



addvalue 
driving connectivity

ANNUAL
REPORT
2012

Integrating the Future

Corporate Profile

Addvalue Technologies Ltd and its subsidiaries (collectively, “Addvalue” or the “Group”) is a world renowned one-stop digital, wireless and broadband communications technology products innovator, which provides state-of-the-art satellite-based communication terminals and solutions for a variety of voice and IP-based data applications.

Addvalue has established itself as a key partner to many major players in the satellite communication industry, counting amongst its customer base internationally renowned leaders such as Inmarsat, Thuraya, Stratos, Vizada, SingTel, Satlink Globe Wireless and Cobham Sea Tel.

Through the recent years of business transformation, Addvalue has emerged to be a leading global developer and supplier of mobile satellite terminals, supporting coverage provided by premier mobile satellite communication operators such as Inmarsat and Thuraya. These terminals are ideal choices for communications in areas around the world where terrestrial networks are non-existent, inept, ineffective or of poor value for money. This is particularly so for maritime communications which rely almost entirely on satellite communications, and Addvalue’s products are well poised to address these needs.

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Business Model of Addvalue

Addvalue generates the bulk of its revenue stream from the following two main sources (or a combination of both):

1. Development fee or design income from the provision of product and solution development service; and
2. Sale from the supply of products and related application solutions.

As an authorised developer for Inmarsat and Thuraya terminals, the Group needs to provide products and solutions in tandem with the technologic and business strategic plan of the relevant satellite operator. In return, it receives from time to time development fees for providing such development services and also the commitment to supply these products and services.

Addvalue also offers customised design services, tailored to the unique needs of each of its existing and potential customers, with its total satellite communication solutions derived from its proven technologies, established capabilities as well as strong and tested working relationships with the world leading premier mobile satellite operators.

As a competent product development house, Addvalue also embraces the OEM business model through the provision of product development services to key players in the satellite industry. These products, after being successfully developed by Addvalue, will be sold through the key player's unique and strong distribution and sales channels. By forging close alliances with these key players, Addvalue creates an "entrenched partnership" through the supply of such customised products and solutions to these key players.

Apart from the OEM products and solutions, Addvalue also has its own suite of products and solutions marketed under its own proprietary brand name of "WideyeTM".

Air Time Revenue

While the development and sales of satellite communications products are core to its business, Addvalue, where appropriate, also derives share of air time revenue from its partners through creative bundling of commercial packages.

Outsourcing Manufacturing

It is a strategic decision that Addvalue will not have in-house manufacturing facility. As such, Addvalue outsources its manufacturing operations to third party contract manufacturers. The Group manages the manufacturers through its team of supply chain and quality assurance specialists. Through the years of close collaboration and interaction with these external manufacturers and other key suppliers in the value supply chain, Addvalue has cultivated strong partnership with them to ensure the quality and timely delivery of products to the market. Through such outsourcing, Addvalue is able to focus in its forte to further enhance its core businesses.

Chairman's Statement



Dr Colin Chan Kum Lok
Chairman & CEO

“ The recent reorganizations and consolidations of some major industry players have led to a re-balancing of the market forces at play in the mobile satellite communications industry. This new paradigm shift has elevated Addvalue’s niche role in the mobile satellite communications industry... and further entrenched our position as a highly cost-effective and value-for-money mobile satellite terminals provider. ”

Dear Fellow Shareholders

On behalf of the Board of Directors, I present to you the Annual Report of Addvalue Technologies Ltd (the “Company”) for the financial year ended 31 March 2012 (“FY2012”).

A Review of FY2012

The Group attained a turnover of US\$10.6 million against a net profit of US\$811,000 in delivering a net earning per share of 0.07 US cents in FY2012 compared to a turnover of US\$15.2 million against a net profit of US\$6.6 million in generating a net earning per share of 0.59 US cents for the financial year ended 31 March 2011 (“FY2011”).

Chairman's Statement

With regard to its financial position, the Group greatly improved (i) its working capital position from US\$2.5 million to US\$4.4 million; (ii) its gearing from 28.3% to 13.6%; (iii) its net tangible asset ("NTA") position from US\$2.9 million to S\$4.8 million; and (iv) its net asset value ("NAV") per share from 1.34 US cents to 1.55 US cents, as at 31 March 2011 and 31 March 2012 respectively.

The Group's lackluster financial performance in FY2012 was largely due to the uncertainties stemming from the re-structuring and re-alignment of certain major players in the satellite communications industry coupled with the prolonged global economic concerns caused by the euro zone debt crisis that had led many of our existing and potential customers to adopt a wait-and-see attitude towards the purchase of terminals. Notwithstanding which, we maintained our gross profitability in FY2012 on the back of a more diverse range of products.

On the operational front, we continued to expand our range of products and enlarge our customers' base while, in parallel, improve our product quality, reliability and performance as well as our services in FY2012. Our new product development efforts in this regard yielded the following:

1. The launch of a new BGAN mobile satellite terminal, entitled "SAFARI™", which serves vehicular communication-on-the-move applications;
2. The roll-out of a high-end FleetBroadband terminal, entitled "FX500", for Cobham Sea Tel under a design and supply contract which includes two other FleetBroadband models that are to be launched in first financial half of FY2013; and
3. The development of a new narrowband terminal, entitled "SF2500™", which combines cost effective communications and positioning report applications required of small vessels, particularly for fishing vessels, work boats, small leisure vessels

operating in the East Asia, South East Asia, and Australian regions.

4. The design upgrade of all our FleetBroadband terminals under an Inmarsat contract to take advantage of the enhanced capabilities of a new Inmarsat satellite, "Alphasat", an important addition to the Inmarsat L-band satellite constellation targeted for launch in 2013.

Moving Ahead

We will continue to build upon our strengths of wide distribution network and proven technical expertise to drive our product sales as well as develop innovative products and services and, through the forging of partnerships, expand our market presence and increase our market share in the industry.

With regard to product sales:

1. In connection with the Inmarsat-centric products, we expect better sales of our FleetBroadband terminals in FY2013 compared to that in FY2012. The progress of our contract with Cobham Sea Tel for the design and supply of the range of customised FB500, FB250 and FB150 maritime terminals (to be entitled "FX500", "FX250" and "FX150" respectively) is on track, with us delivering the FX500 terminals in the first financial quarter of FY2013 to be followed by more units of all the three models in the second financial quarter of FY2013. Separately, in response to a repeat order received in the fourth financial quarter of FY2012, and with more follow-on orders expected to be placed, we expect to deliver sizable quantities of an existing OEM FleetBroadband terminal in the coming quarters. With Inmarsat now poised to provide a more flexible and competitive air time pricing for the small vessel market, we also expect stronger sales of our smaller FleetBroadband terminal, namely SKIPPER™ 150, in FY2013 compared to FY2012.

Chairman's Statement

2. In connection with the Thuraya-centric products, we received a confirmed order for SF2500™, the new low-cost maritime terminal which we expect to commence shipment from the first financial quarter of FY2013. Together with Seagull 5000i, these two terminals will be our flagship terminals for small fishing vessels that require voice communications, tracking and emergency response functions. Riding on the aggressive marketing and promotion plan by Thuraya, we expect strong demand for these terminals to be generated out of the East Asia market.

With regard to product development, we are on track in our efforts to develop new terminals and new applications for the continue widening of our portfolio of products and applications for the land and maritime arenas. We are currently developing a couple of new satellite terminals which, barring unforeseen circumstances, are expected to be launched in the second financial half of FY2013. We expect the development of some of these terminals to contribute positively to our performance for FY2013.

Additionally, we aim to ride the next wave by cultivating a new recurring revenue stream via the sale of satellite airtime. To this end, we have entered into an agreement with Thuraya to enable us to bundle airtime sales with the sales of all of our Thuraya-centric terminals for specific markets. We expect part of our revenue for FY2013 to derive from such recurring revenue source.

We firmly believe that the Group has built a stronger foundation for it to grow in the coming years amidst the current ongoing uncertainties faced globally, characterized by the euro zone debt crisis, weak US

economic recovery and a slowdown in China's growth, which are expected to have a knock-on effect on the industry's sales of satellite communications terminals as many existing and potential distributors and end-users would adopt a wait-and-see attitude before making any commitment on new purchases.

Considering the above as a whole and barring any unforeseen circumstances, we are optimistic about our performance for FY2013.

A Word of Thanks

On behalf of the Board, I would like to extend my deepest appreciation to the management and staff 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 and the confidence they have had in our Group.

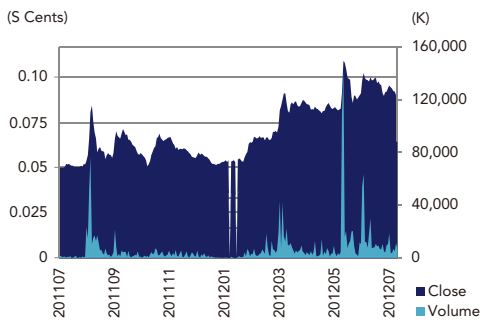
I would also like to thank our Board members for their contributions and guidance throughout the year. Last but not least, I am extremely grateful to you, our Shareholders, for standing by us and look forward to your continual support as we strive to create greater Shareholders' value for all in FY2013 and beyond.

Dr Colin Chan Kum Lok
Chairman & CEO



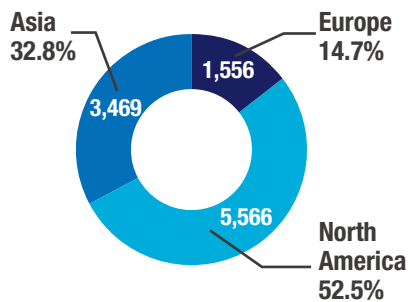
Financial Review

Stock Chart



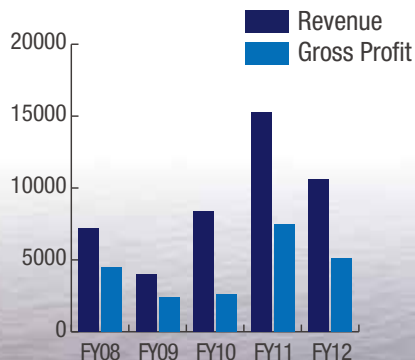
Revenue by Region

(US\$ '000)



Performance Trends

(US\$ '000)



The Change in Functional and Presentation Currency

The functional currency of the Company and its subsidiaries have been changed from Singapore dollars ("S\$") to United States dollars ("US\$") since 1 April 2011 (the "Change in Functional Currency") as the Company is of the opinion that US\$ best reflects the current and prospective economic substance of the underlying transactions and circumstances of the Group, given that:

1. the sale of products of the Group (as contrasted against design income) has, since FY2010, been dominated and is expected to continue to dominate the revenue stream of the Group; and
2. most of the revenue and purchases of the Group had been and are expected to continue to be transacted in US\$ (although most of the Group's administrative expenses are expected to continue to be denominated in S\$).

The effect of the Change in Functional Currency was applied prospectively in the financial statements for FY2012. The comparatives figures have been translated from its functional currency of S\$ to US\$ using the exchange rate as at 1 April 2011.

In conjunction with The Change in Functional Currency, the Group changed its presentation currency from S\$ to US\$. This change was applied retrospectively and the assets and liabilities (including opening balances from the earliest prior period presented) were translated and re-presented in US\$ at the closing rate of the respective year end while income and expenses were translated at the average exchange rate with all resulting exchange differences recognised in other comprehensive income.

Turnover

The Group registered a reduction in turnover by US\$4.6 million or 30.5% from US\$15.2 million in FY2011 to US\$10.6 million in FY2012. The lower turnover was mainly attributed to lower product sales and design incomes.

Financial Review

The decreases in revenue from product sales were in turn attributed mainly to the following factors:

1. Higher sale of US\$2.1 million worth of SABRE™ 1 BGAN terminals in FY2011 in connection with the Philippines' National Elections compared to US\$1.0 million in FY2012 in connection with an election held in an African country.
2. The delay in the introduction of the new Thuraya-centric low cost maritime terminal, SF2500™, till the first financial quarter of FY2013 (from the initial planned fourth financial quarter of FY2012).
3. The less positive global economic outlook, prompted especially by uncertainties due to the euro zone debt crisis. This has slowed down the commitment of new instalments and replacement of equipment with dealers delaying the replenishment of stock.
4. A number of re-structuring of certain key players (concerning both the Very-Small-Aperture-Terminal (VSAT) and mobile satellite communications operators and their major distributors) in the satellite communications industry. This has caused a new paradigm shift, which in turn has resulted in many of the existing and prospective buyers to hold back commitments while they await the shift to percolate through.
5. The need for more time to cultivate the fishery market demand while the satellite communications operators formulate new air time pricing packages to incentivize the use of the new generation satellite communications equipment.

