

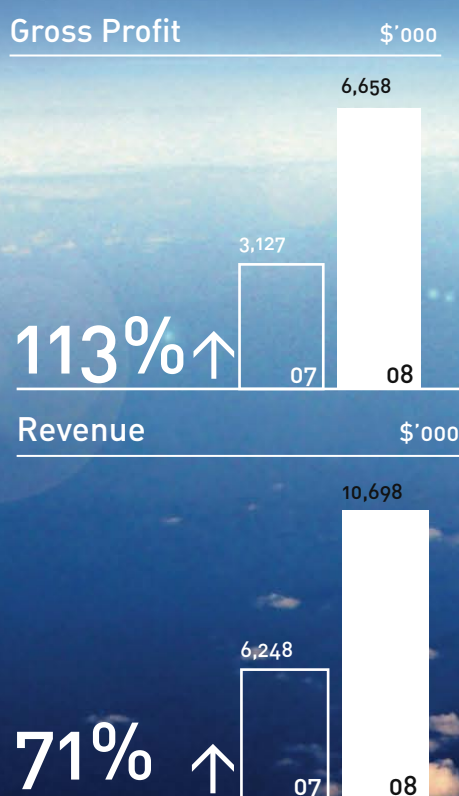


Riding

The Next Wave



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.

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chairman's message

Dear Shareholders

In the last annual report, we mentioned that FY2008 would be a year we would work extra hard to execute our growth plans and deliver sustainable earnings. In retrospect, FY2008 indeed turned out to be a year of pronounced growth with exceptional profitability attained.

Besides, our focus on satellite communications continues to see us gaining foothold in the satellite arena and, more importantly, strengthening our foundation for sustained growth in the future.

Financial accomplishments

For FY2008, the Group achieved a more than 15-fold increase in net profit to S\$2.2 million as compared to a net profit of S\$0.1 million in FY2007. The commendable performance was attained against a marked 71% increase in revenue to S\$10.7 million as compared to S\$6.2 million a year ago, with gross profit more than doubled from S\$3.1 million in FY2007 to S\$6.7 million in FY2008. In earnings per share ("EPS") terms, our EPS is now 0.27 cents compared to 0.02 cents a year earlier.

Against the backdrop of this commendable performance, our working capital position reversed from a net current liabilities position of S\$1.5 million in FY2007 to a net current assets position of S\$0.4 million in FY2008.

Business milestones

Spin-off satellite terminals develop for maritime applications.

Riding on our current platform, which operates on Inmarsat's Broadband Global Area Network ("BGAN") and successfully delivers our portable Addvalue Sabre™ 1 terminals, as a spin-off, we are developing a maritime BGAN product with voice and broadband data access features (the "FleetBroadband") for Satlink S.L., our European master distributor. Barring any unforeseen delay, we expect the product to be ready for commercialization by the second half of FY2009. Maritime communications have traditionally been the dominant markets for satellite communications, and Inmarsat has always been a leading player in this domain. Given that the feature-rich FleetBroadband is the new generation product to be rolled out for Inmarsat's maritime services, we expect such product to see robust growth due to the migration of existing users to this service, which offers unrivalled broadband services at a more competitive pricing.





In June 2008, we also introduced a new maritime phone (the "Fleet Phone"), developed in partnership with another satellite service provider, Thuraya Telecommunications Company ("Thuraya"). Thuraya, based in the United Arab Emirates, provides cost effective mobile satellite services in more than 170 countries in Asia, Africa, Europe and Middle East. This new Fleet Phone is specially designed for maritime applications, targeting cost sensitive users who predominately require voice and low data services only, and is ideally suited for the fishery industry in this region. Beside enabling us to work with two satellite service providers, this product compliments our BGAN range of products and helps to enlarge the customer base of our Group.

Further inroads made for Addvalue BGAN products

Since its inception last year, Addvalue Sabre™ 1 satellite terminals have won rave reviews from the industry players and acclaimed accolades from end users.

Against rising demands for our satellite terminals, we have expanded our global distribution network significantly compared to a year ago. In May 2008, we added Stratos Global Corporation ("Stratos"), the leading global provider of advanced mobile and fixed-site remote communications solutions, to our list of distributors. As a whole, all our distributors, principally Stratos, and their channels account for over 80% of Inmarsat airtime revenue.

To compliment our current Addvalue Sabre™ 1 terminal, we will also be expanding the product family to include a higher speed terminals (Class 1 BGAN) for the media and government markets.

"The SABRE™ 1 BGAN worked wonderfully We used it on a daily basis, and it saved us a ton of money and time, and allowed us to stay connected with our team back home in a way that we had never been able to do before."

SABRE™ 1 BGAN customer, Dave Freeman
Executive Director of The Wilderness Classroom Organization
said during a recent trip through the Amazon

From Vizada Press Release - 20 May 2008

Offshoot products develop for BGAN-related business

To attract and retain distributors, we enrich our range of satellite communication products by developing and introducing more products and solutions to meet the needs of our customers. We have in this regard launched an innovative solution using our BGAN terminals and our proprietary interface device for SCADA (Supervisory, Control And Data Acquisition) applications, which generated significant interest from the oil and gas industries for the monitoring of oil and gas fields.

Further, our SCADA telemetry system may be customized to interface with other communication infrastructures, such as GSM, private radio network or other satellite infrastructure to expand our market reach.

Proposed investment by Pytheas Ltd

During the year, we entered into a binding term sheet / arrangement, which is subjected to certain pre-completion conditions, with Pytheas Ltd ("Pytheas") in relation to a proposed subscription by Pytheas and/or its nominees (the "Investor") of up to a maximum 860,000,000 new shares in the capital of the Company, representing about 51% of the enlarged share capital of the Company, for cash at a premium of 10-20% over the closing price of S\$0.13 per share of the Company on 6 February 2008.

Pytheas is an international investment management company established in the United Kingdom. The Pytheas Group has a strong presence principally in the United Arab Emirates, Qatar and Europe.

Recognising the immense growth potentials in the global satellite industry, particularly in the Middle East region, the Investor aims to ride on the rising tide via the proposed investment, as our Group is one of the only three authorised portable Inmarsat BGAN terminal suppliers globally and is an ideal platform to realize its aspirations.

Given the scale of the investment involved, due diligence by the Investor is still in progress. An update will be provided in due course.

Looking ahead

Apart from expanding our distribution network in capitalising on the momentum gained on the sale of our range of satellite products, we aim to ride the next wave by cultivating a new recurring revenue stream via sale of satellite airtime. To this end, we are working on a plan to resell Inmarsat airtime through the bundling with our BGAN terminals. In addition, we have recently been appointed by Thuraya as one of its international service providers for the sales of its airtime. Apart from selling airtime with the standard Thuraya handheld satellite phone, we will also be bundling our in-house developed maritime Fleet Phone with airtime sales, so as to create a niche for our intended market.

We are optimistic about the business prospects of the Group and, barring any unforeseen circumstances, shareholders can look forward to continued profitability from the Group.

Acknowledgements

On behalf of the Board, I would like to extend my deepest appreciation to the management and employees for their dedication and hard work in helping the Group realizes its many milestones during the year. I would also like to extend my thanks to our customers, business partners and suppliers for the unrelenting support they have given and the confidence they have had in our Group.

I would also like to take this opportunity to thank our Board members for their contributions and guidance in helping the Group overcome the challenges of the past years. Last but not least, I am extremely grateful to our shareholders for their understanding and continued support for the Group through the years.

Dr Colin Chan
Chairman and CEO

operations review



We have been and will continue to be securing high value design and development contracts in satellite communications, tracking and telemetry as well as digital wireless design solution businesses. We will grow our revenue streams through the design and supply of spin-off products using our BGAN design platform as well as cultivate new airtime service revenue stream in the satellite communications arena.

We are currently and will continue actively pursue the following:

(a) Inmarsat BGAN-related Products

We are enriching our BGAN product portfolio by developing other classes of BGAN terminals and solutions as follows:

Land BGAN - Our portable Class 3 BGAN terminal (Sabre™ 1) has won rave reviews from the industry since its inception last year. We shall expand the product family to include outdoor ruggedised version for remote and unmanned operations and higher speed terminals (Class 1 BGAN terminal) for the media and government markets. We are also developing a land mobile version for in-vehicle applications.

Maritime BGAN - Having secured a contract to design and supply a maritime BGAN product with voice and broadband data access features using our current BGAN platform, barring any unforeseen delay, we expect the product to be ready for commercialisation by the second half of FY2009.

Aeronautical BGAN - We are also exploring market opportunities for in-flight broadband satellite communication using our BGAN technologies.

(b) Other Satellite Communication-Related Business

Given the expertise and experience gained from working in the BGAN programs, we are ready to explore and expand our business to other satellite communication-related products and services. This focus will not only enable us to work with other satellite service operators, but more importantly, expand our customer base.

Fleet Phone - We believe that there is a good business potential in the design and supply of satellite based voice communications products. One such application is to cater to cost-sensitive users in the fisheries and small leisure boats markets that may find the maritime BGAN solutions too feature-rich and expensive for their needs. In this regard, we have partnered another satellite service provider, Thuraya Satellite Telecommunications Company, for the development and commercialisation of such a product. Thuraya, based in the United Arab Emirates, provides cost effective mobile satellite services in more than 170 countries in Asia, Africa, Europe and Middle East. The services provided by Thuraya include mobile voice, broadband, maritime, rural telephony, fleet management and other advanced applications that enable people and businesses everywhere under the coverage to enjoy constant access to communications and information.

Handheld Satellite Phone - The technologies developed for the Fleet Phone can be adapted for handheld applications for voice and SMS services in meeting the needs of globe trotters, emergency relief workers and technology savvy users. The increased awareness for disaster preparedness is also a new stimulus to the handheld satellite phone market. We shall study the business viability of a low-cost, fit-for-purpose handheld satellite phone to explore this opportunity.

Satellite Airtime Service - We believe that the inclusion of satellite airtime reselling as part of our business model will take us to a greater height as the service will not only give us an additional revenue stream but more importantly, when successfully established, will provide the Group with a strong recurring revenue. As we have started some groundwork in this aspect in FY2007 with encouraging progress, we will intensify our pursuit in this airtime business opportunity.

(c) Tracking & Telemetry

SCADA Telemetry Systems - We have developed an innovative broadband telemetry solution using our BGAN terminals and our proprietary embedded interface device for SCADA (Supervisory, Control And Data Acquisition) applications for the energy and utility markets. These development efforts

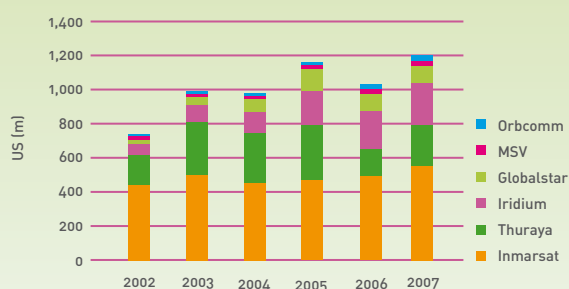
have generated significant interest from the oil and gas industries with an initial trial order received. We expect this BGAN-based SCADA Telemetry System to generate revenue in the second half of FY2009.

Our SCADA Telemetry Systems may also be customised to interface with other communication infrastructures such as GSM, private radio network or other satellite infrastructure to expand our market reach.

We have been and will continue to be intensifying our efforts to establish global distribution network for our range of satellite and telemetry products and expand our marketing reach in high growth regions such as the Middle East, North Asia and East Asia. In this regard, we have in May 2008 engaged Stratos Global Corporation ("Stratos"), the leading global provider of advanced mobile and fixed-site remote communications solutions and one of the world's largest distributors of Inmarsat BGAN mobile satellite service, as our global distributor of BGAN and BGAN-related products. We believe that riding on Stratos' extensive distribution network, our BGAN terminals and BGAN-based SCADA Telemetry System products will be able to penetrate the enterprise market as well as the government and military agencies.

