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liberating communications

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

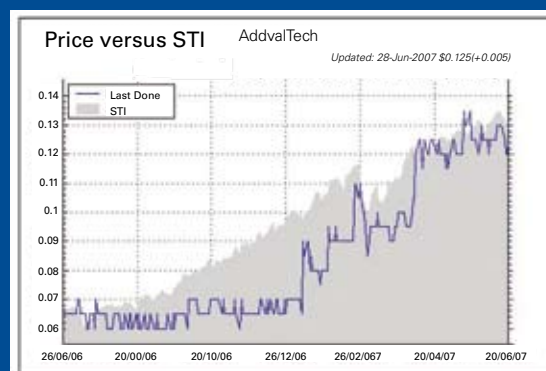
Founded in 1994, SGX-mainboard listed Addvalue Technologies Ltd is a leading one-stop digital, wireless and broadband communications technology products innovator, which provides comprehensive satellite communication solutions, tracking and telemetry communications solutions and digital wireless design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

Headquartered in Singapore, the Group employs about 70 people and serves a global market with customers in North America, Europe and Asia.

Basic Share Data

Trade symbol: SGX Mainboard (ADDVALTECH)
Bloomberg (ADDV SP)
Reuters (AVAU.SI)

Share price as at 28 June 07:	\$0.125
52 weeks price range:	\$0.055-\$0.135
Volume traded (3 Jan – 28 Jun):	792million
Issued shares:	786.9 million shares
Market Cap as at 28 June 07:	\$98.4 million
Reporting Periods:	Mar (F) Sep (H)



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Chairman's Message



"This year we have achieved a modest profit. As a company, we have turned a critical corner in our history but there is still much work ahead of us."

Dear Shareholders

I am happy to report that the transition program that we started in mid-2005 to change the Group's business focus has begun to bear fruit in financial year ended 31 March 2007 ("FY2007").

We are now primarily a mobile and wireless communications solutions company, which focuses on satellite communications, tracking and telemetry and digital wireless design services. We have a strategic partnership with Telenor Satellite Services AS ("Telenor") of Norway and GMPCS Personal Communications Inc ("GMPCS"), a wholly owned subsidiary of Telenor, and we have brought our Addvalue Sabre™ 1 satellite terminal to the market.

This year we have also achieved a modest profit. As a company, we have turned a critical corner in our history but there is still much work ahead of us. We are only beginning to see the potential of the new direction the Group has taken and in this letter, I hope to share with you our priorities and our plans to strengthen our earnings in the coming year and in the years ahead.

A turnaround towards profitability and growth

For FY2007, the Group's turnover may have been down 51.1% to S\$6.25 million. This was due to a decline in revenue from a non-cash one-off technology licensing income cum consultancy agreement relating to consumer electronics products technologies from S\$11.10 million in financial year ended 31 March 2006 ("FY2006") to S\$0.24 million this year. The decrease in this revenue segment was not unexpected, as licensing income tends to be one-off and non-recurring in nature.

What is more significant is that on a percentage basis, our FY2007 revenue mix now reflects the emphasis we want, which comprises of 73.8% from Satellite Communications, 19.8% from Tracking & Telemetry and Digital Wireless, 3.8% from Licensing Income and 2.6% from Sales of Consumer Products.

Through the year, we kept up strict cost controls and this resulted in our operating expenses falling sharply. We closed FY2007 with a profit attributable to shareholders of S\$0.30 million compared to a loss of S\$22.82 million a year earlier. In earnings per share terms, our EPS is now 0.04 cents (S\$) compared to a loss per share of 3.27 cents (S\$) a year earlier.

Securing a global market for Addvalue Sabre™ 1 Satellite Terminal

The Group is in a unique position as we are one of only three authorized suppliers in the world for portable Addvalue Sabre™ 1 satellite terminal that connects to the Inmarsat's Broadband Global Area Network ("BGAN"). This is our first product for the satellite communications industry and in FY2007 we will focus our effort on sales and marketing of our Addvalue Sabre™ 1 satellite terminal on stream.

In the first 3 months of 2007, we shipped about S\$1.12 million worth of our Addvalue Sabre™ 1 satellite terminal to our customers. For the next financial year ending 31 March 2008, the Group is expecting to register for the first time, the full 12 months sales of our Addvalue Sabre™ 1 satellite terminal and will provide us with a good indication on how we fair in executing our plan and the potential of the BGAN business for the Group. It is also a good gauge on the progress that we will make through the business collaboration with Telenor and Singapore Telecommunications Ltd ("SingTel") in promoting our Addvalue Sabre™ 1 satellite terminal.

While demand for Addvalue Sabre™ 1 terminal is expected to ramp up fast, we aim to scale up our production capacity at a disciplined pace keeping a tight focus on quality control. We are also improving the efficiency of our parts and components supply to be responsive to customer demand in the coming months.

To increase our sales volume, we are actively negotiating with potential distributors in Africa, China, India and the Middle East. At present, we have signed up distributors for our product in USA with GMPCS, Satlink International Ltd in Europe and SingTel in Asia. SingTel is currently promoting our Addvalue Sabre™ 1 satellite terminal under the Business Continuity Plan communication package while GMPCS is selling our Addvalue Sabre™ 1 satellite terminal as the most cost effective satellite terminal with a range of accessories.



A special promotional offer for
Business Continuity Planning from SingTel
BGAN Triple-9 Package



BUY NOW!

Connecting you the
World....

Addvalue's Sabre™ 1 is the lowest
priced BGAN terminal providing
excellent value for your money.

BGAN use set to rise

The Inmarsat I-4 satellite system delivers the world's first mobile broadband via satellite and the demand for BGAN solutions and equipment is set to rise with the growing need for telecommunications reach into remote and rural areas to allow portable computing and the transfer of data-intensive content globally at increasing speeds.

At this time, there are more than 10,000 registered Inmarsat BGAN subscribers worldwide and the momentum for BGAN take up rate has been encouraging especially in the recent months. While estimates vary, it is not impossible for the global BGAN terminal population to reach over 50,000 units by 2008.

Telenor, our strategic partner, currently has the customers base that account for about 23% of Inmarsat airtime revenue. Through the collaboration agreements with Telenor and SingTel for the promotion of our Addvalue Sabre™ 1 satellite terminal, our product has the potential to reach out to a significant portion of the Inmarsat BGAN market.



Our priorities for growth

We see FY2008 as a year where we have to work hard to execute our plans and deliver sustainable earnings.

With the successful commercial launch of our Addvalue Sabre™ 1 satellite terminal, we shall capitalise on the momentum and continue to establish ourselves in the global satellite communications industry. At present, our key priority is to build up multiple sources of revenue and profits. We have recently commercially launched our Wideye™ Bluetooth Handset that will give Addvalue Sabre™ 1 satellite terminal users a remote control and wireless operation capability. This shall boost the user experience of Addvalue Sabre™ 1 satellite terminal and provide further impetus for the sales of product. Leveraging on our proven development capability, we shall explore and exploit all commercial opportunities to expand our technical portfolio. This includes BGAN solutions for applications in maritime, land mobile, telemetry, remote surveillance etc. At the same time, we shall continue to forge alliance and strengthen our distributorship network for our Addvalue Sabre™ 1 satellite terminal. This network will also be the platform for our new products.

Moving forward, satellite communications will continue to dominate as the Group's growth driver. The Group remains cautiously optimistic about its business prospects and barring any unforeseen circumstances, our shareholders can look forward to continued profitability from the Group.

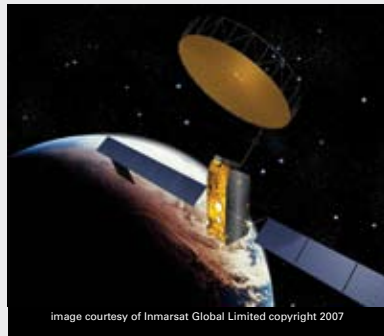
Acknowledgements

I am grateful to our shareholders, customers, business partners and suppliers for the support they have given and the confidence they have had in us. Thank you. Credit must also go to our management and staff – through the year, they have worked hard, made sacrifices and produced the results that you see.

Finally, I want to acknowledge the contribution from my fellow directors who share with me both the fulfillment and the responsibility of building Addvalue Technologies Ltd into an exciting and profitable company for all its shareholders.

Dr Colin Chan
Chairman & CEO

Our Business Segments



Satellite Communications

● Addvalue Sabre™ 1 Satellite Terminal

Addvalue Sabre™ 1 satellite terminal is the most cost effective BGAN satellite terminal on the market. It enables users to conduct simultaneous telephony and IP data communications.

It is easy to carry and simple to use. Its built-in user interface allows quick set-up and supports multiple data interfaces including Bluetooth, Ethernet and Analog Phone. BGAN, the mobile communications service, is offered via the Inmarsat-4 (1-4) satellite system, which covers eighty-five per cent of the world's total landmass.

Light, portable, cost-efficient and convenient to use, Sabre™ 1 BGAN satellite terminal is developed to meet the needs of users who demand high mobility and easy access even in remote locations where communications via traditional communications channels is 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.

● BGAN Core Module & Customised Solutions

BGAN Core Module (BCM) provides a platform for rapid application development and system integration with its proven and tested Inmarsat certified Addvalue BGAN hardware and firmware. Derived from Addvalue Sabre™ 1 satellite terminal, this BCM can facilitate the integration of BGAN technology into a broad array of new products. With the BCM, product developers can focus on their application rather than the development of BGAN technology. Use of the BCM will reduce time to market and result in a lower development cost.

● Other Satellite Communications Related Products & Services

The technical capability proven in the development of Addvalue Sabre™ 1 satellite terminal or the BCM has established Addvalue as a credible engineering house for other satellite communications terminal development opportunities. Riding on our satellite communications experience and track record, we will also provide satellite communication products design services for other satellite systems.

Tracking and Telemetry



Tracer Family of Products offers a wide range of the GPS-based tracking, telemetry and remote monitoring capabilities to suit customer's applications and requirements. Tracking continuity in the absence of GPS signal is also a feature that is included in the product range. While a basic version will satisfy a generic use for vehicle tracking and navigation, more sophisticated telemetry and surveillance functions have been successfully implemented with software customised to suit specific commercial, industrial applications in fleet management, dispatch services, insurance, environmental control and security. Combined with the BGAN technology, the tracking and telemetry capabilities of this product range shall stretch beyond the coverage of land-based mobile networks such as GSM/GPRS/3G or other terrestrial-based radio network.

Digital Wireless



A rich library of wireless enabling technologies has been built over the years in Addvalue. Such enabling technologies include DECT, Bluetooth and Addvalue proprietary communications protocols for unlicensed bands in 2.4GHz and 5.8GHz. Our strength lies in our ability to deliver unique digital wireless solutions to satisfy the needs of our customers. For instance, the Bluetooth technology has been used to design a Bluetooth handset to enhance users experience for Addvalue Sabre™ 1 satellite terminal. Hence, our digital wireless enabling technologies will not only add value to our products but also give us a unique advantage to provide design outsourcing services as well as cross-breeding opportunities with other business domains to ensure overall technology and business competitiveness.

Operations Review

Satellite Communications

● Addvalue Sabre™ 1 Satellite Terminal

Our Addvalue Sabre™ 1 satellite terminal has duly been developed and commercialised. In the first quarter of 2007, we delivered S\$1.12 million worth of Addvalue Sabre™ 1 satellite terminals to our customers.