Profitability

Consequence to the lower turnovers, the Group registered a lower gross profit of US\$5.1 million in FY2012 compared to that of US\$7.5 million in FY2011. Notwithstanding which, the Group maintained its gross profit margin at 47.9% for FY2012 compared to that of 49.0% for FY2011.

In tandem with our continued participation in more exhibitions and partners' conferences and increased promotional, sales and marketing activities to garner greater product awareness for our wider range of products since the third financial quarter of FY2011, our selling and distribution expenses increased by US\$351,000 or 74.5% from US\$471,000 in FY2011 to US\$822,000 in FY2012.

The administration expenses of the Group increased moderately in FY2012 relative to FY2011, chiefly as a result of three factors: namely, an one-off long service award given out in August 2011 to a sizable pool of loyal staff; the increase in the provision for directors' fees following the addition of a new Independent Director; and the increase in manpower costs.

With regard to the foreign exchange exposure, the Group's revenues and purchases are denominated principally in US\$ and to a much lesser extent in Euro while its overhead expenses, comprising mainly staff costs and administration expenses, as well as its prevailing loans from banks and financial institutions are denominated in S\$. In respect of the revenues denominated in US\$ or Euro, a price adjustment mechanism is always built into the relevant supply contract to make up for any material undue foreign exchange movements to mitigate the effects.



Financial Review

After taking into account of the applicable deferred tax adjustments, our Group recorded a net profit after tax of US\$0.8 million in FY2012 relative to that of US\$5.6 million in FY2011.

Financial Position

The decrease in our plant and equipment was in line with the continued straight line depreciation policy of the Group.

The increase in our intangible assets was attributed mainly to the development expenditure as we continue to develop our proprietary products, including new spin-off products.

The increase in our inventories was mainly attributed to increased finished goods built up for buffer stock for a wider range of our products.

The slight increase in the trade receivables in relation to the turnover was attributed to the extension of longer credit terms to certain valued customers.

The amount due from customers for contract work was attributed principally to work done but yet to be billed in respect of the design contracts procured.

Following repayments made during FY2012, the Group registered decreases in trade payables, other payables, accruals and borrowings from banks and financial institution. Such decreases coupled with

the increase in development expenditure principally resulted in a net cash flow used in operations being recorded by the Group in FY2012, albeit at an improved amount relative to that of FY2011.

Consequence to the above, the placement carried out in raising a net proceed of US\$2.8 million as well as the exercise of employees' share options during FY2012 in respect of the Addvalue Employees' Share Option Scheme adopted in October 2001:

1. the gearing of the Group (defined as the ratio of all interest-bearing loans of the Group to the shareholders' fund of the Group) reduced from 28.3% as at 31 March 2011 to 13.6% as at 31 March 2012;
2. the working capital position of the Group improved from US\$2.5 million as at 31 March 2011 to US\$4.4 million as at 31 March 2012;
3. the net tangible assets of the Group improved from US\$2.9 million as at 31 March 2011 to US\$4.8 million as at 31 March 2012; and
4. the net asset value of the Group improved by US\$4.0 million or 29.7% from US\$13.4 million as at 31 March 2011 to US\$17.4 million as at 31 March 2012, with the net asset value per ordinary share enhanced from 1.34 US cents per share as at 31 March 2011 to 1.55 US cents per share as at 31 March 2012.





Operations Review

In June 2011, we launched our Wideye™ SAFARI™ Terminal, an Inmarsat land vehicular BGAN terminal which we developed for installation in vehicles for communication on the move. Our follow on aggressive promotional efforts have yielded positive response and we expect the product to turn in good sales for FY2013.

In November 2011, we added Cobham Sea Tel to our list of OEM partners following our engagement by the latter to design and supply the new FX500, FX250 and FX150 maritime terminals. By April 2012, the Group has developed and commenced shipment of the FX500 terminals. Development of the FX250 and FX150 terminals are expected to be completed by the first financial half of FY2013 with shipments to immediately follow suit.

Following closely on the Group's launch of the Seagull 5000 and Seagull 5000i terminals, which were developed in partnership with Thuraya to suit the functional and budgetary needs of low-end mobile satellite users for both maritime and land-based applications, towards the end of FY2011, the Group and Thuraya had in June 2012, at the CommunicAsia 2012 exhibition show held in Singapore, launched the SF2500™ satellite terminal. This is a low cost Thuraya-centric satellite terminal, which will be bundled with attractive air time deals offered by Thuraya to satisfy the increasing needs of even more budget-conscious users, especially the fishery industries in China and South East Asia. Riding on the aggressive marketing and promotion plan committed by Thuraya, we expect strong demand for these terminals in FY2013.

As regards our design service, a significant portion of our design revenue for FY2012 was derived from a design contract with Inmarsat for the re-design of our Inmarsat FleetBroadband products to meet new technical specifications laid out by Inmarsat. We expect this project to be completed by the first financial half of FY2013.





An endorsement on Wideye™ SAFARI™ by one of the users

37 teams from 20 countries participated in the World Solar Challenge in 2011, racing their own custom built solar powered cars over 3,000 km from Darwin to Adelaide.

The lack of communications infrastructure in the Outback means that satellite is the only option and, given the rough environment of the Outback, any communication equipment will have to be ruggedised and be able to handle these extreme conditions.

Additionally, given the amount of time the travelling team members would spend in remote Australia, being able to contact emergency services quickly and stay connected with fans via internet access in vehicles travelling at speeds of about 90kmph are important.

Sunswift, a top 10 winner of the race heeling from the University of New South Wales, Sydney, looked to Addvalue's Wideye™ SAFARI™ Land Vehicular BGAN terminal in overcoming the aforesaid challenges.

“ Being able to download accurate weather data while on the road [via Addvalue's Wideye™ SAFARI™] meant having a unique advantage over other teams. ”

Alexandra Boulgakov, Strategist

“ Being able to let our fans know how we were going day by day was a great feeling. It felt like they were right there along with us for the journey! ”

Daniel Friedman, Sunswift Project Manager



An endorsement on Wideye™ SF2500™ by one of the users



Communications play a central role during any charter. The skipper must report his GPS location regularly and has to radio the shore office to request permission if, for example, a customer wants to extend his charter or take the yacht to an unplanned location. He also needs regular shipping and weather updates and must call immediately to request assistance in the unlikely event of a problem.

“ The GPS tracking feature of SF2500™ is a real benefit, because it allows us to automate the job of monitoring the Pearl [a 16-metre Sunseeker Manhattan 50 motor yacht] as she moves up and down the UAE coastline. The skipper doesn't have to report his position so frequently because the system does it for him, so he can concentrate on navigating and making sure the passengers have a good time. It's also an important security feature, because the shore office will know immediately if the vessel is taken out of the pre-set geo-fence areas. ”

Senior Skipper – Tarek Hassan Ramadan



Product Milestones attained by the Group since 2005 when

2002...2005

2006

2007

2008

SABRE™ 1

SABRE™ 1
REMOTE

SABRE™ RANGER



SKIPPER™ 150



SATLINK FB250



GLOBE iFUSION®

SAFARI™

SEATEL FX

SEAGULL 5000

SEAGULL 5000i
AND
FAXCONNECT™

SF2500™

the group underwent a transition to focus on satellite communications

2009

2010

2011

2012

- Commencement of Development
- Launch of Product



The Group's Prevailing List of Products

Inmarsat-centric Products



Wideye™ SABRE™ 1 is an Inmarsat land portable class 3 BGAN terminal that allows global simultaneous voice calls and high speed data connectivity with a data rate of up to 384kbps



Wideye™ SABRE™ 1 Remote is an Inmarsat BGAN terminal designed for remote Control, Supervisory and Data Acquisition (SCADA) application and together with our weatherproof, SABRE™ Shield, the product enabled permanent outdoor setup for remote monitoring applications.

Wideye™ SABRE™ Ranger is a waterproof and ruggedised Inmarsat BGAN terminal for permanent outdoor application. In addition, with intrinsic safety certification, the product is suitable for the oil and gas industries and designed to operate 24/7 autonomously and reliably transmit mission critical data from hard-to-reach locations to user's corporate headquarters and receive instructions from there.



Wideye™ SKIPPER™ 150 is an Inmarsat FleetBroadband terminal well suited for use by smaller vessel owners across a broad range of maritime markets and provide reliable communication, position reporting and navigational updates critical to the maritime industry with data rate of up to 150kbps



Wideye™ SAFARI™ is an Inmarsat land vehicular BGAN terminal which we developed for installation in vehicles. It allow users to access both Internet (with WiFi capability) and voice communications in a moving vehicle, targeting a wider market concerning vehicular fleet management, news and broadcasting companies with data rate of up to 464kbps.



SATLINK FB250 is an OEM product developed specifically for Satlink S.A. It is an Inmarsat FleetBroadband terminal which offers traditional telephony, facsimile, SMS (Short Messaging System), email services and internet access, video conferencing, VoIP (Voice over Internet Protocol), instant messaging, real-time electronic chart, weather update, vessel telemetry, files transfer at a data rate of up to 284kbps



GLOBE iFUSION® is an OEM product developed specifically for Globe Wireless LLC. It is an Inmarsat FleetBroadband system designed specifically for IP satellite systems that fully integrate shipboard satellite communications, shoreside administrative control, GSM voice and data (at data rate of up to 284kbps), as well as a comprehensive crew communications service.



SEATEL FX is a suite of OEM products developed specifically for Cobham SeaTel. This SeaTel FX line consist of a complete suite of Inmarsat FleetBroadband products comprising the FX150 with a data rate of up to 150kbps, the FX250 with a data rate of up to 284kbps and FX500 with a data rate of up to 432kbps.

Thuraya-centric Products

Wideye™ Seagull 5000 is a voice and data satellite terminal with a built-in GPS tracking system specially designed for reliable performance in the harsh maritime and land environment. This affordable, easy-to-install and user-friendly terminal enables users to make satellite voice calls to normal PSTN phones, mobile phones and other satellite phones through the Thuraya satellite network.



Wideye™ Seagull 5000i is a voice, data and fax satellite terminal with a built-in GPS tracking system specially designed for reliable performance in the harsh maritime and land environment. FaxConnect™ is a facsimile interface device customised for Wideye™ Seagull 5000i satellite terminal to enable the sending and receiving of faxes over the Thuraya satellite network using a standard G3 analog fax machine.



Wideye™ SF2500™ is a voice, SMS and GPS tracking satellite terminal specially designed as a robust, versatile and cost effective solution for medium to small-size fishing vessels, pleasure boats, patrol boats and other sea vessels or land vehicles. This low cost, easy-to-install and user-friendly terminal enables users to make satellite voice calls to normal PSTN phones, mobile phones and other satellite phones through the Thuraya satellite network.



Board of Directors

Dr Colin Chan Kum Lok

Chairman and Chief Executive Officer

Dr Chan, the key co-founder of the Group, is responsible for the overall management of financials, investor relations, operations and formulation of business strategies and policies of the Group. As a Mechanical Engineer with more than 28 years of experience in communications product design and manufacturing, business development and corporate management, he was responsible for formulating the strategies in restructuring and transforming the Group to be a satellite communications focused company. Dr Chan graduated with a Bachelor of Science Degree in Mechanical Engineering with First Class Honours from the University of Strathclyde, UK, and was conferred a PhD in Mechanical Engineering from the same university in 1984.

Mr Tan Khai Pang

Chief Operating and Technology Officer

Mr Tan, one of the co-founders, has more than 28 years of experience in product development and project management in the field of telecommunications. In the past twelve years, his work was primarily focused on satellite communications product development and strategic business management. He was instrumental in re-moulding the Group's strategies and organizational competences necessary for the successful business transformation of the Group from consumer product-centric to satellite-based terminals and related application focus. His in-depth understanding of the industry and the competing forces helps the Group position its niche in the market. He oversees the business development and technologic development in order to ensure an integrated and cohesive overall Group strategic direction. Mr Tan graduated from the University of Knoxville, USA with a Bachelor of Science Degree in Electrical Engineering with Highest Honours. He holds a Master of Science Degree in Engineering (Telecommunications) from the University of California, Los Angeles Campus, USA.

