Wideye™ SABRE™ 1 terminals. The advantage of this approach is that we are able to re-use the core module for other customized BGAN applications, such as for land mobile, maritime and aeronautical solutions. With this approach, we can significantly reduce design cycles when we develop a family of BGAN products.

Since late 2004, Telenor ASA ("Telenor") of Norway (a US\$33 billion company listed on Oslo Stock Exchange and Nasdaq) and Addvalue had begun working toward the commercial launch of the Wideye™ SABRE™ 1 BGAN terminal when Telenor's wholly-owned subsidiary, GMPCS Personal Communications ("GMPCS") of Pompano Beach, Florida was appointed as a Master Distributor for Addvalue BGAN terminals.

In January 2006, we entered into a strategic partnership agreement with Telenor Satellite Services AS ("TSS") and GMPCS, both are subsidiaries of Telenor, to cooperate in the following areas:-

- a. the marketing of airtime with the sales of Wideye™ SABRE™ 1 BGAN Terminals;
- b. the development of mobile BGAN terminals (mobile terrestrial, maritime and aeronautical) based on Wideye™ SABRE™ 1 BGAN terminal design; and
- c. the provision of engineering and sales support services.

In consideration of the business cooperation, our Company grants TSS an option to subscribe up to a total of 128 million new shares at a price equal to the average trading price for the 10 days preceding the day when TSS exercises the option (the "Call Option"). If the Call Option were to be exercised in full, TSS will then be the single largest shareholder of our Company with an equity stake of about 14.56%.

Further to the strategic business agreement entered into in January 2006, in April 2006, Addvalue signed a comprehensive BGAN satellite airtime agreement with TSS. This augmented arrangement enables the two companies to further develop joint sales, marketing, and engineering support services for Addvalue's BGAN-related offerings throughout Asia and globally, including bundling Telenor airtime with Addvalue equipment.

The strategic alliances with Inmarsat and Telenor represent a milestone for Addvalue's foray into the global satellite communications market.

FINANCIAL REVIEW

The strategic transformation of the Group's business and revenue model resulted in lower revenue for the Group in the past financial year ended March 31, 2006 (FY2006) as we took decisive decisions to exit businesses that have limited potential.

Group turnover of S\$12.8 million was lower than the S\$18.1 million of FY2005. Fees from technology licensing and consultancy services accounted for the bulk of the Group's turnover in FY2006. Going forward, the Group expects sales from its satellite communications business to grow, and in terms of geographical distribution, the Group expects a more even distribution across its markets.

We however managed to report higher gross profit of S\$8.91 million, up from S\$6.21 million in FY2005. The increase in gross profit was largely due to the higher income derived from the provision of licensing and consultancy services.

Excluding provisions and the exceptional items, the net loss was S\$1.42 million in FY2006, down from S\$5.06 million in FY2005.

The Group incurred exceptional items totalling S\$21.4 million. These items, which are non-cash, non-recurring and have no significant impact on the Group's operations or cash flow, were related to the provisions made on, loss on disposal and write-off of assets relating to the previous business model which focused on providing financial, management, and engineering services to the telecommunications, media, and communications industry, as well as marketing and distribution of consumer products under our own brand "WIDEYE".

Throughout the year, we maintained our strict cost control policy. Tight cost containment measures helped the Group to substantially reduce expenses by about 9.7% or S\$1.07 million, to S\$9.97 million in FY2006.

During the financial year, the Company raised a total of S\$3.81 million through private placement exercises for working capital purposes including Inmarsat BGAN related development expenses. As announced on 28th October 2005, 3rd February 2006 and 21st April 2006, the proceeds have been fully utilized for the intended purposes.





message
from
chairman

Image courtesy of International Launch Services and Lockheed Martin Corporation

TAKING OFF – REACHING NEW UNIVERSAL HORIZONS

While our financial results were weaker, Addvalue gained new heights in FY2006 in a number of ways. We made bold strategic steps to reposition ourselves to strengthen our footing in the satellite communications industry, which will be the launch pad for our growth thrust into the future.

We successfully leveraged on our partnerships with global leaders such as Inmarsat and Telenor to take off to new universal horizons.

Under its agreement with us, TSS has already committed to an initial order of US\$3.5 million. Pursuant to the Call Option, TSS may also purchase up to 128 million new shares in our Company. This business alliance coupled with its airtime agreement with us firmly endorses Addvalue's position as a player to be reckoned with in the satellite communications industry.

We also succeeded in achieving many cost synergies, resulting in lower expenses. Going forward, we expect lower amortization costs on intangible assets with no major increase in capital or manpower costs.

As we forge ahead, we will continue to stay focused on satellite, tracking and digital wireless related projects, turnkey design services as well as in growing new revenue streams through the supply of the products to existing and potential customers who would like to use the Inmarsat's BGAN services. We will also pursue the unlocking of the value of our intellectual properties via the provision of licensing cum consultancy services.

The future holds much promise for us.

We believe that the satellite industry is characterized by high barriers to entry owing to its highly-sophisticated technologies. Unless a new entrant is endorsed by existing industry players, it is an uphill task for it to penetrate the sector.

With our rising profile in the satellite communications industry, we have attracted an increasing number of promising leads and spin-offs for other new design and/or supply contracts. We are currently in discussions with global parties on several projects in this area. Recently in June 2006, we signed another Master Distribution Agreement with Laxo Global Access, an Indonesian based new-generation mobile satellite IT systems integrator and service provider, to distribute the Wideye™ SABRE™ 1 terminals in South Asia.

The satellite communications industry has immense growth potential worldwide. According to international research house IDC, the Asia/Pacific (excluding Japan) telecommunications services market was worth slightly over US\$160 billion in 2005 and is projected to exceed US\$170 billion in 2006, a growth rate of 7%.

With our streamlined strategic business and cost containment focus, we are confident that Addvalue will be an even stronger organisation than before in the coming year.

Already, the signs are showing with our healthy order book of over US\$6.1 million in hand. The recent commercial launch of our first BGAN satellite terminal - Wideye™ SABRE™ 1 – has also given us great expectations for our future.

ACKNOWLEDGEMENTS

I would like to extend my deepest appreciation to the management and employees for their dedication and excellent efforts for helping the Group realize its many milestones in a hectic year. We would also like to extend my thanks to our customers and business partners for their unwavering support and confidence in us. We are thankful to be given great opportunities to grow with them.

We also thank our Board members for their strategic contributions and guidance in helping us overcome the challenges of the past year. Last but not least, we are extremely grateful to our shareholders for their understanding and continued support for us through the years.

Dr Colin Chan
Chairman and CEO



SATELLITE COMMUNICATIONS

Development of global mobile satellite terminal and supply of the Wideye™ SABRE™ 1

In the past year, we made steady but marked progress in the development of our first mobile satellite terminal - the Wideye™ SABRE™ 1. The Wideye™ SABRE™ 1 is the result of our partnership with Inmarsat PLC ("Inmarsat"), the global leader in satellite communications, to develop satellite equipment for the international market.

Our design contract with Inmarsat, which is worth about US\$7.39 million, is expected to complete by the third quarter of 2006. We are currently in the final stage of the project, and expect the balance of the contract amount of US\$2.15 million to be realized during FY2007.

Currently, this business segment has an order book in hand totaling US\$5.6 million, comprising:-

- Design fee of US\$2.1 million; and
- Supply of Addvalue Wideye™ SABRE™ 1 BGAN terminal of US\$3.5 million.

Addvalue is one of Inmarsat's privileged four global suppliers of the BGAN satellite terminal, and is the only Asian company among the four to produce the Wideye™ SABRE™ 1.

The sub-laptop sized Wideye™ SABRE™ 1 is rich in features and is the most economical BGAN satellite terminal in the market. It enables users to conduct simultaneous telephony and IP data communications via Ethernet, USB and RJ11. The broadband digital satellite communications service is offered via the Inmarsat-4 (I-4) satellite system, which covers 85% of the world's total landmass.

Light, portable, cost-efficient and convenient to use, Wideye™ SABRE™ 1 is developed to meet the needs of users who demand high mobility and easy access even in remote locations where communications channels are difficult. The product is therefore suitable for a variety of users from a wide range of industries, such as corporate/financial services, media and communications, construction, oil and gas/energy as well as the military, aeronautical and maritime sectors.

The new Inmarsat I-4 satellites, which are now rolling out its service, form the backbone of Inmarsat's pioneering BGAN services, offering simultaneous phone and mobile data communications at up to 492kbps for internet access, mobile multimedia and many other advanced applications.

In the past financial year, we have already secured a US\$3.5 million supply contract of our BGAN terminals with GMPCS Personal Communications Inc ("GMPCS"), a wholly-owned subsidiary of TSS ASA ("Telenor"). We had also sealed an airtime agreement deal with TSS to bundle our equipment with its airtime.

In June 2006, we signed a new Master Distributorship Agreement with Laxo Global Access ("Laxo") to distribute the Wideye™ Sabre™ 1 terminals in the South Asian market. Laxo is an Indonesian based new-generation mobile satellite IT systems integrator and service provider, offering voice and data access via satellite link for portable use, fixed application and maritime. In order to enjoy the full status and benefits of a Master Distributor, Laxo will require to purchase at least 10,000 terminals from Addvalue over a three-year period.

We are also currently in the midst of negotiating with a few other telecommunication players on the supply of our BGAN terminals.

Going forward, we will leverage on our core module technology to develop modules for different applications to new market sectors such as oil and gas, maritime, aeronautical, military as well as media and communications.

TRACKING AND TELEMETRY

The combined use of GPS (Global Positioning System) and mobile terrestrial or satellite communications technologies, coupled with the heightened awareness of global terrorism, has fuelled more innovative and cost effective location-based applications related to tracking and telemetry. We have developed a series of GPS/GPRS/GSM-based tracking devices called 'Tracer' and have forged strategic partnerships with map engine design houses in Singapore and China to take advantage of the fast growing market for tracking and remote monitoring markets in the region for which we have secured some initial orders. Because of our proprietary technology in this field, we have also attracted customers who require custom-made applications for supporting location-based services including those delivered via satellite communications.





operations review

WIRELESS AND DIGITAL SOLUTIONS

Based on our mature proprietary technologies in digital wireless such as DECT, Frequency-hopping 2.4GHz, 5.8GHz and Bluetooth, we are making good progress in this growing wireless market. We have secured an order book of US\$0.45 million for the provision of design services based on the use of these in-house technologies.

In addition, we have entered into an agreement with a customer to license our DECT phone technology for the growing digital cordless market in China. We are in discussion with other potential customers on similar licensing arrangements to maximize returns from our intellectual properties.

OTHERS

CONSULTANCY AND INVESTMENT

In FY2005, we took a 51% equity interest in Double Rich Resources Limited (which was subsequently renamed as Blue World Capital Ltd, ("BWC")). Through the introduction of BWC, the Group also entered into the ANT Licensing cum Consultancy Contract with Asia Multi-Media Technology Services Holdings Limited (ANT) and procured an aggregate of US\$8.0 million in licensing cum consultancy income.

The licensing and consultancy services from this agreement accounted for the bulk of our turnover for FY2006. However, in line with the Group's decision to streamline its revenue model to focus on the provision of services in niche fields, comprising satellite communications, tracking and telemetry systems, and digital wireless solutions, and the supply of products related thereto, the Group will not be pursuing the business of providing licensing-cum-consultancy services in other fields in the future. Accordingly, provisions had been made to write-off the investment in BWC.

board of directors

Dr. Chan Kum Lok Colin
(Chairman And CEO)

Tan Khai Pang
(Executive Director)

Tan Juay Hwa
(Executive Director)

Chay Kwong Soon
(Independent Non-Executive Director)

Lim Han Boon
(Independent Non-Executive Director)

Tan Hock Chye Eric
(Independent Non-Executive Director)

corporate information

Audit Committee

Tan Hock Chye Eric (Chairman)

Chay Kwong Soon

Lim Han Boon

Nominating Committee

Lim Han Boon (Chairman)

Chay Kwong Soon

Tan Khai Pang

Remuneration Committee

Chay Kwong Soon (Chairman)