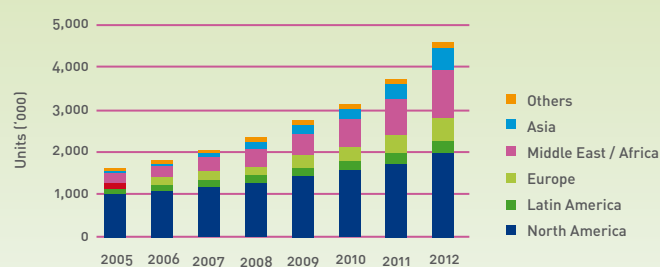
Industry Outlook

Operators' Revenue (by Operators)



Source: TMF Associates

Narrowband MSS In-Service Terminals by Regions



Source: Northern Sky Research

financial review



We achieved a commendable performance for FY2008, with our profit attributable to shareholders increased by more than 15-fold from about S\$0.1 million in FY2007 to about S\$2.2 million in FY2008. Our working capital position reversed from a net current liabilities position of about S\$1.5 million as at 31 March 2007 to a net current assets position of about S\$0.4 million as at 31 March 2008 and our net asset backing per share rose from 0.54 cents in FY2007 to 0.98 cents in FY2008

	FY2008 S\$'000	FY2007 S\$'000 (Restated)
Group Profit		
Revenue	10,698	6,248
Gross profit	6,658	3,127
Operating expenses	(4,243)	(4,355)
Profit from operating activities	2,552	519
Profit before tax	2,182	150
Net profit	2,182	138
Per Share Data (Cents)		
EPS	0.27	0.02

Our Group's revenues in FY2008 and FY2007 were as follow:-

	FY2008		FY2007		Increase/ (Decrease)
	S\$' m	%	S\$'m	%	S\$' m
Revenue relating to satellite communications	10.5	98.1	4.6	74.2	5.9
Revenue relating to tracking & telemetry system and digital wireless solutions	0.2	1.9	1.2	19.2	(1.0)
Licensing income relating to consumer products	-	-	0.2	3.2	(0.2)
Sale of consumer products	-	-	0.2	3.2	(0.2)
Total turnover	10.7	100	6.2	100	

With increased demand for our design services and products, principally BGAN terminals, relating to satellite communications, our total turnover increased markedly by about 71% from about S\$6.2 million in FY2007 to about S\$10.7 million in FY2008.

Notwithstanding the increased sales of our BGAN terminals in FY2008 relative to FY2007, our sales of BGAN terminals in FY2008 had been restrained by the following factors:-

- (a) The anticipated full global coverage of BGAN services by Inmarsat Global Ltd ("Inmarsat") has yet to happen primarily as a result of a delay in the launch of its third I-4 satellite. The launch is now re-scheduled till 14 August 2008.
- (b) Slower switch over of the existing RBGAN customers of Inmarsat from the regional-based RBGAN terminals to the global-based BGAN terminals. However, with the December 2008 deadline for the termination of the RBGAN services drawing near, a spike in take-up rate from these RBGAN terminal users is expected in the near term.

- (c) The progress in securing BGAN terminal sales and satellite communications related contracts from the Middle East market is taking a while to bear results.

- (d) The BGAN market was still in its nascent state as 2007 was only the second year of the BGAN operations. A good part of 2007 was for the new and greatly enhanced satellite communications system to stabilise as well as for sales and marketing efforts to create market awareness and educate users.

The decrease in our revenue relating to navigation, tracking and telemetry system and digital wireless solutions was attributed mainly to the fact that the commercial launches of some of the products from these fields were made only towards the end of FY2008 following the completion of the relevant projects underpinning the products in the forth quarter of FY2008.

The total hollowing out of our licensing income and sales of consumer products marked the completion of our efforts in exiting from the low margin consumer electronics business.



	FY2008 S\$'000	FY2007 S\$'000 (Restated)
Group Balance Sheet		
Non-current assets	7,486	5,753
Current assets	10,990	11,509
Current liabilities	10,587	(13,048)
Net current assets/(liabilities)	403	(1,539)
Net assets	7,889	4,214
Total equity	7,889	4,214
Group Cash Flow		
Operating profit before investment in capital	3,419	6,113
Net cash used in operating activities	(3,690)	(67)
Net cash used in investing activities	(751)	(1,758)
Net (decrease)/increase in cash & cash equivalent	(620)	1,404
Cash & cash equivalent at beginning of the year	1,300	(104)
Cash & cash equivalent at end of the year	680	1,300
Per Share Data (Cents)		
Net asset backing per share	0.98	0.54



Profitability

Against the significant increase in revenue, our gross profit more than doubled from about S\$3.1 million in FY2007 to about S\$6.7 million in FY2008. Further, over the same financial years under consideration, our gross profit margin increased from about 50.1% in FY2007 to about 62.2% in FY2008 mainly as a result of higher design fee income recorded in FY2008 relative to FY2007 as design fees command higher margins relative to the sales of BGAN terminals.

While our distribution costs increased by about 125% from about S\$0.4 million in FY2007 to about S\$0.8 million in FY2008 as we expand our global distribution network, the continued tight cost containment measures which we implemented 2 years ago continued to witness a decrease in our administration expenses by about 26% from about S\$2.2 million in FY2007 to about S\$1.6 million in FY2008.

Working capital

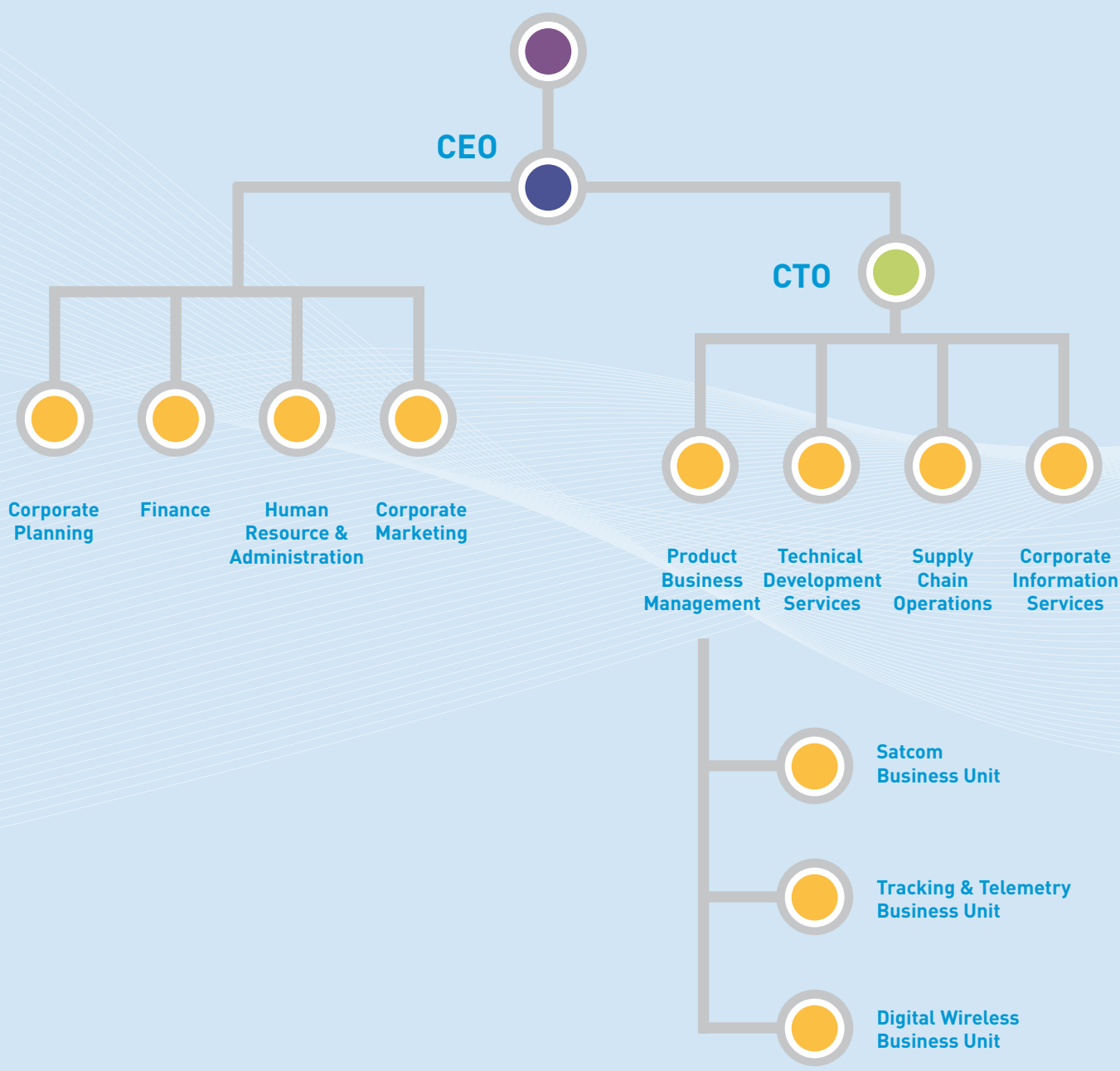
The increase in our inventories and work-in-progress, net off against the increase in trade payables and trust receipts, greatly enhanced our working capital position. The increase in inventories was attributed mainly to the slower take-up rate of BGAN terminals than expected for reasons as explained above while the increase in work-in-progress was attributed mainly to more work done on our various design contracts which have yet to be billed. The increase in trade payables and trust receipts was in tandem with our increased business activities.

Intangible assets

The increase in our intangible assets by about 44% from about S\$4.6 million as at 31 March 2007 to about S\$6.6 million as at 31 March 2008 relates mainly to our increased development expenditure due mainly as a result of our in-house development efforts to expand our family of satellite communication products as in line with our strategy to grow our satellite communications business segment.