We will intensify our marketing efforts to secure more supply contracts for our Addvalue Sabre™ 1 satellite terminal from our existing and other telecommunication customers. While distributors for Addvalue Sabre™ 1 satellite terminal have been appointed to cover USA, Europe and Asia, we are now in discussion with potential distributors to cover China, India, Africa and Middle East.

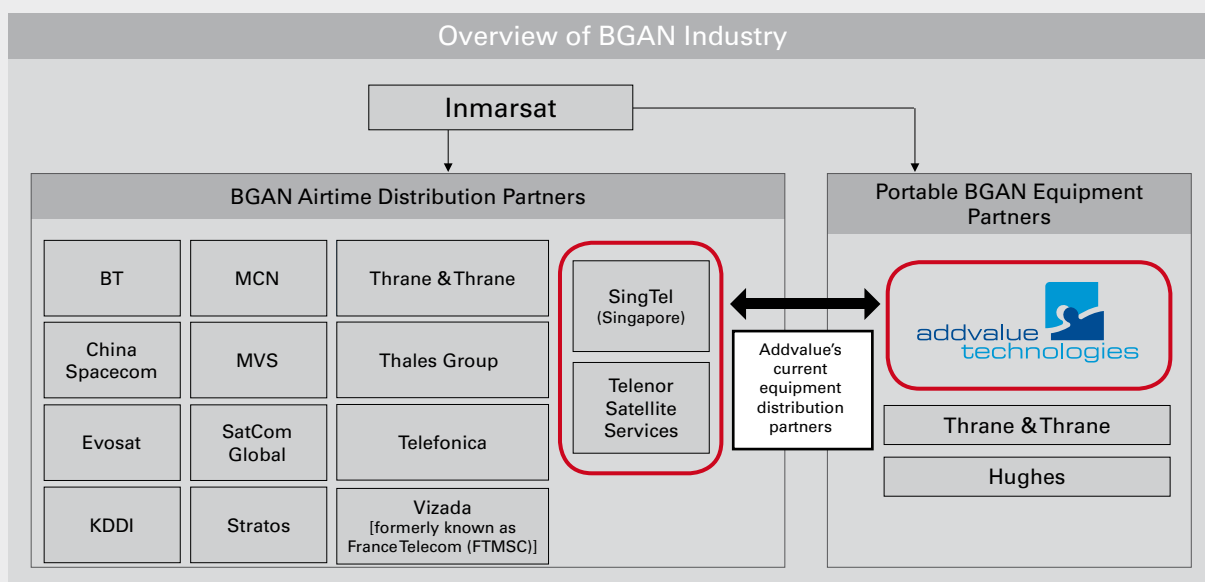
● BGAN Core Module & Customised Solutions

As we continue to make in-roads and gain prominence in the satellite industry, we stand in good stead to source for high margin design contracts from players in this arena. To this end, we are currently in discussion with a few parties to customise the BGAN for maritime and land mobile applications.

In addition, we have also developed a BGAN core module to target the niche market whereby a customised BGAN solution will be required. Being the engine of a BGAN satellite terminal, the core module serves as an easy development platform for customised solutions. We believe that the BGAN core module platform will provide us with a good foundation to secure recurring design income on BGAN related applications.

● Other Satellite Communications Related Products & Services

We will pursue the opportunity to develop any other satellite communications related products and services with interested parties in the satellite communications industry. We are currently exploring an opportunity to develop a handheld satellite phone for voice communications with low data rate.





Tracking and Telemetry

We have successfully customised and commercialised wireless location-based products and applications for automatic tracking and monitoring. With the fast growing demand in wireless telemetry and acceleration of the global design outsourcing trend, we are seeing increasing commercial opportunities in these segments. Our know-how in BGAN terminals shall expand our telemetry solutions to cover remote lands and offshore areas where a land-based communication network such as a GSM/GPRS network fails to reach. This includes opportunities such as offshore oil and gas, environmental protection and surveillance, hazardous materials surveillance and defense and homeland security.

Digital Wireless

With the completion of the Inmarsat BGAN design work, much of the engineering design resources have been freed up to take on new design projects. Although we expect most of the potential design work to be satellite communications or tracking and telemetry related, we will also explore digital wireless design services from other electronics communications industry.

Telecommunications Market Trend

Telecoms services and data market

- Revenue from mobile voice and data services projected to increase by US\$14 billion annually and to hit US\$201 billion in 2010 (*Gartner*)

Telecoms services and equipment market

- Overall telecommunications services and equipment market to grow by US\$66 billion annually till 2010 (*Gartner, Forecast: Global Telecommunications Market Take, March 2006, 3 April 2006*)

Mobile Satellite Terminals Market

- Mobile satellite terminals grew from 1,000 units in 1980 to over 1 million units in 2004 (*research consultant, Euroconsult*)
- Voice and data terminals grew at a cumulative annual growth rate of 36% from 1995 to 2004 (*research consultant, Euroconsult*)
- Mobile satellite terminals are expected to grow at a cumulative annual growth rate of 34% through 2010 (*Northern Sky Research*)

Financial Review

Financial Results

	FY2007 S\$'000	FY2006 S\$'000
Group Profit & Loss		
Revenue	6,248	12,772
Gross profit	3,127	8,909
Operating expenses	(4,355)	(9,966)
Profit/(Loss) from operations	682	(992)
Profit/(Loss) before tax	313	(22,817)
Profit/(Loss) after tax	301	(22,817)
Per Share Data (Cents)		
EPS	0.04	(3.27)

Overview

Notwithstanding a substantial decrease in the revenue from S\$12.77 million in FY2006 to S\$6.25 million in FY2007 as the Group transits to a focused and streamlined business model, the Group achieved a milestone turnaround in our operating results from a loss of S\$0.99 million in FY2006 to a profit of S\$0.68 million in FY2007, and in pre-tax results from a loss of S\$22.82 million in FY2006 to a profit of S\$0.31 million in FY2007.

Revenue

	FY2007 S\$'mil	%	FY2006 S\$'mil	%	Increase/ (Decrease) S\$'mil
Revenue relating to satellite communications	4.61	73.8%	0.33	2.6%	4.28
Revenue relating to navigation and tracking system and digital wireless solution	1.24	19.8%	0.07	0.5%	1.17
Licensing income relating to consumer products	0.24	3.8%	11.10	86.9%	(10.86)
Sales of consumer products	0.16	2.6%	1.27	10.0%	(1.11)
	6.25	100.0%	12.77	100.0%	(6.52)

For FY2006, about 86.9% of the total revenue was derived from licensing income, which in turn was mainly attributed to an one-off non-cash technology licensing cum consultancy agreement relating to consumer electronics products technologies. As licensing income tends to be one-off and non-recurring in nature, it accounts for only 3.8% of the total turnover in FY2007.

In contrast, following the Group's concerted efforts to focus on the satellite communication, tracking and telemetry and digital wireless solution projects and development services, revenue from these sources accounted for about 93.6% of it total turnover in FY2007 as compared to that



of 3.1% in FY2006. The revenue of S\$4.61 million generated from the satellite communications business comprises about S\$3.49 million in design fee and about S\$1.12 million in the supply of Addvalue Sabre™ 1 Satellite terminal.

The decrease in the sales of consumer products was in line with the Group's streamlined revenue model, following its decision to exit from marketing and distributing consumer products in end FY2006.

Profitability

The decrease in gross profit from S\$8.91 million in FY2006 to S\$3.13 million in FY2007 was attributed mainly to lower licensing income FY2007 as explained above. As the technology licensing income recognised in FY2006 had a very high profit margin (as the development costs for the technology had been fully amortized in the past), but non-cash, the Group's gross profit margin accordingly decreased from 69.8% to 50.1% over the two financial years under review. In line with our expectation, the Group achieved a healthy gross profit margin of 45.7% for revenues relating to satellite communications, tracking and telemetry and digital wireless solutions in FY2007.

The Group continued to maintain its stringent cost control policy implemented in FY2006 and through FY2007. These tight cost containment measures have significantly halved our operating expenses by 56.4% or S\$56.4 million from S\$10.0 million in FY2006 to S\$4.36 million in FY2007.

Financial Position and Cash Flows

	FY2007 S\$'000	FY2006 S\$'000
Group Balance Sheet		
Non-current assets	5,753	7,607
Current assets	11,672	5,956
Current liabilities	(13,048)	(11,475)
Net current liabilities	(1,376)	(5,519)
Net assets	4,377	2,088
Total equity	4,377	2,088
Group Cash Flow		
Operating profit/(loss) before reinvestment in working capital	6,276	(6,258)
Net cash used in operating activities	(436)	(3,075)
Net cash (used in)/generated from investing activities	(1,758)	1,150
Net cash generated from financing activities	3,598	1,908
Net increase/(decrease) in cash & cash equivalent	1,404	(17)
Cash & cash equivalent at beginning of the year	(103)	(87)
Cash & cash equivalent at end of the year	1,301	(104)
Per Share Data (Cents)		
Net asset backing per share	0.56	0.28

Net Asset

The Group's financial position was strengthened considerably in FY2007. In addition, the Group managed to improve its liquidity substantially by reducing its net current liabilities position by 75.1% or S\$4.14 million from S\$5.52 million in FY2006 to S\$1.38 million in FY2007. Accordingly, the Group's net asset position improved by 109.6% from S\$2.09 million as at 31 March 2006 to S\$4.38 million as at 31 March 2007.

Had Value Monetization Ltd ("VML") exercises its rights under the Convertible Loan Agreement as mentioned below to convert the convertible loan to ordinary shares (given the unrealised gain that VML is currently enjoys), the Group would have reversed the net current liabilities position of S\$1.38 million as at 31 March 2007 to a net current assets position of S\$56,200 and increased its net asset position to S\$5.81 million.

Cash Flow

The Group reversed its cash position from a negative balance of S\$0.10 million in FY2006 to a positive balance of S\$1.30 million in FY2007.

As the consideration for the technology licensing income recognised in FY2006 was in the form of non-cash equity, the Group recorded an operating profit before investment in working capital of S\$6.28 million in FY2007 compared to an operating loss before investment in working capital of S\$6.26 million in FY2006.

During the financial year under review, the Company raised S\$2.10 million and S\$1.47 million through private placements and convertible loan respectively for working capital purpose. The amount raised from the private placements had been substantially utilised for the intended purpose.