Tan Hock Chye Eric

Tan Khai Pang

Company Secretary

Foo Soon Soo

Registered Office

190 Changi Road

#02-02 Singapore 419974

Registrar

Kon Choon Kooi Pte Ltd

47 Hill Street #06-02

Chinese Chamber of Commerce

& Industry Building

Singapore 179365

Auditors

Ernst & Young

Certified Public Accountants

10 Collyer Quay

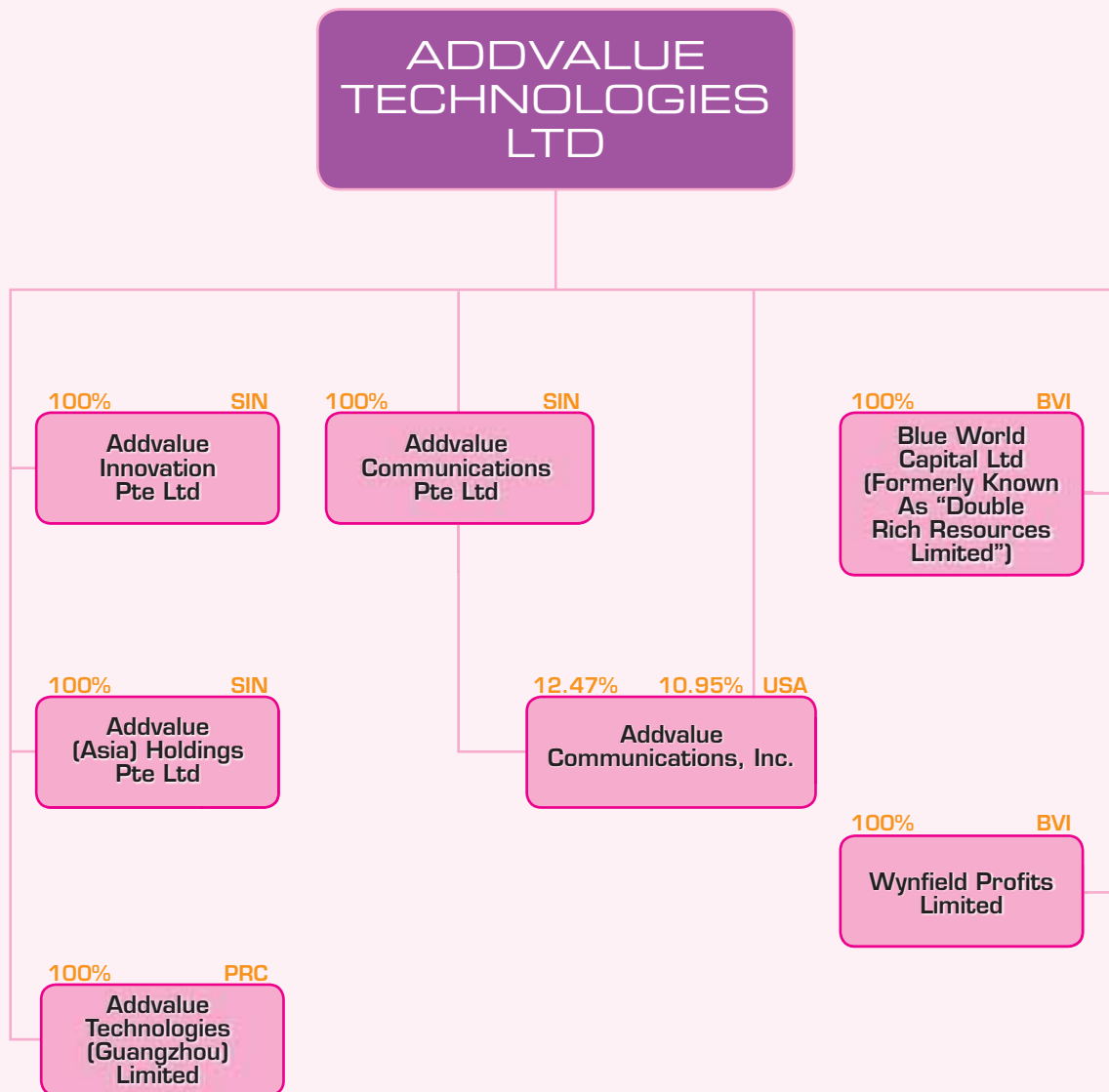
#21-01 Ocean Building

Singapore 049315

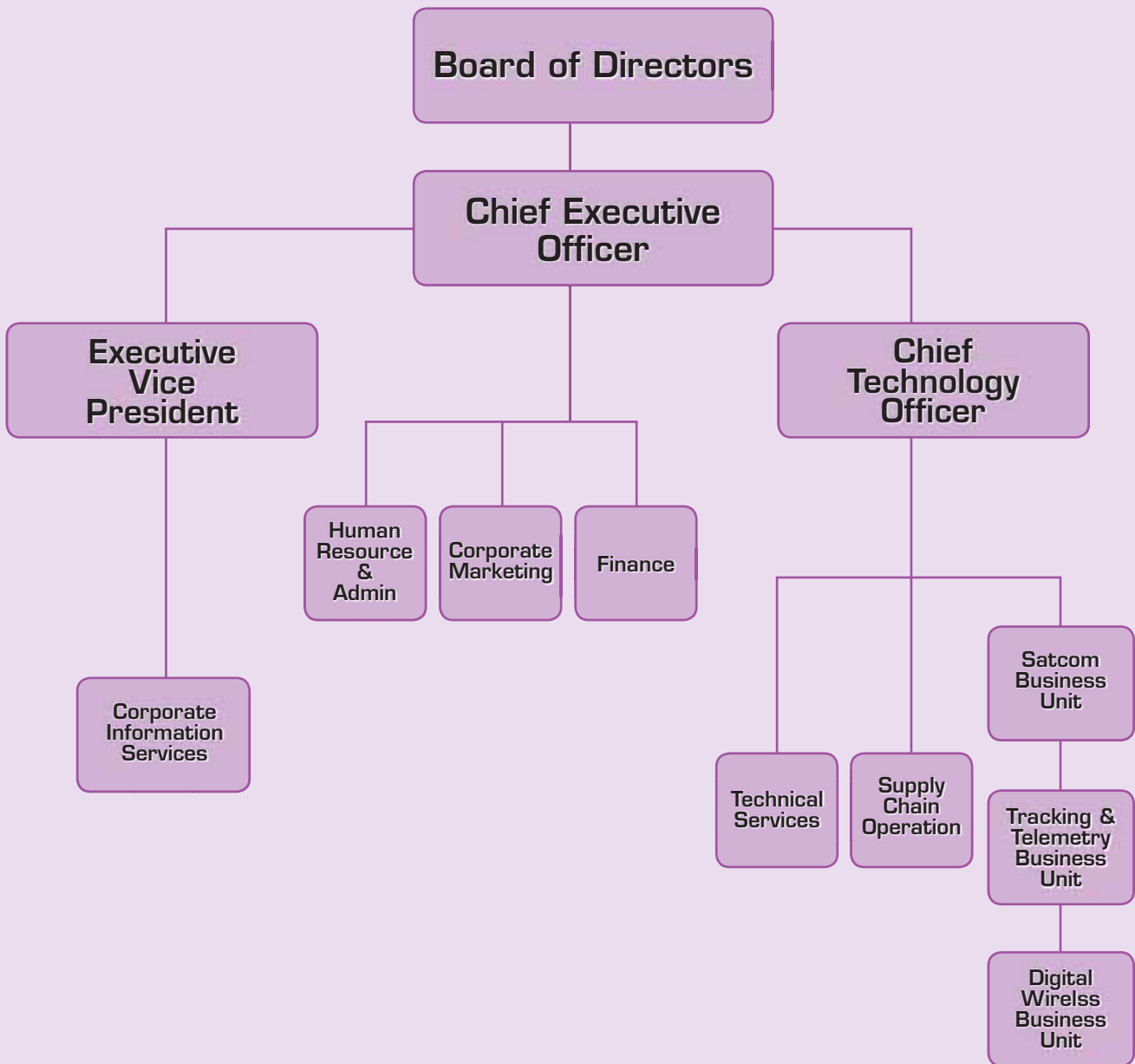
Partner-in-charge

Tan Swee Ho (appointed 28.3.2003)

group
structure



organisation
chart



financial statements

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Directors' Report

for the financial year ended 31 March 2006

The Directors present their report to the members together with the audited consolidated financial statements of Addvalue Technologies Ltd (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 March 2006 and the balance sheet of the Company as at 31 March 2006.

Directors

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

Dr. Chan Kum Lok Colin
Tan Khai Pang
Tan Juay Hwa
Chay Kwong Soon
Lim Han Boon
Tan Hock Chye Eric

Directors' interests in shares and debentures

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares of the Company as stated below :

Name of Director	Direct interest		Deemed interest	
	At beginning of year	At end of year	At beginning of year	At end of year
	Number of ordinary Shares			
Dr. Chan Kum Lok Colin	54,651,960	54,651,960	-	-
Tan Khai Pang	38,925,360	38,925,360	-	-
Tan Juay Hwa	14,202,720	14,202,720	-	-
Lim Han Boon	11,990,560	11,990,560	-	-
Chay Kwong Soon	6,300,000	6,300,000	3,829,640	3,829,640
	Share options exercisable between 1 August 2003 to 31 July 2007 at \$0.12 each			
Chay Kwong Soon	50,000	50,000	-	-
Tan Hock Chye Eric	50,000	50,000	-	-
	Share options exercisable between 1 August 2003 to 31 July 2012 at \$0.12 each			
Tan Khai Pang	950,000	950,000	-	-
Tan Juay Hwa	950,000	950,000	-	-

There was no change in the abovementioned interest between the end of the financial year and 21 April 2006.

None of the other Directors who held office at the end of the financial year had an interest in the shares or debentures of the Company.

Directors' Report

for the financial year ended 31 March 2006

Arrangements to enable directors to acquire shares and debentures

Except as described in the "Share Options" paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director has received or has become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

The Addvalue Technologies Employees' Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 24 October 2001. The Scheme is administered by the Remuneration Committee (the "Committee"), comprising the following Directors :

Chay Kwong Soon (Chairman)
Tan Hock Chye Eric
Tan Khai Pang

Other statutory information regarding the Scheme are set out below :

- (a) The subscription price for each share payable on the exercise of an option shall be the higher of the nominal value of the share or the price that represents up to 20% discount to the average of the last dealt prices per share for the 3 consecutive market days on which trades were done in the shares immediately preceding the date of grant of the option ("Market Price").
- (b) The options shall be accepted by the eligible participant within 30 days after the grant date.
- (c) The options granted vests and expires as follows :
 - (i) in relation to an option granted to an employee of the Company and/or its subsidiary companies, a period commencing on (and including) the first anniversary or where the subscription price for the shares comprised in an option is set at a discount to the market price on (and including) the second anniversary and expiring on (and including) the day immediately preceding the tenth anniversary of the date of grant or other shorter period determined by the Committee; and
 - (ii) in relation to an option granted to a non-executive director of the Company and/or its subsidiary companies or an employee or director of an associate, a period commencing on (and including) the first anniversary or where the subscription price for the shares comprised in an option is set at a discount to the market price on (and including) the second anniversary and expiring on (and including) the day immediately preceding the fifth anniversary of the date of grant or other shorter period determined by the Committee.

Both the above dates are subject to shorter period determined by the Committee.

Directors' Report

for the financial year ended 31 March 2006

The Directors of the Company who were granted options under the Scheme are as follows :

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of the Scheme to end of financial year	Aggregate options exercised since commencement of the Scheme to end of financial year	Aggregate options outstanding at end of financial year under review
Tan Khai Pang	-	950,000	-	950,000
Tan Juay Hwa	-	950,000	-	950,000
Chay Kwong Soon	-	50,000	-	50,000
Tan Hock Chye Eric	-	50,000	-	50,000

No Directors and no employees of the Group who participated in the Scheme has received 5% or more of the total number of options available under the Scheme.

No options were granted during the financial year. In the previous financial years, the options granted were granted at the subscription price of \$0.12 per share and no options were granted at a discount to the then prevailing Market Price.

Unissued ordinary shares under the Scheme as at 31 March 2006 comprise :

For ordinary shares in the Company	Subscription price per share	Exercise period
100,000	\$0.12	1 August 2003 to 31 July 2007
2,850,000	\$0.12	1 August 2003 to 31 July 2012

The holders of the share options have no right to participate by virtue of these options in any share issue of any other companies in the Group.

Audit committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Cap 50. The functions performed are detailed in the Report on Corporate Governance.

Directors' Report

for the financial year ended 31 March 2006

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board,

Dr. Chan Kum Lok Colin

Director

Tan Khai Pang

Director

Singapore

28 June 2006

Statement by Directors

We, Dr. Chan Kum Lok Colin and Tan Khai Pang, being two of the Directors of Addvalue Technologies Ltd, do hereby state that, in the opinion of the Directors :

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the results, changes in equity and cash flows of the Group for the financial year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Dr. Chan Kum Lok Colin
Director

Tan Khai Pang
Director

Singapore
28 June 2006

Auditors' Report

to the Members of Addvalue Technologies Ltd

We have audited the accompanying financial statements of Addvalue Technologies Ltd (the "Company") and its subsidiary companies (the "Group") set out on pages 19 to 61 for the year ended 31 March 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG

Certified Public Accountants

Singapore
28 June 2006

Consolidated Profit and Loss Account

for the financial year ended 31 March 2006

(In Singapore dollars)

	Note	2006 \$	2005 \$
Revenue	3	12,771,517	18,066,990
Cost of sales		<u>(3,862,918)</u>	<u>(11,853,120)</u>
Gross profit		8,908,599	6,213,870
Other income	4	64,930	69,265
Distribution costs		2,160,440	1,185,472
Administrative expenses		2,495,990	3,126,460
Other operating expenses		5,309,107	6,719,635
		<u>(9,965,537)</u>	<u>(11,031,567)</u>
		(992,008)	(4,748,432)
Interest expense		(428,890)	(307,717)
Exceptional items	5	(21,395,884)	(4,654,413)
Share of results of associated company		-	693,000
Loss before taxation	6	(22,816,782)	(9,017,562)
Taxation	7	-	-
Loss for the year		<u>(22,816,782)</u>	<u>(9,017,562)</u>
Attributable to :			
Equity holders of the Company		<u>(22,816,782)</u>	<u>(9,017,562)</u>
		Cents	Cents
Loss per ordinary share			
- Basic and diluted	8	<u>(3.27)</u>	<u>(1.57)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 March 2006

(In Singapore dollars)