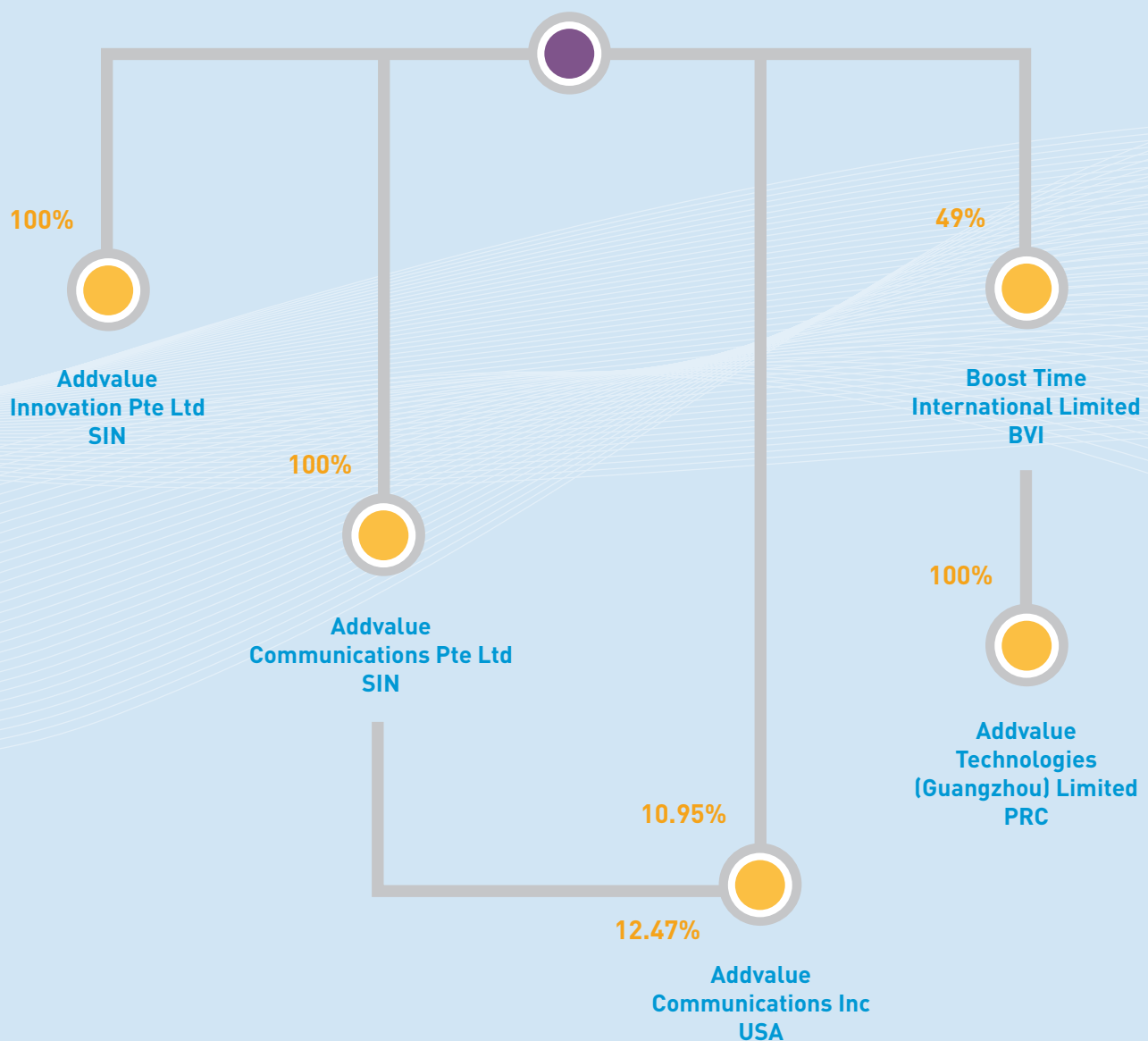
organisation chart

BOARD OF DIRECTORS



group structure

ADDVALUE TECHNOLOGIES LTD



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 nonexecutive 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 Practising Accountant. Mr Ang is a partner of R Chan & Co, a firm of Certified Public Accountants, since 1980.

key management

LEE KIM HOCK, MICHAEL **Human Resource & Administration Manager**

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 was the Human Resource and Administrative Manager of a manufacturing company. Mr Lee has more than 10 years of experience in the area of staffing, compensation and benefits, training as well as human resource planning and development. He holds a Bachelor of Business Administration Degree from the National University of Singapore.

HO KWONG YUE, SIDNEY **Vice President, Global Sales and Marketing** **(Satellite Communications)**

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 Master of Science degree from Chinese University of Hong Kong and a Bachelor of Commerce Degree from Dalhousie University of Halifax, Nova Scotia, Canada.

RAYMOND NG **Vice President, Business Development**

Mr Ng joined the Group in October 2007 and is responsible for sales and marketing in the Asia Pacific region. Mr Ng has at least 17 years of experience in sales, marketing, business development, distribution channel and strategic alliance management, with about 13 years of sales and marketing experience in wireless/mobile, telecommunications, datacomm, and IT products, solutions and services in the regional and international markets. He holds a B Eng in Mechanical Engineering from the National University of Singapore.

KEVIN PENG **Vice President, Product Strategic Planning** **(Satcom Broadband)**

Mr Peng joined the Group in April 2006. Apart from managing new business development in the satellite communication area, especially with regard to BGAN Core Module, he also plays the role of the Baseband functional manager. He has 10 years of digital ASIC design experience, specializing in 3D graphics and optical fibre SDH communication design. Mr Peng graduated with a MBA from the Nanyang Business School of the Nanyang Technological University and a Bachelor in Electrical Engineering from the Iowa State University, USA.

DR. SEE BAO HE **Senior Product Manager**

Dr See joined the Group in 1997 and is specialising 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 led a team to complete the Design and Supply of Satellite Digital Audio Receiver System. Subsequently, over the last 5 years, Dr. See managed the development of the Inmarsat BGAN satellite terminal projects. Dr. See holds a Bachelor of Science in Mechanical Engineering (First Class Honours) and a PhD in Engineering from Strathclyde University, Scotland, UK.

E.M.L. EKANAYAKE **Senior Hardware Design Manager**

Mr Ekanayake joined the Group in 1996 and is specialising 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 Bachelor of Science (Hons) Degree in Engineering and he holds a Graduate Diploma in Information Communication Technology from Nanyang Technological University.

K. KALAIVANAN **Senior Software Design Manager**

Mr Kalaivanan joined the Group in 1996 and is specialising in telecommunications software development especially in the area of wireless communications and networking protocols. He has more than 18 years of experience in telecommunications industry involved in various research and development projects. He has vast 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, ad-hoc wireless communications, protocol analyzers, SCADA, tracking and navigation and satellite communications products. He managed the software development of the Inmarsat BGAN satellite terminal projects.

Mr Kalaivanan graduated from Annamalai University, India with a Bachelor of Engineering (Hons) Degree in Electronics and Instrumentation. He also holds 2 Masters Degrees, one in Master of Engineering (Hons) in Instrument Technology from Madras Institute of Technology, Anna University, India and another Master of Science in Communications Software Management, specialised in Data Communication and Networking Software, from the University of Essex, UK.

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

Foo Soon Soo
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T: +65 6342 5425
F: +65 6342 5426

Registrar

KCK CorpServe Pte Ltd
47 Hill Street #06-07A
Singapore Chinese Chamber of Commerce
& Industry Building
Singapore 179365
T: +65 6837 2133
F: +65 6338 3493

Auditors

**Horwath First Trust
Public Accountants and
Certified Public Accountants**
7 Temasek Boulevard #11-01
Suntec Tower One
Singapore 038987
Partner-in-charge: Alfred Cheong
Date of Appointment: 4 May 2007

financial contents

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corporate governance report

The Board of Directors of the Company (the “Board”) 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 contribute to the overall effective management of the Group.

The primary role of the Board includes the following:

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

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

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

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

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

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

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

corporate governance report

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

Director	Board	Audit	Nominating	Remuneration
Dr. Colin Chan Kum Lok	2	N/A	N/A	N/A
Tan Juay Hwa	2	N/A	N/A	N/A
Tan Khai Pang	2	2	1	N/A
Lim Han Boon	2	2	1	3
Ang Eng Lim	2	2	1	3

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.

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. Hence, there is no immediate plan to create a separate dual function.

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

corporate governance report

BOARD MEMBERSHIP

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

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/Independent and non-executive)
Ang Eng Lim	(Member/Independent and non-executive)
Tan Khai Pang	(Member/Executive Director)

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

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

The Company has in place policies and procedures for the appointment of new directors including the description on the search and nomination process.

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 2008, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance. The Board is also satisfied that each director has allocated sufficient time and resources to the affairs of the Company.

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.

corporate governance report

REMUNERATION MATTERS

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

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

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/Independent and non-executive)
Lim Han Boon (Member/Independent and non-executive)
Tan Khai Pang (Member/Executive Director)

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

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

The Remuneration Committee 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.

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 Juay Hwa	-	93	7
	Tan Khai Pang	-	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 also Directors) for the financial year ended 31 March 2008 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	Executive 1	Human Resource & Administration Manager	100	-
	Executive 2	Senior Manager, Product Development	100	-
	Executive 3	Senior Manager, Product Development	100	-
	Executive 4	Senior Manager, Product Development	100	-
	Executive 5	Vice President, Business Development	100	-
	Executive 6	Vice President, Strategic Planning	100	-
	Executive 7	Vice President, Business Development	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 2008.

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 01.04.07	Options lapsed/ exercised	Options Outstanding as at 31.03.08
01.08.2002	01.08.2002 to 31.07.2012	0.12	2,420,000	(750,000)	1,670,000
20.04.2007	20.04.2008 to 19.04.2010	0.12	12,380,000	-	12,380,000
05.06.2007	05.06.2008 to 04.06.2010	0.123	3,900,000	-	3,900,000

During the financial year ended 31 March 2008, 750,000 Options were cancelled due to the resignation of employees.

corporate governance report

Options granted to Directors

Director	Options Granted as at 05.06.07	Options lapsed/ exercised	Options Outstanding as at 31.03.08
Chan Kum Lok	1,200,000	-	1,200,000
Tan Khai Pang	1,200,000	-	1,200,000
Tan Juay Hwa	500,000	-	500,000
Lim Han Boon	800,000	-	800,000
Ang Eng Lim	200,000	-	200,000

Options granted to Senior Executives

Senior Executives	Options Granted as at 20.04.07	Options lapsed/ exercised	Options Outstanding as at 31.03.08
E.M.L Ekanayake	350,000	-	350,000
K. Kalaivanan	500,000	-	500,000
See Bao He	350,000	-	350,000
Lee Kim Hock, Michael	400,000	-	400,000
Peng Piang	200,000	-	200,000
Ho Kwong Yue, Sidney	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/Independent and non-executive)
Ang Eng Lim	(Member/Independent and non-executive)
Tan Khai Pang	(Member/Executive)

Following the restructuring and streamlining of the Company business in the last financial year, and simplification of the Company's accounts, the Board is of the view, taking into consideration that majority of the members have experience in accounting or financial related management expertise, and the current composition, in terms of size and mix of skills of the members, that the Audit Committee is able to discharge the Audit Committee functions.

The independent non-executive Directors believe that the Audit Committee benefits and continue to benefit from the experience and expertise of Mr Tan Khai Pang, the executive Director, in carrying out its functions effectively.

corporate governance report

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 2008 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 also review the interested person transactions of our Group, and has the authority to carry out any matter within its terms of reference as it deems appropriate.

The financial statements, accounting policies and system of internal accounting controls are the responsibilities of the Board acting through the Audit Committee. In performing its functions set out in Section 201B(5) of the Companies Act, Cap 50, the Audit Committee reviewed the scope of work by 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 meets with the external auditors without the presence of the management at least once a year.

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

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

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

NB: The Company has in place a whistle-blowing framework for staff to raise concerns 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 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.

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications. The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. Financial results are released through SGXNET. A copy of the 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.

corporate governance report

INTERESTED PERSON TRANSACTION

Our Group has adopted an internal policy in respect of the any transactions with interested persons and requires all such transactions to be at arm's length and reviewed by the Audit Committee. Our Group has no material interested party transactions as at the end of financial year ended 31 March 2008.

RISK MANAGEMENT

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

COMPLIANCE WITH THE CODE ISSUED BY THE SINGAPORE STOCK EXCHANGE TRADING LIMITED

The Board confirms that for the financial year ended 31 March 2008, our Company has complied materially with the principal corporate governance recommendations set out in the Code issued by the SGX-ST.

directors' report

for the financial year ended 31 march 2008

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 2008 and the balance sheet of the Company as at 31 March 2008.