Mr Tan Juay Hwa

Executive Director

Mr Tan, one of the co-founders, has more than 28 years of experience in communications design, proprietary software technology development for communications products and product development management. In the past ten years, his primary focus was on firmware development for satellite communication products, including testing and manufacturing firmware for such products. Mr Tan holds a Diploma in Electronics from the Ngee Ann Polytechnic, Singapore and Graduate Diplomas in Marketing Management and Business Administration from the Singapore Institute of Management, Singapore. He also holds a Master of Business Administration Degree from the Open University, UK.

Board of Directors

Mr Lim Han Boon

Independent Director

Mr Lim was appointed to the Board on 4 October 1996 and serves as an Independent Director of the Company. He is also the Chairman of our Audit and Nominating Committees. With more than 16 years of experience in investment banking and private equity financing services, he has been advising the Company on matters concerning financial reporting, compliance with listing rules and other regulatory requirements, upholding of good practices for sound corporate governance, fund raising and corporate restructuring etc. Mr Lim 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, Singapore. He is a Fellow Member of the Institute of Certified Public Accountants of Singapore and a Full Member of the Singapore Institute of Directors.

Mr Ang Eng Lim

Independent Director

Mr Ang was appointed to the Board on 13 October 2006 and serves as an Independent 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 35 years of experience in areas relating to the provision of audit assurance, accounting, tax consultancy, corporate secretarial and general management services, including more than 31 years as a Practising Accountant. Mr Ang is a partner of R Chan & Co, a firm of Certified Public Accountants, since 1980.

Mr Micheal J Butler

Independent Director

Mr Michael J Butler was appointed to the Board on 1 September 2010 and serves as an Independent Director of the Company. Mr Butler, a British national, has over 20 years of successful commercial experience in world-class, high technology businesses, including more than 11 years in senior general management roles with full P&L responsibility. From May 2000 to April 2009, Mr Butler served as the Managing Director, then President & Chief Operating Officer and an executive board director of Inmarsat, a FTSE 100 company. Inmarsat, the acknowledged world leader in the provision of global, mobile satellite communications services to enterprise and government customers - on land, at sea and in the air, provides voice, data and broadband services in over 200 countries, via a worldwide network of over 500 partner organizations.

In April 2012, Mr Butler was appointed into the Board of Director of Thuraya Telecommunications Company, to serve as one of its Independent Directors. Thuraya was established in 1997 and has grown into a multi-million dollar business offering satellite performance and solutions; its portfolio, encompassing data, voice and maritime products and services, supports dual GSM and satellite mode and advanced applications to provide people and businesses with constant connectivity when they need it most. Thuraya specifically designs successful satellite communication solutions for vertical sectors such as energy, media, government, NGOs and maritime.

Key Management

Ms Chow Choi Fun, Jackie

Financial Controller

Ms Chow, the Financial Controller of the Company, joined the Company in 2010. She is responsible for the accounting, financial, secretarial and tax related matters of the Company. She is in the accounting profession for more than 21 years with more than 9 years working experience in Singapore listed companies. Prior to joining the Company, she was the Financial Controller of a SGX Main Board listed marine company from April 2007 to July 2010 and was the General Manager – Finance of a SGX Main Board listed electronic company from February 2006 to March 2007 and the Corporate Finance Manager of another SGX Sesdaq listed electronic company from July 2002 to January 2006. Ms Chow is a Fellow Member of the Chartered Association of Certified Accountants and an Associate member of the Institute of Certified Public Accountants of Singapore.

Mr E.M.L. Ekanayake

Senior Hardware Design Manager

Mr Ekanayake joined the Group in 1996 and specializes in electronics hardware design. He has more than 21 years of 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 holds a Graduate Diploma in Information Communication Technology from Nanyang Technological University.

Mr K. Kalaivanan

Senior Software Design Manager

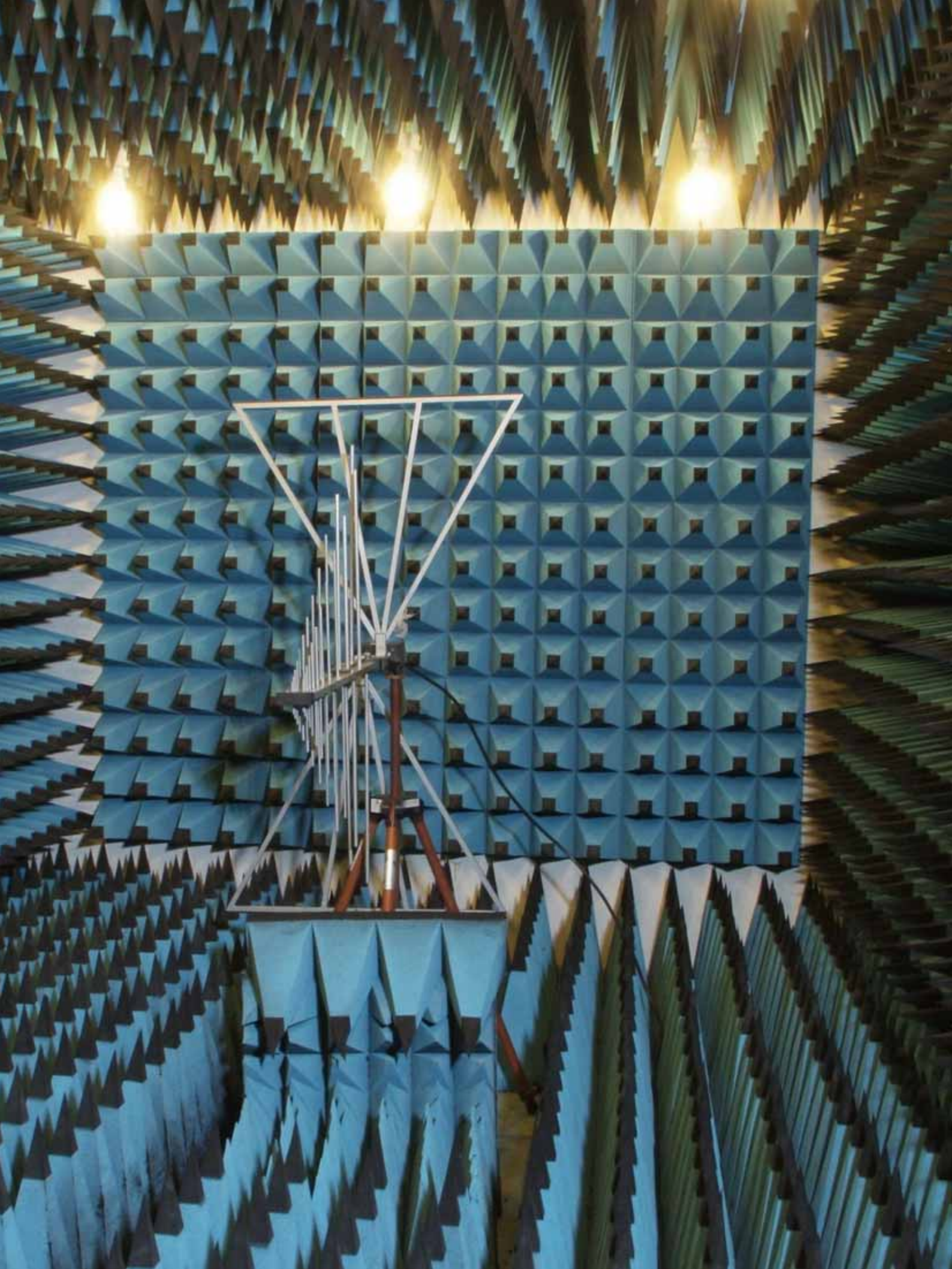
Mr Kalaivanan joined the Group in 1996 and specializes in telecommunications software development, especially in the area of wireless communications and networking protocols. He heads the software design team of the Group, which also manages the software development of the Inmarsat BGAN satellite terminal projects. With more than 21 years of experience in the telecommunications industry and in product development and project management, especially in wired and wireless communications products, he has been involved in various research and development 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.

Mr 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 administrative matters. Prior to joining the Group, he was the Human Resource and Administrative Manager of a manufacturing company. Mr Lee has more than 13 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.





Group of Companies



Corporate Information

Board of Directors

Dr Colin Chan Kum Lok
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

Mr Michael J Butler
Independent Non-Executive Director

Audit Committee

Mr Lim Han Boon (*Chairman*)
Mr Ang Eng Lim
Mr Tan Khai Pang
Mr Michael J Butler

Nominating Committee

Mr Lim Han Boon (*Chairman*)
Mr Ang Eng Lim
Mr Tan Khai Pang
Mr Michael J Butler

Remuneration Committee

Mr Ang Eng Lim (*Chairman*)
Mr Lim Han Boon
Mr Tan Khai Pang
Mr Michael J Butler

Company Secretary

Ms Foo Soon Soo

Registered Office

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Registrar

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Auditors

Crowe Horwath First Trust LLP
8 Shenton Way #05-01
AXA Tower
Singapore 068811
Partner-in-charge: Catherine Cheng
Appointed with effect for the
financial year ended 31 March 2012

Company Registration Number
199603037H

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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 2005. 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 three Independent Directors. Newly appointed Directors will be given an orientation program to familiarize themselves with our Group’s operation. 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 quarterly and full year financial results’ announcements
- Reviewing the adequacy of the Group’s internal controls and the financial information reporting system
- Monitoring the composition, processes and performance of the Board as well as the selection of a Director
- 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/disposal

To facilitate effective management, certain roles have been delegated to various Board members by the establishment of an Audit Committee, a Nominating Committee and a 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.

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. To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports and papers containing adequate, relevant and timely information to support the decision making process.

Corporate Governance Report

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

- Review of 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 an interested person
- Material acquisition and disposal
- Corporate or financial restructuring
- Declaration of dividends and other returns to Shareholders
- Appointment of new Directors

From 29 June 2011, being the date of the last Annual Report, to the date of this Annual Report, excluding ad hoc informal meetings and discussions carried out via teleconferencing or emails, our Company convened four Board meetings, four Audit Committee meetings, one Nominating Committee meeting and one Remuneration Committee meeting.

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

Director	Board	Audit	Nominating	Remuneration
Dr Colin Chan Kum Lok	4	N/A	N/A	N/A
Tan Juay Hwa	4	N/A	N/A	N/A
Tan Khai Pang	4	4	1	1
Lim Han Boon	4	4	1	1
Ang Eng Lim	4	4	1	1
Michael J Butler	4	4	1	1

BOARD COMPOSITION AND BALANCE

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

The Board comprises six members, three of whom, namely Mr Lim Han Boon, Mr Ang Eng Lim and Mr Michael J Butler, are Independent and Non-Executive. Key information regarding the Directors and their appointments on the various Board Committees is contained herein.

Corporate Governance Report

There are presently three Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, commissioned by the Board. 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 the Group's requirements, taking into account the nature and scope of the Group'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 ("CEO") and Chairman on the Board. The Executive Directors are deeply involved in managing the daily operations of the Group and are expected to act in good faith and always in the interests of the Group. The working of the Board and the executive responsibility of the Group'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.

There are constant communications among Board members and any key decision will require the approval from all Directors prior to implementation.

In addition, half of the Board currently comprises Independent and Non-Executive Directors and the Chairman cum CEO of the Company is not a member of any Committee.

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 currently comprised 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)
Michael J Butler (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 (or the Chairman cum CEO in its equivalent), "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 2012, 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 Group.

Corporate Governance Report

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 and/or its representatives 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 their duties and responsibilities.

REMUNERATION MATTERS

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

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more 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 currently comprised the following members, majority of whom, including the chairman, are independent and non-executive:

Ang Eng Lim (Chairman/Independent and Non-Executive)
Lim Han Boon (Member/Independent and Non-Executive)
Michael J Butler (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. The Independent and Non-Executive Directors believe that the Remuneration Committee benefits and will continue to benefit from the inputs of Mr Tan Khai Pang, the Executive Director, in carrying out its functions effectively. Each Remuneration Committee member will abstain from voting on any resolution in respect of his own remuneration package.

Corporate Governance Report

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 their respective remuneration packages.

The Board has also recommended that a fixed fee be paid for each of the Non-Executive Directors, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of the Non-Executive Directors will be subject to Shareholders' approval at the Annual General Meeting.

The remuneration policy for key Executives is based largely on the Group's performance and the responsibilities and performance of each individual key Executive. The Committee members recommend the remuneration packages of key Executives for the approval by the Board.