	Note	Group		Company	
		2006 \$	2005 \$	2006 \$	2005 \$
Non-current assets					
Property, plant and equipment	9	378,481	576,408	-	-
Intangible assets	10	2,536,299	12,477,114	-	154,296
Subsidiary companies	11	-	-	5,525,022	27,729,507
Associated company	12	173	173	172	172
Other equity investments	13	4,692,177	17,585,425	-	1,875,721
Long-term other receivable	15	-	808,500	-	808,500
Trade receivables	14	-	1,188,000	-	-
		7,607,130	32,635,620	5,525,194	30,568,196
Current assets					
Inventories	16	386,306	2,320,647	-	-
Work-in-progress	17	2,220,773	4,049,633	-	-
Trade receivables	14	1,032,869	1,515,795	-	-
Other receivables	18	110,019	578,582	31,042	205,283
Amount due from associated company (trade)	19	-	-	-	-
Cash at bank and on hand	25	2,205,594	2,291,648	2,025,503	2,015,412
		5,955,561	10,756,305	2,056,545	2,220,695
Current liabilities					
Trade payables	20	2,120,431	2,458,989	-	-
Other payables	21	6,958,451	3,918,237	2,959,273	1,366,153
Deferred income	22	-	11,000,000	-	-
Excess of progress billings over work-in-progress	17	81,500	634,386	-	-
Provision for taxation		5,000	5,000	5,000	5,000
Loan from financial institution	23	-	1,587,500	-	350,000
Bank overdraft	25	2,309,397	2,378,729	2,309,397	2,378,729
		11,474,779	21,982,841	5,273,670	4,099,882
Net current liabilities		(5,519,218)	(11,226,536)	(3,217,125)	(1,879,187)
		2,087,912	21,409,084	2,308,069	28,689,009
Equity attributable to equity holders of the Company					
Share capital	24	55,750,019	16,751,849	55,750,019	16,751,849
Share premium account		-	35,502,560	-	35,502,560
Accumulated losses		(53,662,188)	(30,845,406)	(53,441,950)	(23,565,400)
		2,087,831	21,409,003	2,308,069	28,689,009
Minority interest		81	81	-	-
Total equity		2,087,912	21,409,084	2,308,069	28,689,009

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 March 2006

(In Singapore dollars)

	Attributable to equity holders of the company						Total equity \$
	Share capital \$	Share premium account \$	Accumulated losses \$	Capital reserve \$	Total reserves \$	Minority interest \$	
Balance at 31 March 2004	13,374,840	26,246,913	(21,827,844)	12,271	17,806,180	-	17,806,180
Issue of shares	3,377,009	9,520,913	-	-	12,897,922	-	12,897,922
Issue of unsecured convertible notes	-	-	-	(12,271)	(12,271)	-	(12,271)
Share issue expenses	-	(265,266)	-	-	(265,266)	-	(265,266)
Acquisition of a subsidiary company	-	-	-	-	-	81	81
Loss for the year	-	-	(9,017,562)	-	(9,017,562)	-	(9,017,562)
Balance at 31 March 2005	16,751,849	35,502,560	(30,845,406)	-	21,409,003	81	21,409,084
Issue of shares	2,760,194	1,049,806	-	-	3,810,000	-	3,810,000
Share issue expenses	-	(314,390)	-	-	(314,390)	-	(314,390)
Transfer of share premium account to share capital account	36,237,976	(36,237,976)	-	-	-	-	-
Loss for the year	-	-	(22,816,782)	-	(22,816,782)	-	(22,816,782)
Balance at 31 March 2006	55,750,019	-	(53,662,188)	-	2,087,831	81	2,087,912

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2006

(In Singapore dollars)

	2006 \$	2005 \$
Cash flows from operating activities :		
Loss before taxation	(22,816,782)	(9,017,562)
Adjustments :		
Impairment in value of other equity investment	10,498,480	1,234,000
Amortisation of intangible assets	3,976,798	4,252,232
Impairment loss of development expenditure	-	167,775
Depreciation of property, plant and equipment	182,853	353,913
Trade receivables written off	1,624,767	-
Allowance for doubtful debts	1,126,633	2,043,255
Allowance for stock obsolescence	1,335,851	402,729
Interest expense	428,890	307,717
Interest income	(34,437)	(25,853)
Share of results in associated company	-	(693,000)
Impairment in value of goodwill	7,481,616	-
Loss/(gain) on disposal of property, plant and equipment	2,245	(5,307)
Loss on disposal of computer software	10,678	-
Write off of intangible assets	128,592	-
Non cash consideration received	(11,000,000)	(2,200,000)
Loss on divestment in associated company	-	1,294,771
Loss on disposal of other equity investment	796,035	-
Operating loss before reinvestment in working capital	(6,257,781)	(1,885,330)
Decrease/(increase) in inventories	598,489	(89,642)
Decrease/(Increase) in work-in-progress	1,308,830	(1,492,036)
Decrease/(increase) in receivables	196,592	(1,391,975)
Increase in payables	2,770,387	1,274,340
Decrease in amount due from associated company	-	161,309
Cash applied in operations	(1,383,483)	(3,423,334)
Interest paid	(428,890)	(307,717)
Interest received	34,437	25,853
Development expenditure (net of depreciation and amortisation of computer software capitalised)	(1,297,084)	(2,919,163)
Net cash used in operating activities	(3,075,020)	(6,624,361)
Cash flows from investing activities :		
Purchase of plant and equipment	(51,584)	(290,321)
Purchase of computer software	(337,219)	(147,067)
Proceeds from disposal of plant and equipment	7,700	20,640
Proceeds from disposal of computer software	1,291	-
Acquisition of subsidiary company, net of cash acquired	-	84
Acquisition of shares in associated company	-	(1)
Proceeds from disposal of other equity investment	1,530,000	1,100,000
Net cash generated from investing activities	1,150,188	683,335
Cash flows from financing activities :		
(Repayment to)/proceeds from financial institution	(1,587,500)	1,587,500
Proceeds from issue of shares, net of expenses	3,495,610	3,575,318
Proceeds from trust receipts	-	(726,758)
Net cash provided by financing activities	1,908,110	4,436,060
Net decrease in cash and cash equivalents	(16,722)	(1,504,966)
Cash and cash equivalents at beginning of financial year	(87,081)	1,417,885
Cash and cash equivalents at end of financial year (note 25)	(103,803)	(87,081)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2006

1. Corporation information

The financial statements of Addvalue Technologies Ltd and its subsidiary companies for the financial year ended 31 March 2006 were authorised for issue in accordance with a resolution of the Directors on 28 June 2006.

The Company is a public limited liability company incorporated in Singapore.

The registered address of the Company is located at 750D Chai Chee Road, #03-03 Technopark @ Chai Chee, Singapore 469004. Subsequent to the balance sheet date, the Company change its registered office and principal place of business to 190 Changi Road, #02-02, Singapore 419974.

The principal activity of the Company during the financial year is that of investment holding company. The activities of the subsidiary companies are set out in Note 11 to the financial statements.

There have been no significant changes in the nature of the Group's activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars (SGD or \$).

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of FRS 39 - Financial Instrument: Recognition and Measurement

On 1 April 2005, the Group and the Company adopted FRS 39 which is mandatory for annual financial periods, beginning on or after 1 January 2005.

At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method.

The adoption of FRS 39 did not result in any significant impact to the Group and the Company.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(b) Adoption of other new and revised FRS

In addition, the Group and the Company adopted all the new and revised standards mandatory for annual financial periods beginning on or after 1 April 2005, which did not result in any significant change in accounting policies.

(c) FRS and INT FRS not yet effective

The Group and the Company has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods stated below:

Beginning on or after 1 December 2005

- (i) INT FRS 106 – Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

This interpretation is not expected to be relevant to the activities of the Group.

Beginning on or after 1 January 2006

- (ii) FRS 19 (revised) – Employee Benefit

This standard is not expected to have any material impact on the financial statements in the period of initial application.

- (iii) FRS 106 – Exploration for and Evaluation of Mineral Resources

This standard does not apply to the activities of the Group.

- (iv) INT FRS 104 – Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Group expects that the adoption of this pronouncement will have no significant impact on the financial statements in the period of initial application.

- (v) INT FRS 105 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This interpretation is not expected to be relevant to the activities of the Group.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

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

- Impairment of goodwill and development expenditure

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the Group's goodwill as at 31 March 2006 was nil (2005 : \$7,481,616).

The Group also determines whether development expenditure is impaired at least on an annual basis. This requires an estimation of the probable future economic benefits that are expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group. The carrying value of the Group's development expenditure as at 31 March 2006 was \$1,950,277 (2005 : \$4,400,627).

- Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 10 years. The carrying amount of the Groups' property, plant and equipment at 31 March 2006 was \$378,481 (2005 : \$576,408). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

- Impairment of equity investments and financial assets

The Group follows the guidance of FRS 39 – Financial Instrument: Recognition and Measurement on determining when an equity investment or financial asset is other-than-temporarily impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost, and the financial health of and near term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- Capitalisation of development expenditure

The Group follows the guidance of FRS 38 – Intangible Assets in determining the amount and nature of development expenditure to be capitalised as development costs. This determination requires significant judgement. The Group assess, among other factors, if the product or process is technically feasible and if the Group has sufficient technical, financial and other resources to use or market the product or process. In addition, the Group also applies its judgement to assess the probability of expected future economic benefits, that are attributable to the use of these capitalised development expenditure, that will flow to the Group. Expenditure capitalised includes cost of materials, labour and an appropriate portion of overheads.

2.4 Basis of consolidation

(i) *Subsidiary companies*

Subsidiary companies are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

(ii) *Associated company*

An associated company is defined as a company, not being a subsidiary company in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in associated company are recorded at cost and adjusted to recognise the Group's share of the net assets of the associated company at the date of acquisition.

The Group's share of the results of associated company is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of associated company is included in the investments in the consolidated balance sheet.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

(iii) Transactions eliminated on consolidation

All significant intra-group transactions and balances are eliminated on consolidation.

2.5 Subsidiary companies

Investments in subsidiary companies are stated in the Company's separate financial statements at cost less impairment losses.

2.6 Associated company

Investments in associated company are stated in the Company's separate financial statements at cost less impairment losses.

2.7 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value of the grant is recorded as a reduction to the cost of the asset.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

At each balance sheet date, all assets are reviewed to assess whether they are recorded in excess of their recoverable amount, and if carrying values exceed this recoverable amount, assets are written down to the recoverable amount.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.9 Depreciation

Depreciation is calculated on a straight-line method to write-off the cost of the property, plant and equipment over their useful lives :

Laboratory equipment	-	5 years
Furniture, fittings and office equipment	-	10 years
Computers	-	5 years
Toolings	-	3 years
Renovations	-	4 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

2.10 Intangible assets

(i) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

(ii) Research costs and development expenditure

Research costs are charged as an expense in the profit and loss account in the year in which they are incurred. Development costs which relate to a definable product or process that is demonstrated to be technically feasible, and for which the Group has sufficient technical, financial and other resources to use or market, are recognised as assets to the extent that such costs are recoverable from related probable future economic benefits. The expenditure capitalised includes cost of materials, labour and an appropriate portion of overheads.

Such development expenditure are being amortised on a product-by-product basis over the estimated useful life from the commencement of production or the ratio that current gross revenues bears to total estimated probable gross revenues, whichever is the greater.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. Upon completion, the development costs is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(iii) Patents

Costs relating to acquisition of patents are capitalised and amortised on a straight-line basis over the estimated useful life of 7 years.

(iv) Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over the estimated useful life of 5 years.

For development expenditure, patents and computer software at each balance sheet date, the Group assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made, if required.

2.11 Equity investments

Equity investments are classified as available-for-sale financial assets. The accounting policies for the aforementioned categories of financial assets are stated in Note 2.13.

2.12 Loans receivable

Loans receivable is classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off as incurred. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14 below.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.13 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group has the following classes of financial asset and the related policy is as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.14 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Work-in-progress

Work-in-progress is stated at cost plus an appropriate proportion of attributable profit less progress billings and allowance for foreseeable losses. Cost includes direct materials, direct labour and an appropriate proportion of overheads.

2.17 Trade and other receivables

Trade and other receivables, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off as incurred. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14.

2.18 Trade and other payables

Liabilities for trade and other amounts payable which are normally settled within the given credit terms, are recognised at fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.20 Loans and borrowings

All loans and borrowings are initially recognised at the fair value of consideration received. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are recognised as expense in the period in which they are incurred.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, fixed deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents are carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

2.22 Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.22 *Deferred taxation (cont'd)*

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.23 *Derecognition of financial assets and liabilities*

(a) *Financial assets*

A financial asset is derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

(i) *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer which generally coincides with delivery and acceptance of the goods sold. Revenue excludes goods and services or other sales taxes and is stated net of any trade discount.

(ii) *Design services*

Revenue from contracts for services and development of systems and hardware is recognised using the percentage of completion method when the outcome of the contract can be estimated reliably. The percentage of completion is determined by the proportion that costs incurred for work performed to date bears to estimated total contract costs or, services performed to date as a percentage of total services to be rendered, depending on the nature of the transaction. Losses, if any, are recognised immediately when their existence is foreseen. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) *Licensing and consultancy services*

The Group enters into agreements with customers to licence products or technologies and to provide consulting services relating to the technology. The Group reviewed its arrangements to determine if the multiple elements of services provided can be divided into separate units of accounting and how the arrangement consideration should be recognised. When an arrangement can be divided into separate units, the fair value of the arrangement consideration is determined for the varying units and recognised over the respective performance period. When the fair value of the arrangement consideration cannot be determined for the separate units, the total arrangement consideration is allocated on a straight-line basis over the consulting period which is typically the last element of the services to be performed in such arrangement.

Previously income from licensing and consultancy services is classified as other income. With the Group providing more of such services in the current year, income from licensing and consultancy services is classified as revenue as it better reflect the activities of the Group.