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

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 the name of director or nominee			Shareholdings in which a director is deemed to have an interest		
	At 1 April 2007 or date of appointment, if later	At 31 March 2008	At 21 April 2008	At 1 April 2007 or date of appointment, if later	At 31 March 2008	At 21 April 2008
<u>Director of the Company</u>						
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	-	-	-

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' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or 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. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

SHARE OPTIONS

The Addvalue Technologies Ltd 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, comprising the following directors:

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

Other statutory information regarding the Scheme is set out below:

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

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

directors' report

for the financial year ended 31 march 2008

SHARE OPTIONS (CONTINUED)

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

	Number of shares under option				
	Granted during the financial year ended 31 March 2008	Aggregate granted since commencement of the Scheme to 31 March 2008	Aggregate exercise since commencement of the Scheme to 31 March 2008	Aggregate cancelled/ lapsed since commencement of the Scheme to 31 March 2008	Aggregate outstanding as at 31 March 2008
Director of the Company					
Dr Chan Kum Lok Colin	1,200,000	1,200,000	-	-	1,200,000
Tan Khai Pang	1,200,000	2,150,000	-	-	2,150,000
Lim Han Boon	800,000	800,000	-	-	800,000
Ang Eng Lim	200,000	200,000	-	-	200,000
Tan Juay Hwa	500,000	1,450,000	-	-	1,450,000

The options granted during the financial year to directors of the Company who received 5% or more of the total number of options available to such directors were as follows:

	Number of shares under option	Exercise price payable in full on application
Dr Chan Kum Lok Colin	1,200,000	\$0.123
Tan Khai Pang	1,200,000	\$0.123

There were 16,280,000 options granted during the financial year to employees of the Group and directors of the Company at exercise prices ranged between \$0.12 and \$0.123. In the previous financial years, the options were granted at the subscription price of S\$0.12 per share and no options were granted at a discount to the then prevailing Market Price.

Unissued ordinary shares in respect of unexercised options granted under the Scheme as at 31 March 2008 comprise:

For ordinary shares in the Company	Exercise price per option	Exercise period
2,420,000	\$0.12	1 August 2003 to 31 July 2012
12,380,000	\$0.12	20 April 2008 to 19 April 2010
3,900,000	\$0.123	5 June 2008 to 4 June 2010

Except as disclosed above, during the financial year, there were

- (i) no options granted to controlling shareholders of the Company and their associates (as defined in the Singapore Exchange Securities Trading Listing Manual);
- (ii) no participant who had received 5% or more of the total number of the options available under the Scheme; and
- (iii) no options granted by the Company or its subsidiaries which entitle the holders of the option by virtue of such holding to any rights to participate in any share issue of any other company.

directors' report

for the financial year ended 31 march 2008

AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

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

The Audit Committee performs the functions specified by Section 201B of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditors and their report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the board of directors of the Company (the "Board") for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2008 prior to their submission to the Board, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened 2 meetings during the year with full attendance from all members and has also met with the external auditors, without the presence of the Company's management, at least once a year.

The Audit Committee has recommended to the Board that the independent auditors, Messers Horwath First Trust, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

directors' report

for the financial year ended 31 march 2008

INDEPENDENT AUDITORS

The independent auditors, Messers Horwath First Trust, have expressed their willingness to accept re-appointment as the external auditors of the Company.

On behalf of the Board of Directors

Dr Chan Kum Lok Colin
Director

Tan Khai Pang
Director

Singapore
30 June 2008

statement by directors

STATEMENT BY DIRECTORS

In the opinion of the directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 34 to 88 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 2008 and of the results, changes in equity and cash flows of the Group for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Dr Chan Kum Lok Colin
Director

Tan Khai Pang
Director

Singapore
30 June 2008

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 88, which comprise the balance sheets of the Company and of the Group as at 31 March 2008, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement of the Group for the financial year then ended, a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management is 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:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control 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 management, as well as evaluating the overall presentation of the financial statements.

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

independent auditors' report

to the members of addvalue technologies ltd

OPINION

In our opinion,

- (a) the balance sheet of the 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 Company and of the Group as at 31 March 2008 and the results, changes in equity and cash flows of the Group for the financial year; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Horwath First Trust
Public Accountants and
Certified Public Accountants

Singapore
30 June 2008

balance sheet

as at 31 march 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
			(Restated)		(Restated)
Equity attributable to the Company's equity holders					
Share capital	3	59,297,019	57,827,019	59,297,019	57,827,019
Share issue expenses		(131,018)	(126,698)	(131,018)	(126,698)
Capital reserve	4	65,120	-	65,120	-
Unsecured convertible loan - equity component	19	-	38,227	-	38,227
Accumulated losses		(51,342,266)	(53,524,579)	(55,083,414)	(54,768,759)
		7,888,855	4,213,969	4,147,707	2,969,789
Minority interests		81	81	-	-
TOTAL EQUITY		7,888,936	4,214,050	4,147,707	2,969,789
Property, plant and equipment					
	5	1,429,692	1,180,672	-	-
Subsidiaries	6	-	-	4,610,173	4,674,561
Associates	7	-	-	-	-
Other equity investments	8	-	-	-	-
Intangible assets	9	6,056,503	4,572,396	-	-
Current Assets					
Inventories	10	1,406,956	305,143	-	-
Construction contract work in progress	11	4,955,078	2,397,796	-	-
Trade receivables	12	1,390,536	3,062,890	-	-
Other receivables	13	808,656	2,696,149	691,778	2,582,560
Due from Subsidiaries (non-trade)	14	-	-	2,371,586	1,064,555
Due from an associate (non-trade)	15	-	-	-	-
Cash and cash equivalents	27	2,428,335	3,046,698	1,400,403	2,884,783
		10,989,561	11,508,676	4,463,767	6,531,898
TOTAL ASSETS		18,475,756	17,261,744	9,073,940	11,206,459

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

balance sheet

as at 31 march 2008

	Note	Group		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
			(Restated)		(Restated)
Current liabilities					
Trade payables		822,631	1,496,121	-	-
Other payables and accruals	16	2,871,031	3,994,652	709,938	877,660
Loans from financial institutions	17	5,109,804	915,755	2,256,410	915,755
Advance receipts	18	30,600	3,458,175	-	3,250,000
Due to subsidiaries (non-trade)	14	-	-	207,131	10,264
Unsecured convertible loan	19	-	1,431,773	-	1,431,773
Provision for taxation		5,000	5,000	5,000	5,000
Bank overdrafts	27	1,747,754	1,746,218	1,747,754	1,746,218
		10,586,820	13,047,694	4,926,233	8,236,670
TOTAL LIABILITIES		10,586,820	13,047,694	4,926,233	8,236,670
NET ASSETS		7,888,936	4,214,050	4,147,707	2,969,789

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

consolidated income statement

for the financial year ended 31 march 2008

	Note	2008 \$	2007 \$ (Restated)
Revenue	20	10,698,361	6,247,681
Cost of sales		(4,040,708)	(3,120,344)
Gross profit		6,657,653	3,127,337
Other operating income	21	136,205	1,746,079
Selling and distribution expenses		(779,403)	(373,731)
Administrative expenses		(1,860,702)	(2,171,352)
Other operating expenses		(1,603,400)	(1,810,032)
Profit from operations	22	2,550,353	518,301
Finance expenses	24	(368,040)	(368,954)
Profit before tax		2,182,313	149,347
Taxation	25	-	(11,738)
Profit after tax		2,182,313	137,609
Attributable to:			
Equity holders of the Company		2,182,313	137,609
Earnings per share (cents)	26		
Basic		0.27	0.02
Diluted		0.27	0.02

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

consolidated statement of changes in equity

for the financial year ended 31 march 2008

Attributable to equity holders of the Company

	Share capital	Capital reserve	Accumulated losses	Unsecured convertible loan-equity component	Share issue expenses	Minority interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1.4.2007	55,750,019	-	(53,662,188)	-	-	81	2,087,912
Profit for the year	-	-	301,054	-	-	-	301,054
Total recognised income for the year	-	-	301,054	-	-	-	301,054
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
Balance at 31.3.2007	<u>57,827,019</u>	<u>-</u>	<u>(53,361,134)</u>	<u>38,227</u>	<u>(126,698)</u>	<u>81</u>	<u>4,377,495</u>
Balance at 1.4.2007	57,827,019	-	(53,361,134)	38,227	(126,698)	81	4,377,495
Prior year adjustment (Note 34)	-	-	(163,445)	-	-	-	(163,445)
Balance at 1.4.2007, as restated	<u>57,827,019</u>	<u>-</u>	<u>(53,524,579)</u>	<u>38,227</u>	<u>(126,698)</u>	<u>81</u>	<u>4,214,050</u>
Profit for the year	-	-	2,182,313	-	-	-	2,182,313
Total recognised income for the year	-	-	2,182,313	-	-	-	2,182,313
Issue of shares	1,470,000	-	-	-	-	-	1,470,000
Share issue expenses	-	-	-	-	(4,320)	-	(4,320)
Recognition of share-based payment	-	65,120	-	-	-	-	65,120
Unsecured convertible loan-equity component	-	-	-	(38,227)	-	-	(38,227)
Balance at 31.3.2008	<u>59,297,019</u>	<u>65,120</u>	<u>(51,342,266)</u>	<u>-</u>	<u>(131,018)</u>	<u>81</u>	<u>7,888,936</u>

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

consolidated cash flows statement

for the financial year ended 31 march 2008

	Note	2008 \$	2007 \$ (Restated)
Cash flows from operating activities			
Profit before tax		2,182,313	149,347
Adjustments:			
Allowance for/(write-back of) impairment loss on			
- Trade receivables		1,263	16,639
- Due from an associate		61,109	(82,977)
Amortisation of intangible assets		137,965	901,016
Depreciation of property, plant and equipment		582,877	196,130
Deposit written off		34,496	-
Gain on partial divestment of a subsidiary		-	(399,941)
Impairment loss on investment in associates		-	270,733
Intangible assets written off		6,000	-
Interest expense		368,040	368,954
Interest income		(94,276)	(50,703)
Loss on disposal of property, plant and equipment		-	47,907
Loss on disposal of computer software		-	3,644
Property, plant and equipment written off		3,778	-
Share option expenses		65,120	-
Return of equity interest under settlement arrangement		-	4,692,177
Operating profit before working capital changes		3,348,685	6,112,926
Inventories		(1,101,813)	81,163
Construction contract work-in-progress		(2,557,282)	(288,372)
Trade and other receivables		3,524,089	(4,632,789)
Trade and other payables		(5,224,686)	547,347
Cash (used in)/generated from operations		(2,011,007)	1,820,275
Interest income received		94,276	50,703
Income tax paid		-	(11,738)
Development expenditure (net of depreciation and amortisation of computer software capitalised)		(1,773,648)	(1,926,441)
Net cash used in operating activities		(3,690,379)	(67,201)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	10,000
Advances to an associate		(61,109)	-
Acquisition of shares in associated company		-	(70,560)
Purchase of property, plant and equipment		(468,427)	(1,099,525)
Purchase of computer software		(221,672)	(598,253)
Net cash used in investing activities		(751,208)	(1,758,338)

consolidated cash flows statement

for the financial year ended 31 march 2008

	Note	2008 \$	2007 \$ (Restated)
Cash flows from financing activities			
Repayment of trust receipts		(178,475)	-
Proceeds from loans from financial institutions		2,870,100	-
Proceeds from issue of new shares, net of expenses		(4,321)	1,950,301
Proceeds from unsecured convertible loan		-	1,470,000
Proceeds from trust receipt		1,502,424	178,475
Interest paid		(368,040)	(368,954)
Net cash generated from financing activities		3,821,688	3,229,822
Net (decrease)/increase in cash and cash equivalents		(619,899)	1,404,283
Cash and cash equivalents at beginning of year		1,300,480	(103,803)
Cash and cash equivalents at end of year	27	680,581	1,300,480

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

notes to the financial statements

for the financial year ended 31 march 2008

1. CORPORATE INFORMATION

The Company is a public limited company domiciled and incorporated in Singapore and listed on the Main Board of the Singapore Stock Exchange. The address of the Company's registered office and principal place of business is 190 Changi Road #02-02 MDIS Building, Singapore 419774.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shown in Note 6 to the financial statements.

The financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2008 were authorised for issue by the Board of Directors of the Company (the "Board") on 30 June 2008.

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, Cap. 50 and the Singapore Financial Reporting Standards ("FRS").

The financial statements are presented in Singapore dollars.

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.

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 inter-company balances, transactions and unrealised profit or loss on inter-company 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 income 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 income statement.

notes to the financial statements

for the financial year ended 31 march 2008

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 income 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.