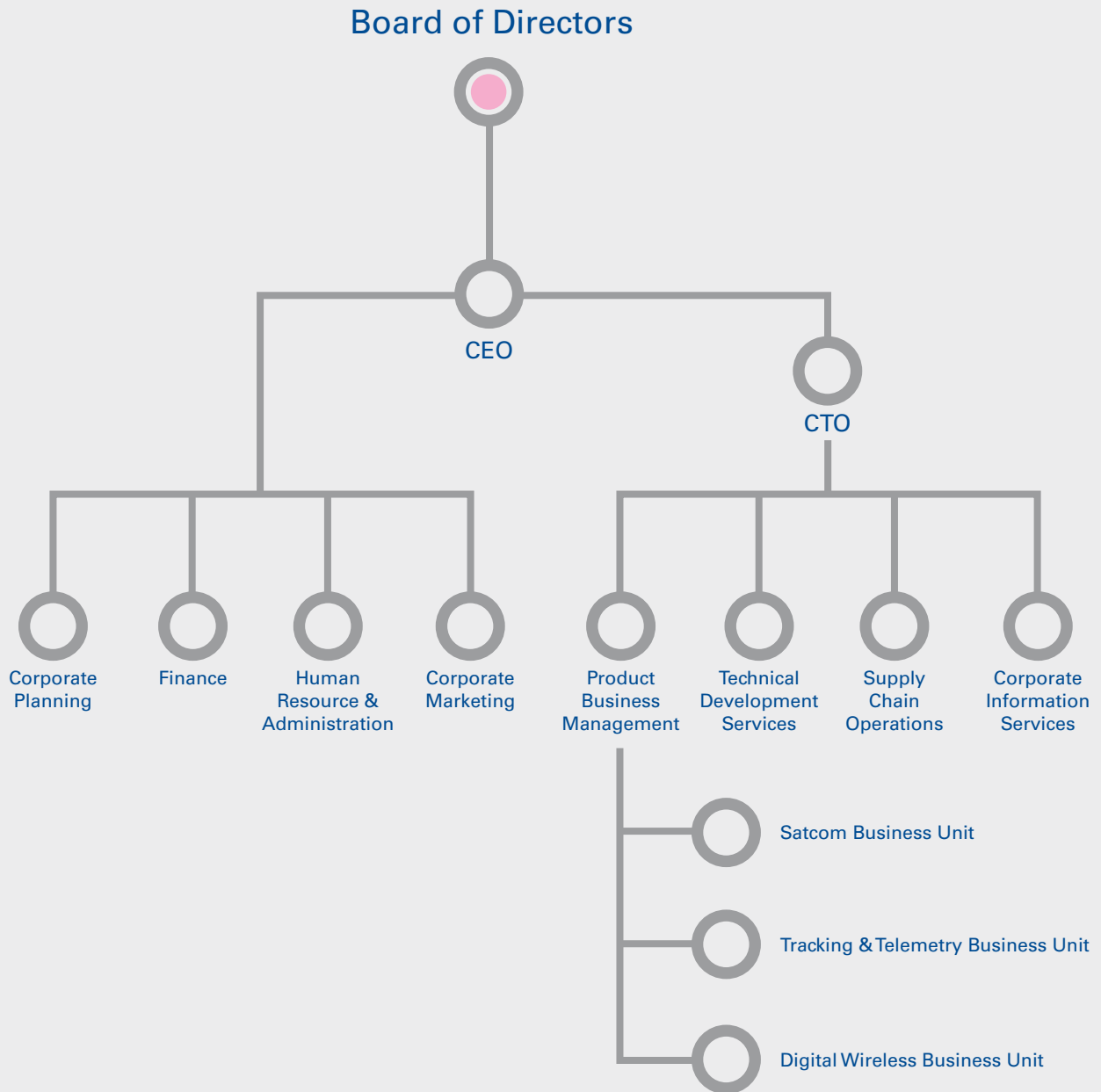


Outstanding Shares

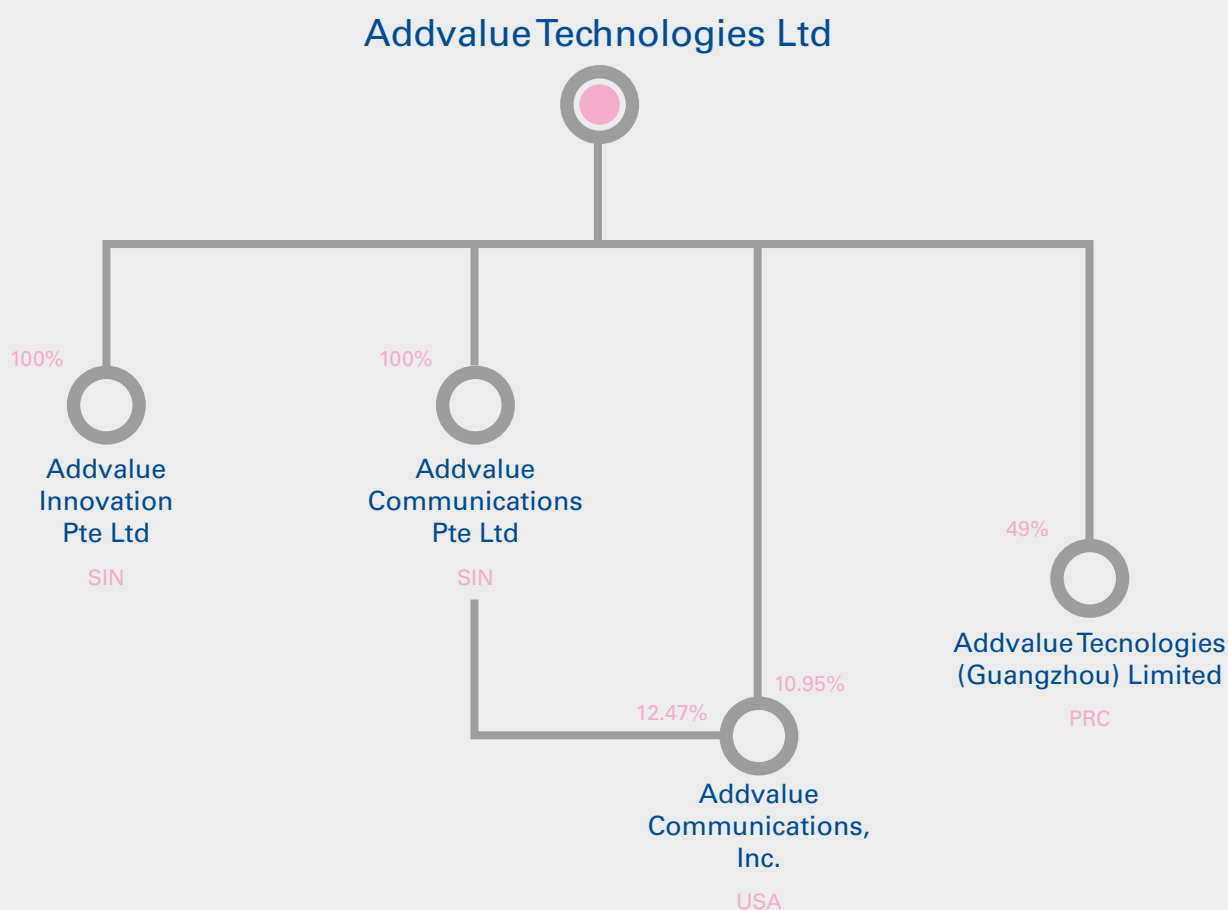
As at 31 March 2007, the Company has outstanding convertible loan and share options which, if exercised, may result in the issue of the following new ordinary shares of the Company:

- 21,000,000 (31 March 2006:Nil) new ordinary shares at a conversion price of S\$0.07 per share pursuant to the Convertible Loan Agreement dated 25 August 2006 (as amended by the Supplemental Agreement dated 6 September 2006), which will expires on 29 September 2007, entered into between the Company and Value Monetization Limited ("VML");
- 128,000,000 (31 March 2006:Nil) new ordinary shares at an exercise price equivalent to the weighted average trading price per share computed based on the preceding ten days' trading price from the date on which the options are exercised pursuant to the Strategic Partnership Agreement between Telenor, GMPCS and the Company, which will expires on 31 December 2008 or upon the prepayment security being fully utilised for the purchase of Addvalue Sabre™ 1 satellite terminals by GMPCS or upon the cash repayment by the Group at its sole discretion to Telenor, whichever is earlier;
- 2,420,000 new ordinary shares at an exercise price of S\$0.12 per share (31 March 2006: 2,950,000 new ordinary shares at an exercise price of S\$0.12) granted under the Addvalue Technologies Share Option Schemes approved in 24 October 2001.

Organisation Chart



Group Structure



- Addvalue (Asia) Holdings Pte Ltd – In the process of striking-off as announced on 13 March 2007
- Blue World Capital Limited and Wynfield Profits Limited – In the process of divestment pursuant to the Shareholders approval obtained at the EGM held on 20 March 2007



Board of Directors

DR CHAN KUM LOK, COLIN

(Chairman & Chief
Executive Officer)

Dr Chan, the key founder and chief executive officer of the Group, is responsible for the Group's overall management, operations and formulation of business strategies and policies. He has more than 20 years of experience in communications product design and manufacturing, business development and corporate management, out of which, about 8 years of experience is in the satellite communications industries. He was responsible in formulating the strategies to re-structure and transform the Group to focus on the satellite communications related business over the past few years. 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.

TAN KHAI PANG

(Chief Technology
Officer)

Mr Tan, a co-founder of the group, has more than 20 years of experience in product development and project management in the field of telecommunications. In the past 8 years, his work was primarily focused on satellite communications product development management and was the program director responsible for the development of the Sirius Satellite Digital Audio Receiver and the Inmarsat BGAN satellite terminal. Keeping himself abreast of the development trend in the satellite communications industries, he is also responsible for corporate technology planning and streamlining the operations from business development to product management. 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, MARTIN

(Executive Director)

Mr Tan, a co-founder of the group, has more than 20 years of experience in communications design, proprietary software technology development for communications products and product development management. In the past 5 years, his primary focus was on firmware development for satellite communications products including testing and manufacturing firmware for such products. He is the key engineer responsible for the software design and development, testing and manufacturing firmware developed for the Inmarsat BGAN satellite terminal project. Mr Tan holds a Diploma in Electronics and Graduate Diplomas in Marketing Management and Business Administration from the SIM University, Singapore. He also holds a Master of Business Administration from the Open University, UK.

LIM HAN BOON

(Independent Director)

Mr Lim was appointed to the Board on 4 October 1996 and serves as an independent non-executive director of the Company since listing. He is also the Chairman of our Audit and Nominating Committees. 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 a Fellow Member of the Institute of Certified Public Accountants of Singapore and a Full Member with the Singapore Institute of Directors.

ANG ENG LIM

(Independent Director)

Mr Ang was appointed to the Board on 13 October 2006 and serves as an independent non-executive director of the Company. He is also the Chairman of our Remuneration Committee. Mr Ang is a Certified Public Accountant of Singapore and a Fellow Member of the Association of Chartered Certified Accountants and the Insolvency Practitioners Association of Singapore Limited. He has more than 30 years of experience in areas relating to the provision of audit assurance, accounting, tax consultancy, corporate secretarial and general management services inclusive more than 25 years as a Practicing Accountant. Mr Ang is a partner of R Chan & Co, a firm of Certified Public Accountants, since 1980.

Key Management

Mr Fong joined the Group in April 2006 and is responsible for all financial and corporate development aspects of the Group, including financial planning and analysis, corporate finance and accounting, internal controls, financial reporting and treasury functions. Mr Fong also assists the CEO in investor relation work. His past experience includes working as a Financial Controller in a manufacturing company and as an Audit Manager with Ernst & Young Singapore. Mr Fong graduated with a B Commerce majoring in Accounting and Finance from Curtin University, Australia, and is a member of the Certified Practicing Accountants Australia.

FONG WEI SEONG
(Financial Controller)

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 B BA from the National University of Singapore.