2.25 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.25 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.26 Foreign currencies

Functional currency

The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.26 Foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

2.27 Employees benefits

(i) *Defined contribution plan*

As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF is a defined contribution scheme. CPF contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

(iii) *Equity and equity-related compensation benefits*

The Addvalue Technologies Employees' Share Option Scheme allows the Group's employees to acquire shares of the Company. Prior to the adoption of FRS 102 – Share-based Payment, no compensation cost or obligation is recognised upon granting and exercise of the options. When options are exercised, the proceeds net of transaction costs are credited to share capital and share premium accordingly.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.27 Employees benefits (cont'd)

In the current year, the Group has adopted FRS 102 – Share-based Payment which is mandatory for annual financial period, beginning on or after 1 January 2005 and is applicable to options granted on or after 22 November 2002 and not yet vested at 1 April 2005. The Company's stock options were granted under the Addvalue Technologies Employees' Share Option Scheme on 1 August 2002 is thus not within the scope of FRS 102. Accordingly, these options are accounted for under the accounting policy stated above.

Share options granted under the Employees' Share Option Scheme on or after 22 November 2002 and not yet vested at 1 April 2005 will be accounted for in accordance to FRS 102. Accordingly the cost of these equity – settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. The cost of equity – settled transactions is recognized, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

2.28 Segment reporting

A segment is a distinguishable components of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

(i) Geographical segments

The business segments are managed on a worldwide basis, but operate in three principal geographical areas namely Europe, North America and Asia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Summary of significant accounting policies (cont'd)

2.28 Segment reporting (cont'd)

(ii) Business segments

The Group's business segments are as follows :

License and Consultancy

This segment involves the provision of licensees and consultancy services based on the Group library of proprietary technologies.

Design services

This segment is engaged in the provision of product design services and engineering solutions.

Sales

This segment is engaged in the sale of finished products and components designed by or embedded with proprietary technologies and other related products.

3. Revenue

Revenue represents the net invoiced value of sales of finished products and components, revenue from design services and revenue from licence and consultancy services.

	Group	
	2006	2005
	\$	\$
Design services	391,366	5,174,378
Sale of finished products and components	1,252,077	10,692,612
Licence and consultancy services	11,128,074	2,200,000
	<u>12,771,517</u>	<u>18,066,990</u>

4. Other income

Other income consist of the following for the financial years ended 31 March :

	Group	
	2006	2005
	\$	\$
Interest income	34,437	25,853
Others	30,493	43,412
	<u>64,930</u>	<u>69,265</u>

Notes to the Financial Statements

for the year ended 31 March 2006

5. Exceptional items

Exceptional items comprise the following:

	Group	
	2006	2005
	\$	\$
Impairment in value of other equity investments (note 13)	10,498,480	1,234,000
Allowance for stock obsolescence	1,335,851	-
Allowance/(write back) for doubtful debts		
- trade receivable from third parties (note 14)	167,343	397,500
- amount due from associated company- trade (note 19)	(50,000)	1,728,142
- non-trade	1,009,290	-
Work in progress written off	157,269	-
Impairment in value of goodwill (note 10)	7,481,616	-
Loss on divestment of other equity investment	-	1,294,771
Loss on disposal of other equity investment (note 13)	796,035	-
	<hr/>	<hr/>
	21,395,884	4,654,413

6. Loss before taxation

Loss before taxation is stated after charging/(crediting) :

	Group	
	2006	2005
	\$	\$
Professional fees for non-audit services rendered by		
- auditors of the Company	39,380	93,000
- other auditors	-	3,000
Loss/(gain) on disposal of property, plant and equipment	2,245	(5,307)
Foreign exchange (gain)/loss (net)	(22,536)	86,378
Research and development expenses	482,680	399,645
Trade receivables written off	1,624,767	-
Service charges paid to a company in which a director has a substantial interest	20,493	19,174
	<hr/>	<hr/>

Notes to the Financial Statements

for the year ended 31 March 2006

7. Taxation

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 March was as follows :

	Group	
	2006 \$	2005 \$
Loss before taxation	(22,816,782)	(9,017,562)
Income tax benefit using the domestic corporation tax rate @ 20% (2005 : 20%)	(4,563,356)	(1,803,512)
Adjustments :		
Permanent differences	3,903,397	2,778,119
Utilisation of previously unrecognised tax losses and capital allowances	(520,950)	-
Deferred tax asset not recognised	1,180,909	208,812
Deferred tax asset not recognised previously	-	(1,183,419)
Tax charge/(credit)	-	-

As at 31 March 2006, the Group had unutilised tax losses amounting to approximately \$20,921,000 (2005 : \$19,097,000) and capital allowances of \$679,000 (2005 : \$2,313,000) available for carry forward and set-off against future taxable profits subject to the agreement of the Comptroller of Income Tax and compliance with the Income Tax Act.

Deferred tax assets are not recognised in the financial statements in view of the uncertainty of their recoverability.

8. Loss per ordinary share

	Group	
	2006 \$	2005 \$
<i>Basic and diluted loss per share</i>		
The basic and diluted loss per share is based on :		
(i) Net loss for the year	(22,816,782)	(9,017,562)
	2006 Number	2005 Number
(ii) Weighted average number of shares in issue during the year	697,662,958	575,960,143

Basic and diluted loss per share is calculated based on the Group loss for the financial year attributable to shareholders of the Company divided by the weighted average number of shares in issue during the year.

In calculating the diluted loss per share, outstanding and exercisable share options as at 31 March 2005 were ignored as these are considered to be anti-dilutive potential ordinary shares.

Notes to the Financial Statements

for the year ended 31 March 2006

9. Property, plant and equipment

Group	Laboratory equipment \$	Furniture, fittings and office equipment \$	Computers \$	Toolings \$	Renovations \$	Total \$
Cost :						
At 1 April 2004	2,011,689	222,382	823,967	272,373	464,458	3,794,869
Additions	254,358	-	35,963	-	-	290,321
Disposals	(20,000)	-	-	-	-	(20,000)
At 31 March 2005 and 1 April 2005	2,246,047	222,382	859,930	272,373	464,458	4,065,190
Additions	39,469	-	12,115	-	-	51,584
Disposals	-	-	(15,899)	-	-	(15,899)
At 31 March 2006	2,285,516	222,382	856,146	272,373	464,458	4,100,875
Accumulated depreciation :						
At 1 April 2004	1,654,276	104,550	600,497	272,373	416,688	3,048,384
Charge for 2005	259,026	21,203	117,456	-	47,380	445,065
Disposals	(4,667)	-	-	-	-	(4,667)
At 31 March 2005 and 1 April 2005	1,908,635	125,753	717,953	272,373	464,068	3,488,782
Charge for the year	140,658	21,203	77,315	-	390	239,566
Disposals	-	-	(5,954)	-	-	(5,954)
At 31 March 2006	2,049,293	146,956	789,314	272,373	464,458	3,722,394
Net book value :						
At 31 March 2005	337,412	96,629	141,977	-	390	576,408
At 31 March 2006	236,223	75,426	66,832	-	-	378,481

	Group	
	2006 \$	2005 \$
Depreciation for the year	239,566	445,065
Amount of current year's depreciation transferred to work-in-progress and development expenditure	(56,713)	(91,152)
Depreciation charged to profit and loss account	182,853	353,913

Notes to the Financial Statements

for the year ended 31 March 2006

10. Intangible assets

Group	Develop- ment expenditure \$	Goodwill \$	Patents \$	Computer software \$	Total \$
Cost :					
At 1 April 2004	10,657,296	1,952,235	235,700	1,111,752	13,956,983
Additions	3,049,455	7,481,616	-	147,067	10,678,138
Adoption of FRS 103	-	(1,952,235)	-	-	(1,952,235)
At 31 March 2005 and 1 April 2005	13,706,751	7,481,616	235,700	1,258,819	22,682,886
Additions	1,361,996	-	-	337,219	1,699,215
Disposal	-	-	-	(15,632)	(15,632)
Written off	-	-	(180,000)	-	(180,000)
At 31 March 2006	15,068,747	7,481,616	55,700	1,580,406	24,186,469
Accumulated amortisation and impairment loss :					
At 1 April 2004	5,058,140	1,952,235	-	688,485	7,698,860
Charge for the year	4,080,209	-	33,661	177,502	4,291,372
Written off	167,775	-	-	-	167,775
Adoption of FRS 103	-	(1,952,235)	-	-	(1,952,235)
At 31 March 2005 and 1 April 2005	9,306,124	-	33,661	865,987	10,205,772
Charge for the year	3,812,346	-	33,661	171,846	4,017,853
Disposal	-	-	-	(3,663)	(3,663)
Written off	-	-	(51,408)	-	(51,408)
Impairment loss	-	7,481,616	-	-	7,481,616
At 31 March 2006	13,118,470	7,481,616	15,914	1,034,170	21,650,170
Net book value :					
At 31 March 2005	4,400,627	7,481,616	202,039	392,832	12,477,114
At 31 March 2006	1,950,277	-	39,786	546,236	2,536,299

Amortisation of computer software for the year amounting to \$41,055 (2005: \$39,140) has been capitalised in development expenditure and work-in-progress.

Development expenditure

The Group invests in development activities to build up its base of proprietary products, applications and processes. The development expenditure of \$1,950,277 (2005: \$4,400,627) represents the customised costs incurred in the development of customised ASIC chipsets for satellite communication application, tracking and telemetry solutions, DECT (Digital Enhanced Cordless Telecommunications) chipsets and other communication systems and application using wireless communication technologies. The carrying value of development expenditure is expected to be recovered from probable future economic benefits that are expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group.

Notes to the Financial Statements

for the year ended 31 March 2006

10. Intangible assets (cont'd)

Goodwill

Goodwill of \$7,481,616 recorded in 2005 arose from the acquisition of the 51% equity interest in Blue World Capital Ltd. Goodwill acquired through business combination is allocated to the Group's investment in Blue World Capital Ltd ("Blue World"), within the Asia geographical segment, for impairment testing purpose. The recoverable amount is determined based on the future estimated cash flow discounted to present value to determine the future economic benefit that will flow to Blue World through its financial and investment advisory services in the telecommunications, media and technology (TMT) sector.

Based on information currently available, the Group lacks visibility of future revenue and cash inflow from the investment in Blue World. Accordingly, the Group had estimated the recoverable amount of the goodwill to be nil.

Company	Patents \$
Cost :	
At 1 April 2004 and 1 April 2005	180,000
Written off	<u>(180,000)</u>
At 31 March 2006	<u>-</u>
Accumulated amortisation :	
At 1 April 2004	-
Charge for the year	<u>25,704</u>
At 31 March 2005 and 1 April 2005	25,704
Charge for the year	25,704
Written off	<u>(51,408)</u>
	<u>-</u>
Net book value :	
At 31 March 2005	<u>154,296</u>
At 31 March 2006	<u>-</u>

Notes to the Financial Statements

for the year ended 31 March 2006

11. Subsidiary companies

	Company	
	2006	2005
	\$	\$
Unquoted shares, at cost	54,411,967	49,058,734
Amounts owing by subsidiary companies (non-trade)	76,872	715,041
	<u>54,488,839</u>	<u>49,773,775</u>
Less : impairment losses		
- diminution in value of investment	(48,886,945)	(22,044,268)
- amount owing by subsidiary companies (non trade)	(76,872)	-
	<u>(48,963,817)</u>	<u>(22,044,268)</u>
	<u>5,525,022</u>	<u>27,729,507</u>
Analysis of impairment losses:		
Balance at beginning of year	22,044,268	-
Charge to profit and loss account	26,919,549	22,044,268
Balance at end of year	<u>48,963,817</u>	<u>22,044,268</u>

The amounts owing by the subsidiary companies are unsecured, interest-free and not expected to be repaid within the next 12 months.

Details of the subsidiary companies are as follows :

	Name of company (country of incorporation/place of business)	Principal activities	Cost of investment		Effective Group equity interest	
			2006	2005	2006	2005
			\$	\$	%	%
#	Addvalue Communi- cations Pte Ltd (Singapore)	Design, development and distribution of tele- communication equipment and related products	37,999,137	33,577,031	100	100
#	Addvalue Innovation Pte Ltd (Singapore)	Design, development and distribution of tele- communication equipment and related products	8,731,125	7,800,000	100	100
+	Inerworx Technologies Pte Ltd (Singapore)	Design, development and licencing of open source multi-platform technologies for online multi-player games and graphic simulations	1	1	1*	1*

Notes to the Financial Statements

for the year ended 31 March 2006

11. Subsidiary companies (cont'd)

Name of company (country of incorporation/place of business)	Principal activities	Cost of investment		Effective Group equity interest	
		2006 \$	2005 \$	2006 %	2005 %
^ Blue World Capital Ltd (previously known as "Double Rich Resources Limited") (British Virgin Island)	Provision for financial and investment advisory services in telecommunications, media and technology (TMT) sector	7,481,700	7,481,700	51	51
+ Addvalue (Asia) Holdings Pte Ltd (Singapore)	Investment holding company	2	2	100	100
@ Addvalue Technologies (Guangzhou) Limited (China)	Marketing of the Group's products and services and to provide technical support for the Group's existing and future contract in China	200,000	200,000	100	100
^ Wynfield Profits Limited (British Virgin Island)	Investment holding company	2	-	100	-
		<u>54,411,967</u>	<u>49,058,734</u>		

Audited by Ernst & Young, Singapore

* As the Group control 75% of its board seats, it is considered as a subsidiary company

^ Not required to be audited in country of incorporation

@ Audited by Guangzhou Jincheng Accountants Office Co Ltd, China

+ Audited by Richard Lim & Co

Inerworx Technologies Pte Ltd

The Company has granted an unsecured convertible loan of up to \$100,000 to one of its subsidiary companies, Inerworx Technologies Pte Ltd, to fund its working capital needs. The Company has the rights, at any time, to convert the convertible loan in whole into conversion shares which represent 99% of the enlarged share capital of the subsidiary company upon the conversion and which shall rank pari passu with the existing ordinary shares.