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 income 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 unaudited 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.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in the balance sheet as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Property, plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

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 income statement 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 income statement.

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)
Laboratory equipment	5
Furniture, fittings and office equipment	10
Computers and software	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 financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

(a) Research costs and development expenditure

Research costs are charged as an expense in the income statement 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.

(b) Patents

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

(c) 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. 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 financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts 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 3 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 3 months when acquired.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in financial assets

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable. As at the balance sheet date, the Group did not have any financial assets in the category financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date of the Group commits purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the financial assets within the period generally established by regulation or convention of the market place concerned.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet.

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost, where applicable, using the effective interest method. Loans and receivables include trade and other receivables on the balance sheet.

The Group had classified the amount due from a debtor, which is to be settled in marketable securities in lieu of cash under fair value through profit or loss in the financial year ended 31 March 2007. The marketable securities are restricted for trade as at 31 March 2007, and based on the settlement agreement, any shortfall from amount due by the debtor will be topped up by the debtor in marketable securities. A prior year adjustment has been made in relation to the amount by the debtor as the amount relates to a marked-to-market value of the marketable securities in excess of the amount to be received from the debtor with the gain being recognised in the financial year ended 31 March 2007.

The effects of the change in treatment of the transactions are detailed in Note 35 to the financial statements.

notes to the financial statements

for the financial year ended 31 march 2008

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.

(a) 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.

(b) 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.

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.

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.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

(a) 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 in form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

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

(b) Financial liabilities

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

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.

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.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 12 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 12 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 12 months after the balance sheet date are included in non-current liabilities in the balance sheet.

Leases

(a) *Finance leases*

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal at the inception of the lease to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(b) *Operating 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.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Employees' benefits

(a) *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.

(b) *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.

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

The Group operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire shares of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets), on the date of grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

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.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Equity and equity-related compensation benefits (Continued)

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 as at 1 April 2005. The Company's stock options granted under the Addvalue Technologies Ltd Employees' Share Option Scheme on 1 August 2002 are thus not within the scope of FRS 102. Accordingly, the Group has adopted the transitional provision for FRS 102 in respect of equity instruments granted on or after 22 November 2002 and not yet vested on 1 April 2005.

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.

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

(a) Current 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 income 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.

(b) Deferred tax

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

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Deferred tax(Continued)

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.

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

notes to the financial statements

for the financial year ended 31 march 2008

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 of the foreign operation and translated at the closing rate.

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.

(a) *Geographical segments*

The business segments of the Group are managed on a worldwide basis, but operate in 3 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.

(b) *Business segments*

The Group's business segments are as follows:

Sales

This segment is engaged in the sale of finished products and components embedded with the Group's 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's library of proprietary technologies.

Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007.

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

FRS 107	Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures
FRS 40	Investment Property

The adoption of these new/revised FRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below and in the notes to the financial statements.

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted.

FRS 23	Borrowing Costs
FRS 108	Operating Segments
INT FRS 111	Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements

The Group's assessment of the impact of adopting these standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 23 - Borrowing Costs

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy is consistent with the FRS 23 requirement to capitalise borrowing costs.

(b) FRS 108 - Operating Segments

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108 supersedes FRS 14 - Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed. The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

Critical accounting estimates and judgements

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

notes to the financial statements

for the financial year ended 31 march 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) 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 2008 was \$5,487,736 (2007: \$3,765,814).

(ii) 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 Group's property, plant and equipment as at 31 March 2008 was \$1,429,692 (2007: \$1,180,672). 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.

(iii) Impairment of equity investments and financial assets

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

(b) *Critical judgements made in applying accounting policies*

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

(i) Capitalisation of development expenditure

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

notes to the financial statements

for the financial year ended 31 march 2008

3. SHARE CAPITAL

	Group and Company	
	2008	2007
	\$	\$
Issued and fully paid		
As at beginning of year		
786,905,813 (2007: 750,881,716) ordinary shares	57,827,019	55,750,019
Issued during the year		
21,000,000 (2007: 36,024,097) ordinary shares	1,470,000	2,077,000
As at end of year 807,905,813 (2007: 786,905,813) ordinary shares	59,297,019	57,827,019

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

No. of shares	Description of shares	Purpose of issue
21,000,000	Ordinary shares of \$0.07 each for cash	The issuance was to Value Monetization Limited ("VML") pursuant to the conversion of convertible loan granted by VML to the Company under the Convertible Loan Agreement dated 25 August 2005 (as amended by the Supplemental Agreement dated 6 September 2006)
21,000,000		

The newly issued shares rank pari passu in all respects with previously issued shares.

The Addvalue Technologies Ltd 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.

Other statutory information regarding the Scheme is 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.

notes to the financial statements

for the financial year ended 31 march 2008

3. SHARE CAPITAL (CONTINUED)

(c) *The options granted vests and expires as follows:*

- (i) in relation to an option granted to an employee of the Company and/or its subsidiary companies, a period commencing on (and including) the first anniversary or where the subscription price for the shares comprised in an option is set at a discount to the Market Price on (and including) the second anniversary and expiring on (and including) the day immediately preceding the tenth anniversary of the date of grant or other shorter period determined by the Remuneration 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 company, 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 Remuneration Committee.

On 20 April 2007, options to subscribe for 12,380,000 ordinary shares of the Company at an exercise price of \$0.12 per ordinary share were granted pursuant to the Scheme ("2007 Option 1"). The 2007 Option 1 is exercisable from 20 April 2008 and expires on 19 April 2010.

On 5 June 2007, options to subscribe for 3,900,000 ordinary shares of the Company at an exercise price of \$0.123 per ordinary share were granted pursuant to the Scheme ("2007 Option 2"). The 2007 Option 2 is exercisable from 5 June 2008 and expires on 4 June 2010.

The details of the share options outstanding during the financial year are as follows:

Options outstanding	Group and Company			
	2008		2007	
	Number of share option	Weighted average exercise price \$	Number of share option	Weighted average exercise price \$
As at beginning of year	2,420,000	0.12	2,950,000	0.12
Granted during the year				
- 2007 Option 1	12,380,000	0.12	-	-
- 2007 Option 2	3,900,000	0.123	-	-
Cancelled/Lapsed during the year	(750,000)	0.12	(530,000)	0.12
As at end of year	17,950,000	0.121	2,420,000	0.12
Exercisable at the end of the year	1,670,000		2,420,000	

notes to the financial statements

for the financial year ended 31 march 2008

3. SHARE CAPITAL (CONTINUED)

Terms of the share options outstanding as at end of year:		Number of options	
		2008	2007
Expiry date	Exercise price		
31 July 2012	\$0.12	1,670,000	2,420,000
19 April 2010	\$0.12	12,380,000	-
4 June 2010	\$0.123	3,900,000	-
		<u>17,950,000</u>	<u>2,420,000</u>

The fair value of options granted on 20 April 2007 and 5 June 2007, determined using the Black-Scholes Pricing Model, was \$0.004 (2007: nil). The significant inputs into the model were as follows:

	2008	2007
Weighted average share price	\$0.12	-
Weighted average option price	\$0.123	-
Expected volatility	4%	-
Expected life	2 years	-
Risk free rate	1.23%	-
Expected dividend yield	0%	-

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non transferability, exercise restriction and behavioural considerations.

The Group and the Company recognised total expenses of \$65,120 (2007: nil) related to equity-settled share-based payment transactions during the year.

4. CAPITAL RESERVE

	Group and Company	
	2008	2007
	\$	\$
At the beginning of the year	-	-
Recognition of share-based payment	65,120	-
At the end of the year	<u>65,120</u>	<u>-</u>

The capital reserve represents the share option reserve arising from recognition of share-based payment.

notes to the financial statements

for the financial year ended 31 march 2008

5. PROPERTY, PLANT AND EQUIPMENT

Group	Laboratory equipment \$	Furniture, fittings and office equipment \$	Computers and software \$	Toolings \$	Renovations \$	Total \$
Cost						
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
As at 1.4.2007	2,397,803	249,417	827,345	688,156	220,915	4,383,636
Reclassified from intangible assets (Note 9)	-	-	1,489,825	-	-	1,489,825
Additions	59,057	3,945	363,365	42,060	-	468,427
Written off	(12,242)	-	(62,038)	-	-	(74,280)
As at 31.3.2008	2,444,618	253,362	2,618,497	730,216	220,915	6,267,608
Accumulated depreciation and impairment loss						
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
As at 1.4.2007	2,047,091	167,768	744,969	206,317	36,819	3,202,964
Reclassified from intangible assets (Note 9)	-	-	1,122,577	-	-	1,122,577
Charge for the year	112,557	19,442	220,661	174,988	55,229	582,877
Written off	(8,924)	-	(61,578)	-	-	(70,502)
As at 31.3.2008	2,150,724	187,210	2,026,629	381,305	92,048	4,837,916
Net book value						
As at 31.3.2008	293,894	66,152	591,868	348,911	128,867	1,429,692
As at 31.3.2007	350,712	81,649	82,376	481,839	184,096	1,180,672

notes to the financial statements

for the financial year ended 31 march 2008

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group	
	2008	2007
	\$	\$
Depreciation for the year	582,877	237,473
Amount of current year's depreciation transferred to construction contract work-in-progress and development expenditure	-	(41,343)
Depreciation charged to income statement	582,877	196,130

6. SUBSIDIARIES

	Company	
	2008	2007
	\$	\$
Unquoted equity shares at cost	54,211,965	54,211,967
Less: Impairment loss	(49,601,792)	(49,537,406)
	4,610,173	4,674,561
Analysis of Impairment losses:		
Balance at beginning of year	49,537,406	48,963,817
Utilisation	-	(50,968)
Charge to income statement	64,386	624,557
Balance at end of year	49,601,792	49,537,406

notes to the financial statements

for the financial year ended 31 march 2008

6. 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	
			2008	2007	2008	2007
			%	%	\$	\$
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⁾	Ceased operations	Singapore	100	100	8,731,125	8,731,125
Inerworx Technologies Pte Ltd ^{(2), (3)}	Ceased operations	Singapore	1	1	1	1
Blue World Capital Ltd (previously known as "Double Rich Resources Limited") ⁽⁴⁾	Dormant	British Virgin Island	51	51	7,481,700	7,481,700
Addvalue (Asia) Holdings Pte Ltd	Dormant	Singapore	-	100	-	2
Wynfield Profits Limited ⁽⁴⁾	Dormant	British Virgin Island	100	100	2	2

⁽¹⁾ Audited by Horwath First Trust, Singapore

⁽²⁾ Audited by Richard Lim & Co, Singapore

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

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

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 was struck-off pursuant to Section 344 of the Singapore Companies Act, Cap 50 with effect from 4 August 2007.

notes to the financial statements

for the financial year ended 31 march 2008

7. ASSOCIATES

	Group and Company	
	2008	2007
	\$	\$
Equity shares at cost	98,173	98,173
Less: Impairment loss	(98,173)	(98,173)
	<u>-</u>	<u>-</u>
Analysis of impairment losses:		
Balance at beginning / end of year	<u>98,173</u>	<u>98,173</u>

Details of the associates are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	\$	\$
Addvalue Communications, Inc ⁽¹⁾	Ceased operations	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 contracts in China	People's Republic of China	49	49	98,000	98,000

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

⁽²⁾ Audited by Guangzhou Chengpeng Certified Public Accountants, China

The financial statements of Addvalue Technologies (Guangzhou) Limited ("AVGZ") are made up to 31 December each year. This was the financial reporting date established when the company was incorporated, and a change of reporting date is not permitted in People's Republic of China. For the purpose of applying the equity method of accounting, the financial statements of AVGZ for the year ended 31 December 2007 have been used.