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 2012 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
S\$500,000 and above	Nil			
S\$250,000 to S\$499,999	Nil			
Below S\$250,000	Dr Colin Chan Kum Lok	–	98	2
	Tan Khai Pang	–	93	7
	Tan Juay Hwa	–	91	9
	Lim Han Boon	100	–	–
	Ang Eng Lim	100	–	–
	Michael J Butler	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 Executives (who are not Directors) for the financial year ended 31 March 2012 are set out below:

Remuneration Bands	Name of Key Executive	Designation	Fixed Salary* (%)	Benefits (%)
S\$500,000 and above	Nil			
S\$250,000 to S\$499,999	Nil			
Below S\$250,000	Chow Choi Fun	Financial Controller	99	1
	EML Ekanayake	Senior Manager, Product Development	94	6
	K Kalaivanan	Senior Manager, Product Development	93	7
		Human Resource & Administration		
	Lee Kim Hock Michael	Manager	98	2

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

No employee of our Company or its subsidiaries was an immediate family member of a Director or the CEO during the financial year ended 31 March 2012.

The Addvalue Technologies Employees' Share Option Scheme

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 01.04.11	Options lapsed/ exercised	Options Outstanding as at 31.03.12
01.08.2002	01.08.2002 to 31.07.2012	0.12	520,000	–	520,000
20.04.2007	20.04.2008 to 20.04.2011	0.12	7,100,000	(7,100,000)	–
05.06.2007	05.06.2008 to 05.06.2011	0.123	3,900,000	(3,900,000)	–
22.06.2010	22.06.2011 to 21.06.2014	0.035	109,350,000	(46,910,000)	62,440,000

During the financial year ended 31 March 2012, 5,900,000 Options were cancelled due to the resignation of employees, 11,000,000 Options were lapsed due to the expiration of the Options and 41,010,000 Options were exercised.

Corporate Governance Report

Options granted to Directors

Director	Options Outstanding as at 31.03.11 and 21.04.11	Options lapsed/ exercised	Options Outstanding as at 31.03.12 and 21.04.12
Dr Colin Chan Kum Lok	17,950,000	(9,200,000)	8,750,000
Tan Khai Pang	17,950,000	(11,200,000)	6,750,000
Tan Juay Hwa	8,500,000	(2,000,000)	6,500,000
Lim Han Boon	8,800,000	(8,800,000)	–
Ang Eng Lim	700,000	(700,000)	–
Michael J Butler	–	–	–

Options granted to key Executives

Key Executives	Options Outstanding as at 31.03.11 and 21.04.11	Options lapsed/ exercised	Options Outstanding as at 31.03.12 and 21.04.12
E.M.L Ekanayake	2,750,000	(850,000)	1,900,000
K. Kalaivanan	3,500,000	(500,000)	3,000,000
Lee Kim Hock Michael	1,850,000	(400,000)	1,450,000
Chow Choi Fun	1,000,000	(1,000,000)	–

Save as disclosed above, no Directors or 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.

Corporate Governance Report

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 currently comprised 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)
Michael J Butler (Member/Independent and Non-Executive)
Tan Khai Pang (Member/Executive)

The Audit Committee members have experience in accounting or financial related management expertise, and with the current composition, in terms of size and skill sets of the members, it is able to discharge the Audit Committee functions effectively.

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

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual and the Best Practices Guide issued by the Singapore Exchange Securities Trading Limited. In performing those functions, the Audit Committee shall review, amongst others:

- the scope and the results of internal audit procedures with the internal auditors, or, in its absence, the scope and the results of the Group's internal audit functions;
- the audit plan of the Company's external auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the external auditors;
- the periodic results announcements of the Group prior to their submission to the Board of Directors of the Company for approval;
- the financial statements of the Company and the consolidated financial statements of the Group as well as the external auditors' report thereon for each financial year prior to their submission to the Board of Directors of the Company for approval; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Corporate Governance Report

The Company confirms that it has complied with Rules 712 and 715 of the SGX-ST Listing Manual in engaging Crowe Horwath First Trust LLP, an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore, as the external auditors of the Company and its Singapore subsidiaries.

With Central & Co appointed as the external auditors of the Company's Hong Kong-incorporated subsidiary, the Board and the Audit Committee are satisfied that the appointment of different auditors would not compromise the standard and the effectiveness of the audit of the Company and its subsidiaries and that Rule 716 of the SGX-ST Listing Manual has been complied with.

The Audit Committee reviews the independence of the external auditors annually. It has reviewed the amount of non-audit services rendered to the Group by the external auditors and was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Audit Committee recommended to the Board that Crowe Horwath First Trust LLP be nominated for the re-appointment as external auditor of the Group's companies in Singapore at the forthcoming Annual General Meeting of the Company at remuneration to be re-negotiated.

The Company has in place a whistle-blowing framework for staff to raise concerns about improprieties. The policy serves to encourage and provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective of such an arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Internal Controls and Risk Management

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.

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

From the needs to comply with the Group's established procedures, manuals and policies, including those required by the Group's ISO 9001 certification, and the perspective of cost effectiveness coupled with the Board's belief that the existing system of internal controls is adequate, the Group currently does not engage any third party internal auditor nor have a separate internal audit department.

The Group's accounts department and quality control department review the internal controls and compliance systems of the Group and report findings and make recommendation to the management and the Audit Committee. To ensure the adequacy of the Group's in-house internal audit functions, the Audit Committee meets regularly to review these functions. The Audit Committee will also review the audit plans and the findings of the external auditors and will ensure that the Group follows up on the external auditors' recommendations raised, if any, during the audit process. The Audit Committee is generally satisfied with the adequacy of the current arrangement and will continue to assess its effectiveness regularly.

Corporate Governance Report

Based on above arrangement, the work performed by the external auditors and the reviews performed by the management, the various Board Committees and the Board, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are adequate to address the operational, financial and compliance risks.

The Board recognises that the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and that no systems of internal controls or risk management can provide absolute assurance against the occurrence of errors, poor judgment in decision making, losses, frauds or other irregularities. It can only provide reasonable and not absolute assurance against material misstatement or loss or that the Group will not be adversely affected by any event that can be reasonably foreseen.

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 promptly through SGXNET. As and when needed, a copy of the annual report, circulars and notice of general meetings will be sent to every Shareholder on a timely basis.

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

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

INTERESTED PERSON TRANSACTION

Our Group has adopted an internal policy in respect of the any transactions with interested persons and requires all such transactions to be at arm's length and reviewed by the Audit Committee. The Company does not have any general mandate pursuant to Rule 920 of the SGX-ST Listing Manual. There were no interested person transactions of more than S\$100,000 for the financial year ended 31 March 2012.

Corporate Governance Report

SECURITIES TRANSACTIONS

The Company has adopted a policy prohibiting dealings in the Company's shares by Directors and employees of the Company and its subsidiaries on short-term considerations and for the period of one month prior to the announcement of the Group's yearly results and two weeks before the announcement of the Group's other quarterly results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading periods.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling Shareholder.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board confirms that for the financial year ended 31 March 2012, our Company has complied materially with the principal corporate governance recommendations set out in the Code of Corporate Governance.

Directors' Report

Year Ended 31 March 2012

The directors present their report to the members together with the audited consolidated financial statements of Addvalue Technologies Ltd (the "Company") and subsidiaries (the "Group") for the financial year ended 31 March 2012 and the statement of financial position of the Company as at 31 March 2012.

DIRECTORS

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

Dr Colin Chan Kum Lok
Tan Khai Pang
Tan Juay Hwa
Lim Han Boon
Ang Eng Lim
Michael J Butler

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Except as disclosed under "Share options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		
	At 1 April 2011	At 31 March 2012	At 21 April 2012
The Company			
Ordinary shares			
Dr Colin Chan Kum Lok	25,440,960	33,440,960	33,440,960
Tan Khai Pang	31,925,360	41,925,360	41,925,360
Tan Juay Hwa	3,131,720	4,631,720	4,631,720
Lim Han Boon	11,990,560	19,990,560	19,990,560
Ang Eng Lim	2,600,640	3,100,640	3,100,640
Michael J Butler	2,000,000	2,000,000	2,000,000

Directors' Report

Year Ended 31 March 2012

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (Continued)

	Direct interests		
	At 1 April 2011	At 31 March 2012	At 21 April 2012
Options to subscribe for the Company's ordinary shares			
Dr Colin Chan Kum Lok	16,750,000	8,750,000	8,750,000
Tan Khai Pang	16,750,000	6,750,000	6,750,000
Tan Juay Hwa	8,000,000	6,500,000	6,500,000
Lim Han Boon	8,000,000	—	—
Ang Eng Lim	500,000	—	—

DIRECTORS' CONTRACTUAL BENEFITS

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

There were no material contracts entered into between the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

SHARE OPTIONS

The Addvalue Technologies Ltd's Employees' Share Option Scheme (the "Scheme") for the employees of the Group was approved and adopted by the members of the Company 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 (Member)
Tan Khai Pang (Member)
Michael J Butler (Member)

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").

Directors' Report

Year Ended 31 March 2012

SHARE OPTIONS (Continued)

- (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 as may be 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 as may be determined by the Remuneration Committee.

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

	Number of shares under option				
	Aggregate option granted in financial year ended 31 March 2012	Aggregate options granted since commencement of the Scheme 31 March 2012	Aggregate options exercised since commencement of the Scheme 31 March 2012	Aggregate options cancelled/ transferred since commencement of the Scheme to 31 March 2012	Aggregate options outstanding as at 31 March 2012 and 21 April 2012
Directors of the Company					
Dr Colin Chan Kum Lok	–	17,950,000	(8,000,000)	(1,200,000)	8,750,000
Tan Khai Pang	–	18,900,000	(10,000,000)	(2,150,000)	6,750,000
Tan Juay Hwa	–	9,450,000	(1,500,000)	(1,450,000)	6,500,000
Lim Han Boon	–	8,800,000	(8,000,000)	(800,000)	–
Ang Eng Lim	–	700,000	(500,000)	(200,000)	–

Directors' Report

Year Ended 31 March 2012

SHARE OPTIONS (Continued)

Unissued ordinary shares in respect of unexercised options granted under the Scheme as at 31 March 2012 comprise:

For ordinary shares in the Company	Exercise price per option	Exercise period
520,000	S\$0.120	1 August 2002 to 31 July 2012
62,440,000	S\$0.035	22 June 2011 to 21 June 2014
<u>62,960,000</u>		

During the financial year, there were:

- (a) no options granted to controlling shareholders of the Company and their associates (as defined in the Singapore Exchange Securities Trading Listing Manual);
- (b) no participants who had received 5% or more of the total number of the options available under the Scheme except as disclosed above; and
- (c) 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.

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)
Michael J Butler (Member)

The Audit Committee carried out its functions set out in the Singapore Companies Act, the Listing Manual and Best Practices Guide issued by the Singapore Exchange Securities Trading Limited. In performing those functions, the Audit Committee reviewed the overall scope of the Group's in-house internal audit functions, external audit functions and the assistance given by the Company's officers to the external auditors.

The Audit Committee met with the external auditors to discuss the results of their audit. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2012 as well as the external auditors' report thereon. Reviews of interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) were also carried out by the Audit Committee at the end of each financial quarter for the financial year ended 31 March 2012.

Directors' Report

Year Ended 31 March 2012

AUDIT COMMITTEE (Continued)

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 four meetings during the financial year ended 31 March 2012 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 of Directors that the external auditors, Crowe Horwath First Trust LLP, 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 by the external auditors 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.

In appointing the external auditors for the Company and its subsidiaries, the Board of Directors has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

INDEPENDENT AUDITORS

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

On behalf of the Board of Directors

DR COLIN CHAN KUM LOK
Director

TAN KHAI PANG
Director

29 June 2012

Statement by Directors

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group, as set out on pages 46 to 127 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 2012 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) 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 COLIN CHAN KUM LOK
Director

TAN KHAI PANG
Director

29 June 2012

Independent Auditors' Report

To the Members of Addvalue Technologies Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Addvalue Technologies Ltd (the "Company") and subsidiaries (the "Group") set out on pages 46 to 127, which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for 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 that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statements of financial position and to maintain accountability of assets.