Incorporation of Wynfield Profits Limited

On 8 April 2005, the Company incorporate Wynfield Profits Limited ("Wynfield") as a wholly owned subsidiary in British Virgin Islands for a consideration of US\$1.00. The principal activities are those of an investment holding company.

Notes to the Financial Statements

for the year ended 31 March 2006

12. Associated company

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Unquoted shares, at cost	173	173	172	172
Analysis of impairment losses:				
Balance at beginning of year	-	2,042,359	-	-
Utilisation	-	(2,042,359)	-	-
Balance at end of year	-	-	-	-

Details of the associated company are as follows :

Name of company (country of incorporation)	Principal activities	Cost of investment		Effective Group equity interest	
		2006 \$	2005 \$	2006 %	2005 %
* Addvalue Communications, Inc. (United States of America)	Marketing and business promotion (United States of America)	173	173	23.42	23.42

* Not required to be audited by law in the country of incorporation.

13. Other equity investments

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Unquoted equity investments, at cost in:				
Asia Multi-Media Technology Services Holdings Limited	13,200,000	13,200,000	-	-
Other unquoted equity investments	3,679,337	6,074,105	1,875,721	1,875,721
Less : Impairment losses	(12,187,160)	(1,688,680)	(1,875,721)	-
	4,692,177	17,585,425	-	1,875,721
Analysis of impairment losses :				
Balance at beginning of year	1,688,680	454,680	-	-
Charge to profit and loss account (note 5)	10,498,480	1,234,000	1,875,721	-
Balance at end of year	12,187,160	1,688,680	1,875,721	-

The Group had disposed its equity stake in Value Creation Enterprises Limited ("VC") during the financial year, resulting in a loss on disposal of \$796,035 (see note 5).

Notes to the Financial Statements

for the year ended 31 March 2006

14. Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

	Group	
	2006 \$	2005 \$
Trade receivables is stated after deducting allowance for doubtful debts of	579,843	412,500
Analysis of allowance for doubtful debts :		
Balance at beginning of year	412,500	15,000
Charge to profit and loss account	167,343	397,500
Balance at end of year	579,843	412,500

As at 31 March, the following amounts are included in trade receivables, which are not denominated in the functional currency of the company and its respective subsidiary companies:

Denominated in :		
United States dollars	918,931	2,612,343
Euro	4,466	4,776

15. Long-term other receivable

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Advance payment	808,500	808,500	808,500	808,500
Loan to a related party	584,404	584,404	-	-
Less : Allowance for doubtful debts	(1,392,904)	(584,404)	(808,500)	-
	-	808,500	-	808,500
Analysis of allowance for doubtful debts :				
Balance at beginning of year	584,404	666,100	-	-
Charge/(write back) to profit and loss account	808,500	(81,696)	808,500	-
Balance at end of year	1,392,904	584,404	808,500	-

The advance payment relates to an amount paid in advance for the Group's planned expansion in the Asia Region. The amount is unsecured, interest-free and has no fixed terms of repayment. The amount is denominated in United States dollars.

The loan to a related party is non-trade, unsecured, interest-free and has no fixed terms of repayment.

Notes to the Financial Statements

for the year ended 31 March 2006

16. Inventories

	Group	
	2006 \$	2005 \$
Components	251,706	1,768,839
Finished goods	134,600	551,808
Total inventories at lower of cost and net realisable value	<u>386,306</u>	<u>2,320,647</u>
Inventories are stated after deducting allowance for stock obsolescence of	<u>1,765,826</u>	<u>783,906</u>
Analysis of allowance for stock obsolescence :		
Balance at beginning of year	783,906	381,177
Charge to profit and loss account	1,335,851	402,729
Utilisation	(353,931)	-
Balance at end of year	<u>1,765,826</u>	<u>783,906</u>

17. Work-in-progress

	Group	
	2006 \$	2005 \$
<i>Work-in-progress</i>		
Cost incurred	7,780,676	5,964,648
Attributable profit	<u>1,207,852</u>	<u>4,005,126</u>
	8,988,528	9,969,774
Less : Progress billing	<u>(6,767,755)</u>	<u>(5,920,141)</u>
Net amount due from customers	<u>2,220,773</u>	<u>4,049,633</u>
<i>Excess of progress billings over work-in-progress</i>		
Cost incurred	-	482,668
Attributable profit	-	<u>120,958</u>
	-	603,626
Less : Progress billing	<u>(81,500)</u>	<u>(1,238,012)</u>
Net amount due to customers	<u>(81,500)</u>	<u>(634,386)</u>

Notes to the Financial Statements

for the year ended 31 March 2006

18. Other receivables

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Deposits and prepayments	78,730	366,667	23,272	201,944
Loan receivable	-	200,790	-	-
Others	31,289	11,125	7,770	3,339
	<u>110,019</u>	<u>578,582</u>	<u>31,042</u>	<u>205,283</u>

Other receivables are stated after deducting allowance for doubtful debts of

	<u>209,953</u>	<u>149,275</u>	-	-
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Analysis of allowance for doubtful debts :

Balance at beginning of year	149,275	149,966	-	-
Charge to profit and loss account	200,790	-	-	-
Write back to profit and loss account	(140,112)	(691)	-	-
Balance at end of year	<u>209,953</u>	<u>149,275</u>	-	-

The non-trade loan receivable is unsecured, interest free and repayable within the next 12 months.

As at 31 March, the following amounts are included in other receivables, which are not denominated in the functional currency of the company and its respective subsidiary companies:

	Group	
	2006 \$	2005 \$
Denominated in :		
United States dollars	3,000	109,839
RMB	<u>4,201</u>	<u>7,114</u>

19. Amount due from associated company (trade)

The amount due from associated company is unsecured and interest free. This amount is stated after deducting allowance for doubtful debts amounting to \$1,678,144 (2005: \$1,728,144).

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Analysis of allowance for doubtful debts :				
Balance at beginning of year	1,728,144	313,159	-	-
(Write back)/Charge to profit and loss account (note 5)	(50,000)	1,728,142	-	-
Utilisation	-	(313,157)	-	-
Balance at end of year	<u>1,678,144</u>	<u>1,728,144</u>	-	-

Notes to the Financial Statements

for the year ended 31 March 2006

20. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

As at 31 March, the following amounts are included in trade payables, which are not denominated in the functional currency of the company and its respective subsidiary companies:

	Group	
	2006 \$	2005 \$
Denominated in :		
United States dollars	1,707,901	1,960,309
Euro	52,682	92,661

21. Other payables

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Advance billings and receipts	2,817,165	303,783	1,640,000	-
Accrued operating expenses :				
- Director fees	333,000	224,000	333,000	224,000
- Employee benefits	1,644,719	1,636,400	-	-
- others	190,150	1,239,614	385,000	842,153
Other payables	1,973,417	332,567	601,273	300,000
Unearned interest income	-	181,873	-	-
	<u>6,958,451</u>	<u>3,918,237</u>	<u>2,959,273</u>	<u>1,366,153</u>

As at 31 March, the following amounts are included in other payables, which are not denominated in the functional currency of the company and its respective subsidiary companies:

	Group	
	2006 \$	2005 \$
Denominated in :		
United States dollars	3,199,387	400,843
RMB	80,946	82,812

22. Deferred income

The deferred income of \$11,000,000 in 2005 relates to revenue from a technology licence cum consultancy agreement and is recognised as revenue in 2006.

Notes to the Financial Statements

for the year ended 31 March 2006

23. Loan from financial institution

	Group		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Loan 1	-	1,237,500	-	-
Loan 2	-	350,000	-	350,000
	-	1,587,500	-	350,000

Loan 1 is secured by the following:

- (a) a corporate guarantee from the Company;
- (b) pre-signed Equity Sell Notices, which would be exercised if the loan is not fully repaid by the maturity date; and
- (c) factoring of sales invoices raised to one of its customers.

Loan 1 was repaid during the financial year and carried effective interest rate of 4% (2005: 4%) per annum.

Loan 2 is secured by a legal charge over the number of shares in the capital of the Company owned by a director of the Company. Loan 2 was repaid during the financial year and carried effective interest rate of 12% (2005: 12%) per annum.

Standby Equity Distribution Agreement ("SEDA")

In the prior year, the Group entered into a \$10 million Standby Equity Distribution Agreement (the "Agreement") with Cornell Capital Partners Offshore LP ("Cornell") to obtain additional financing for its working capital purposes. The commitment period commenced on 10 November 2004, and shall expire on the earliest of:

- (i) the date on which Cornell shall have made payment of advances pursuant to the Agreement in the aggregate amount of \$10 million;
- (ii) the date this Agreement is terminated pursuant to the Agreement; and
- (iii) the date occurring 24 months after the commencement date of the Agreement.

Each advance can be drawn down and converted up to a maximum amount of \$400,000. At any point of time, Cornell shall not hold more than 4.99% of the Company's shares then in issue.

At any time, or from time to time, the Company can sell shares underwritten by Cornell at an amount, not to exceed the lesser of:

- (i) \$400,000 in each advance; and
- (ii) the unused amount under the Standby Equity Distribution Agreement.

The issue price may not be lower than

Notes to the Financial Statements

for the year ended 31 March 2006

- (i) 95% of the weighted average price for trades done on the SGX for the full market day preceding the Advance Notice Date (the date the purchaser receives request for a draw down) or
- (ii) the nominal value of the shares.

As at the date of this report, the Company has utilised \$900,000 (2005: \$850,000) of the facility.

24. Share capital

	Group and Company			
	2006 No. of shares	2006 \$	2005 No. of shares	2005 \$
Ordinary shares issued and fully- paid :				
Balance at beginning of year	670,073,962	16,751,849	534,993,616	13,374,840
Issued during the year	80,807,754	2,760,194	135,080,346	3,377,009
Transfer of share premium reserve to share capital	-	36,237,976	-	-
Balance at the end of the year	750,881,716	55,750,019	670,073,962	16,751,849

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and on that date, the shares of the company ceased to have a par value.

There are outstanding options to subscribe to the Company's shares granted under the Employee share Option Scheme disclosed under Note 26.

Issued and paid up capital :

During the financial year, the Company issued the following shares :

No. of shares	Description of shares	Purpose of issue
807,754	Ordinary shares of \$0.025 each at a price of \$0.0619 each for cash	Partial conversion of SEDA 3 of the 2-year standby equity line of up to S\$10 million by our company from Cornell Capital Partners Offshore, LP
40,000,000	Ordinary shares of \$0.025 each fully paid at average price of \$0.036 each for cash	Placement shares to raise additional working capital
10,000,000	Ordinary shares of \$0.025 each at a price of \$0.054 each for cash	Placement shares to raise additional working capital
10,000,000	Ordinary shares of \$0.025 each fully paid at a price of \$0.054 each for cash	Placement shares to raise additional working capital
20,000,000	Ordinary shares at average price of \$0.062 each for cash	Placement shares to raise additional working capital
80,807,754		

Notes to the Financial Statements

for the year ended 31 March 2006

25. Cash and cash equivalents

	Group		Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Fixed deposits pledged	2,070,736	2,014,580	2,000,000	2,014,581
Cash and bank balances	134,858	277,068	25,503	831
	<u>2,205,594</u>	<u>2,291,648</u>	<u>2,025,503</u>	<u>2,015,412</u>
Less : Bank overdraft, secured	(2,309,397)	(2,378,729)	(2,309,397)	(2,378,729)
	<u>(103,803)</u>	<u>(87,081)</u>	<u>(283,894)</u>	<u>(363,317)</u>

Fixed deposits and bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management. The fixed deposits earn interest ranging from 0.325% to 2.875% (FY 2005: 1.25%) per annum.

The fixed deposits are pledged to secure credit facilities, which include bank overdraft facility, for the Group. These credit facilities are also secured by a corporate guarantee issued by the Company. The bank overdraft bears interest at 7.75% (2005: 6.5%) per annum.

26. Employee's share option

The Addvalue Technologies Employees' Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 24 October 2001.

Information with respect to the total number of options granted under the Scheme is as follows :

	2006	2005
Outstanding at beginning of year	4,440,000	6,310,000
Cancelled	(1,490,000)	(1,670,000)
Exercised	-	(200,000)
Outstanding at end of year	<u>2,950,000</u>	<u>4,440,000</u>

The following table summarises information about options outstanding and exercisable as at 31 March 2006 to subscribe for ordinary shares of \$0.025 each in the Company :

Date of grant	Outstanding No. of options	Subscription price per share	Exercisable		No. of options
			Exercise period From	To	
1.8.2002	2,950,000	\$0.12	1.8.2003	31.7.2007	100,00
			1.8.2003	31.7.2012	2,850,000

Notes to the Financial Statements

for the year ended 31 March 2006

27. Employee benefits

	Group	
	2006 \$	2005 \$
Employee benefits expense (including Directors) :		
- Salaries, bonuses, and others	2,778,835	3,484,380
- Contribution to defined contribution plans	209,477	231,524
	<u>2,988,312</u>	<u>3,715,904</u>
Directors' fees	144,000	164,000
	<u>3,132,312</u>	<u>3,879,904</u>
Charged to the profit and loss account	1,716,111	2,295,716
Capitalised in development expenditure and work-in-progress	1,416,201	1,584,188
	<u>3,132,312</u>	<u>3,879,904</u>

28. Operating lease expenses

	Group	
	2006 \$	2005 \$
Operating lease expenses	<u>275,729</u>	<u>336,033</u>
Charged to profit and loss account	242,264	240,142
Capitalised in development expenditure and work-in-progress	33,465	95,891
	<u>275,729</u>	<u>336,033</u>

29. Related party transactions

An entity or individual is considered a related party of the group for the purposes of the financial statements if:

- (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the group or vice versa; or
- (ii) it is subject to common control or common significant influence.