The Group has not recognised its share of losses of associated companies amounting to \$92,808 (2007: \$6,948) because the Group's cumulative share of losses exceeds its interest in the entities and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to \$135,573 (2007: \$42,765) at the balance sheet date.

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for the financial year ended 31 march 2008

7. ASSOCIATES (CONTINUED)

The summarised financial information of the associates are as follows:

	Group	
	2008	2007
	\$	\$
Assets and liabilities		
Current assets	170,827	190,146
Non-current assets	1,405,681	1,557,838
Total assets	1,576,508	1,747,984
Current liabilities / Total liabilities	1,137,848	1,961,849
Results:		
Revenue	15,983	117,362
Loss for the year	189,518	481,124

8. OTHER EQUITY INVESTMENTS

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Unquoted equity investments, at cost				
Balance at beginning of year	3,679,337	3,679,337	1,875,721	1,875,721
Written off	(237,680)	-	-	-
Balance at end of year	3,441,657	3,679,337	1,875,721	1,875,721
Less: Impairment loss	(3,441,657)	(3,679,337)	(1,875,721)	(1,875,721)
	-	-	-	-
Analysis of impairment losses:				
Balance at beginning of year	3,679,337	12,187,160	1,875,721	1,875,721
Utilisation	(237,680)	(8,507,823)	-	-
Balance at end of year	3,441,657	3,679,337	1,875,721	1,875,721

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for the financial year ended 31 march 2008

9. INTANGIBLE ASSETS

Group	Goodwill \$	Development expenditure \$	Patents \$	Computer software \$	Total \$
Cost					
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
As at 1.4.2007	-	5,070,236	55,700	1,898,039	7,023,975
Reclassified to property, plant & equipment (Note 5)	-	-	-	(1,489,825)	(1,489,825)
Additions	-	1,773,648	-	221,672	1,995,320
Written off	-	(1,304,422)	-	-	(1,304,422)
As at 31.3.2008	-	5,539,462	55,700	629,886	6,225,048
Accumulated amortisation and impairment loss					
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
As at 1.4.2007	-	1,304,422	23,871	1,123,286	2,451,579
Reclassified to property, plant and equipment (Note 5)	-	-	-	(1,122,577)	(1,122,577)
Amortisation for the year	-	45,726	7,957	84,282	137,965
Written off	-	(1,298,422)	-	-	(1,298,422)
As at 31.3.2008	-	51,726	31,828	84,991	168,545
Net book value					
At 31.3.2008	-	5,487,736	23,872	544,895	6,056,503
At 31.3.2007	-	3,765,814	31,829	774,753	4,572,396

Amortisation of computer software for the previous year amounted to \$39,673 had been capitalised in development expenditure and construction contract work-in-progress.

The Group invests in development activities to build up its base of proprietary products, applications and process. The development expenditure of \$5,487,736 (2007: \$3,765,814) 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.

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for the financial year ended 31 march 2008

10. INVENTORIES

	Group	
	2008	2007
	\$	\$
Finished goods	53,809	293,585
Raw materials	148,391	-
Components	1,204,756	11,558
Total inventories at lower of cost and net realisable value	1,406,956	305,143
Write-down of inventories charged out to income statement included in course of sales	70,454	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to \$2,699,143 (2007: \$1,128,254). During the previous financial year, the Group reversed \$1,745,247, part of an inventory write-down made in prior years, as the inventories were sold above the carrying amount in 2007. The reversal has been included in "cost of sales" in the income statement.

11. CONSTRUCTION CONTRACT WORK-IN-PROGRESS

	Group	
	2008	2007
	\$	\$
Work-in-progress		
- Costs incurred	1,101,106	9,669,817
- Attributable profit	4,720,748	3,530,384
	5,821,854	13,200,201
Less: Progress billings	(866,776)	(10,802,405)
Net amount due from customers	4,955,078	2,397,796

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for the financial year ended 31 march 2008

12. TRADE RECEIVABLES

	Group	
	2008	2007
	\$	\$
Trade receivables	1,408,438	3,079,529
Less : Allowance for impairment loss	(17,902)	(16,639)
	<u>1,390,536</u>	<u>3,062,890</u>
Analysis of allowance for impairment loss:		
Balance at beginning of year	16,639	579,843
Charge to income statement	1,263	16,639
Utilisation	-	(579,843)
Balance at end of year	<u>17,902</u>	<u>16,639</u>

13. OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
		(Restated)		(Restated)
Deposits and prepayments	36,098	42,643	2,000	-
Consideration receivable under settlement arrangement	689,739	2,538,640	689,739	2,538,640
Others	82,819	114,866	39	43,920
	<u>808,656</u>	<u>2,696,149</u>	<u>691,778</u>	<u>2,582,560</u>
Other receivables are stated after deducting allowance for impairment loss	<u>200,790</u>	<u>200,790</u>	<u>-</u>	<u>-</u>
Analysis of allowance for impairment loss:				
Balance at beginning of year	200,790	209,953	-	-
Utilisation	-	(9,163)	-	-
Balance at end of year	<u>200,790</u>	<u>200,790</u>	<u>-</u>	<u>-</u>

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for the financial year ended 31 march 2008

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

	Company	
	2008	2007
	\$	\$
Due from subsidiaries (non-trade)	2,397,492	1,090,461
Less : Impairment loss	(25,906)	(25,906)
	<u>2,371,586</u>	<u>1,064,555</u>
Analysis of allowance for impairment loss:		
Balance at beginning/end of year	<u>25,906</u>	<u>25,906</u>

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

15. DUE FROM AN ASSOCIATE (NON-TRADE)

	Group	
	2008	2007
	\$	\$
Due from an associate (non-trade)	61,109	-
Less : Impairment loss	(61,109)	-
	<u>-</u>	<u>-</u>
Analysis of allowance for impairment loss:		
Balance at beginning of year	-	-
Charged to income statement	61,109	-
Balance at end of year	<u>61,109</u>	<u>-</u>

The non-trade balance is unsecured, interest-free and repayable on demand.

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accrued operating expenses:				
- Director fees	205,315	263,018	205,315	263,018
- Employee benefits	1,174,045	1,097,868	-	-
- Others	212,743	330,563	48,000	76,222
Other payables	1,278,928	2,303,203	456,623	538,420
	<u>2,871,031</u>	<u>3,994,652</u>	<u>709,938</u>	<u>877,660</u>

Included in other payables is an owing to a payable for advances made amounting to \$411,461 (2007: \$410,880) which bears interest rate of 7% (2007: 7%) per annum and is repayable on demand basis.

notes to the financial statements

for the financial year ended 31 march 2008

17. LOANS FROM FINANCIAL INSTITUTIONS

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loan 1	149,030	178,475	149,030	178,475
Loan 2	2,107,380	737,280	2,107,380	737,280
Loan 3	2,853,394	-	-	-
	<u>5,109,804</u>	<u>915,755</u>	<u>2,256,410</u>	<u>915,755</u>

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 5% (2007: 9%) 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% to 9.5% (2007: 8%) per annum.

Loan 3 is a trust receipts and finance facility for working capital payable to a financial institution and is secured by a fixed deposit of S\$1.0 million from a subsidiary and a corporate guarantee by the Company. The facility has an effective interest rate of 3.86% to 5.42% (2007: nil) per annum.

18. ADVANCE RECEIPTS

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Advance receipts in relation to Strategic Partnership Agreement	-	3,250,000	-	3,250,000
Others	30,600	208,175	-	-
	<u>30,600</u>	<u>3,458,175</u>	<u>-</u>	<u>3,250,000</u>

Pursuant to the strategic partnership agreement entered into among the Company, Vizada AS (formerly known as "Telenor Satellite Services AS") and GMPCS Personal Communications Inc ("GMPCS") (a wholly-owned subsidiary of Vizada) on 30 January 2006 (the "Strategic Partnership Agreement"), the Company appointed GMPCS as a Master Distributor for its Addvalue BGAN Satellite Terminals and Vizada accordingly made an aggregate initial prepayment of US\$2 million (\$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. During the financial year, the advance receipts of \$3,250,000 due to Vizada had been fully settled and Option I and Option II under the Strategic Partnership Agreement had lapsed.

notes to the financial statements

for the financial year ended 31 march 2008

19. 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) ("Convertible Loan Agreement"), which will expire on 29 September 2007, entered between the Company and Value Monetization Limited ("VML"). 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.

During the financial year, the Company's unsecured convertible loan of \$1,431,773 due to VML was converted into 21,000,000 new ordinary shares of the Company at a conversion price of \$0.07 per share pursuant to the Convertible Loan Agreement as disclosed in Note 3 to the financial statements.

20. REVENUE

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

	Group	
	2008	2007
	\$	\$
Design services	5,298,524	4,264,131
Sale of finished products and components	5,399,837	1,753,024
License and consultancy services	-	230,526
	<u>10,698,361</u>	<u>6,247,681</u>

21. OTHER OPERATING INCOME

	Group	
	2008	2007
	\$	\$
		(Restated)
Interest income	94,276	50,703
Gain on dilution of interest in a subsidiary	-	399,941
Net gain from settlement agreement	-	1,265,859
Others	41,929	29,576
	<u>136,205</u>	<u>1,746,079</u>

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for the financial year ended 31 march 2008

22. PROFIT FROM OPERATIONS

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

	Group	
	2008	2007
	\$	\$
Professional fees for non-audit services rendered by		
- Other auditors	6,000	33,941
Amortisation of intangible assets	137,965	901,016
Allowance for/(write-back of) impairment loss		
- Trade receivables	1,263	16,639
- Due from an associate	61,109	(66,338)
Depreciation of property, plant and equipment	582,877	196,130
Directors' remuneration (Note 28)	517,157	513,924
Directors' fees (Note 28)	95,000	78,648
Deposit written off	34,496	-
Foreign exchange gain – net	(262,992)	(122,884)
Loss on disposal of property, plant and equipment	-	47,907
Loss on disposal of computer software	-	3,644
Intangible assets written off	6,000	-
Property, plant and equipment written off	3,778	-
Share option expenses	65,120	-
Impairment loss of investment in associates	-	270,733
Operating lease expenses	292,060	110,673

23. DIRECTORS' REMUNERATION

	Group	
	2008	2007
	\$	\$
Number of directors of the Company in remuneration bands		
Below \$250,000	5	5

24. FINANCE EXPENSES

	Group	
	2008	2007
	\$	\$
Interest expense		
- Holding company	210,220	195,826
- Subsidiaries	157,820	173,128
	368,040	368,954

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for the financial year ended 31 march 2008

25. TAXATION

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

	Group	
	2008	2007
	\$	\$
		(Restated)
Accounting profit	2,182,313	149,347
Tax at the applicable tax rate of 18% (2007: 18%)	392,816	26,882
Tax effect of expenses that are not deductible in determining taxable profit		
- Permanent differences	144,372	19,131
- Tax effect of income not subject to tax	(47,719)	-
- Utilisation of previously unrecognised tax losses and capital allowances	(547,300)	(4,019,161)
- Deferred tax assets not recognised	57,831	3,984,886
Tax expense	-	11,738

The Group has unused tax losses and capital allowances of approximately \$16,140,000 and \$3,668,000 respectively (2007: \$19,456,000 and \$3,371,000) 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 country 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.

26. EARNINGS PER SHARE

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

	Basic		Diluted	
	2008	2007	2008	2007
	\$	(Restated)	\$	(Restated)
Profit attributable to shareholders	2,182,313	137,609	2,182,313	137,609
Weighted average number of shares				
			Number of shares	
			2008	2007
For basic earnings per share			798,381,223	769,170,543
Effect of dilutive potential ordinary shares				
- Conversion of convertible debt			-	10,528,767
- Share options pursuant to the Scheme			532,152	-
For diluted earnings per share			798,913,375	779,699,310

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for the financial year ended 31 march 2008

26. EARNINGS PER SHARE (CONTINUED)

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).