LEE KIM HOCK, MICHAEL
(Human Resource & Administration Manager)

Mr Ho joined the Group in April 2006 and is responsible for the Group's business development and sales and marketing especially in the satellite communications arena. Prior to joining the Group, he was the Business Development Manager for Stratos Global and Regional Director, Asia Pacific, for ComStream Corporation. Mr Ho has more than 10 years of experience working in fixed and mobile satellite services operators and in leading satellite technology companies. He holds a M Sc from Chinese University of Hong Kong and a B Commerce from Dalhousie University of Halifax, Nova Scotia, Canada.

HO KWONGYUE, SIDNEY
(Vice President Global Sales and Marketing)

Mr Peng joined the Group in April 2006. He manages new business development in the satellite communication area especially in the BGAN Core Module. He has ten years of digital ASIC design experience specializing in 3D graphics and optical fibre SDH communication design. He is also the Baseband functional manager responsible for the ASIC development in the BGAN project. He has an MBA from the Nanyang Business School in the Nanyang Technological University and a B Eng in Electrical Engineering from the Iowa State University.

KEVIN PENG
(Strategic Development Manager)

Dr See joined the Group in 1997 and is specializing in embedded controller design, supervisory control and data acquisition (SCADA), and satellite-based communication. He has vast experience in product development and project management, especially in the area of satellite communications. In 2001, he leaded a team to complete the Design and Supply of Satellite Digital Audio Receiver project. Subsequently, over the last 5 years, Dr See managed the development of the Inmarsat BGAN project. Dr See holds a B Sc (First Class Hons) and PhD in Mechanical Engineering from Strathclyde University, Scotland, UK.

DR SEE BAO HE
(Senior Product Manager)

Mr Ekanayake joined the Group in 1996 and is specializing in electronics hardware design. He has more than 18 years experience in the areas of analog and digital telephony-related product development, hardware design for satellite communication products, and design and development of tracking, navigation and remote monitoring products using GPS, GPRS technologies. Mr Ekanayake graduated from the University of Peradeniya (Sri Lanka) with a B Sc (Hons) in Engineering and he holds a Graduate Diploma in Information Communication Technology from Nanyang Technological University.

E.M.L. EKANAYAKE
(Senior Hardware Design Manager)

Mr Kalaivanan joined the Group in 1996 and specializes in the area of wireless communications and networking protocols. He has more than 18 years of experience in product development and project management especially in wired and wireless communications products such as V.32bis modem, Network Management Systems, DECT, WDCT, Bluetooth, wireless protocol analyzers, SCADA, satellite communications products. He managed the software architecture and development for the Inmarsat BGAN project. Mr Kalaivanan graduated from Annamalai University, India with a B Eng (Hons) in Electronics and Instrumentation. He also holds a M Eng (Hons) in Instrument Technology from Madras Institute of Technology, Anna University, India and a M Sc in Communications Software Management, specialized in Data Communication and Networking Software, from the University of Essex, UK.

K. KALAIVANAN
(Senior Software Design Manager)

Corporate Information

Board of Directors

Dr Chan Kum Lok Colin
(Chairman & CEO)
Mr Tan Khai Pang
(Executive Director)
Mr Tan Juay Hwa
(Executive Director)
Mr Lim Han Boon
(Independent Non-Executive Director)
Mr Ang Eng Lim
(Independent Non-Executive Director)

Audit Committee

Mr Lim Han Boon *(Chairman)*
Mr Ang Eng Lim *(Member)*
Mr Tan Khai Pang *(Member)*

Nominating Committee

Mr Lim Han Boon *(Chairman)*
Mr Ang Eng Lim *(Member)*
Mr Tan Khai Pang *(Member)*

Remuneration Committee

Mr Ang Eng Lim *(Chairman)*
Mr Lim Han Boon *(Member)*
Mr Tan Khai Pang *(Member)*

Company Secretary

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Certified Public Accountants
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Suntec Tower One
Singapore 038987

Partner-in-charge: Alfred Cheong
Date of Appointment: 4 May 2007



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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"). In areas where the Company deviates from the Code, the rationale is provided.

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 two 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. 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.

Corporate Governance Report

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.

At the date of this Annual Report, excluding ad hoc informal meetings and discussions carried out via teleconferencing or emails, our Company convened four Remuneration Committee meetings, three Nominating Committee meetings, two Audit Committee meetings and two Board of Directors' meetings since the end of the last financial year ended 31 March 2007 to the date of this Annual Report.

Attendance at meeting since the end of the last financial year dated 31 March 2006 to date of this Annual Report.

Name of Director	Remuneration Committee 25/5/06 and 13/11/06	Nominating Committee 25/5/06, 5/10/06 and 30/1/07	Audit Committee 25/5/06 and 11/11/06	Directors' Meeting 25/5/06 and 11/11/06
Dr Chan Kum Lok Colin	N/A	N/A	N/A	2
Tan Juay Hwa	N/A	N/A	N/A	2
Tan Khai Pang	2	3	N/A	2
Lim Han Boon	1	3	2	2
Ang Eng Lim	N/A	1	1	1
#Chay Kwong Soon	1	2	1	1
*Tan Hock Chye Eric	1	N/A	1	1

Resigned as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee on 23 October 2006

* Resigned as Chairman of the audit Committee and a member of the Remuneration Committee on 31 July 2006

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 five members, two of whom are independent and non-executive, namely Mr Lim Han Boon and Mr Ang Eng Lim. 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.

Corporate Governance Report

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.

The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The Board is of the opinion that the current size of the Board is adequate, taking into account the nature and scope of the Group's operations.

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.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

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

Lim Han Boon (Chairman)
Ang Eng Lim
Tan Khai Pang

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.

Corporate Governance Report

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 2007, 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, in order for the Directors to effectively discharge his duties and responsibilities.

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 than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Corporate Governance Report

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

Ang Eng Lim (Chairman)
Lim Han Boon
Tan Khai Pang

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 will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

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").

The remuneration policy for key executives is based largely on the Company's performance and the responsibilities and performance of each individual key executive. The Committee members recommend the remuneration packages of key executives for Board's approval.

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. The Executive Directors have service agreements which covers the terms of employment, salaries and other benefits.

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	—	95	5
	Tan Khai Pang	—	93	7
	Tan Juay Hwa	—	93	7
	Lim Han Boon	100	—	—
	Ang Eng Lim	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 Directors) for the financial year ended 31 March 2007 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	Fong Wei Seong	Financial Controller	100	–
	Lee Kim Hock	Human Resource & Administration Manager	100	–
	Ho Kwong Yue	Vice President, Global Sales and Marketing	100	–
	Kevin Peng	Strategic Development Manager	100	–
	See Bao He	Senior Product Manager	100	–
	E.M.L Ekanayake	Senior Hardware Design Manager	100	–
	K Kalaivanan	Senior Software Design Manager	100	–

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

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 2007.

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 01.04.06	Options lapsed/ exercised	Options Outstanding as at 31.3.07
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	2,850,000	(430,000)	2,420,000

During the financial year ended 31 March 2007, 530,000 Options were cancelled due to the resignation of directors and employees.

Options granted to Directors

Director	Options Outstanding as at 01.04.06	Options lapsed/ exercised	Options Outstanding as at 31.3.07
Tan Juay Hwa	950,000	–	950,000
Tan Khai Pang	950,000	–	950,000

Corporate Governance Report

Options granted to executives

Executive	Options Outstanding as at 01.04.06	Options lapsed/ exercised	Options Outstanding as at 31.3.07
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 is currently comprised of the following members, majority of whom, including the Chairman, are independent and non-executive:

Lim Han Boon (Chairman)
Ang Eng Lim
Tan Khai Pang

Although the Company is not in compliance with rule 11.1, the Board's view is that following the restructuring and streamlining of the Company business in last financial year, and simplification of the Company's accounts and taking into consideration that majority of the members have sufficient experience in accounting or financial related management expertise, the Audit Committee members are able to discharge the Audit Committee functions.

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 2007 as well as the auditors' report thereon and the half-yearly and annual results announcements before they are submitted to the Board for approval.

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

Corporate Governance Report

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 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 of the Code of Corporate, 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.

The Company has a whistle-blowing framework and is in the process of implementing procedures to enable concerns to be raised about improprieties.

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 Company's current 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 Audit Committee, 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 Audit Committee 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.

Although the Company has no internal audit function, the Board believes that, after the streamlining of the Company's business, the existing system of internal controls is adequate. 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 controls, the Audit Committee meets regularly to review this function. The Audit Committee is satisfied and will continue assess the internal audit functions 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 maintaining 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 confirms that there were no interested persons transaction during the year under review.

Corporate Governance Report

RISK MANGEMENT

The Board of Directors oversees 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 32 in the financial statements.

SECURITIES TRANSACTIONS

In line with the SGX-ST rules 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. They 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 2007, our Company has complied materially with the principal corporate governance recommendations specifically out in the Code of Corporate Governance.

Directors' Report

for the financial year ended 31 March 2007

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Addvalue Technologies Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2007 and the balance sheet of the Company as at 31 March 2007.

Directors

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

Dr Chan Kum Lok Colin

Tan Khai Pang

Tan Juay Hwa

Lim Han Boon

Ang Eng Lim

(appointed on 13 October 2006)

Directors' interests in shares or debentures

The interests of the directors who held office at the end of the financial year in the share capital or debentures of the Company or related corporations, according to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, Cap. 50, were as follows:

	Shareholdings registered in name of director or nominee			Shareholdings in which a director is deemed to have an interest		
	At 1 April 2006 or date of appointment, if later	At 31 March 2006	At 21 April 2007	At 1 April 2006 or date of appointment, if later	At 31 March 2006	At 21 April 2007
Dr Chan Kum Lok Colin	54,651,960	54,651,960	54,651,960	—	—	—
Tan Khai Pang	38,925,360	38,925,360	38,925,360	—	—	—
Tan Juay Hwa	14,202,720	14,202,720	14,202,720	—	—	—
Lim Han Boon	11,990,560	11,990,560	11,990,560	—	—	—
Ang Eng Lim	2,600,640	2,600,640	2,600,640	—	—	—

Except as disclosed above, no other directors had an interest in the shares or debentures of the Company or related corporations either at the beginning (or date of appointment if later) or the end of the financial year and on 21 April 2007.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Except as disclosed 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' Report

for the financial year ended 31 March 2007

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:

Ang Eng Lim (Chairman)
Lim Han Boon
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 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 2007

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

	Exercise period	Number of shares under option					Exercise price
		Granted during the financial year	Total granted	Total exercised	Total lapsed	Total not exercised	
Tan Khai Pang	1 August 2003 to 31 July 2012	–	950,000	–	–	950,000	S\$0.12
Tan Juay Hwa	1 August 2003 to 31 July 2012	–	950,000	–	–	950,000	S\$0.12

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 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 2007 comprise:

For ordinary shares in the Company	Subscription price per share	Exercise period
2,420,000	S\$0.12	1 August 2003 to 31 July 2012

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.

Auditors

Horwath First Trust have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board

Dr Chan Kum Lok Colin
Director

Tan Khai Pang
Director

Singapore
28 June 2007

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 statements 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 2007 and of the results of the business, 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 2007

Independent 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 (collectively, the "Group") set out on pages 34 to 80 which comprise the balance sheets of the Group and of the Company as at 31 March 2007, statement of changes in equity of the Group and profit and loss account and cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The financial statements for the year ended 31 March 2006 were audited by another firm of certified public accountants whose report dated 28 June 2006 expressed an unqualified opinion on those financial statements.