Notes to the Financial Statements

for the year ended 31 March 2006

29. Related party transactions (cont'd)

Compensation of key management personnel

	Group	
	2006 \$	2005 \$
Salaries, bonus and others	823,708	907,217
Contributions to defined contribution plans	54,938	60,070
	878,646	967,287
Directors' Fees	144,000	164,000
Total compensation paid to key management personnel	1,022,646	1,131,287
Comprise amount paid to:		
Directors of the Company		
- Fees	144,000	164,000
- Remuneration and contribution to defined contribution plans	398,456	487,547
	542,456	651,547
Other key management personnel	480,190	479,740
	1,022,646	1,131,287

Number of Directors in remuneration bands:

	Group	
	2006 \$	2005 \$
Below \$250,000	6	7

30. Commitments

Operating lease commitments

The company has entered into operating lease for its office premises. These non-cancellable leases have remaining non-cancellable lease terms of between 2 to 3 years.

Future minimum lease payments receivable under non-cancellable operating lease as at 31 March 2006 are as follows :

	Group	
	2006 \$	2005 \$
Payable :		
- Not later than one year	258,029	496,051
- Later than one year but not later than five years	647,986	124,013
	906,015	620,064

Notes to the Financial Statements

for the year ended 31 March 2006

31. Contingent liabilities (unsecured)

	Group	
	2006	2005
	\$	\$
Corporate guarantee granted to a subsidiary company in respect of bank facilities	2,700,000	2,700,000

Continuing financial support

The Company has given a letter of financial support to Addvalue Communications Pte Ltd, a subsidiary, to enable it to operate as going concern and to meet their obligations for at least 12 months from the respective date of the directors' report of the subsidiary company.

32. Segment reporting – Group

Reporting format

The primary segment reporting format is determined to be geographical segments as the group's risks and rates of return are affected predominantly by geographical areas. Secondary information is reported by business segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Geographical segments

The group's geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Business segments

Congruent with the growth of the Group's library of Intellectual Property and the associated licensing income, licensing segment is now separated into a core business unit during the year. The Licensing/consultancy business segment involves the provision of licence and consultancy services based on the Group library of proprietary technologies.

The design service segment is driven by customers' specification. The Group will provide the expertise in the area of design solutions that incorporate its hardware and firmware. Customers are required to pay design fee for the services rendered and where possible, the customers shall purchase the complete product or sub-modules from the Group, thus providing the Group with a recurring business.

The sales segment is driven by the innovativeness and ingenuity from the Group's core engineering division to provide a strong competitive edge and to satisfy the foreseeable demand of the customers. In addition, the sales of complete products or sub-modules mentioned above form an integral part of this segment as well.

Allocation basis

Segment results, assets and liabilities include item directly attribute to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Notes to the Financial Statements

for the year ended 31 March 2006

32. Segment reporting – Group (cont'd)

	Europe \$	North America \$	Asia \$	Consolidated \$
(a) Geographical segments				
2006				
<i>Revenue and expenses</i>				
Total revenue from external customers	233,963	501,513	12,036,041	12,771,517
Segment results before amortisation	(2,256,499)	(182,594)	11,347,692	8,908,599
Amortisation	-	-	(3,976,798)	(3,976,798)
Segment results after Amortisation	(2,256,499)	(182,594)	7,370,894	4,931,801
Unallocated expenses				(5,988,739)
Other income				64,930
Interest expense				(428,890)
Exceptional item				(21,395,884)
Share of results of associated companies				-
Loss before taxation				(22,816,782)
Taxation				-
Net loss for the year				(22,816,782)
<i>Other information</i>				
Capital expenditure (including computer software)	-	-	388,803	388,803
Depreciation	-	-	182,853	182,853
Amortisation of computer software	-	-	130,791	130,791
2005				
<i>Revenue and expenses</i>				
Total revenue from external customers	10,311,900	2,466,692	5,288,398	18,066,990
Segment results before amortisation	2,570,135	803,415	2,840,321	6,213,871
Amortisation	-	-	(4,252,232)	(4,252,232)
Segment results after amortisation	2,570,135	803,415	(1,411,911)	1,961,639
Unallocated expenses				(6,779,336)
Other income				69,265
Interest expense				(307,717)
Exceptional item				(4,654,413)
Share of results of associated companies				693,000
Loss before taxation				(9,017,562)
Taxation				-
Net loss for the year				(9,017,562)

Notes to the Financial Statements

for the year ended 31 March 2006

32. Segment reporting – Group (cont'd)

	Europe \$	North America \$	Asia \$	Consolidated \$
<i>Other information</i>				
Capital expenditure (including computer software)	-	-	437,388	437,388
Depreciation	-	-	353,913	353,913
Amortisation of computer software	-	-	138,542	138,542
2006				
By location of customers				
- segment assets	2,271,942	5,171,021	6,119,555	13,562,518
- unallocated				173
Total assets				<u>13,562,691</u>
By location of assets				
- segment assets	50,841	5,042,677	8,469,000	13,562,518
- unallocated				173
Total assets				<u>13,562,691</u>
Segment liabilities	58,213	186,481	2,395,897	2,640,591
Unallocated				8,834,188
Total liabilities				<u>11,474,779</u>
2005				
By location of customers				
- segment assets	3,873,575	1,492,461	38,025,716	43,391,752
- unallocated				173
Total assets				<u>43,391,925</u>
By location of assets				
- segment assets	74,498	14,407,152	28,910,102	43,391,752
- unallocated				173
Total assets				<u>43,391,925</u>
Segment liabilities	70,834	11,565,490	4,705,381	16,341,705
Unallocated				5,641,136
Total liabilities				<u>21,982,841</u>

Notes to the Financial Statements

for the year ended 31 March 2006

32. Segment reporting – Group (cont'd)

(b) Business segments

	Licence and Consultancy \$	Design Services \$	Sales \$	Consolidated \$
2006				
Total revenue from external customers	11,128,074	391,366	1,252,077	12,771,517
Segment assets	-	2,226,774	3,949,473	6,176,247
Unallocated assets				7,386,444
Total assets				13,562,691
Capital expenditure	-	-	-	-
Unallocated capital expenditure				388,803
Total capital expenditure				388,803
2005				
Total revenue from external customers	2,200,000	5,174,378	10,692,612	18,066,990
Segment assets	-	3,657,058	9,069,847	12,726,905
Unallocated assets				30,665,020
Total assets				43,391,925
Capital expenditure	-	-	-	-
Unallocated capital expenditure				437,388
Total capital expenditure				437,388

Notes to the Financial Statements

for the year ended 31 March 2006

33. Financial instruments

The Group is exposed to credit, interest rate, foreign exchange and liquidity risks arising from its normal course of business.

Credit risk

Credit risk is the potential risk of financial loss from the failure of a customer or counterparty to settle their financial and contractual obligations to the Group, as and when they fall due. The management monitors exposure to credit risk on an ongoing basis and performs credit evaluations on customers requiring credit. The Group usually does not require collateral from its customers. Cash terms, advance payments and letters of credit are, however, required from customers considered to be of high credit risks.

At the balance sheet date, two debtors accounted for 63% and 17% (2005 : 37% and 31%), of total gross trade receivables. Except for the above, there are no significant concentrations of credit risk. The carrying amounts of trade and other receivables and cash at bank and on hand represent the Group's maximum exposure to credit risk.

Interest rate risk

The Group places surplus cash balance with reputable banks in fixed deposit accounts, which generate interest income for the Group. The Group manages its interest rate risk by placing deposits that mature within a short period of time.

The Group's exposure to interest rates risk also arose from its debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt and by spreading out the timing of interest rate fixing.

Foreign exchange risks

The Group incurs foreign exchange risks on revenue, purchases, trade receivables and trade payables denominated principally in United States dollars. The Group manages its foreign exchange risks by monitoring the timing of the inception and settlement of foreign currency transactions and ensuring the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Liquidity risks

Liquidity risk is the risk that the Group is unable to service its cash obligations in the future. To mitigate this risk, the management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and development activities.

Fair values

Fair value represents the amount at which an asset could be exchanged, or a liability settled, between the knowledgeable, willing parties in an arm's length transaction.

Methodologies

The methodologies and assumptions used in ascertaining the fair values depend on the terms and risk characteristics of the instruments and are briefly set out below :

Notes to the Financial Statements

for the year ended 31 March 2006

33. Financial instruments (cont'd)

Investments

It is not practicable to estimate the fair value of the Group's unquoted investments because of the lack of quoted market prices and the inability to estimate their fair values without incurring excessive costs. However, the Directors believe that the carrying amounts recorded at the balance sheet date reflect the recoverable amount.

Amounts owing by subsidiary companies

Amounts owing by subsidiary companies are unsecured and interest free with no fixed terms of repayment but not expected to be repaid within the next 12 months. The fair value of these balances cannot be practically determined as there are no fixed terms of repayment to ascertain the future cash flows reliably.

Non-current trade receivables

The carrying values of non-current trade receivables approximate their fair values as all future receipts have been discounted using an imputed rate of interest.

Long-term other receivable

The long-term other receivable of \$808,500 recorded in 2005 was expected to be converted to investments within the next 12 months. At that time, the Directors believed that the carrying amount recorded at the balance sheet date reflected the corresponding fair values. In the current year, with the change in strategic direction of the Group, an impairment loss has been recorded as described in note 15.

Other financial assets and liabilities

The carrying values of other financial assets and liabilities approximate their fair values. These include trade and other receivables, cash and deposits with banks and trade and other payables. These financial instruments either reprice to market rates in the short-term or are receivable or payable on demand.

34. Comparative figures

The following comparative figures have been reclassified to better reflect the nature of the Group's operations and to conform with current year's presentation :

	As previously reported 2005 \$	As restated 2005 \$
Group		
Profit and loss account		
Revenue	15,866,990	18,066,990
Other income	2,269,265	69,265

Corporate Governance Report

The Board of Directors (“Board”) of Addvalue Technologies Ltd. (“Company”) is committed to ensure that high standards of corporate governance and transparency are practiced for the protection of the interests of Shareholders. This statement outlines the Company’s corporate governance processes with specific reference to the Code of Corporate Governance (“Code”).

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company

The Board is responsible for protecting and enhancing long-term Shareholders’ value. It provides directions and guidance to the overall management of the Group. The Board comprises three Executive Directors and three Independent Directors. The experience and competency of each Director contributes to the overall effective management of the Group.

The primary role of the Board includes the following:

- Setting and approving policies and strategies of the Group
- Reviewing and approving the financial performance of the Group including its half year and full year financial results announcements
- Reviewing the adequacy of the Company’s internal controls and the financial information reporting system
- Monitoring the Board composition, Director selection and Board processes and performance
- Reviewing and approving remuneration packages of the Board members and key executives
- Reviewing business results, monitoring budgetary control and effecting corrective actions
- Authorizing and monitoring major transactions such as fund raising exercises and material acquisition

To facilitate effective management, certain roles have been delegated to various Board members by the establishment of an Audit Committee, Nominating Committee and Remuneration Committee. These committees function within clearly defined terms of reference which are reviewed on a regular basis. The effectiveness of each committee is also closely monitored.

Newly appointed Directors will be given an orientation program to familiarise themselves with our Company’s operation. Currently, all Directors are members of the Singapore Institute of Directors (“SID”) and keep themselves updated on relevant new laws and regulations through SID and other advisors.

The Board meets regularly, formally or otherwise, and as warranted by particular circumstances or as deemed appropriate by the Board members. Attendance via audio or audio-visual equipment is permitted under Article 110(4) of our Company’s Articles of Association.

Matters which requires the Board’s approval include the following:

- Review the performance of the Group
- Approval of the corporate strategy and direction of the Group
- Approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions
- Material acquisitions and disposals
- Corporate or financial restructuring
- Declaration of dividends and other returns to Shareholders
- Appointment of new Directors.

Corporate Governance Report

At the date of this Annual Report, excluding ad hoc informal meetings and discussions carried out via teleconferencing or emails, our Company convened five Board of Directors' meetings, five Audit Committee meetings, two Nominating Committee meetings and two Remuneration Committee meetings since the end of the last financial year ended 31 March 2005 to the date of this Annual Report.

The Directors' attendance at the above-mentioned meetings are detailed as follows:

Director	Board	Audit	Nominating	Remuneration
Dr. Colin Chan Kum Lok	5	5*	2*	2*
Tan Juay Hwa	5	5*	2*	2*
Tan Khai Pang	5	5*	2	2
Chay Kwong Soon	5	5	2	2
Lim Han Boon	5	5	2	2*
Tan Hock Chye Eric	5	5	2*	2

* Attendance by invitation

BOARD COMPOSITION AND BALANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six members, three of whom are independent and non-executive. Key information regarding the Directors and their appointments on various Board Committees is also contained herein. There are presently three Committees commissioned by the Board namely the Audit Committee, the Nominating Committee and the Remuneration Committee. All Committees are chaired by an independent Director, with majority of members being non-executive and independent.