In the previous financial year, diluted earnings per share was increased when taking the convertible debt into account, the share options granted under the Scheme were anti-dilutive and were ignored in the calculation of diluted earnings per share because the exercise price of the options exceeded the market price of the ordinary shares.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Pledged fixed deposits	2,400,000	1,400,000	1,400,000	1,400,000
Cash and bank balances	28,335	1,646,698	403	1,484,783
	<u>2,428,335</u>	<u>3,046,698</u>	<u>1,400,403</u>	<u>2,884,783</u>
Less: Bank overdrafts	(1,747,754)	(1,746,218)	(1,747,754)	(1,746,218)
Cash and cash equivalents as stated				
In the consolidated cash flows statement	<u>680,581</u>	<u>1,300,480</u>	<u>(347,351)</u>	<u>1,138,565</u>

Fixed deposits of \$2,400,000 (2007: \$1,400,000) are pledged in connection with credit facilities granted by a bank and a financial institution for a subsidiary and bears interest income at effective rate of 1.500% (2007: 3.375%) per annum.

Fixed deposits with maturity dates more than 3 months can be withdrawn anytime before the maturity dates without penalty. However, any interest receivable will be forfeited upon pre-mature withdrawal. As the principal value of the deposits is readily convertible to cash, they form part of the cash and cash equivalents in the consolidated cash flow statement. Fixed deposits are on monthly rest and are for the purposes of meeting short term cash commitments via overdraft facility extended by financial institutions to the Group and to the Company. The fixed deposits pledged as disclosed in Note 17 to the financial statements are part of cash management for working capital and meets the definitions of cash and cash equivalent as described in the relevant Singapore Financial Reporting Standards and the Group's cash management policy.

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28. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

Compensation of key management personnel is as follows:

	Group	
	2008	2007
	\$	\$
Salaries, bonus and others	1,001,896	1,029,484
Contributions to defined contribution plans	70,349	62,225
Share option expenses	65,120	-
	1,137,365	1,091,709
Directors' fees	95,000	78,648
Total compensation paid to key management personnel	1,232,365	1,170,357
Comprise amount paid to:		
Directors of the Company		
- Fees	95,000	78,648
- Remuneration and contribution to defined contribution plans	517,157	513,924
- Share option expenses	15,600	-
	627,757	592,572
Other key management personnel	604,608	577,785
	1,232,365	1,170,357

29. EMPLOYEE BENEFITS

	Group	
	2008	2007
	\$	\$
Employee benefits expense (including directors):		
- Salaries, bonuses, and others	3,480,527	3,810,099
- Contribution to defined contribution plans	235,442	96,166
- Share option expenses	65,120	-
	3,781,089	3,906,265
Directors' fees	95,000	78,648
	3,876,089	3,984,913
Charged to income statement	2,443,822	2,369,737
Capitalised in development expenditure and construction contract work-in-progress	1,432,267	1,615,176
	3,876,089	3,984,913

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30. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Corporate guarantee granted to a subsidiary company in respect of bank facilities	3,592,500	-	3,592,500	-

(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. The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group	
	2008	2007
	\$	\$
Future minimum lease payments		
- Not later than 1 year	278,840	272,836
- 1 year through 5 years	119,819	363,782
	398,659	636,618

notes to the financial statements

for the financial year ended 31 march 2008

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 organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Geographical segments

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

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31. SEGMENT INFORMATION (CONTINUED)

(a) Geographical segments

2008	Europe \$	North America \$	Asia \$	Consolidated \$
Revenue				
Total revenue from external customers	4,624,960	3,629,551	2,443,850	10,698,361
Segment result before amortisation	3,373,769	2,484,375	799,509	6,657,653
Amortisation	-	-	(137,965)	(137,965)
Segment results after amortisation	3,373,769	2,484,375	661,544	6,519,688
Unallocated expenses				(4,105,540)
Other income				136,205
Finance expenses				(368,040)
Profit before taxation				2,182,313
Taxation				-
Net profit for the year				2,182,313
Segment assets				
By location of customers				
- Segment assets	4,004,688	1,062,182	8,742,203	13,809,073
- Unallocated				4,666,683
Total assets				18,475,756
By location of assets				
- Segment assets	111,793	831,991	17,531,972	18,475,756
- Unallocated				-
Total assets				18,475,756
Segment liabilities				10,586,820
Total liabilities				10,586,820
Other Information				
Capital expenditure				
- Property, plant and equipment	-	-	468,427	468,427
- Intangible assets	-	-	221,672	221,672
Depreciation and amortisation	-	-	628,603	628,603
Amortisation of computer software	-	-	92,239	92,239

notes to the financial statements

for the financial year ended 31 march 2008

31. SEGMENT INFORMATION (CONTINUED)

(a) *Geographical segments (Continued)*

2007 (Restated)	Europe \$	North America \$	Asia \$	Consolidated \$
Revenue				
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				1,746,079
Finance expenses				(368,954)
Profit before taxation				149,347
Taxation				(11,738)
Net profit for the year				137,609
Segment assets				
By location of customers				
- Segment assets	3,926,000	1,794,029	4,618,201	10,338,230
- Unallocated				6,923,514
Total assets				17,261,744
By location of assets				
- Segment assets	1,582,003	1,276,498	14,343,243	17,201,744
- Unallocated				60,000
Total assets				17,261,744
Segment liabilities	3,513,031	1,197,797	7,406,028	12,116,856
Unallocated liabilities				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 financial year ended 31 march 2008

31. SEGMENT INFORMATION (CONTINUED)

(b) Business segments

2008	License and Consultancy \$	Design Services \$	Sales \$	Consolidated \$
Total revenue from external customers	-	5,298,524	5,399,837	10,698,361
Segment assets	691,937	12,441,273	5,342,546	18,475,756
Unallocated assets				-
Total assets				18,475,756
Unallocated capital expenditure				690,099
Total capital expenditure				690,099
2007 (Restated)	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	1,556,055	17,261,744
Unallocated assets				-
Total assets				17,261,744
Unallocated capital expenditure				1,697,778
Total capital expenditure				1,697,778

32. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	Group		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets	4,607,572	8,763,094	4,463,767	6,531,898
Financial Liabilities	10,456,220	9,505,872	4,826,233	4,903,022

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

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 on policies for managing each of these risks, and these policies are summarized below.

(a) Market risk

Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group also sells its products/services in several countries and for such overseas sales, it transacts mainly in United States dollars ("USD"). As a result, movements in USD exchange rates are the main foreign exchange risk which the Group is exposed to. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities and firm and probable purchases and sales commitments. The Group has not entered into any derivative instruments for hedging or trading purposes.

Group As at 31 March 2008	Singapore Dollars \$	United States Dollars \$	Euro Dollars \$	British Pounds \$	Total \$
Financial assets					
Cash and cash equivalents	2,423,804	4,531	-	-	2,428,335
Trade receivables	216,320	1,102,111	72,105	-	1,390,536
Other receivables	63,271	725,430	-	-	788,701
	<u>2,703,395</u>	<u>1,832,072</u>	<u>72,105</u>	<u>-</u>	<u>4,607,572</u>
Financial liabilities					
Loans from financial institutions	1,500,000	3,609,804	-	-	5,109,804
Bank overdrafts	1,747,754	-	-	-	1,747,754
Trade payables	126,680	628,781	67,170	-	822,631
Other payables and accruals	2,141,208	631,526	-	3,297	2,776,031
	<u>5,515,642</u>	<u>4,870,111</u>	<u>67,170</u>	<u>3,297</u>	<u>10,456,220</u>
Net financial assets/ (liabilities)	<u>(2,812,247)</u>	<u>(3,038,039)</u>	<u>4,935</u>	<u>(3,297)</u>	<u>(5,848,648)</u>
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	2,812,247	-	-	-	2,812,247
Foreign currency exposure	<u>-</u>	<u>(3,038,039)</u>	<u>4,935</u>	<u>(3,297)</u>	<u>(3,036,401)</u>

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) *Market risk (Continued)*

Foreign exchange risk (Continued)

Group As at 31 March 2007	Singapore Dollars \$	United States Dollars \$	Euro Dollars \$	British Pounds \$	Total \$
Financial assets					
Cash and cash equivalents	3,029,551	17,147	-	-	3,046,698
Trade receivables	21,609	3,041,281	-	-	3,062,890
Other receivables	1,900,866	752,640	-	-	2,653,506
	<u>4,952,026</u>	<u>3,811,068</u>	<u>-</u>	<u>-</u>	<u>8,763,094</u>
Financial liabilities					
Loans from financial Institutions	178,475	737,280	-	-	915,755
Bank overdrafts	1,746,218	-	-	-	1,746,218
Trade payables	198,699	1,244,740	52,682	-	1,496,121
Other payables and accruals	3,332,248	583,757	-	-	3,916,005
Convertible loan	1,431,773	-	-	-	1,431,773
	<u>6,887,413</u>	<u>2,565,777</u>	<u>52,682</u>	<u>-</u>	<u>9,505,872</u>
Net financial assets/ (liabilities)	(1,935,387)	1,245,291	(52,682)	-	(742,778)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	<u>1,935,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,935,387</u>
Foreign currency exposure	<u>-</u>	<u>1,245,291</u>	<u>(52,682)</u>	<u>-</u>	<u>1,192,609</u>

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) *Market risk (Continued)*

Foreign exchange risk (Continued)

Company As at 31 March 2008	Singapore Dollars \$	United States Dollars \$	Euro Dollars \$	British Pounds \$	Total \$
Financial assets					
Cash and cash equivalents	1,400,403	-	-	-	1,400,403
Trade receivables	-	-	-	-	-
Other receivables	8,227	683,551	-	-	691,778
Due from subsidiaries (non-trade)	2,371,586	-	-	-	2,371,586
	<u>3,780,216</u>	<u>683,551</u>	<u>-</u>	<u>-</u>	<u>4,463,767</u>
Financial liabilities					
Loans from financial institutions	-	2,256,410	-	-	2,256,410
Bank overdrafts	1,747,754	-	-	-	1,747,754
Other payables and accruals	581,641	30,000	-	3,297	614,938
Due to subsidiaries (non-trade)	207,131	-	-	-	207,131
	<u>2,536,526</u>	<u>2,286,410</u>	<u>-</u>	<u>3,297</u>	<u>4,826,233</u>
Net financial assets/ (liabilities)	1,243,690	(1,602,859)	-	(3,297)	(362,466)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	(1,243,690)	-	-	-	(1,243,690)
Foreign currency exposure	<u>-</u>	<u>(1,602,859)</u>	<u>-</u>	<u>(3,297)</u>	<u>(1,606,156)</u>

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

Company As at 31 March 2007	Singapore Dollars \$	United States Dollars \$	Euro Dollars \$	British Pounds \$	Total \$
Financial assets					
Cash and cash equivalents	2,884,783	-	-	-	2,884,783
Trade receivables	-	-	-	-	-
Other receivables	1,829,920	752,640	-	-	2,582,560
Due from subsidiaries (non-trade)	1,064,555	-	-	-	1,064,555
	<u>5,779,258</u>	<u>752,640</u>	<u>-</u>	<u>-</u>	<u>6,531,898</u>
Financial liabilities					
Loans from financial institutions	178,475	737,280	-	-	915,755
Bank overdrafts	1,746,218	-	-	-	1,746,218
Other payables and accruals	799,012	-	-	-	799,012
Due to subsidiaries (non-trade)	10,262	2	-	-	10,264
Convertible loan	1,431,773	-	-	-	1,431,773
	<u>4,165,740</u>	<u>737,282</u>	<u>-</u>	<u>-</u>	<u>4,903,022</u>
Net financial assets	<u>1,613,518</u>	<u>15,358</u>	<u>-</u>	<u>-</u>	<u>1,628,876</u>
Less: Net financial assets denominated in the respective entities' functional currencies	<u>(1,613,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,613,518)</u>
Foreign currency exposure	<u>-</u>	<u>15,358</u>	<u>-</u>	<u>-</u>	<u>15,358</u>

notes to the financial statements

for the financial year ended 31 March 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) *Market risk (Continued)*

Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Singapore Dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Singapore dollar strengthens by 10% against the relevant foreign currencies, profit or loss will increase/ (decrease) by:

For the financial year ended 31 March 2008	United States Dollars \$	Euro Dollars \$	British Pounds \$
Group			
Profit/(loss)	303,804	(494)	330
Company			
Profit/(loss)	160,286	-	330

For the financial year ended 31 March 2007	United States Dollars \$	Euro Dollars \$	British Pounds \$
Group			
Profit / (loss)	(124,529)	5,268	-
Company			
Profit / (loss)	1,536	-	-

If the Singapore Dollar weakens by 10% against the relevant foreign currencies, profit or loss will increase/ (decrease) by:

For the financial year ended 31 March 2008	United States Dollars \$	Euro Dollars \$	British Pounds \$
Group			
Profit/(loss)	(303,804)	494	(330)
Company			
Profit/(loss)	(160,286)	-	(330)

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) *Market risk (Continued)*

Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

For the financial year ended 31 March 2007	United States Dollars \$	Euro Dollars \$	British Pounds \$
Group			
Profit/(loss)	124,529	(5,268)	-
Company			
Profit/(loss)	(1,536)	-	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group obtains additional financing through borrowings from banks and financial institutions and loans from third parties.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 31 March 2008, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

	Group	
	2008 \$	2007 \$
Within 1 year – fixed rates		
Loans from financial institutions	2,107,380	737,280
Other payable	411,461	410,880
Fixed deposits	2,400,000	1,400,000
Within 1 year – floating rate		
Bank overdraft	1,747,754	1,746,218
Loans from financial institutions	3,002,424	178,475

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

Interest risk sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates.

If the interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase/decrease by \$47,502 (2007: decrease/increase by \$19,247). This is mainly attributable to the Group's exposure to interest rates on its variable rates borrowings.

(b) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group and the Company can be required to pay.

Group	On demand or within 1 year \$
As at 31 March 2008	
Trade payables	822,631
Other payables	2,776,031
Loans from financial institutions	5,109,804
Bank overdrafts	1,747,754
	<hr/> 10,456,220
As at 31 March 2007	
Trade payables	1,496,121
Other payables	3,916,004
Loans from financial institutions	915,755
Bank overdrafts	1,746,218
Convertible loan	1,431,773
	<hr/> 9,505,871

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Company	On demand or within 1 year \$
As at 31 March 2008	
Other payables	614,938
Due to subsidiaries (non-trade)	207,131
Loans from financial institutions	2,256,410
Bank overdrafts	1,747,754
	<u>4,826,233</u>
As at 31 March 2007	
Other payables	799,012
Due to subsidiaries (non-trade)	10,264
Loans from financial institutions	915,755
Bank overdrafts	1,746,218
Loans from financial institutions	1,431,773
	<u>4,903,022</u>

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

While the Company has no trade receivables, the Group's trade receivables comprise 2 debtors (2007: 2 debtors) that individually represented 14% to 63% (2007: 36% to 50%) of trade receivables.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The average credit period on sales of goods is 15 days (2007: 15 days).

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (Continued)

The Group's and the Company's major classes of financial assets are bank deposits and trade receivables. The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2008	2007
	\$	\$
By geographical areas		
- Europe	111,793	1,579,699
- North America	-	1,440,943
- Asia	1,278,743	42,248
	<u>1,390,536</u>	<u>3,062,890</u>
By segments		
- Sales of finished products and components	1,390,536	1,414,357
- Design services	-	1,648,533
	<u>1,390,536</u>	<u>3,062,890</u>

The carrying amounts of cash and bank balances, trade and other receivables, including amount due from related parties, 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.

Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

The age analysis of trade receivables is as follows:

	Group	
	2008	2007
	\$	\$
Not past due and not impaired	456,189	2,299,874
Past due but not impaired		
- Past due 0 to 3 months	20,692	495,507
- Past due 3 to 6 months	871,875	340
- Past due over 6 months	59,682	283,808
	<u>952,249</u>	<u>779,655</u>
Impaired trade receivables		
Less: Allowance for impairment loss	(17,902)	(16,639)
	<u>1,390,536</u>	<u>3,062,890</u>

notes to the financial statements

for the financial year ended 31 march 2008

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2008	2007
	\$	\$
Balance at beginning of the year	16,639	579,843
Allowance utilised during the year	-	(579,843)
Allowance made during the year	1,263	16,639
Balance at end of the year	17,902	16,639

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables 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.

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

The Board reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure, where feasible, through the payment of dividends and new share as well as the issue of new debt.

The Group's overall strategy remains unchanged from 2007.

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Proposed cash investment of up to \$134.16 million for an equity interest of up to 51.56% in Addvalue Technologies Ltd by Pytheas Ltd and/or its nominees

On 11 February 2008, the Company has entered into a binding term sheet (the "Term Sheet") with Pytheas Ltd ("Pytheas") in relation to a proposed subscription by Pytheas and/or its nominee(s) of up to a maximum of 860,000,000 new ordinary shares in the capital of the Company for cash at a premium of 10-20% over the closing price of the Company's shares immediately prior to the date of signing the Term Sheet (the "Proposed Investment"), subject to a maximum of \$134.16 million.

The Proposed Investment is subject to the approval from the shareholders of the Company and the relevant authorities.

notes to the financial statements

for the financial year ended 31 march 2008

34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Transfer of equity interest in Addvalue Technologies (Guangzhou) Limited to Boost Time International Ltd

On 15 April 2008, Addvalue Technologies Ltd (the "Company") announced that subsequent to the reduction in its 100% equity interest in Addvalue Technologies (Guangzhou) Limited ("AVGZ") to 49% by divesting a 51% stake in AVGZ to Mr Yang Xiao Ning ("Mr Yang"), the Company and Mr Yang had via a British Virgin Islands incorporated investment holding company, Boost Time International Ltd ("Boost Time") to hold AVGZ. The Company and Mr Yang will hold equity interest of Boost Time at 49% and 51% respectively.

With 49% of Boost Time owned by the Company, Boost Time is now an associated company of the Company.

35. COMPARATIVE FIGURES

Certain figures for the year ended 31 March 2007 have been reclassified or adjusted, as compared to the prior year's financial statements, due to the reasons below:

- Consistent presentation with the financial statements disclosure requirements for the financial year ended 31 March 2008; and
- Prior year adjustments arising from certain changes in accounting treatment as described in Note 2.

As a result, certain line items have been amended on the face of the balance sheet, income statement, statement of changes in equity and cash flow statements, and the related notes to the financial statements.

The effect of the change in accounting treatment and the reclassification described above are as detailed below:

	As previously reported \$	Prior year adjustments \$	Reclassification \$	As restated \$
Group				
<i>Balance Sheets</i>				
Other receivables	2,859,594	(163,445)	-	2,696,149
Trade payables	1,732,102	-	(235,981)	1,496,121
Other payables and accruals	3,758,671	-	235,981	3,994,652
Accumulated losses	(53,361,134)	(163,445)	-	(53,524,579)
<i>Consolidated Income Statement</i>				
Other operating income	1,909,524	(163,445)	-	1,746,079
Profit after tax	301,054	(163,445)	-	137,609
Earnings per share				
- Basic	0.04	(0.02)	-	0.02
- Diluted	0.04	(0.02)	-	0.02
Company				
<i>Balance Sheet</i>				
Other receivables	2,746,005	(163,445)	-	2,582,560
Accumulated losses	(54,605,314)	(163,445)	-	(54,768,759)

analysis of shareholdings

Distribution of shareholdings as at 26 June 2008

Issued and fully paid up capital	: \$59,297,019
Number & Class of shares	: 807,905,813 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 26 June 2008

Size of Holdings	No. of Holders	%	No. of shares	%
1 - 999	39	0.75	16,561	0.00
1,000 - 10,000	2,261	43.62	12,392,723	1.53
10,001 - 1,000,000	2,805	54.12	205,048,150	25.38
1,000,001 and above	78	1.51	590,463,379	73.09
Grand Total	5,183	100.00	807,920,813	100.00

As at 26 June 2008, the percentage of shareholdings held in the hands of the public was 82.78% and Rule 723 of the Listing Manual is complied with.

20 largest registered shareholders as at 26 June 2008 as shown in the Register of Members

No.	Name	Holdings	%
1	UOB KAY HIAN PTE LTD	50,845,000	6.29
2	CREST CAPITAL PARTNERS PTE LTD	41,000,000	5.08
3	CHAN KUM ONN ROGER	33,756,240	4.18
4	MAYBAN NOMINEES (S) PTE LTD	28,260,000	3.50
5	UOB NOMINEES (2006) PTE LTD	26,000,000	3.22
6	SBS NOMINEES PTE LTD	23,400,000	2.90
7	TAN KHAI PANG	21,925,360	2.71
8	UNITED OVERSEAS BANK NOMINEES	18,512,000	2.29
9	NG SER MIANG	18,053,000	2.23
10	PHILLIP SECURITIES PTE LTD	16,512,000	2.04
11	GOH POH HENG	16,500,000	2.04
12	KIM ENG SECURITIES PTE. LTD.	15,078,000	1.87
13	YUEN WAI KHEONG	14,710,740	1.82
14	TAN KIM SENG	13,288,000	1.64
15	RAFFLES NOMINEES PTE LTD	12,350,760	1.53
16	LIM HAN BOON	11,990,560	1.48
17	LEE KIM BOCK	10,981,000	1.36
18	CITIBANK NOMS S'PORE PTE LTD	10,480,006	1.30
19	MA IAO IAO	10,000,000	1.24
20	WONG WAI CHUEN ERIC	10,000,000	1.24
TOTAL:		403,642,666	49.96

analysis of shareholdings

Substantial Shareholder as at 26 June 2008

(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 Colin	1,151,960	53,500,000	-	54,651,960	6.95%

notice of annual general meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at 190 Changi Road #02-02, Singapore 419974, on Thursday, 31 July 2008, 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 2008 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Tan Khai Pang, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 2)**

Note:

Mr Tan Khai Pang 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 member of both the Remuneration Committee and Nominating Committee.

3. To approve the payment of Directors' Fees of S\$95,000.00 for the financial year ended 31 March 2008 (2007: S\$98,649.00). **(Resolution 3)**

4. To re-appoint Horwath First Trust as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

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

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 total number of issued shares excluding treasury shares, 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 total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares 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 bonus issue, consolidation or subdivision of the Company's shares, and

notice of annual general meeting

- (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 5)**

[See Explanatory Note 1]

6. 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 total number of issued shares excluding treasury shares of the Company from time to time. **(Resolution 6)**

[See Explanatory Note 2]

7. 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, 16 July 2008

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. 5 in item 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the total number of issued share excluding treasury shares 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 total number of issued shares excluding treasury shares 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 total number of issued shares excluding treasury shares of the Company for this purpose shall be the total number of issued shares excluding treasury shares 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. 6 in item 6 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 total number of issued shares excluding treasury shares of the Company from time to time.

proxy form

TWELFTH 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 Thursday, 31 July 2008 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 2008 together with the reports of the Directors and the Auditors thereon.				
2.	To re-elect Mr Tan Khai Pang, a Director retiring under Article 104 of the Articles of Association of the Company.				
3.	To approve the payment of Directors' Fees of S\$95,000.00 for 2008.				
4.	To re-appoint Horwath First Trust as Auditors and to authorise the Directors to fix their remuneration.				
	Special Business				
5.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.				
6.	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 _____ 2008.

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

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

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM



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