Independent Auditors' Report

to the Members of Addvalue Technologies Ltd

Opinion

In our opinion:

- (a) and the balance sheet of the Group and Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and the results, changes in equity and cash flows of the Group for the financial year then ended; 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.

Horwath First Trust

Certified Public Accountants

Singapore
28 June 2007

Balance Sheets

as at 31 March 2007

	Note	Group		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Equity attributable to the Company's equity holders					
Share capital	3	57,827,019	55,750,019	57,827,019	55,750,019
Share issue expenses		(126,698)	–	(126,698)	–
Share premium	3	–	–	–	–
Unsecured convertible loan-equity component	18	38,227	–	38,227	–
Accumulated losses		(53,361,134)	(53,662,188)	(54,605,314)	(53,441,950)
		4,377,414	2,087,831	3,133,234	2,308,069
		81	81	–	–
Minority interests					
TOTAL EQUITY		4,377,495	2,087,912	3,133,234	2,308,069
Property, plant and equipment					
Subsidiaries	4	1,180,672	378,481	–	–
Associates	5	–	–	4,674,561	5,525,022
Other equity investments	6	–	173	–	172
Intangible assets	7	–	4,692,177	–	–
	8	4,572,396	2,536,299	–	–
Current assets					
Inventories	9	305,143	386,306	–	–
Work-in-progress	10	2,397,796	2,220,773	–	–
Trade receivables	11	3,062,890	1,032,869	–	–
Other receivables	12	2,859,594	110,019	2,746,005	31,042
Due from subsidiaries (non-trade)	13	–	–	1,064,555	–
Cash and bank balances	27	3,046,698	2,205,594	2,884,783	2,025,503
		11,672,121	5,955,561	6,695,343	2,056,545
TOTAL ASSETS		17,425,189	13,562,691	11,369,904	7,581,739
Current liabilities					
Trade payables	14	1,732,102	2,120,431	–	–
Other payables and accruals	15	3,758,671	4,141,286	877,660	1,319,273
Excess of progress billings over work-in-progress	10	–	81,500	–	–
Loan from financial institutions	16	915,755	–	915,755	–
Advance receipts	17	3,458,175	2,817,165	3,250,000	1,640,000
Due to subsidiaries (non-trade)	13	–	–	10,264	–
Unsecured convertible loan	18	1,431,773	–	1,431,773	–
Provision for taxation		5,000	5,000	5,000	5,000
Bank overdrafts	27	1,746,218	2,309,397	1,746,218	2,309,397
		13,047,694	11,474,779	8,236,670	5,273,670
TOTAL LIABILITIES		13,047,694	11,474,779	8,236,670	5,273,670
NET ASSETS		4,377,495	2,087,912	3,133,234	2,308,069

The accompanying notes are an integral part of the financial statements.

Consolidated Profit and Loss Account

for the financial year ended 31 March 2007

	Note	2007 \$	2006 \$
Revenue	19	6,247,681	12,771,517
Cost of sales		(3,120,344)	(3,862,918)
Gross profit		3,127,337	8,908,599
Other operating income	20	1,909,524	64,930
Selling and distribution expenses		(373,731)	(2,160,440)
Administrative expenses		(2,171,352)	(2,495,990)
Other operating expenses		(1,810,032)	(5,309,107)
Profit/(loss) from operations	21	681,746	(992,008)
Financial expenses	23	(368,954)	(428,890)
Exceptional items	24	–	(21,395,884)
Profit/(loss) before tax		312,792	(22,816,782)
Taxation	25	(11,738)	–
Profit/(loss) after tax		301,054	(22,816,782)
Attributable to:			
Equity holders of the Company		301,054	(22,816,782)
Earnings/(loss) per share (cents)	26		
Basic		0.04	(3.27)
Diluted		0.04	(3.27)

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in Equity

for the financial year ended 31 March 2007

	Attributable to equity holders of the Company					Minority Interest	Total Equity
	Share capital \$	Share premium \$	Accumulated losses \$	Unsecured convertible loan-equity component \$	Share issue expenses \$	\$	\$
Balance at 1.4.2006	16,751,849	35,502,560	(30,845,406)	–	–	81	21,409,084
Issue of shares	2,760,194	1,049,806	–	–	–	–	3,810,000
Share issue expenses	–	(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)
Balance at 31.3.2006	55,750,019	–	(53,662,188)	–	–	81	2,087,912
Balance at 1.4.2006	55,750,019	–	(53,662,188)	–	–	81	2,087,912
Issue of shares	2,077,000	–	–	–	–	–	2,077,000
Share issue expenses	–	–	–	–	(126,698)	–	(126,698)
Unsecured convertible loan-equity component	–	–	–	38,227	–	–	38,227
Profit for the year	–	–	301,054	–	–	–	301,054
Balance at 31.3.2007	57,827,019	–	(53,361,134)	38,227	(126,698)	81	4,377,495

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Profit/(loss) before tax		312,792	(22,816,782)
Adjustments:			
Impairment in value of other equity investment		–	10,498,480
Impairment in value of associates		270,733	–
Depreciation of property, plant and equipment		196,130	182,853
Amortisation of intangible assets		901,016	3,976,798
Trade receivables written off		–	1,624,767
(Write back of)/allowance for doubtful debts		(66,338)	1,126,633
Allowance for stock obsolescence		–	1,335,851
Interest expense		368,954	428,890
Interest income		(50,703)	(34,437)
Impairment in value of goodwill		–	7,481,616
Loss on disposal of property, plant and equipment		47,907	2,245
Loss on disposal of computer software		3,644	10,678
Intangible assets written off		–	128,592
Non cash consideration received		–	(11,000,000)
Gain on partial divestment of subsidiary		(399,941)	–
Return of equity interest under settlement arrangement		4,692,177	–
Loss on disposal of other equity investment		–	796,035
Operating profit/(loss) before reinvestment in working capital		6,276,371	(6,257,781)
Inventories		81,163	598,489
Work-in-progress		(288,372)	1,308,830
Trade and other receivables		(4,796,234)	196,592
Trade and other payables		547,347	2,770,387
Cash generated from/(used in) operations		1,820,275	(1,383,483)
Interest paid		(368,954)	(428,890)
Interest income received		50,703	34,437
Income tax paid		(11,738)	–
Development expenditure (net of depreciation and amortisation of computer software capitalised)		(1,926,441)	(1,297,084)
Net cash used in operating activities		(436,155)	(3,075,020)

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2007

	Note	2007 \$	2006 \$
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		10,000	7,700
Proceeds from disposal of computer software		–	1,291
Proceeds from disposal of other equity investment		–	1,530,000
Acquisition of shares in associated company		(70,560)	–
Purchase of property, plant and equipment		(1,099,525)	(51,584)
Purchase of computer software		(598,253)	(337,219)
Net cash (used in)/generated from investing activities		(1,758,338)	1,150,188
Cash flows from financing activities			
Repayment to financial institution		–	(1,587,500)
Proceeds from issue of new shares, net of expenses		1,950,301	3,495,610
Proceeds from unsecured convertible loan		1,470,000	–
Proceeds from trust receipt		178,475	–
Net cash generated from financing activities		3,598,776	1,908,110
Net increase/(decrease) in cash and cash equivalents		1,404,283	(16,722)
Cash and cash equivalents at beginning of year	27	(103,803)	(87,081)
Cash and cash equivalents at end of year	27	1,300,480	(103,803)

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2007

1. CORPORATE INFORMATION

The Company is a public limited company domiciled and incorporated in Singapore and listed on the Mainboard of the Singapore Stock Exchange. The address of the Company's registered office is 190 Changi Road #02-02, Singapore 419974.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shown in Note 5 to the financial statements.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 March 2007 were authorised for issue by the Board of Directors on 28 June 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements, which are expressed in Singapore dollars, are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act and the Singapore Financial Reporting Standards ("FRS").

The financial statements are presented in Singapore dollars.

In the current financial year, the Group has adopted all the new or revised FRS and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 April 2006.

The new or revised FRS and INT FRS which are relevant to the Group's operations are as follows:

FRS 1 (Amendment)	Presentation of Financial Statements
FRS 10 (Amendment)	Events after the Balance Sheet Date
FRS 12 (Amendment)	Income Taxes
FRS 14 (Amendment)	Segment Reporting
FRS 19 (Amendment)	Employee Benefits
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 33 (Amendment)	Earnings per Share
FRS 39 (Amendment)	Financial Instruments: Recognition and Measurement
FRS 101 (Amendment)	First-time Adoption of Financial Reporting Statements
FRS 102 (Amendment)	Share-based Payment
FRS 103 (Amendment)	Business Combinations
FRS 107	Financial Instruments: Disclosures
INT FRS 108	Scope of FRS 102
INT FRS 110	Interim Financial Reporting and Impairment

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

The adoption of these new or revised FRS and INT FRS has no material effect on the financial statements.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed below.

Effects on financial statements on adoption of new or revised FRS

New accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and they are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(i) *FRS 107 Financial Instruments: Disclosures, and a complementary Amendment to FRS 1 Presentation of Financial Statements – Capital Disclosures*

The Group has adopted FRS 107 on 1 January 2007, which is the effective date of the Standard.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces the disclosure requirements in FRS 32 Financial Instruments: Disclosure and Presentation.

The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of FRS 107 and the amendment to FRS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of FRS 1.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgments

Estimates, assumptions concerning the future and judgments 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.

i. 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 amount of assets and liabilities within the next financial year are discussed below.

- Impairment of development expenditure

The Group determined 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 2007 was \$3,765,814 (2006: \$1,950,277).

- 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 2007 was \$1,180,672 (2006: \$378,481). 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.

ii. Critical judgments made in applying accounting policies

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

- 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-temporary impaired. This determination requires significant judgment. 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.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Critical judgments made in applying accounting policies (Continued)

- 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 judgment. 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 judgment 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed during the year are consolidated for the periods from or to the effective date of acquisition or disposal. All intercompany balances, transactions and unrealised profit or loss on intercompany transactions are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses is fully recovered by the equity holders of the Company.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement. On disposal of investments in subsidiaries and associates, the differences between net disposal proceeds and the carrying amount of the investments is taken to the profit and loss statement.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company, in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 "Business Combinations" are recognised at their fair values at acquisition date.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised immediately in the consolidated profit and loss statement.

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

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

Associates

An associate is a company, not being a subsidiary, in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method of accounting. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

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.

Property, plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any accumulated 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.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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.

Plant and equipment are depreciated using the straight-line method to write-off the cost of the property, plant and equipment less estimated residual value over their estimated useful lives. The estimated useful lives and residual values have been taken as follows: -

	Useful lives (Years)
Lab equipment	5
Furniture, fittings and office equipment	10
Computers	5
Toolings	3
Renovations	4

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The useful life and depreciation method are reviewed periodically 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. An assessment of the carrying value of property, plant and equipment is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

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.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

i. 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.

ii. Patents

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

iii. 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.

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase cost accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of raw materials, direct labour and an attributable proportion of manufacturing overheads.