The Board members, collectively, have a diverse spread of expertise covering business and management experience, industry knowledge, strategic planning skills, accounting and financial knowledge. Our Company is of the view that the Board, as a whole, provides core competencies necessary to meet our Company's requirements, taking into account the nature and scope of our Company's operations. In carrying out their obligations as Directors of our Company, access to independent professional advice, where necessary, is also available to all Directors, either individually or as a group, at the expense of our Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Since the incorporation of the Company, the Company has not adopted a dual leadership structure whereby there is a separate Chief Executive Officer and Chairman on the Board. The executive Directors are deeply involved in managing the daily operations of the Company and are expected to act in good faith and always in the interests of the Company. The working of the Board and the executive responsibility of the Company's business are interconnected. The Executive Directors, including the Chairman, who understand the business of the Company and the Group thoroughly, will provide better guidance to the decisions and workings of the Board.

In addition, there is constant communication between Board members and key decisions require approval from all Directors prior to implementation.

Corporate Governance Report

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors, except for the Managing Director, should be required to submit themselves for re-nomination and re-election at regular intervals.

The Nominating Committee was established in October 2002 and comprises the following members, two of whom are independent and non-executive:

Lim Han Boon (Chairman/ Independent and non-executive)
Chay Kwong Soon (Independent and non-executive)
Tan Khai Pang (Executive Director)

The role of the Nominating Committee is to make recommendations to the Board on all board appointments. The Committee is charged with the responsibility of re-nomination having regard to the Director's contribution and performance, including, if applicable, as an independent Director. The Nominating Committee is also charged with determining annually whether or not a Director is independent.

In addition, Article 104 of our Company's Articles of Association provides that except for the Managing Director, "at least one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation".

BOARD PERFORMANCE

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The Nominating Committee had established a formal evaluation process to assess the effectiveness of individual Directors and of the Board as a whole.

The overall assessment of individual Directors and of the Board as a whole was good for the financial year ended 31 March 2006, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance.

ACCESS TO INFORMATION

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Periodic financial summary reports, budgets, forecasts and other disclosure documents are provided to the Board, where appropriate, prior to Board meetings. The Board has separate and independent access to our Company Secretary and key executives.

Our Company Secretary is present at all formal Board meetings to respond to the queries of any Director and to assist in ensuring that board procedures and applicable rules and regulations are followed.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board has adopted a policy to seek independent professional advice.

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors. No director should be involved in deciding his own remuneration.

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

The Remuneration Committee was established in May 2000 and comprises the following members, two of whom are independent and non-executive:

Chay Kwong Soon (Chairman/ Independent and non-executive)
Tan Hock Chye Eric (Independent and non-executive)
Tan Khai Pang (Executive Director)

The role of the Remuneration Committee is to recommend to the Board a framework for remunerating the Board and key executives and to determine specific remuneration packages for each executive Director of our Company.

Our Company's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate employees and Directors.

The Remuneration Committee is in the process of establishing a performance-related remuneration scheme for the executive Directors. The Board has also recommended a fixed fee for non-executive Directors, taking into account the effort, time spent and responsibilities of each non-executive Director. The fees of non-executive Directors will be subject to shareholders' approval at the Annual General Meeting ("AGM").

In addition, the Remuneration Committee administers our Company's Addvalue Technologies Employees' Share Option Scheme (the "Scheme") which was approved and adopted by shareholders at an Extraordinary General Meeting held on 24 October 2001. Salient details of the Scheme are provided in the Directors' Report.

Principle 9: Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

Details of the remuneration paid or proposed to be paid to the Directors of our Company for the financial year ended 31 March 2006 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
\$500,000 and above	Nil			
\$250,000 to \$499,999	Nil			
Below \$250,000	Dr. Colin Chan Kum Lok	-	93	7
	Tan Juay Hwa	-	94	6
	Tan Khai Pang	-	95	5
	Chay Kwong Soon	100	-	-
	Lim Han Boon	100	-	-
	Tan Hock Chye Eric	100	-	-

* The fixed salary amounts include salary, annual wage supplements and Central Provident Fund contribution.

Corporate Governance Report

Details of the remuneration paid to the key senior executives (who are not also Directors) for the financial year ended 31 March 2006 are set out below:

Remuneration Bands	Name of executive	Designation (%)	Fixed Salary* (%)	Benefits (%)
\$500,000 and above	Nil			
\$250,000 to \$499,999	Nil			
Below \$250,000	Ho Ker Chern [^]	Financial Controller	100	-
	Yong Min Lee [#]	Human Resource & Administration Manager	100	-
	Lee Kim Hock	Human Resource & Administration Manager	100	-
	Dr. See Bao He	Senior Product Manager	100	-
	E.M.L Ekanayake	Senior Hardware Development Manager	100	-
	K Kalaivanan	Senior Software Protocols & Development Manager	100	-

* The fixed salary amounts include salary, annual wage supplements and Central Provident fund contribution.

[^] Ho Ker Chern had resigned on 26 August 2005. Fong Wei Seong joined the Group 21 April 2006 as the new Financial Controller.

[#] Yong Min Lee had resigned on 22 July 2005. Lee Kim Hock joined the Group 28 July 2005 as the new Human Resource & Administration Manager.

No employee of our Company and its subsidiaries was an immediate family member of a Director or the Chief Executive Officer during the financial year ended 31 March 2006.

The Addvalue Technologies Employees' Share Option Scheme

The salient details of the Scheme are explained in the Directors' Report. A summary of the grant of share options under the Scheme (the "Options") is provided below:

Date of grant	Options period	Subscription price S\$	Options Outstanding as at 01.04.05	Options lapsed/ exercised	Options Outstanding as at 31.3.06
01.08.2002	01.08.2002 to 31.07.2007	0.12	100,000	-	100,000
01.08.2002	01.08.2002 to 31.07.2012	0.12	4,340,000	(1,490,000)	2,850,000

During the financial year ended 31 March 2006, 1,490,000 Options were cancelled due to the resignation of employees.

Corporate Governance Report

Options granted to Directors

Director	Options Outstanding as at 01.04.05	Options lapsed /exercised	Options Outstanding as at 31.3.06
Tan Juan Hwa	950,000	-	950,000
Tan Khai Pang	950,000	-	950,000
Chay Kwong Soon	50,000	-	50,000
Tan Hock Chye Eric	50,000	-	50,000

Options granted to senior executives

Executive	Options Outstanding as at 01.04.05	Options lapsed /exercised	Options Outstanding as at 31.3.06
Ho Ker Chern	110,000	(110,000)	-
Yong Min Lee	300,000	(300,000)	-
E.M.L Ekanayake	200,000	-	200,000

Except as disclosed above, no other Directors and no other employees of the Group who participated in the Scheme have received five percent or more of the total number of Options available under the scheme.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board

The Board is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with the requirements of the SGX-ST Listing Manual. Price sensitive information is publicly announced before it is communicated to any other interested person.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee was established in May 2000 and comprises the following members, all of whom are independent and non-executive:

Tan Hock Chye Eric (Chairman)
Chay Kwong Soon
Lim Han Boon

The role of the Audit Committee is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The Audit Committee also reviewed the financial statements of the Group for the year ended 31 March 2006 as well as the auditors' report thereon and the half-yearly and annual results announcements before they are submitted to the Board for approval.

Corporate Governance Report

It also looked into the interested person transactions of our Group, and has the authority to carry out any matter within its terms of reference as it deems appropriate.

The financial statements, accounting policies and system of internal accounting controls are the responsibilities of the Board acting through the Audit Committee. In performing its functions set out in Section 201B(5) of the Companies Act, Cap 50, the Audit Committee reviewed the scope of work by the external auditors and the assistance given by our Group's officers to the auditors. It met periodically with the external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of our Group's system of internal accounting controls. The Audit Committee always has separate and independent access to the external auditors.

In accordance with the principles and best practices as set out in the Best Practices Guide issued by the SGX-ST, the Audit Committee is satisfied that it:

- has full access and cooperation from management as well as discretion to invite any Director, executive or otherwise, to attend its meeting;
- has been given reasonable resources to enable it to complete its functions properly; and
- has reviewed findings and evaluation of the system of internal controls with external auditors.

The Audit Committee, having reviewed the amount of non-audit services rendered to our Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, has recommended their re-nomination to the Board.

Internal Control

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board is responsible for ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board believes that in the absence of any evidence to the contrary, the system of internal controls that has been maintained by the Company's management throughout the financial year up to the date of this report is adequate to meet the needs of the Company in the current business environment.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material mis-statement or loss. During the year, the AC, on behalf of the Board, has reviewed the effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management. The processes used by the AC to review the effectiveness of the system of internal controls and risk management include:

- discussion with management on risks identified by management;
- the audit process;
- the review of external audit plan; and
- the review of significant issues arising from external audit.

Corporate Governance Report

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

From cost effectiveness perspective as well as the Board believes that the existing system of internal controls is adequate, the Group currently has no separate internal audit function. The Company's accounts department review the Group's internal controls risk management and compliance systems and report findings and makes recommendations to the management and Audit Committee.

To ensure adequacy of the internal audit function, the Audit Committee meets regularly to review this function. The Audit Committee is satisfied with the adequacy of the current audit function and will continue assess its effectiveness regularly.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications. The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. Financial results are released through SGXNET. A copy of the half-year or annual report, circulars pertaining to extraordinary general meetings and notice of general meetings are sent to every Shareholder.

At the general meetings, Shareholders are given the opportunities to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. To facilitate participation by the Shareholders, the Articles of Association of the Company allow the Shareholders to attend and vote at general meetings of the Company by proxies. The company ensures separate resolutions are proposed at general meetings on each distinct issue.

The external auditors, the chairpersons of all the Board Committees are present to assist the Directors in addressing any relevant queries raised by the Shareholders.

INTERESTED PERSON TRANSACTION

Our Group has adopted an internal policy in respect of the any transactions with interested persons and requires all such transactions to be at arm's length and reviewed by the Audit Committee. Our Group has no material interested party transactions as at the end of financial year ended 31 March 2006.

RISK MANGEMENT

The Board of Directors oversea the Group's financial risk management policies. Where there are significant risks in respect of the Group operations, appropriate risk management practices will be put in place to address these risks.

The details are outlined in Note 33 in the financial statements.

Corporate Governance Report

SECURITIES TRANSACTIONS

In line with the Best Practices Guide of the SGX-ST on dealing in securities, the Board has in place a policy on share dealings applicable to all Directors, officers and staff of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's annual or half-year results and ending on the date of the announcement of such results. Directors and Executive Officers are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and Executive officers are expected not to deal in the Company's securities on short-term considerations.

COMPLIANCE WITH EXISTING BEST PRACTICES GUIDES OF THE STOCK EXCHANGE

The Board confirms that for the financial year ended 31 March 2006, our Company has complied materially with the principal corporate governance recommendations set out in the Best Practices Guide issued by the Stock Exchange.

Corporate Governance Report

PROFILE OF DIRECTORS

Dr. Chan Kum Lok Colin is the founder, Chairman and Chief Executive Officer of the Group. He is a Chartered Engineer and has more than 15 years of experience in research and development in communications product design and manufacturing, marketing and management. Dr. Chan graduated with a Bachelor of Science Degree in Mechanical Engineering (First Class Honours) from the University of Strathclyde, UK, and was conferred a PhD in Mechanical Engineering from the same university in 1984. Currently, he is also one of the members in the "Action Community for Entrepreneurship (ACE) Committee" that was set up by the Minister of Trade and Industry in May 2003.

Tan Khai Pang is the Chief Technology Officer of the Group. He has more than 18 years of experience in product development and project management in the field of telecommunications. Mr Tan graduated from the University of Knoxville, US with a Bachelor of Science degree in Electrical Engineering (Highest Honours). He holds a Masters of Science Degree in Engineering (Telecommunications) from the University of California, Los Angeles Campus, US.

Tan Juay Hwa is the Executive Vice President of Operations of the Group. He has more than 15 years of experience in cordless and corded phone design, proprietary software technology development for communications products and product development management. Mr Tan holds a Diploma in Electronics from Ngee Ann Polytechnic and two graduate Diplomas in Marketing Management and Business Administration from the Singapore Institute of Management. He also holds a Master of Business Administration from the Open University, UK.

Chay Kwong Soon is an Independent and Non-executive Director of the Group. Mr Chay was a co-founder of Creative Technology Ltd. He is now the Chairman of Beyonics Technology Limited, a public listed company on the Main Board of the Singapore Exchange. Presently, Mr Chay is also a Director with the Economic Development Board of Singapore.

Lim Han Boon is an Independent and Non-executive Director of the Group. Mr Lim has more than 10 years of experience in investment banking and private equity financing services. He holds a Master of Business Administration (Finance) Degree from the City University, UK and a Bachelor of Accountancy Degree from the National University of Singapore. He is also a member of the Institute of Certified Public Accountants of Singapore.

Tan Hock Chye Eric is an Independent and Non-executive Director of the Group. Mr Tan is a founder Partner of Foo, Kon & Tan, Certified Public Accountants. His working experience spans mergers and acquisitions, accounting systems and procedures, corporate planning and restructuring, financial audits, company secretarial work, company flotations and liquidations and receiverships. He is a Fellow Member of CPA Australia, the Institute of Chartered Accountants in Australia and the Institute of Chartered Secretaries and Administrators. He has been a council member of the Institute of Certified Public Accountants of Singapore since 1975.

Corporate Governance Report

PROFILE OF KEY EXECUTIVES

Fong Wei Seong is the Financial Controller of the Group. Mr. Fong joined the Group in April 2006 and is responsible for all financial and corporate development aspects of the Group, including corporate accounting, internal controls, financial reporting and treasury functions. Before coming on board, Mr. Fong was a Financial Controller in a manufacturing company. Prior to that, he was an Audit Manager with Ernst & Young Singapore. Mr. Fong graduated with a Bachelor of Commerce majoring in Accounting and Finance from Curtin University, Australia, and is a member of CPA Australia.