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 about 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 control. 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Independent Auditors' Report

To the Members of Addvalue Technologies Ltd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP

Public Accountants and
Certified Public Accountants

Singapore
29 June 2012

Statements of Financial Position

Year Ended 31 March 2012

(Amounts in United States dollar)

	Note	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
ASSETS							
Non-current assets							
Plant and equipment	5	581,189	681,179	750,721	–	–	–
Subsidiaries	6	–	–	–	14,345,361	8,074,928	1,935,250
Associates	7	–	–	–	–	–	–
Other equity investments	8	–	–	–	–	–	–
Intangible assets	9	12,581,245	10,530,213	7,878,017	–	–	–
Staff loan receivable	10	53,703	66,545	–	–	–	–
Deferred tax assets	11	2,014,261	1,943,589	–	–	–	–
		15,230,398	13,221,526	8,628,738	14,345,361	8,074,928	1,935,250
Current assets							
Inventories	12	2,196,272	1,627,191	1,382,313	–	–	–
Amount due from customers for contract work	13	647,355	667,944	–	–	–	–
Trade receivables	14	3,334,331	3,284,731	1,531,999	–	–	–
Other receivables, deposits and prepayments	10	835,831	874,540	1,194,947	4,119	31	28
Available-for-sale financial assets	15	6,097	3,413	39,709	6,097	3,413	39,709
Due from subsidiaries (non-trade)	16	–	–	–	3,889,570	4,252,553	1,863,355
Cash and bank balances		374,240	608,736	174,561	7,382	13,449	787
		7,394,126	7,066,555	4,323,529	3,907,168	4,269,446	1,903,879
TOTAL ASSETS		22,624,524	20,288,081	12,952,267	18,252,529	12,344,374	3,839,129
LIABILITIES							
Current liabilities							
Trade payables		1,332,930	1,337,499	1,335,352	–	–	–
Other payables and accruals	17	1,236,230	1,484,193	2,031,132	355,163	592,027	488,682
Provisions	18	242,172	213,335	386,396	128,160	107,053	66,174
Borrowings	19	162,294	1,472,680	786,457	–	–	–
Advances received from customers		56,179	36,120	1,762,248	–	–	–
Due to subsidiaries (non-trade)	16	–	–	–	106,361	122,971	118,202
		3,029,805	4,543,827	6,301,585	589,684	822,051	673,058

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

Statements of Financial Position

Year Ended 31 March 2012

(Amounts in United States dollar)

	Note	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Non-current liabilities							
Borrowings	19	<u>2,201,394</u>	2,329,216	2,841,111	–	–	–
TOTAL LIABILITIES		<u>5,231,199</u>	6,873,043	9,142,696	<u>589,684</u>	822,051	673,058
NET ASSETS		<u>17,393,325</u>	13,415,038	3,809,571	<u>17,662,845</u>	11,522,323	3,166,071
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	3	<u>56,064,662</u>	40,487,921	37,521,188	<u>56,064,662</u>	39,741,039	37,521,188
Capital reserve	4	<u>877,270</u>	99,311	43,855	<u>130,388</u>	99,311	43,855
Fair value adjustment reserve		<u>(97,113)</u>	(90,346)	(51,808)	<u>(97,113)</u>	(90,346)	(51,808)
Currency translation reserve		–	1,462,876	499,091	–	1,667,611	845,244
Accumulated losses		<u>(39,451,494)</u>	(28,544,724)	(34,202,803)	<u>(38,435,092)</u>	(29,895,292)	(35,192,408)
		<u>17,393,325</u>	13,415,038	3,809,523	<u>17,662,845</u>	11,522,323	3,166,071
Non-controlling interests		–	–	48	–	–	–
TOTAL EQUITY		<u>17,393,325</u>	13,415,038	3,809,571	<u>17,662,845</u>	11,522,323	3,166,071

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

Consolidated Statement of Comprehensive Income

Year Ended 31 March 2012

(Amounts in United States dollar)

	Note	2012 US\$	2011 US\$ (Re-presented)
Revenue	22	10,590,875	15,233,607
Cost of sales		<u>(5,512,456)</u>	<u>(7,766,860)</u>
Gross profit		5,078,419	7,466,747
Other operating income	23	131,461	136,916
Selling and distribution expenses		(821,884)	(471,205)
Administrative expenses		(1,329,748)	(1,203,877)
Other operating expenses	24	(1,991,888)	(1,960,225)
Finance expenses	25	(328,805)	(428,480)
Finance income	26	–	215,922
Profit before income tax	27	737,555	3,755,798
Income tax credit	28	70,672	1,902,233
Profit for the year		808,227	5,658,031
Other comprehensive income/(expense):			
Fair value gain/(loss) on available-for-sale financial assets		2,684	(38,538)
Currency translation difference arising from effect of changes in presentation currency		–	963,785
Total comprehensive income for the year		810,911	6,583,278
Profit attributable to:			
Equity holders of the Company		808,227	5,658,079
Non-controlling interests		–	(48)
		808,227	5,658,031
Total comprehensive income attributable to:			
Equity holders of the Company		810,911	6,583,326
Non-controlling interests		–	(48)
		810,911	6,583,278
Earnings per share attributable to equity holders of the Company (cents)	29		
Basic		0.07	0.59
Diluted		0.07	0.57

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

Consolidated Statement of Changes in Equity

Year Ended 31 March 2012

(Amounts in United States dollar)

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Fair value adjustment reserve	Currency translation reserve	Accumulated losses	Total		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at 01.04.2010								
(Re-presented)	37,521,188	43,855	(51,808)	499,091	(34,202,803)	3,809,523	48	3,809,571
Profit for the year	–	–	–	–	5,658,079	5,658,079	(48)	5,658,031
Other comprehensive income/ (loss), net of tax	–	–	(38,538)	963,785	–	925,247	–	925,247
Total comprehensive income	–	–	(38,538)	963,785	5,658,079	6,583,326	(48)	6,583,278
Issuance of new shares	2,457,241	–	–	–	–	2,457,241	–	2,457,241
Share issue expenses	(237,390)	–	–	–	–	(237,390)	–	(237,390)
Issuance of redeemable preference shares	746,882	–	–	–	–	746,882	–	746,882
Share options expenses	–	55,456	–	–	–	55,456	–	55,456
Total transactions with owners in their capacity as owners, being contributions by owners	2,966,733	55,456	–	–	–	3,022,189	–	3,022,189
Balance as at 31.03.2011								
(Re-presented)	40,487,921	99,311	(90,346)	1,462,876	(28,544,724)	13,415,038	–	13,415,038

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

Consolidated Statement of Changes in Equity

Year Ended 31 March 2012

(Amounts in United States dollar)

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Fair value adjustment reserve	Currency translation reserve	Accumulated losses			
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at 01.04.2011								
(Re-presented)	40,487,921	99,311	(90,346)	1,462,876	(28,544,724)	13,415,038	–	13,415,038
Effect of change in functional currency	12,405,259	11,099	(9,451)	(1,462,876)	(10,944,031)	–	–	–
	52,893,180	110,410	(99,797)	–	(39,488,755)	13,415,038	–	13,415,038
Profit for the year	–	–	–	–	808,227	808,227	–	808,227
Other comprehensive income, net of tax	–	–	2,684	–	–	2,684	–	2,684
Total comprehensive income	–	–	2,684	–	808,227	810,911	–	810,911
Issuance of new shares	3,930,388	–	–	–	–	3,930,388	–	3,930,388
Share issue expenses	(12,024)	–	–	–	–	(12,024)	–	(12,024)
Redemption of redeemable preference shares								
– redemption at a premium	(746,882)	–	–	–	(24,084)	(770,966)	–	(770,966)
– transfer within equity for redemption out of profits	–	746,882	–	–	(746,882)	–	–	–
Share options expenses	–	19,978	–	–	–	19,978	–	19,978
Total transactions with owners in their capacity as owners, being contribution by owners	3,171,482	766,860	–	–	(770,966)	3,167,376	–	3,167,376
Total comprehensive income for the year	56,064,662	877,270	(97,113)	–	(39,451,494)	17,393,325	–	17,393,325

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

Consolidated Statement of Cash Flows

Year Ended 31 March 2012

(Amounts in United States dollar)

	Note	2012 US\$	2011 US\$ (Re-presented)
Cash flows from operating activities			
Profit before income tax		737,555	3,755,798
Adjustments for:			
Amortisation of intangible assets	9	1,022,210	964,179
Depreciation of plant and equipment	5	334,091	323,202
Interest expense	25	328,805	428,480
Fair value of share options recognised as expenses		19,978	55,456
Provision		979,589	468,515
Operating profit before working capital changes		3,422,228	5,995,630
Inventories		(569,081)	(80,547)
Amount due from customers for contract work		20,589	(629,731)
Trade and other receivables		(10,891)	(984,000)
Development expenditure	9	(2,980,279)	(2,601,186)
Advances received from customers		20,059	(1,819,012)
Trade and other payables		(1,203,284)	(1,553,644)
Net cash used in operating activities		(1,300,659)	(1,672,490)
Cash flows from investing activities			
Purchase of plant and equipment	A	(207,587)	(110,746)
Purchase of computer software	9	(92,963)	(6,752)
Repayment from/(advances to) staff	10	12,842	(62,738)
Net cash used in investing activities		(287,708)	(180,236)
Cash flows from financing activities			
Net proceeds from issue of shares (net of share issue expenses)		3,918,364	2,219,851
(Redemption of)/Proceeds from issuance of redeemable preference shares by subsidiary		(770,966)	746,882
Repayment of borrowings, net		(1,464,722)	(251,233)
Net cash outflow from disposal of a subsidiary		–	(119)
Interest paid	25	(328,805)	(428,480)
Net cash generated from financing activities		1,353,871	2,286,901
Net (decrease)/increase in cash and bank balances		(234,496)	434,175
Cash and bank balances at beginning of year		608,736	174,561
Cash and bank balances at end of year		374,240	608,736

Consolidated Statement of Cash Flows

Year Ended 31 March 2012

(Amounts in United States dollar)

Note A

For the purpose of the consolidated statement of cash flows, the Group's additions to plant and equipment during the year comprised of:

	2012 US\$	2011 US\$ (Re-presented)
Plant and equipment purchased during the year	234,101	175,998
Less: Financed by finance lease obligations, net	(26,514)	(65,252)
Cash payment to acquire plant and equipment	<u>207,587</u>	<u>110,746</u>

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

Notes to the Financial Statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Addvalue Technologies Ltd (the “Company”) is a limited liability company domiciled and incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited. The address of the Company’s registered office and principal place of business is 28 Tai Seng Street, #06-02, Singapore 534106.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 29 June 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards (“FRS”). The financial statements are presented in United States dollar (“US\$”).

The preparation of the financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical 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 judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 April 2011, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Revised FRS 24 Related Party Disclosures

From 1 April 2011, the Group has applied the revised FRS 24 Related Party Disclosures to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of the revised FRS 24 did not result in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with all related parties for the current and comparative years have been disclosed accordingly in Note 30 to the financial statements.

The adoption of the revised FRS 24 affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of the revised FRS 24 has no impact on earnings per share.

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 107 Disclosures – Transfer of Financial Assets	1 July 2011
Amendment to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19 Employee Benefits	1 January 2013
FRS 27 Separate Financial Statements	1 January 2013
FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013
Amendment to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendment to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for the Amendments to FRS 1 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and Amendments to FRS 112 is described below.

Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in the financial year 2014.

Group accounting

(a) **Subsidiaries**

(i) Basis of Consolidation

From 1 April 2010

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(i) Basis of Consolidation (Continued)

From 1 April 2010 (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Prior to 1 April 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the equity holders of the Company.

(ii) Acquisition of businesses

From 1 April 2010

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(ii) Acquisition of businesses (Continued)

From 1 April 2010 (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Prior to 1 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Transactions costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(ii) Acquisition of businesses (Continued)

Prior to 1 April 2010 (Continued)

- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(iii) Disposals of subsidiaries or businesses

From 1 April 2010

The assets and liabilities of the subsidiary are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Prior to 1 April 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 April 2010 have not been restated.

(b) *Transactions with non-controlling interests*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(c) Associates

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operating policy decision, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence are retained are recognised in profit or loss.

Subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The Company and its subsidiaries changed their functional currency from Singapore dollar ("S\$") to United States dollar ("US\$") with effect from 1 April 2011 to reflect the current and prospective economic substance of the underlying transactions and circumstances of the Group as the Group standardise the billing denomination of sales transaction and retains its receipts from operation in US\$. In prior years, the Group's transactions with its customers were denominated in various currencies including Singapore dollar.