Net realisable value is the estimated normal selling price, less estimated costs to completion and costs to be incurred for selling and distribution.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Work-in-progress

When the outcome of a contract can be estimated reliably, revenue from design projects is recognised by reference to the recoverable costs incurred during the period, measured by the proportion of costs incurred to date relative to the estimated total costs of the contract.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

When the outcome of a contract can be estimated reliably, contract costs are recognised as expense by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

The aggregate of costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as construction contract work-in-progress. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as excess of progress billings over costs incurred.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Trade and other receivables

Trade and other receivables including amounts due from subsidiaries, associates, related companies and loans to related companies are classified and accounted for as loans and receivables under FRS 39 and are recognised and carried at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment losses on any uncollectible amounts.

Allowance of impairment of receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value.

For the purpose of the consolidated cash flow statement, cash and cash equivalent comprises cash on hand and in banks, excluding cash deposits pledged for period of more than three months. Cash and cash equivalents are short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Financial assets 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 determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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, less impairment losses. 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 other 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.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

i. Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets 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 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.

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.

ii. Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost had 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

iii. 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 profit and loss statement. Reversals of impairment loss in respect of equity instruments 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.

Trade and other payables

Trade and other payables, which generally are on normal credit terms, and payables to related parties are carried at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and on interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs 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. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- i. The contractual rights to receive cash flows from the asset have expired; or
- ii. 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.

Financial liabilities

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

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 is required, the Group makes an estimate of the asset's recoverable amount.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 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 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.

Financial guarantees

Corporate guarantees by the Company to banks for bank borrowings of its subsidiaries are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Borrowings

Loans and borrowings are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method.

Loans and borrowings which are due to be settled within twelve months after the balance sheet date are included in current liabilities in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other loans and borrowings due to be settled more than twelve months after the balance sheet date are included in non-current liabilities in the balance sheet.

Leases

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and 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 regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

A provision for warranty is recognised in respect of the estimated expenses to be incurred for the provision of after sales services to customers on the products sold, based on experience of the level of service required.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Defined contribution plan

As required by the 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 as a result of services rendered by employees up to the 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 the options are exercised, the proceeds net of transactions costs are credited to share capital and share premium accordingly.

In the previous year, the Group has adopted FRS102 - 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 recognised, 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.

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:

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. It is recorded net of returns, trade allowances and duties and taxes and after eliminating sales within the Group.

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from design contracts are 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.

Agreements with customers to license products or technologies and to provide consulting services relating to the technology is recognised by reviewing the 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.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Foreign currency transactions and balances

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. The consolidated financial statements of the group and the balance sheet of the company are presented in Singapore dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations including comparatives are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items including comparatives are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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

Notes to the Financial Statements

for the year ended 31 March 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

ii. Business segments

The Group's business segments are as follows:

Sales

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

Design services

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

License and Consultancy

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

Notes to the Financial Statements

for the year ended 31 March 2007

3. SHARE CAPITAL

	Group and Company 2007 \$	2006 \$
Issued and fully paid ⁽¹⁾		
At beginning of year		
750,881,716 (2006: 670,073,962) ordinary shares	55,750,019	16,751,849
Issued during the year		
36,024,097 (2006: 80,807,754) ordinary shares	2,077,000	2,760,194
Transfer of share premium reserve to share capital	–	36,237,976
At end of year 786,905,813 (2006: 750,881,716) ordinary shares	<u>57,827,019</u>	<u>55,750,019</u>

- (1) Pursuant to the Companies (Amendment) Act 2006 which came into effect on 30 January 2006, the concepts of “par value”, “authorised share capital” and “share premium” have been abolished. As a result, the Company has an issued and paid-up capital of \$57,827,019 comprising 786,805,813 shares and has no authorised share capital as at 31 March 2007.

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

No. of shares	Description of shares	Purpose of issue
6,024,097	Ordinary shares of \$0.0664 each for cash	Partial conversion of SEDA of the 2-year standby equity line of up to S\$10 million by the Company from Cornell Capital Partners Offshore, LP
30,000,000	Ordinary shares of \$0.0559 each for cash	Placement shares to raise additional working capital
<u>36,024,097</u>		

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.

Options outstanding	2007	2006
At beginning of year	2,950,000	4,440,000
Cancelled	(530,000)	(1,490,000)
At end of year	<u>2,420,000</u>	<u>2,950,000</u>

Terms of the share options outstanding at end of year:		Number of options	
Expiry date – 31 July	Exercise price	2007	2006
2007	\$0.12	–	100,000
2012	\$0.12	2,420,000	2,850,000
		<u>2,420,000</u>	<u>2,950,000</u>

Notes to the Financial Statements

for the year ended 31 March 2007

4. PROPERTY, PLANT AND EQUIPMENT

Group	At Cost					
	Laboratory equipment \$	Furniture, fittings and office equipment \$	Computer \$	Toolings \$	Renovations \$	Total \$
Cost						
As at 1.4.2005	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)
As at 31.3.2006	2,285,516	222,382	856,146	272,373	464,458	4,100,875
As at 1.4.2006	2,285,516	222,382	856,146	272,373	464,458	4,100,875
Additions	264,482	40,630	56,702	516,796	220,915	1,099,525
Disposals	(152,195)	(13,595)	(85,503)	(101,013)	(464,458)	(816,764)
As at 31.3.2007	2,397,803	249,417	827,345	688,156	220,915	4,383,636
Accumulated depreciation and impairment loss						
As at 1.4.2005	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)
As at 31.3.2006	2,049,293	146,956	789,314	272,373	464,458	3,722,394
As at 1.4.2006	2,049,293	146,956	789,314	272,373	464,458	3,722,394
Charge for the year	105,681	20,812	39,204	34,957	36,819	237,473
Disposals	(107,883)	–	(83,549)	(101,013)	(464,458)	(756,903)
As at 31.3.2007	2,047,091	167,768	744,969	206,317	36,819	3,202,964
Net book value						
As at 31.3.2007	350,712	81,649	82,376	481,839	184,096	1,180,672
As at 31.3.2006	236,223	75,426	66,832	–	–	378,481

Notes to the Financial Statements

for the year ended 31 March 2007

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group	
	2007	2006
	\$	\$
Depreciation for the year	237,473	239,566
Amount of current year's depreciation transferred to work-in-progress and development expenditure	(41,343)	(56,713)
Depreciation charged to profit and loss account	196,130	182,853

5. SUBSIDIARIES

	Company	
	2007	2006
	\$	\$
Unquoted equity shares at cost	54,309,967	54,411,967
Amounts owing by subsidiary companies(non-trade)	25,906	76,872
	54,335,873	54,488,839
Less: Impairment loss		
- diminution in value of investment	(49,635,406)	(48,886,945)
- amount owing by subsidiary companies(non-trade)	(25,906)	(76,872)
	(49,661,312)	(48,963,817)
	4,674,561	5,525,022
Analysis of Impairment losses:		
Balance at beginning of year	48,963,817	22,044,268
Utilisation	(50,968)	–
Charge to profit and loss account	748,463	26,919,549
Balance at end of year	49,661,312	48,963,817

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

Notes to the Financial Statements

for the year ended 31 March 2007

5. SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2007 %	2006 %	2007 \$	2006 \$
Addvalue Communications Pte Ltd ⁽¹⁾	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100	37,999,137	37,999,137
Addvalue Innovation Pte Ltd ⁽¹⁾	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100	8,731,125	8,731,125
Inerworx Technologies Pte Ltd ^{(2), (3)}	Design, development and liscensing of open source multi-platform technologies for online multi-player games and graphic simulations	Singapore	1	1	1	1
Blue World Capital Ltd (previously known as "Double Rich Resources Limited") ⁽⁴⁾	Provision for financial and investment advisory services in telecommunications, media and technology(TMT) sector	British Virgin Island	51	51	7,481,700	7,481,700
Addvalue (Asia) Holdings Pte Ltd ⁽²⁾	Investment holding company	Singapore	100	100	2	2
Addvalue Technologies (Guangzhou) Limited ⁽⁵⁾	Marketing of the Group's products and services and to provide technical support for the Group's existing and future contract in China	China	49	100	200,000	200,000
Wynfield Profits Limited ⁽⁴⁾	Investment holding company	British Virgin Island	100	100	2	2

(1) Audited by Horwath First Trust, Singapore

(2) Audited by Richard Lim & Co

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

(4) Not required to be audited in country of incorporation

(5) Audited by Guangzhou Jincheng Accountants Office Co Ltd, China

Notes to the Financial Statements

for the year ended 31 March 2007

5. SUBSIDIARIES (Continued)

Inerworx Technologies Pte Ltd

The company has granted an unsecured convertible loan of up to \$100,000 to 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.

Addvalue (Asia) Holdings Pte Ltd

Addvalue (Asia) Holdings Pte Ltd is in process of striking off from the register, as announced on 13 March 2007.

Addvalue Technologies (Guangzhou) Limited

During the financial year, the Company divested its 51% shareholding interest in its wholly-owned subsidiary, Addvalue Technologies (Guangzhou) Limited ("AVGZ") resulting in a gain on partial divestment of \$399,941. AVGZ is now considered an associate of the Company and the carrying value has now been reclassified to Associates (see Note 6).

6. ASSOCIATES

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Equity shares at cost	270,733	173	270,732	172
Less: Impairment loss	(270,733)	–	(270,732)	–
	–	173	–	172
Analysis of impairment losses:				
Balance at beginning of year	–	–	–	–
Charge to profit and loss account	270,733	–	172	–
	270,733	–	172	–

Notes to the Financial Statements

for the year ended 31 March 2007

6. ASSOCIATES (Continued)

Details of the associates are as follows:

	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2007 %	2006 %	2007 \$	2006 \$
Addvalue Communications, Inc. ⁽¹⁾	Marketing and business promotion (United States of America)	United States of America	23.42	23.42	173	173
Addvalue Technologies (Guangzhou) Limited ⁽²⁾	Marketing of the Group's products and services and to provide technical support for the Group's existing and future contract in China	China	49	100	200,000	200,000

(1) Not required to be audited by law in the country of incorporation.