Lee Kim Hock Michael is the Human Resource and Administration Manager of the Group. Mr. Lee joined the Group in July 2005 and is responsible for the Group's human resource functions as well as operational administrative matters. Prior to joining the Group, he has been the Human Resource and Administrative Manager of a manufacturing company. Mr. Lee has more than 10 years of experience in the area of staffing, compensation and benefits, training as well as human resource planning and development. He holds a Bachelor of Business Administration Degree from the National University of Singapore.

Ho Kwong Yue Sidney is the Business Development Vice President of the Group. Mr. Ho joined the Group in April 2006 and is responsible for the Group's business development especially in the Satellite Communication arena. Prior to joining the Group, he has been the Business Development Manager of various Satellite Technology Companies. Mr. Ho has more than 10 years of experience in the area of Satellite Communications, IP networking and video transcoding technology. He holds a Master of Science degree from Chinese University of Hong Kong and a Bachelor of Commerce Degree from Dalhousie University of Halifax, Nova Scotia, Canada.

Dr. See Bao He is the Senior Product Manager of the Group's Satcom Business unit. Dr. See joined the Group in 1997 and has vast experience in Product Development and Project Management, especially in the area of satellite receivers and transceivers. Dr. See holds a PhD in Engineering from Strathclyde University, Scotland, UK.

E.M.L. Ekanayake is the Senior Hardware Development Manager of the Group. Mr Ekanayake joined the Group in 1996 and has vast experience in analog and digital telephony-related product development and regulatory approval, with respect to cordless and speaker telephones, caller ID systems and DECT. He graduated from the University of Peradeniya (Sri Lanka) with a Bachelor of Science (Hons) Degree in Engineering.

K. Kalaivanan is the Senior Software Protocols & Development Manager of the Group specializing in Wireless and InfoComm Appliances. Mr Kalaivanan joined the Group in 1996 and has more than 15 years in telecommunications research and development. He specializes in data communications protocol implementation and project management, including transmission control protocol and internet protocol, file transfer protocol, DECT, bluetooth, UMTS, satellite communication protocols, proprietary modem network management protocol, proprietary wireless communications protocol and proprietary frequency hopping spread spectrum protocol. Mr Kalaivanan graduated from Annamalai University, India with a Bachelor of Engineering (Hons) Degree in Electronics and Instrumentation. He also holds two Masters Degrees, one in Master of Engineering (Hons) in Instrument Technology from Madras Institute of Technology, Anna University, India and another Master of Science in Communications Software Management, specialized in data communication and networking software, from the University of Essex, UK.

ANALYSIS OF SHAREHOLDINGS

Distribution of shareholdings as at 30 June 2006

Issued and fully paid up capital	:	\$55,750,018.44 (Inclusive of share premium)
Number & Class of share	:	750,881,716 Ordinary shares
Voting rights		
- On a show of hands	:	one vote per member
- On a poll	:	one vote per share

Number of holders of each class of equity security and voting rights attaching to each class on 30 June 2006:-

Class of shares	Voting Rights	No. of Holders
750,881,716 Ordinary shares	1 vote per share	5,666

Distribution of shareholdings and number of holders as at 30 June 2006.

Size of Holdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Shares
1 - 999	34	0.60	13,861	0.00
1,000 - 10,000	2,604	45.96	14,560,042	1.94
10,001 - 1,000,000	2,971	52.43	226,636,060	30.18
1,000,001 and above	57	1.01	509,671,753	67.88
Grand Total	5,666	100.00	750,881,716	100.00

As at 30 June 2006, the percentage of shareholdings held in the hands of the public was 75.62 % and Rule 723 of the Listing Manual is complied with.

20 largest registered shareholders as at 30 June 2006 as shown in the Register of Members.

No.	Name	Shareholdings	%
1	CIMB-GK Securities Pte. Ltd.	65,126,674	8.67
2	Estate of Chan Fong Chee Caroline	31,627,240	4.21
3	Mayban Nominees (S) Pte Ltd	27,530,000	3.67
4	Overseas Union Bank Nominees	26,000,000	3.46
5	Procyon Pte. Ltd.	25,000,000	3.33
6	Wong Wai Chuen Eric	25,000,000	3.33
7	United Overseas Bank Nominees	22,486,000	2.99
8	Tan Khai Pang	21,925,360	2.92
9	Kim Eng Securities Pte. Ltd.	20,891,000	2.78
10	SBS Nominees Pte Ltd	20,813,000	2.77
11	Leong Siew Loon	15,125,000	2.01
12	Raffles Nominees Pte Ltd	12,330,760	1.64
13	HSBC (Singapore) Noms Pte Ltd	12,306,000	1.64
14	Lim Han Boon	11,990,560	1.60
15	DBS Nominees Pte Ltd	11,726,000	1.56
16	Tan Khai Teng	10,920,000	1.45
17	Southern Nominees (S) Sdn Bhd	10,500,000	1.40
18	DBS Vickers Secs (S) Pte Ltd	9,583,833	1.28
19	Citibank Noms S'pore Pte Ltd	9,137,006	1.22
20	UOB Kay Hian Pte Ltd	8,736,000	1.16
	Total:	398,754,433	53.09

ANALYSIS OF SHAREHOLDINGS

Substantial Shareholder as at 30 June 2006

(as shown in the Company's Register of Substantial Shareholders)

Name of substantial shareholders	Shareholders registered in the name of the substantial shareholders	Shareholders hold by the substantial shareholders in the name of nominees	Shareholders in which the substantial shareholders are deemed to be interested	Total	Percentage of issued share
Chan Kum Lok Colin	51,960	54,600,000	-	54,651,960	7.28%
Tan Khai Pang	21,925,360	17,000,000	-	38,925,360	5.18%
Sum Media Investment Holdings Limited	-	38,554,389	-	38,554,389	5.13%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at 190 Changi Road #02-02 Singapore 419974, on Friday, 28 July 2006 at 10.00 a.m., to transact the following business:-

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2006 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To re-elect Mr Tan Juy Hwa, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 2)**
3. To re-elect Mr Chay Kwong Soon, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 3)**

Note:

Mr Chay Kwong Soon will upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as Chairman of the Remuneration Committee and a member of the Nominating Committee.

4. To approve the payment of Directors' Fees of S\$144,000.00 for the financial year ended 31 March 2006 (2005: S\$164,000.00). **(Resolution 4)**
5. To re-appoint Ernst & Young as Auditors of the Company and to authorise the Directors to re-negotiate and agree on their remuneration. **(Resolution 5)**
6. To transact any other business that may normally be transacted at an Annual General Meeting.

As Special Business

7. To consider, and if thought fit, to pass the following Ordinary Resolutions (with or without amendments): -
 - (a) "that, pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
 - (b) notwithstanding the authority conferred by the shareholders may have ceased to be in force, issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's issued share capital, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's issued share capital at the time this resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities, or
 - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and
 - (c) any subsequent consolidation or subdivision of the Company's shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 6)**
(See Explanatory Note 1)

8. To consider and, if thought fit, to pass the following Ordinary Resolution with or without amendment:

That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Addvalue Technologies Employees' Share Option Scheme ("the Scheme") and to allot and issue such shares as may be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company from time to time. **(Resolution 7)**
(See Explanatory Note 2)

By Order of the Board

Foo Soon Soo
Secretary

Singapore, 13 July 2006

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Depositor's name must appear on the Depository Register not less than 48 hours before the time of the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and any such proxy need not be a member of the Company.
3. The instrument appointing a proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting.

Explanatory Notes on Special Business to be transacted:

1. The Ordinary Resolution No. 6 in item 7 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the issued share capital of the Company for this purpose shall be the issued share capital at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
2. Resolution No. 7 in item 8 is to allow Directors to offer and grant options under the Addvalue Technologies Employees' Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the scheme up to an amount not exceeding 15 per cent of the issued share capital of the Company from time to time.

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PROXY FORM

TENTH ANNUAL GENERAL MEETING Addvalue Technologies Ltd

(Incorporated in the Republic of Singapore)
Registration No. 199603037H

IMPORTANT:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy Form is, therefore, not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____ (Address)

being a member/members of ADDVALUE TECHNOLOGIES LTD hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on Friday, 28 July 2006 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	For**	Against**
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2006 together with the reports of the Directors and the Auditors thereon.				
2.	To re-elect Mr Tan Juay Hwa, a Director retiring under Article 104 of the Articles of Association of the Company.				
3.	To re-elect Mr Chay Kwong Soon, a Director retiring under Article 104 of the Articles of Association of the Company.				
4.	To approve the payment of Directors' Fees of S\$144,000.00 for 2006.				
5.	To re-appoint Ernst & Young as Auditors and to authorise the Directors to re-negotiate and agree on their remuneration.				
	Special Business				
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.				
7.	To authorise Directors to offer and grant options and to issue shares in accordance with the provisions of the Addvalue Technologies Employees' Share Option Scheme.				

* Please indicate your vote "For" or "Against" with a "✓" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of ____ 2006.

Signature(s) of Member(s)/Common Seal

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

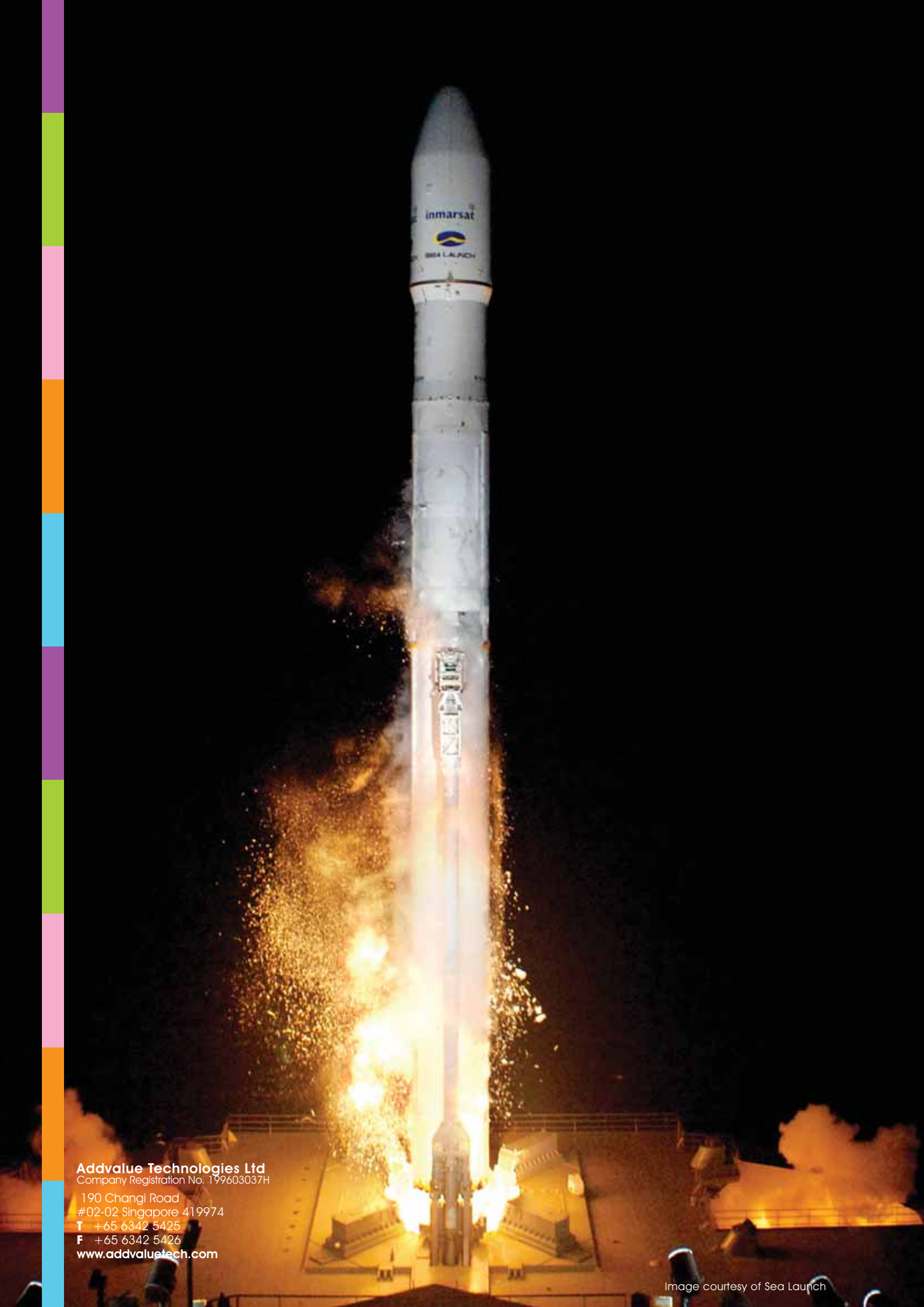
IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If the number of shares is not inserted, this proxy form will be deemed to relate to the entire number of ordinary shares in the Company registered in your name(s).
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding or the number of shares to be represented by each proxy. If no such proportion or number is specified, the first-named proxy may be treated as representing 100 per cent of the shareholding and any second-named proxy as alternate to the first-named.
4. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the Registered Office at 190 Changi Road #02-02 Singapore 419974, not later than 10.00 a.m. on 26 July 2006.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing; or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
7. Please indicate with a "✓" in the appropriate space how you wish your proxy to vote. If this proxy form is returned without any indication as to how your proxy shall vote, he will vote or abstain from voting as he thinks fit.

General

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or when the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



Addvalue Technologies Ltd
Company Registration No. 199603037H

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Image courtesy of Sea Launch