The effect of the change in functional currency to US\$ was applied prospectively in the financial statements. The Company translated all items into the new functional currency using the exchange rate of US\$1: S\$1.26 as at 1 April 2011.

In conjunction with the change of functional currency, the Group changed its presentation currency from S\$ to US\$. This change was applied retrospectively using the following procedures:

- assets and liabilities of all corresponding figures presented (including opening balances from the beginning of earliest prior period presented) were translated at the closing rates of respective year end;
- income and expenses for all corresponding figures presented were translated at the average exchange rate for the financial year approximating the exchange rates at the dates of transactions; and
- all resulting exchange differences were recognised in other comprehensive income.

Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

All items of plant and equipment are initially recorded at cost. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

All plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

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

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of plant and equipment. Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other operating income (expenses)".

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) *Research costs and Development expenditure*

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset 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 asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Such development expenditure are being amortised on a product-by-product basis over the estimated useful life from the time when the development is complete and the design or technology is available for use. The carrying amount 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 period. Upon completion, the development costs is amortised as aforesaid and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful lives have been taken as follows.

	Useful lives (Years)
Satellite related products	10

(ii) *Patents*

Patents is stated at cost less accumulated amortisation and impairment loss. Amortisation is charged to the profit or loss on the straight-line basis over the estimated useful life of 7 years.

(iii) *Computer software*

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

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 an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third or fifth years.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Subsequent measurement

The Group classifies its financial assets in the category of loans and receivables and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. As at the end of the reporting period, the Group did not have any financial assets in the categories of financial assets at fair value through profit or loss and held-to-maturity investments.

(i) 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 are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including amounts due from subsidiaries and staff loans.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(i) *Financial assets carried at amortised cost* (Continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) *Available-for-sale financial assets*

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(iii) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a first-in first-out basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

When necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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 end of each reporting period. 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts work-in-progress (Continued)

The aggregate of costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the end of each reporting period. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amount due to customers for contract work.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the financial year end, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit or loss.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2006, the date of inception is deemed to be 1 January 2006 in accordance with the transitional requirements of INT FRS 104.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

As lessee

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

General

A provision is recognised when the Group has 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 at the end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provision

Provisions for warranty related costs are recognised when the product is sold or services provided. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantees

The Company has issued corporate guarantees to banks and financial institutions for borrowings of its subsidiaries. These guarantees 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 as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the financial year end, in which case they are presented as non-current liabilities.

Borrowings

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the financial year end are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Share capital

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Redeemable preference shares are classified as equity in accordance to the substance of the contractual arrangements entered and allocated to the conversion option (equity component), which is presented in shareholders' equity, net of transaction costs.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangement. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Design services*

Revenue from design services is recognised using the percentage of completion method when the outcome of the contract can be estimated reliably. The percentage of completion is determined by the proportion that costs incurred for work performed to date relative 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.

Employees' benefits

(i) *Retirement benefits*

The Singapore companies in the Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension schemes. Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(ii) *Employee leave entitlement*

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

(iii) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense 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, on the date of grant. Non-market vesting conditions are included in the estimation of the number of options under options that are expected to become exercisable on vesting date. At the end of each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of the original estimates, if any, in the profit or loss, and a corresponding adjustment to the share option reserve over the remaining vesting period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained earnings upon expiry of the share options.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted at the end of each reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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, 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries associates and 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 the end of each reporting 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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets 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, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jobs credit scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as an offset against staff costs.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the grant relates to income, the government grant shall be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other operating income". Alternatively, they are deducted in reporting the related expenses.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

- (b) An entity is related to the Group and the Company if any of the following conditions applies: (Continued)
- (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgements (Continued)

i. *Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. Therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment as at 31 March 2012 is US\$581,189 (2011: US\$681,179; 2010: US\$750,721).

(b) Useful lives of intangible assets

The cost of intangible assets is amortised on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives to be within 3 to 10 years. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Therefore, future amortisation changes could be revised. The carrying amount of the Group's intangible assets as at 31 March 2012 is US\$12,581,245 (2011: US\$10,530,213; 2010: US\$7,878,017).

(c) Impairment of development expenditure

The Group determines whether development expenditure is impaired at least on an annual basis. This requires an estimation of the probable future economic benefits that are expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group. The carrying value of the Group's development expenditure as at 31 March 2012 is US\$12,314,621 (2011: US\$10,270,378; 2010: US\$7,572,389).

If the sales quantities reduced by 20% from the management's forecast, the Group's allowance for impairment will increase by approximately US\$592,000.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgements (Continued)

i. *Critical accounting estimates and assumptions* (Continued)

(d) Impairment of trade receivables

Management reviews its trade receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of the Group's trade receivables as at 31 March 2012 is US\$3,334,331 (2011: US\$3,284,731; 2010: US\$1,531,999).

ii. *Critical judgements in applying the entity's accounting policies*

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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 this capitalised development expenditure that will flow to the Group.

Notes to the Financial Statements

3. SHARE CAPITAL

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Amount						
(a) Ordinary Shares						
Issued and fully paid:						
As at beginning of year (Re-presented)						
Ordinary shares	39,741,039	37,521,188	34,953,539	39,741,039	37,521,188	34,953,539
Effect of change in functional currency	12,405,259	–	–	12,405,259	–	–
	<u>52,146,298</u>	<u>37,521,188</u>	<u>34,953,539</u>	<u>52,146,298</u>	<u>37,521,188</u>	<u>34,953,539</u>
Issued during the year:						
Ordinary shares	3,930,388	2,457,241	2,923,401	3,930,388	2,457,241	2,923,401
Share issue expenses	(12,024)	(237,390)	(355,752)	(12,024)	(237,390)	(355,752)
As at end of year	<u>56,064,662</u>	<u>39,741,039</u>	<u>37,521,188</u>	<u>56,064,662</u>	<u>39,741,039</u>	<u>37,521,188</u>
(b) Redeemable preference shares issued by a subsidiary						
As at beginning of year						
Preference shares	746,882	–	–	–	–	–
(Redemption)/issued during the year						
Preference shares	(746,882)	746,882	–	–	–	–
As at end of year						
Preference shares	–	746,882	–	–	–	–
Total share capital	<u>56,064,662</u>	<u>40,487,921</u>	<u>37,521,188</u>	<u>56,064,662</u>	<u>39,741,039</u>	<u>37,521,188</u>

Notes to the Financial Statements

3. SHARE CAPITAL (Continued)

No of Shares	2012	Group 2011	2010	2012	Company 2011	2010
(a) Ordinary Shares						
Issued and fully paid:						
As at beginning of year	997,905,813	903,905,813	807,905,813	997,905,813	903,905,813	807,905,813
Issued during the year	127,010,000	94,000,000	96,000,000	127,010,000	94,000,000	96,000,000
As at end of year	1,124,915,813	997,905,813	903,905,813	1,124,915,813	997,905,813	903,905,813
(b) Redeemable preference shares issued by a subsidiary						
As at beginning of year	1,000,000	–	–	–	–	–
(Redemption)/issued during the year	(1,000,000)	–	–	–	–	–
As at end of year	–	1,000,000	–	–	–	–
Total share capital	1,124,915,813	998,905,813	903,905,813	1,124,915,813	997,905,813	903,905,813

The holders of ordinary shares are entitled to receive dividends as and where declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The holders of the redeemable preference shares issued by a subsidiary has no voting rights and not entitled to any dividends. The preference shares are redeemable at a premium of 3% at any time at the options of the issuer. The preference shares were fully redeemed during the year and the premium paid amounting to US\$24,084 (2011 and 2010: Nil) was recognised directly in accumulated losses.

Notes to the Financial Statements

3. SHARE CAPITAL (Continued)

During the financial year ended 31 March 2012, the Company issued the following shares:

No. of shares	US\$	Description of shares	Purpose of issue
86,000,000	2,790,185	Ordinary shares S\$0.04 each for cash	For the production of products to be launched, development of new products and the balance for general working capital.
41,010,000	1,140,203	Ordinary shares S\$0.035 each for cash	Issued pursuant to exercise of shares options under the employees shares option scheme.
<u>127,010,000</u>	<u>3,930,388</u>		

The newly issued shares rank pari passu in all respects with the existing ordinary shares.

Use of the proceeds from the Placement

The issuance of the 86,000,000 new ordinary shares for cash at an issue price of S\$0.04 each on June 2011 (the "Placement"), the entire gross proceeds of which amounted to approximately US\$2.8 million, had been fully utilised for the following purposes as at the date of the report:

	US\$'000
For production of products to be launched	400
For the retirement of existing loan	770
For working capital	1,608
For share issue expenses re consultancy and professional services	<u>12</u>
	<u>2,790</u>

Notes to the Financial Statements

3. SHARE CAPITAL (Continued)

Share Option Scheme

The Addvalue Technologies Ltd's 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.
- (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 as maybe 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 as maybe determined by the Remuneration Committee.

On 22 June 2010, options to subscribe for 110,000,000 ordinary shares of the Company at an exercise price of S\$0.035 per ordinary share were granted pursuant to the Scheme ("2010 Option"). The 2010 Option is exercisable on 22 June 2011 and expires on 21 June 2014. There were no options granted during the year.

Notes to the Financial Statements

3. SHARE CAPITAL (Continued)

Share Option Scheme (Continued)

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

Options outstanding	Group and Company					
	2012		2011		2010	
	Number of	Weighted	Number of	Weighted	Number of	Weighted
	share options	average	share options	average	share options	average
		exercise price		exercise price		exercise price
		S\$		S\$		S\$
As at beginning of year	120,870,000	0.043	12,495,000	0.121	13,285,000	0.121
Cancelled/lapsed during the year	(7,100,000)	0.120	(975,000)	0.120	(790,000)	0.120
Cancelled/lapsed during the year	(3,900,000)	0.123	–	0.123	–	–
Granted during the year	–	–	110,000,000	0.035	–	–
Exercised during the year	(41,010,000)	0.035	–	0.035	–	–
Lapsed during the year	(5,900,000)	0.035	(650,000)	0.035	–	–
As at end of year	<u>62,960,000</u>	0.036	<u>120,870,000</u>	0.043	<u>12,495,000</u>	0.121
Exercisable at the end of year	<u>62,960,000</u>		<u>11,520,000</u>		<u>12,495,000</u>	

The weighted average share price at the time of exercise range from S\$0.05 to S\$0.114 (2011 and 2010: Nil) per share. The related transaction costs amounting to US\$147 (2011 and 2010: Nil) were deducted against the proceeds received.

Terms of the share options outstanding as at end of year:

Expiry date	Exercise price	Number of options		
		2012	2011	2010
31 July 2012*	S\$0.120	520,000	520,000	520,000
19 April 2011	S\$0.120	–	7,100,000	8,075,000
4 June 2011	S\$0.123	–	3,900,000	3,900,000
21 June 2014	S\$0.035	62,440,000	109,350,000	–
		<u>62,960,000</u>	<u>120,870,000</u>	<u>12,495,000</u>

* Granted before 22 November 2002 and not accounted for under FRS 102. There has been no granting or exercise of these grants during the current financial year.

Notes to the Financial Statements

3. SHARE CAPITAL (Continued)

The fair value of options granted on 22 June 2010, determined using the Black-Scholes Pricing Model, was S\$0.001. The significant inputs into the model were as follows:

Weighted average share price	S\$0.035
Weighted average option price	S\$0.035
Expected volatility	1.3%
Expected life	3 years
Risk free rate	0.59%
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 the management's best estimate, for the effect of non transferability, exercise restriction and behavioural considerations.

The Group and the Company recognised total expenses of US\$19,978 (2011: US\$55,456; 2010: Nil) related to equity-settled share-based payment transactions during the year.