(2) Audited by Guangzhou Jincheng Accountants Office Co Ltd, China

The summarised financial information of the associates is as follows:

	Group	
	2007 \$	2006 \$
Assets and liabilities		
Current assets	190,146	15,242
Non-current assets	1,557,838	1,610,662
Total assets	1,747,984	1,625,904
Current liabilities	1,961,849	1,676,548
Non-current liabilities	–	–
Total liabilities	1,961,849	1,676,548
Results:		
Revenue	117,362	17,968
Loss for the year	481,124	31,097

Notes to the Financial Statements

for the year ended 31 March 2007

7. OTHER EQUITY INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Unquoted equity investments, at cost in:				
Asia Multi-Media Technology Services Holdings Limited	–	13,200,000	–	–
Other unquoted equity investments	3,679,337	3,679,337	1,875,721	1,875,721
Less: Impairment losses	(3,679,337)	(12,187,160)	(1,875,721)	(1,875,721)
	–	4,692,177	–	–
Analysis of impairment losses:				
Balance at beginning of year	12,187,160	1,688,680	1,875,721	–
Utilisation	(8,507,823)	–	–	–
Charge to profit and loss account	–	10,498,480	–	1,875,721
Balance at end of year	3,679,337	12,187,160	1,875,721	1,875,721

8. INTANGIBLE ASSETS

Group	Goodwill	Development expenditure	Patents	Computer software	Total
	\$	\$	\$	\$	\$
Cost					
As at 1.4.2005	7,481,616	13,706,751	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)
As at 31.3.2006	7,481,616	15,068,747	55,700	1,580,406	24,186,469
As at 1.4.2006	7,481,616	15,068,747	55,700	1,580,406	24,186,469
Additions	–	2,539,275	–	598,253	3,137,528
Disposal	–	(12,537,786)	–	(280,620)	(12,818,406)
Written off	(7,481,616)	–	–	–	(7,481,616)
As at 31.3.2007	–	5,070,236	55,700	1,898,039	7,023,975

Notes to the Financial Statements

for the year ended 31 March 2007

8. INTANGIBLE ASSETS (Continued)

Group	Goodwill \$	Development expenditure \$	Patents \$	Computer software \$	Total \$
Accumulated amortisation and impairment					
As at 1.4.2005	–	9,306,124	33,661	865,987	10,205,772
Amortisation 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
As at 31.3.2006	7,481,616	13,118,470	15,914	1,034,170	21,650,170
As at 1.4.2006	7,481,616	13,118,470	15,914	1,034,170	21,650,170
Amortisation for the year	–	717,738	7,957	214,994	940,689
Disposal	–	(12,531,786)	–	(125,878)	(12,657,664)
Written off	(7,481,616)	–	–	–	(7,481,616)
As at 31.3.2007	–	1,304,422	23,871	1,123,286	2,451,579
Net book value					
At 31.3.2007	–	3,765,814	31,829	774,753	4,572,396
At 31.3.2006	–	1,950,277	39,786	546,236	2,536,299

Amortisation of computer software for the year amounting to \$39,673 (2006:\$41,055) has been capitalised in development expenditure and work-in-progress.

The Group invests in development activities to build up its base of proprietary products, applications and process. The development expenditure of \$3,765,814 (2006: \$1,950,277) 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 2007

9. INVENTORIES

	Group	
	2007	2006
	\$	\$
Finished goods	293,585	134,600
Components	11,558	251,706
Total inventories at lower of cost and net realisable value	305,143	386,306
Inventories are stated after deducting allowance for stock obsolescence of	20,579	1,765,826
Analysis of allowance for stock obsolescence:		
Balance at beginning of year	1,765,826	783,906
Charge to profit and loss account	–	1,335,851
Utilisation	(1,745,247)	(353,931)
Balance at end of year	20,579	1,765,826

10. WORK-IN-PROGRESS

	Group	
	2007	2006
	\$	\$
Work-in-progress		
– costs incurred	9,669,817	7,780,676
– attributable profit	3,530,384	1,207,852
	13,200,201	8,988,528
Less: Progress billings	(10,802,405)	(6,767,755)
Net amount due from customers	2,397,796	2,220,773
Excess of progress billings over work-in-progress		
Cost incurred	–	–
Attributable profit	–	–
	–	–
Less: Progress billing	–	(81,500)
Net amount due to customers	–	(81,500)

Notes to the Financial Statements

for the year ended 31 March 2007

11. TRADE RECEIVABLES

	Group	
	2007	2006
	\$	\$
Trade receivables are stated after deducting allowance for doubtful debts of	579,843	579,843
Analysis of allowance for doubtful debts:		
Balance at beginning of year	579,843	412,500
Utilisation	–	167,343
Balance at end of year	579,843	579,843

Trade receivables were denominated in the following currencies:

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:

	Group	
	2007	2006
	\$	\$
Denominated in:		
United States dollars	1,979,836	918,931
Euro	–	4,466

12. OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deposits and prepayments	42,643	78,730	–	23,272
Consideration receivable under settlement arrangement	2,702,085	–	2,702,085	–
Others	114,866	31,289	43,920	7,770
	2,859,594	110,019	2,746,005	31,042
Other receivables are stated after deducting allowance for doubtful debts of	200,790	209,953	–	–
Analysis of allowance for doubtful debts:				
Balance at beginning of year	209,953	149,275	–	–
Charge to profit and loss account	–	200,790	–	–
Utilisation	(9,163)	–	–	–
Write back to profit and loss account	–	(140,112)	–	–
Balance at end of year	200,790	209,953	–	–

Notes to the Financial Statements

for the year ended 31 March 2007

12. OTHER RECEIVABLES (Continued)

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		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Denominated in:				
United States dollars	596,409	3,000	596,409	–
Chinese Renminbi	–	4,201	–	–

13. DUE FROM/TO SUBSIDIARIES (NON-TRADE)

These non-trade balances are unsecured, interest-free and repayable on demand.

14. TRADE PAYABLES

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	
	2007	2006
	\$	\$
Denominated in:		
United States dollars	1,189,884	1,707,901
Euro	52,682	52,682

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accrued operating expenses:				
- Director fees	263,018	333,000	263,018	333,000
- Employee benefits	1,097,868	1,644,719	–	–
- Others	330,563	190,150	76,222	385,000
Other payables	2,067,222	1,973,417	538,420	601,273
	3,758,671	4,141,286	877,660	1,319,273

Notes to the Financial Statements

for the year ended 31 March 2007

15. OTHER PAYABLES AND ACCRUALS (Continued)

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Denominated in:				
United States dollars	684,578	3,199,387	–	–
Chinese Renminbi	–	80,946	–	–

16. LOAN FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loan 1	178,475	–	178,475	–
Loan 2	737,280	–	737,280	–
	915,755	–	915,755	–

Loan 1 is trust receipts payable to a bank and is secured by a fixed deposit of \$1.4 million from the Company. These trust receipts have an average maturity of 3 months with effective interest rate of 9% (2006: Nil) per annum.

Loan 2 is secured by a legal charge over a number of shares in the capital of the Company owned by a director of the Company. It is expected to be repaid within the next 12 months and carries an effective interest rate of 8% (2006: Nil) per annum.

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
United States dollars	561,829	–	561,829	–

Notes to the Financial Statements

for the year ended 31 March 2007

17. ADVANCE RECEIPTS

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Advance receipts in relation to Strategic Partnership Agreement	3,250,000	1,640,000	3,250,000	1,640,000
Others	208,175	1,177,165	–	–
	<u>3,458,175</u>	<u>2,817,165</u>	<u>3,250,000</u>	<u>1,640,000</u>

Pursuant to the strategic partnership agreement entered into among the Company, Telenor Satellite Services AS (“Telenor”) and GMPCS Personal Communications Inc (“GMPCS”) (a wholly-owned subsidiary of Telenor) on 30 January 2006 (the “Strategic Partnership Agreement”), the Company appointed GMPCS as a Master Distributor for its Addvalue BGAN Satellite Terminals and Telenor accordingly made an aggregate initial prepayment of US\$ 2 million (S\$3,250,000) in cash to the Company. Any balance of the prepayment, not applied towards payment to the Company, for the delivery of the Addvalue BGAN Satellite Terminals as and when they are delivered to GMPCS, may be used to subscribe for up to 128,000,000 new ordinary shares granted by the Company pursuant to Option I and Option II under the Strategic Partnership Agreement.

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

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
United States dollars	2,000,000	1,408,148	2,000,000	1,000,000
Euro	<u>103,200</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 31 March 2007

18. UNSECURED CONVERTIBLE LOAN

The Company has an outstanding convertible loan which if exercised may result in the issue of 21,000,000 new ordinary shares at a conversion price of \$0.07 per share pursuant to the Convertible Loan Agreement dated 25 August 2006 (as amended by the Supplemental Agreement dated 6 September 2006), which will expire on 29 September 2007, entered between the Company and Value Monetization Limited. The unsecured convertible loan carries an effective interest rate of 3% per annum.

The fair value of the equity conversion and liability component were determined at the date of the Convertible Loan Agreement. The equity conversion component was not material and the fair value of the liability component was estimated using the prevailing market interest rate for a similar debt without a conversion option and has been assessed to approximate the principal amount received.

19. REVENUE

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

	Group	
	2007	2006
	\$	\$
Design services	4,264,131	391,366
Sale of finished products	1,753,024	1,252,077
License and consultancy services	230,526	11,128,074
	<u>6,247,681</u>	<u>12,771,517</u>

20. OTHER OPERATING INCOME

	Group	
	2007	2006
	\$	\$
Interest income	50,703	34,437
Gain on dilution of interest in subsidiary	399,941	–
Net gain from settlement arrangement	1,429,304	–
Others	29,576	30,493
	<u>1,909,524</u>	<u>64,930</u>

Notes to the Financial Statements

for the year ended 31 March 2007

21. PROFIT/(LOSS) FROM OPERATIONS

This is determined after charging/(crediting) the following:

	2007 \$	2006 \$
Professional fees for non-audit services rendered by		
- auditors of the Company	–	–
- other auditors	33,941	39,380
Amortisation of intangible assets	901,016	3,976,798
Bad trade debts written off	–	1,624,767
Depreciation of property, plant and equipment	196,130	182,853
Directors' remuneration (Note 28)	513,924	398,456
Directors' fees (Note 28)	78,648	144,000
Fees paid to a firm of which a director is a member	–	20,493
Foreign exchange gain – net	(122,884)	(22,536)
Loss on disposal of property, plant and equipment	47,907	2,245
Loss on disposal of computer software	3,644	10,678
Intangible assets written off	–	128,592
Write back of allowance for doubtful debts	(66,338)	–
Allowance in value of associates	270,733	–
Operating lease expenses	110,673	242,264

22. DIRECTORS' REMUNERATION

Number of directors of the Company in remuneration bands

	2007 \$	2006 \$
Below \$250,000	5	6

23. FINANCIAL EXPENSES

	2007 \$	2006 \$
Interest expense		
– holding company	195,826	196,352
– subsidiaries	173,128	232,538
	368,954	428,890

Notes to the Financial Statements

for the year ended 31 March 2007

24. EXCEPTIONAL ITEMS

Exceptional items comprise the following

	2007 \$	2006 \$
Impairment in value of other equity investments	–	10,498,480
Allowance for stock obsolescence	–	1,335,851
Allowance for doubtful debts	–	1,126,633
Work in progress written off	–	157,269
Impairment in value of goodwill	–	7,481,616
Loss on disposal of other equity investment	–	796,035
	<u>–</u>	<u>21,395,884</u>

25. TAXATION

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate is as follows:

	2007 \$	2006 \$
Profit/(loss) before taxation	312,792	(22,816,782)
Tax at the applicable tax rate of 18% (2006: 20%)	56,303	(4,563,356)
Tax effect of expenses that are not deductible in determining taxable profit		
– permanent differences	19,131	3,903,397
– utilisation of previously unrecognised tax losses and capital allowances	(4,019,161)	(520,950)
– deferred tax asset not recognised	3,955,465	1,180,909
Tax expense	<u>11,738</u>	<u>–</u>

The Group has unused tax losses and capital allowances of \$19,456,000 and \$3,371,000 respectively (2006: \$20,921,000 and \$679,000) for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

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

Notes to the Financial Statements

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26. EARNINGS/(LOSS) PER SHARE

The calculations of earnings per share are based on the profits and numbers of shares shown below.

	Basic		Diluted	
	2007	2006	2007	2006
	\$	\$	\$	\$
Profit attributable to shareholders	301,054	(22,816,782)	301,054	(22,816,782)

Weighted average number of shares

	Number of shares	
	2007	2006
For basic earnings per share	769,170,543	697,662,958
Conversion of convertible debt	10,528,767	–
For diluted earnings per share	779,699,310	697,662,958

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences are added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Pledged fixed deposits	1,400,000	2,070,736	1,400,000	2,000,000
Cash and bank balances	1,646,698	134,858	1,484,783	25,503
	3,046,698	2,205,594	2,884,783	2,025,503
Less: bank overdrafts	(1,746,218)	(2,309,397)	(1,746,218)	(2,309,397)
Cash and cash equivalents as stated in the statement of cash flows	1,300,480	(103,803)	1,138,565	283,894

Fixed deposits of \$1,400,000 (2006: \$2,070,736) are pledged in connection with credit facilities granted by a bank for a subsidiary and bears interest income at effective rate of 3.375% (2006: 0.325% to 2.875%) per annum.

Notes to the Financial Statements

for the year ended 31 March 2007

27. CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents denominated in various currencies are as follow:

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Singapore Dollars	1,283,333	(132,780)	1,138,565	(284,124)
Chinese Renminbi	–	8,164	–	–
Other	17,147	20,813	–	230
	<u>1,300,480</u>	<u>(103,803)</u>	<u>1,138,565</u>	<u>283,894</u>

28. RELATED PARTY INFORMATION

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Compensation of key management personnel

	Group	
	2007	2006
	\$	\$
Salaries, bonus and others	1,029,484	823,708
Contributions to defined contribution plans	62,225	54,938
	<u>1,091,709</u>	<u>878,646</u>
Directors' fees	78,648	144,000
Total compensation paid to key management personnel	<u>1,170,357</u>	<u>1,022,646</u>
Comprise amount paid to:		
Directors of the company		
- Fees	78,648	144,000
- Remuneration and contribution to defined contribution plans	513,924	398,456
	<u>592,572</u>	<u>542,456</u>
Other key management personnel	577,785	480,190
	<u>1,170,357</u>	<u>1,022,646</u>

Notes to the Financial Statements

for the year ended 31 March 2007

29. EMPLOYEE BENEFITS

	Group	
	2007	2006
	\$	\$
Employee benefits expense(including Directors):		
- Salaries, bonuses, and others	3,810,099	2,778,835
- Contribution to defined contribution plans	96,166	209,477
	3,906,265	2,988,312
Directors' fees	78,648	144,000
	3,984,913	3,132,312
Charged to the profit and loss account	2,369,737	1,716,111
Capitalised in development expenditure and work-in-progress	1,615,176	1,416,201
	3,984,913	3,132,312

30. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Corporate guarantee granted to a subsidiary company in respect of bank facilities	–	2,700,000	–	2,700,000

(b) Non-cancellable operating lease commitments

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Some of the leases contain escalation clauses and provide for contingent rentals based on percentages of sales derived from assets held under operating leases. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group	
	2007	2006
	\$	\$
Future minimum lease payments		
- not later than 1 year	272,836	258,029
- 1 year through 5 years	363,782	647,986
	636,618	906,015

Notes to the Financial Statements

for the year ended 31 March 2007

31. SEGMENT INFORMATION

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 organized 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 customers.

Business segments

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 products 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.

The Licensing/consultancy business segment involves the provision of license and consultancy services based on the Group library of proprietary technologies.

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 2007

31. SEGMENT INFORMATION (Continued)

Allocation basis (Continued)

(a) Geographical segments

2007	Europe \$	North America \$	Asia \$	Consolidated \$
Revenue and expenses				
Total revenue from external customers	3,492,117	2,177,158	578,406	6,247,681
Segment result before amortisation	1,972,471	1,156,052	(1,186)	3,127,337
Amortisation	–	–	(940,689)	(940,689)
Segment results after amortisation	1,972,471	1,156,052	(941,875)	2,186,648
Unallocated expenses				(3,414,426)
Other income				1,909,524
Interest expense				(368,954)
Profit before taxation				312,792
Taxation				(11,738)
Net profit for the year				301,054
Segment assets				
By location of customers				
– segment assets	3,926,000	1,794,029	4,618,201	10,338,230
– unallocated				7,086,959
Total assets				17,425,189
By location of assets				
– segment assets	1,582,003	1,439,943	14,343,243	17,365,189
– unallocated				60,000
Total assets				17,425,189
Segment liabilities				
Unallocated liabilities	3,513,031	1,197,797	7,406,028	12,116,856
– unallocated				930,838
Total liabilities				13,047,694
Other Information				
Capital expenditure				
– property, plant and equipment	–	–	1,099,525	1,099,525
– intangible assets	–	–	598,253	598,253
Depreciation and amortisation	–	–	237,473	237,473
Amortisation of computer software	–	–	181,482	181,482

Notes to the Financial Statements

for the year ended 31 March 2007

31. SEGMENT INFORMATION (Continued)

Allocation basis (Continued)

(a) Geographical segments

2006	Europe \$	North America \$	Asia \$	Consolidated \$
Revenue and expenses				
Total revenue from external customers	233,963	501,513	12,036,041	12,771,517
Segment result 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)
Loss before taxation				(22,816,782)
Taxation				–
Net loss for the year				(22,816,782)
Segment assets				
By location of customers				
- segment assets	2,271,942	5,171,021	6,119,555	13,562,518
- unallocated				173
Total assets				13,562,691
By location of assets				
- segment assets	50,841	5,042,677	8,469,000	13,562,518
- unallocated				173
Total assets				13,562,691
Segment liabilities	58,213	186,481	2,395,897	2,640,591
Unallocated liabilities				8,834,188
Total liabilities				11,474,779
Other Information				
Capital expenditure	–	–	388,803	388,803
Depreciation	–	–	182,853	182,853
Amortisation of computer software	–	–	130,791	130,791

Notes to the Financial Statements

for the year ended 31 March 2007

31. SEGMENT INFORMATION (Continued)

Business segments

(b) Business segments

2007	License and consultancy \$	Design Services \$	Sales \$	Consolidated \$
Total revenue from external customers	230,526	4,264,131	1,753,024	6,247,681
Segment assets	11,659,360	4,046,329	1,719,500	17,425,189
Unallocated assets				60,000
Total assets				17,425,189
Unallocated capital expenditure				1,697,778
Total capital expenditure				1,697,778
2006	License and consultancy \$	Design Services \$	Sales \$	Consolidated \$
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
Unallocated capital expenditure				388,803
Total capital expenditure				388,803

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Notes to the Financial Statements

for the year ended 31 March 2007

32. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Short-term funding is obtained from overdraft facilities. The credit facilities are regularly reviewed by the directors to ensure that they meet the objectives of the Group.

Credit risk

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has 3 main customers that account for approximately 60% of the Group's gross trade receivables as at 31 March 2007.

Foreign exchange risk

The Group uses foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions and financing arrangements denominated in foreign currencies, primarily the US dollars. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and firm and probable purchase and sales commitments.

As at balance sheet date, after taking into account the effects of forward foreign exchange contracts, the Group's currency exposures are insignificant.

Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements

Analysis of Shareholdings

Distribution of shareholdings as at 28 June 2007

Issued and fully paid up capital	:	57,827,018.47
Number & Class of shares	:	\$786,905,813 Ordinary shares
Voting rights - On a show of hands	:	one vote per member
- On a poll	:	one vote per share

Distribution of shareholdings and number of holders as at 28 June 2007

Size of Holdings	No. of Holders	Percentage of Holders	No. of Shares	Percentage of Shares
1 - 999	35	0.64	14,631	0.00
1,000 - 10,000	2,397	43.51	13,331,798	1.70
10,001 - 1,000,000	3,004	54.53	219,097,990	27.84
1,000,001 and above	73	1.32	554,476,394	70.46
Grand Total	5,509	100.00	786,920,813	100.00

As at 28 June 2007, the percentage of shareholdings held in the hands of the public was 80.0 % and Rule 723 of the Listing Manual is complied with.

20 largest registered shareholders as at 28 June 2007 as shown in the Register of Members

No.	Name	Shareholdings	%
1	CHAN KUM ONN ROGER	34,256,240	4.35
2	UOB NOMINEES (2006) PTE LTD	26,000,000	3.30
3	MAYBAN NOMINEES (S) PTE LTD	25,980,000	3.30
4	PROCYON PTE. LTD.	25,000,000	3.18
5	UOB KAY HIAN PTE LTD	23,528,000	2.99
6	TAN KHAI PANG	21,925,360	2.79
7	UNITED OVERSEAS BANK NOMINEES	21,246,000	2.70
8	GOH POH HENG	20,250,000	2.57
9	CREST CAPITAL PARTNERS PTE LTD	20,000,000	2.54
10	SBS NOMINEES PTE LTD	19,900,000	2.53
11	KIM ENG SECURITIES PTE. LTD.	16,976,000	2.16
12	NG KIM CHOON	15,000,000	1.91
13	PHILLIP SECURITIES PTE LTD	12,710,000	1.62
14	RAFFLES NOMINEES PTE LTD	12,250,760	1.56
15	LIM HAN BOON	11,990,560	1.52
16	CITIBANK NOMS S'PORE PTE LTD	11,545,006	1.47
17	OCBC SECURITIES PRIVATE LTD	11,126,320	1.41
18	MA IAO IAO	10,000,000	1.27
19	WONG WAI CHUEN ERIC	10,000,000	1.27
20	TAN KHAITENG	9,864,000	1.25
	Total:	359,548,246	45.69

Analysis of Shareholdings

Substantial Shareholder as at 28 June 2007

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

Name of substantial shareholders	Shareholders registered in the name of the substantial shareholders	Shareholders held 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 Chan	3,551,960	51,100,000	–	54,651,960	6.95%

Notice of Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held at 190 Changi Road #02-02 Singapore 419974, on Friday, 27 July 2007 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 2007 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To re-elect Mr Lim Han Boon, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 2)**

Note:

Mr Lim Han Boon will upon re-election as Director of the Company, remain as a member of the Remuneration 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 Audit Committee and Nominating Committee.

3. To re-elect Mr Ang Eng Lim, a Director retiring under Article 108 of the Articles of Association of the Company. **(Resolution 3)**

Note:

Mr Ang Eng Lim 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\$98,649 for the financial year ended 31 March 2007 (2006: S\$144,000.00). **(Resolution 4)**
5. To re-appoint Horwath First Trust as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

As Special Business

6. 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;

Notice of Annual General Meeting

- (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,

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]
7. 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]

Notice of Annual General Meeting

8. To transact any other business that may normally be transacted at an Annual General Meeting.

By Order of the Board

Foo Soon Soo
Secretary

Singapore, 12 July 2007

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 6 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 7 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

ELEVENTH 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, 27 July 2007 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 2007 together with the reports of the Directors and the Auditors thereon.				
2.	To re-elect Mr Lim Han Boon, a Director retiring under Article 104 of the Articles of Association of the Company.				
3.	To re-elect Mr Ang Eng Lim, a Director retiring under Article 108 of the Articles of Association of the Company.				
4.	To approve the payment of Directors' Fees of S\$98,649 for 2007.				
5.	To re-appoint Horwath First Trust as Auditors and to authorise the Directors to fix 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 _____ 2007.

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

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

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, MDIS Building, Singapore 419974, not less than 48 hours before the time appointed for the Meeting.
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.



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