4. CAPITAL RESERVE

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
As the beginning of year	99,311	43,855	43,855
Effect of change in functional currency	11,099	–	–
As restated	110,410	43,855	43,855
Recognition of share-based payment	19,978	55,456	–
Redemption of preference shares out of profits of a subsidiary	746,882	–	–
As at end of year	877,270	99,311	43,855
Representing non-distributable reserve (Group):			
– Share based payment reserve	130,388	99,311	43,855
– Redemption of preference shares out of profits of a subsidiary	746,882	–	–
	877,270	99,311	43,855
Representing non-distributable reserve (Company):			
– Share based payment reserve	130,388	99,311	43,855

Notes to the Financial Statements

5. PLANT AND EQUIPMENT

Group

	Laboratory equipment US\$	Furniture, fittings and office equipment US\$	Computers and software US\$	Toolings US\$	Renovations US\$	Total US\$
Cost						
As at 1.4.2010 (Re-presented)	1,538,616	218,425	1,571,346	930,507	142,553	4,401,447
Additions	10,931	22,174	95,711	21,041	26,141	175,998
Written off/Disposal	(1,347,715)	(70,446)	(1,331,709)	(470,751)	–	(3,220,621)
Currency translation differences	96,353	22,265	106,244	80,040	18,029	322,931
As at 31.3.2011	298,185	192,418	441,592	560,837	186,723	1,679,755
As at 1.4.2011	298,185	192,418	441,592	560,837	186,723	1,679,755
Additions	121,638	9,884	84,192	12,638	5,749	234,101
As at 31.3.2012	419,823	202,302	525,784	573,475	192,472	1,913,856
Accumulated depreciation						
As at 1.4.2010 (Re-presented)	1,429,724	159,307	1,410,517	628,973	22,205	3,650,726
Depreciation charge for the year	53,705	13,531	63,587	154,904	37,475	323,202
Written off/Disposal	(1,347,715)	(70,446)	(1,331,709)	(470,751)	–	(3,220,621)
Currency translation differences	86,388	14,921	85,743	53,382	4,835	245,269
As at 31.3.2011	222,102	117,313	228,138	366,508	64,515	998,576
As at 1.4.2011	222,102	117,313	228,138	366,508	64,515	998,576
Depreciation charge for the year	45,061	12,185	77,766	151,680	47,399	334,091
As at 31.3.2012	267,163	129,498	305,904	518,188	111,914	1,332,667
Net carrying value						
As at 31.3.2012	152,660	72,804	219,880	55,287	80,558	581,189
As at 31.3.2011	76,083	75,105	213,454	194,329	122,208	681,179
As at 1.4.2010	108,892	59,118	160,829	301,534	120,348	750,721

Notes to the Financial Statements

5. PLANT AND EQUIPMENT (Continued)

Assets held under finance leases

During the financial year, the Group acquired plant and equipment with an aggregate cost of US\$33,759 (2011: US\$83,025; 2010: Nil) by means of finance leases.

The carrying amount of plant and equipment held under finance leases as at 31 March 2012 were US\$92,043 (2011: US\$81,641; 2010: Nil).

Leased assets are pledged as security for the related finance lease liabilities (Note 21).

6. SUBSIDIARIES

	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Unquoted equity shares at cost			
Balance at beginning of year	37,074,208	38,505,549	35,202,575
Addition of investment in a subsidiary	3,870,433	–	–
Currency translation differences	–	(1,431,341)	3,302,974
	40,944,641	37,074,208	38,505,549
Impairment losses	(26,599,280)	(28,999,280)	(36,570,299)
As at end of year	14,345,361	8,074,928	1,935,250
Analysis of impairment losses:			
Balance at beginning of year	28,999,280	36,570,299	32,229,240
(Reversal)/Impairment during the year	(2,400,000)	(5,862,315)	1,317,063
Disposal of a subsidiary	–	(5,926,907)	–
Currency translation differences	–	4,218,203	3,023,996
As at end of year	26,599,280	28,999,280	36,570,299

The reversal of impairment of US\$2,400,000 (2011: US\$5,862,315; 2010: Nil) was recognised for the Company's investment in its main operating subsidiaries with the increase in the recoverable amount as a result of higher certainties in the sustainability of the operating cash flows of the subsidiaries.

The recoverable amount of the CGU was determined by the management based on past performance and its expectations of the market developments of these subsidiaries. The pre-tax discount rate applied to the cash flow projection for the three year period are 10% (2011: 10%).

Notes to the Financial Statements

6. SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group			Cost of investment to the Company		
			2012 %	2011 %	2010 %	2012 US\$ (Re-presented)	2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Addvalue Communications Pte Ltd ⁽¹⁾ ("AVC")	Design, development and distribution of tele-communications equipment and related products	Singapore	100	100	100	34,027,803 ⁽⁶⁾	30,157,370	26,989,940
Addvalue Innovation Pte Ltd ⁽¹⁾	Design, development and distribution of tele-communications equipment and related products	Singapore	100	100	100	6,916,838	6,916,838	6,201,524
Inerworx Technologies Pte Ltd ^{(2), (3)}	Ceased operations	Singapore	-	1	1	-	-	-
Blue World Capital Ltd ⁽⁵⁾	Dormant	British Virgin Island	-	-	51%	-	-	5,314,085
Addvalue Global Limited ⁽⁴⁾	Business development, sale and marketing of satellite communications equipment	Hong Kong	100	100	-	- [^]	- [^]	-
						40,944,641	37,074,208	38,505,549

[^] denotes amount less than US\$1.00.

(1) Audited by Crowe Horwath First Trust LLP, Singapore.

(2) Struck off from the register of companies with effect from 3 September 2011 and accordingly, is deemed to be disposed off during the year.

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

(4) Incorporated on 26 August 2010 and is audited by Central & Co, Hong Kong.

(5) Struck off from the register of companies with effect from 1 May 2008 and accordingly, is deemed to be disposed off in the last financial year.

(6) During the financial year, the Company converted advances to AVC amounting to US\$3,852,000 into ordinary share capital in AVC. In addition, the Company capitalised fair value of the share options granted to the employees of the AVC amounting to US\$18,433 as part of the cost of investment in AVC.

Notes to the Financial Statements

7. ASSOCIATES

	2012 US\$	Group and Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Equity shares at cost	137	137	69,730
Impairment losses	(137)	(137)	(69,730)
	<u>-</u>	<u>-</u>	<u>-</u>

Details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group			Cost of investment to the Company		
			2012 %	2011 %	2010 %	2012 US\$ (Re-presented)	2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Addvalue Communications, Inc ("AVCI") ⁽¹⁾	Ceased operations	United States of America	23	23	23	137	137	123
Held through another associate:								
Addvalue Technologies (Guangzhou) Limited ("ATG") ⁽²⁾	Ceased operations	People's Republic of China	-	-	49	-	-	69,607
						<u>137</u>	<u>137</u>	<u>69,730</u>

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

(2) The associate, held through another Associate, Boost Time International Ltd, incorporated in British Virgin Island ("BTI"). BTI were struck off from the register of companies with effect from 2 November 2009. Accordingly, ATG is deemed ceased to be an associated company.

The associate, AVCI has ceased its operation since 2009. As a result, there are no financial statements available to the Group.

8. OTHER EQUITY INVESTMENTS

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Unquoted equity investments, at cost	2,001,325	1,713,763	2,494,650	1,485,956	1,485,956	1,332,283
Impairment losses	(2,001,325)	(1,713,763)	(2,494,650)	(1,485,956)	(1,485,956)	(1,332,283)
Net carrying value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

9. INTANGIBLE ASSETS

Group	Development expenditure US\$	Patents US\$	Computer software US\$	Total US\$
Cost				
As at 1.4.2010 (Re-presented)	8,640,469	39,562	502,263	9,182,294
Additions	2,601,186	–	6,752	2,607,938
Currency translation differences	1,154,483	4,564	58,343	1,217,390
As at 31.3.2011	12,396,138	44,126	567,358	13,007,622
As at 1.4.2011	12,396,138	44,126	567,358	13,007,622
Additions	2,980,279	–	92,963	3,073,242
As at 31.3.2012	15,376,417	44,126	660,321	16,080,864
Accumulated amortisation				
As at 1.4.2010 (Re-presented)	1,068,080	33,911	202,286	1,304,277
Amortisation charge for the year	881,018	5,943	77,218	964,179
Currency translation differences	176,662	4,272	28,019	208,953
As at 31.3.2011	2,125,760	44,126	307,523	2,477,409
As at 1.4.2011	2,125,760	44,126	307,523	2,477,409
Amortisation charge for the year	936,036	–	86,174	1,022,210
As at 31.3.2012	3,061,796	44,126	393,697	3,499,619
Net carrying value				
As at 31.3.2012	12,314,621	–	266,624	12,581,245
As at 31.3.2011	10,270,378	–	259,835	10,530,213
As at 1.4.2010	7,572,389	5,651	299,977	7,878,017

The Group invests in development activities to build its base of proprietary products, applications and processes. The net carrying value of development expenditure amounting to US\$12,314,621 (2011: US\$10,270,378; 2010: US\$7,572,389) represents customised costs incurred in the development of customised Application Specific Integrated Circuit (ASIC) chipsets for satellite communication applications, tracking and telemetry solutions. 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, including the commercial sales of the Group's various products such as Sabre™ 1, Sabre™ 1 Remote, Sabre™ Ranger, FB250, FB150 and Seagull 5000. The amortisation of development expenditure amounting to US\$936,036 (2011: US\$881,018; 2010: US\$659,574) was charged to other operating expenses in the consolidated statement of comprehensive income.

Included in the development expenditure are the capitalisation of the employees benefit expenses of US\$2,467,732 (2011: US\$2,434,476) (Note 31).

Notes to the Financial Statements

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Deposits and prepayments	218,007	196,470	156,076	4,119	–	–
Other receivables	49,327	74,077	142,618	–	–	–
Deposits and advances paid to suppliers	553,053	589,702	1,008,553	–	–	–
Staff loans and advances	69,147	80,836	30,317	–	31	28
	889,534	941,085	1,337,564	4,119	31	28
Less: Allowance for doubtful non-trade receivables	–	–	(142,617)	–	–	–
	889,534	941,085	1,194,947	4,119	31	28
Less: Non-current staff loans	(53,703)	(66,545)	–	–	–	–
Current portion	835,831	874,540	1,194,947	4,119	31	28

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)	2012 US\$	Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Analysis of allowance for doubtful non-trade receivables:						
Balance at beginning of year	–	142,617	563,083	–	–	399,158
Currency translation differences	–	16,450	–	–	–	–
Written off against allowance	–	(159,067)	(420,466)	–	–	(399,158)
	–	–	142,617	–	–	–

Staff loans is interest free, unsecured and repayable by monthly instalment until 2017.

Notes to the Financial Statements

11. DEFERRED TAX ASSETS

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Balance at beginning of year	1,943,589	–	–
Recognised in the consolidated statement of comprehensive income (Note 28)	70,672	1,832,394	–
Currency translation differences	–	111,195	–
At end of year	2,014,261	1,943,589	–

	Deferred tax liabilities		Deferred tax assets			
	Development expenditure US\$	Provision for unconsumed leave US\$	Provision for doubtful debts US\$	Unutilised capital allowance US\$	Unutilised tax loss US\$	Total US\$

2012

Balance at beginning of year	–	–	–	–	1,943,589	1,943,589
Recognised in the consolidated statement of comprehensive income	(2,086,409)	31,454	2,031	100,156	2,023,440	70,672
Balance at end of year	(2,086,409)	31,454	2,031	100,156	3,967,029	2,014,261

2011

Balance at beginning of year	–	–	–	–	–	–
Recognised in the consolidated statement of comprehensive income	–	–	–	–	1,943,589	1,943,589
Balance at end of year	–	–	–	–	1,943,589	1,943,589

The Group has deductible unutilised capital allowances and unutilised tax losses of approximately US\$590,000 (2011 and 2010: Nil) and US\$23,300,000 (2011: US\$11,400,000; 2010: Nil) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements, out of which approximately US\$868,000 (2011: US\$7,461,000) of unutilised tax losses was not recognised as deferred tax assets due to uncertainty of its recoverability.

Notes to the Financial Statements

12. INVENTORIES

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Finished goods	993,055	425,662	158,237
Raw materials	533,901	394,478	1,224,076
Semi-finished goods	669,316	807,051	–
	<u>2,196,272</u>	<u>1,627,191</u>	<u>1,382,313</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to US\$4,430,588 (2011: US\$6,530,791; 2010: US\$5,070,245).

Inventories with a carrying amount of US\$2,196,272 (2011: US\$1,440,592; 2010: US\$1,306,668) have been pledged as security for a loan from a funding institution to a subsidiary (Note 20).

13. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Aggregate amount of costs incurred and recognised profit to date	1,479,255	785,899	–
Less: Progress billings	<u>(831,900)</u>	<u>(117,955)</u>	<u>–</u>
	<u>647,355</u>	<u>667,944</u>	<u>–</u>
Presented as:			
Gross amount due from customers for contract work	<u>647,355</u>	<u>667,944</u>	<u>–</u>

Notes to the Financial Statements

14. TRADE RECEIVABLES

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Trade receivables	3,346,278	3,317,136	1,552,458
Less: Allowance for doubtful trade receivables (Note 34(c))	(11,947)	(32,405)	(20,459)
	<u>3,334,331</u>	<u>3,284,731</u>	<u>1,531,999</u>

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 US\$	Group and Company 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Equity instrument (quoted), at fair value			
Balance at beginning of year	3,413	39,709	–
Additions	–	–	105,466
Disposal	–	–	(12,929)
Fair value adjustment for the year	2,684	(36,234)	(52,828)
Currency translation differences	–	(62)	–
Balance at end of year	<u>6,097</u>	<u>3,413</u>	<u>39,709</u>

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

These non-trade balances including amount due to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

17. OTHER PAYABLES AND ACCRUALS

	2012	Group	2010	2012	Company	2010
	US\$	2011	US\$	US\$	2011	US\$
		(Re-presented)	(Re-presented)		(Re-presented)	(Re-presented)
Accrued operating expenses:						
– Employee benefits	458,696	468,350	842,191	–	–	–
– Directors' fees	120,856	256,290	200,404	120,856	256,290	200,404
– Others	146,957	113,723	114,889	70,537	43,476	27,970
Due to directors	22,392	88,872	128,076	–	–	–
Other payables	487,329	556,958	745,572	163,770	292,261	260,308
	1,236,230	1,484,193	2,031,132	355,163	592,027	488,682

18. PROVISIONS

	2012	Group	2010	2012	Company	2010
	US\$	2011	US\$	US\$	2011	US\$
		(Re-presented)	(Re-presented)		(Re-presented)	(Re-presented)
Directors' fees	128,160	107,053	66,174	128,160	107,053	66,174
Royalties	47,943	106,282	320,222	–	–	–
Warranty	66,069	–	–	–	–	–
	242,172	213,335	386,396	128,160	107,053	66,174

The provision for directors' fee represents the amounts proposed for the current financial year and is subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

Provision for royalties relates to royalties payable for sales of certain types of finished goods in accordance with the relevant licencing agreements, and is estimated based on the actual number of units sold for the financial year.

The Company and each of its subsidiaries provide a two-year warranty on most products under which faulty products are repaired or replaced. The amount of the provision is based on the sales volume and experience with the level of repairs and returns.

Notes to the Financial Statements

18. PROVISIONS (Continued)

Group	Directors' fees \$	Royalties \$	Warranty	Total \$
2012				
At beginning of year	107,053	106,282	–	213,335
Provision for the year	128,160	785,360	66,069	979,589
Utilisation during the year	(107,053)	(843,699)	–	(950,752)
At end of year	<u>128,160</u>	<u>47,943</u>	<u>66,069</u>	<u>242,172</u>
2011				
At beginning of year	66,174	320,222	–	386,396
Provision for the year	107,053	361,462	–	468,515
Utilisation during the year	(66,174)	(575,402)	–	(641,576)
At end of year	<u>107,053</u>	<u>106,282</u>	<u>–</u>	<u>213,335</u>
Company				
2012				
At beginning of year	107,053	–	–	107,053
Provision for the year	128,160	–	–	128,160
Utilisation during the year	(107,053)	–	–	(107,053)
At end of year	<u>128,160</u>	<u>–</u>	<u>–</u>	<u>128,160</u>
2011				
At beginning of year	66,174	–	–	66,174
Provision for the year	107,053	–	–	107,053
Utilisation during the year	(66,174)	–	–	(66,174)
At end of year	<u>107,053</u>	<u>–</u>	<u>–</u>	<u>107,053</u>

Notes to the Financial Statements

19. BORROWINGS

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Due within one year			
Loans and trust receipts (Note 20)	126,070	1,450,153	786,457
Lease obligations (Note 21)	36,224	22,527	–
	<u>162,294</u>	<u>1,472,680</u>	<u>786,457</u>
Due after one year or more			
Loans and trust receipts (Note 20)	2,171,930	2,288,646	2,841,111
Lease obligations (Note 21)	29,464	40,570	–
	<u>2,201,394</u>	<u>2,329,216</u>	<u>2,841,111</u>
Total borrowings			
Loans and trust receipts (Note 20)	2,298,000	3,738,799	3,627,568
Lease obligations (Note 21)	65,688	63,097	–
	<u>2,363,688</u>	<u>3,801,896</u>	<u>3,627,568</u>

20. LOANS AND TRUST RECEIPTS

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Trust receipts (secured)	–	–	147,207
Loan 1 (secured)	2,171,930	3,413,673	2,841,111
Loan 2 (unsecured)	126,070	325,126	–
Loan 3 (unsecured)	–	–	639,250
	<u>2,298,000</u>	<u>3,738,799</u>	<u>3,627,568</u>

Notes to the Financial Statements

20. LOANS AND TRUST RECEIPTS (Continued)

Loan 1 (secured)

Loan 1 obtained from a funding institution sponsored by International Enterprise Singapore, denominated in Singapore dollar, bears interest rate at 10% per annum (2011 and 2010: 10%) and is secured by a floating charge on the inventories and escrow accounts with a bank of a subsidiary of the Company and a corporate guarantee by the Company. The loan amount of S\$3,000,000 is repayable on 6 October 2013. The loan amount of S\$4,750,000 in 2011 is repayable as follows:

S\$3,000,000 repayable on 6 October 2012	(The repayment date has been extended to 6 October 2013)
S\$1,000,000 repayable on 6 October 2011	
S\$750,000 repayable over 9 monthly installments	

Loan 2 (unsecured)

Loan 2 drawn from a bank and denominated in Singapore dollar, bears interest rate at 6.5% per annum and is repayable in 24 monthly installments. The loan is unsecured but a joint and several personal guarantees and a corporate guarantee are provided by certain directors of the Company and by the Company respectively.

Loan 3 (unsecured)

Loan 3 obtained from a financial institution, is repayable on demand and denominated in Singapore dollar, bears effective interest rate ranging from 10% to 20% per annum. The loan is unsecured but a corporate guarantee is provided by the Company. This loan was fully repaid in last financial year.

Notes to the Financial Statements

21. LEASE OBLIGATIONS

Group	Minimum lease payments US\$	Interest US\$	Present value of payments US\$
2012			
Within one year	39,650	(3,426)	36,224
More than one year but not later than five years	30,455	(991)	29,464
	<u>70,105</u>	<u>(4,417)</u>	<u>65,688</u>
Group	Minimum lease payments US\$ (Re-presented)	Interest US\$ (Re-presented)	Present value of payments US\$ (Re-presented)
2011			
Within one year	26,190	(3,663)	22,527
More than one year but not later than five years	43,225	(2,655)	40,570
	<u>69,415</u>	<u>(6,318)</u>	<u>63,097</u>

Interest is payable at effective interest rate of 6.6% per annum and guaranteed by the Company.

22. REVENUE

	Group	
	2012 US\$	2011 US\$ (Re-presented)
Sale of finished products and components	9,652,630	14,328,039
Rendering of design services	938,245	905,568
	<u>10,590,875</u>	<u>15,233,607</u>

Notes to the Financial Statements

23. OTHER OPERATING INCOME

	Group	
	2012 US\$	2011 US\$ (Re-presented)
Amount due to third parties written off	72,630	94,462
Reversal of allowance of doubtful trade receivables	3,082	–
Government grants received	19,146	3,734
Others	36,603	38,720
	<u>131,461</u>	<u>136,916</u>

Government grants relates to income received from Innovation Voucher Scheme for the EMA Funding project and SME grant form IRAS.

24. OTHER OPERATING EXPENSES

	Group	
	2012 US\$	2011 US\$ (Re-presented)
Amortisation of intangible assets (Note 9)	1,022,210	964,179
Bank charges	14,800	22,555
Depreciation of plant and equipment (Note 5)	334,091	323,202
Foreign exchange loss, net	68,595	153,055
Inventory written off	–	20,458
Labour cost	29,089	8,541
Laboratory usage	56,876	6,142
Repairs and maintenance	219,171	185,649
Freight and postage	–	65,195
Telecommunications	48,862	42,716
Transportation	12,848	14,210
Travelling	94,462	95,903
Utilities	46,830	36,028
Others	44,054	22,392
	<u>1,991,888</u>	<u>1,960,225</u>

Notes to the Financial Statements

25. FINANCE EXPENSES

	2012 US\$	Group 2011 US\$ (Re-presented)
Interest on bank overdrafts	31	–
Interest on loans	317,412	426,106
Interest on late payment	8,772	1,296
Interest on lease obligations	2,590	1,078
	328,805	428,480

26. FINANCE INCOME

	2012 US\$	Group 2011 US\$ (Re-presented)
Fair value adjustment on non-current borrowings	–	215,922

27. PROFIT BEFORE INCOME TAX

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

	2012 US\$	Group 2011 US\$ (Re-presented)
Amortisation of intangible assets	1,022,210	964,179
Remuneration paid to auditors of the Company		
– Audit fees	55,243	44,045
– Non-audit fees	2,434	–
(Reversal)/Allowance for doubtful trade receivables	(3,082)	11,946
Depreciation of plant and equipment	334,091	323,202
Directors' remuneration (Note 30)		
– director of the subsidiaries	514,711	528,930
Directors' fees (Note 30)	128,160	107,053
Bad debts written off	1,500	–
Employee benefits expense (Note 31)*	1,494,602	960,911
Foreign exchange loss, net	68,595	153,055
Inventories recognised as an expense in cost of sales (Note 12)	4,430,588	6,530,791
Operating lease expenses	178,356	147,565

* This includes the amount shown as directors' remuneration.

Notes to the Financial Statements

28. INCOME TAX CREDIT

	Group	
	2012 US\$	2011 US\$
Current tax:		
– Over provision in prior years	–	69,839
Deferred tax:		
– Current year	<u>70,672</u>	<u>1,832,394</u>
Income tax credit	<u>70,672</u>	<u>1,902,233</u>

The reconciliation of the tax credit and the product of accounting profit/(loss) multiplied by the applicable rate is as follows:

	Group	
	2012 US\$	2011 US\$
Profit before income tax	<u>737,555</u>	<u>3,755,798</u>
Tax at the applicable tax rate of 17% (2011: 17%)	125,384	638,486
Expenses not deductible for tax purposes	64,329	969,562
Income not subject to tax	–	(938,649)
Recognition of previously unrecognised deferred tax assets	(241,040)	(1,832,394)
Utilisation of previously unrecognised tax losses	(19,345)	(773,376)
Deferred tax assets not recognised	–	103,977
Over provision of taxation in prior years	–	(69,839)
Income tax credit	<u>(70,672)</u>	<u>(1,902,233)</u>

Notes to the Financial Statements

29. EARNINGS PER SHARE

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

	Basic		Diluted	
	2012	2011	2012	2011
	US\$	US\$	US\$	US\$
		(Re-presented)		(Re-presented)
Profit attributable to shareholders	808,227	5,658,079	808,227	5,658,079

Weighted average number of shares

	Number of shares	
	2012	2011
For basic earnings per share	1,089,973,217	965,456,498
Effect of dilutive potential ordinary shares		
– Share options pursuant to the Scheme	34,289,520	28,038,022
For diluted earnings per share	1,124,262,737	993,494,520

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares represent 2010 share options (Note 3).

For the number of 2010 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).

Share options granted before 2010 with exercise prices ranging from S\$0.120 to S\$0.123 each have not been included in the calculation of diluted earnings per share because they are anti-dilutive for current and previous financial years. There is no dilutive effect arising from share options as the exercise prices of the share options was higher than the Company's average share price during the financial year ended 31 March 2012 and 2011.

Notes to the Financial Statements

30. RELATED PARTY

Details of compensation of key management personnel is as follows:

	2012 US\$	Group 2011 US\$ (Re-presented)
Salaries, bonus and others	846,472	881,111
Contributions to defined contribution plans	42,656	52,099
Share-based payment	10,391	29,064
	899,519	962,274
Directors' fees	128,160	107,053
Total compensation paid to key management personnel	1,027,679	1,069,327
Comprise amount due to:		
Directors of the Company		
– Fees	128,160	107,053
– Remuneration and contribution to defined contribution plans	523,730	554,137
	651,890	661,190
Other key management personnel	375,789	408,137
	1,027,679	1,069,327

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

Outstanding balances as at 31 March 2012 owing to the director of the Company are disclosed in Note 17.

There has been no other related party transaction entered into during the financial year.

Notes to the Financial Statements

31. EMPLOYEE BENEFITS

	Group	
	2012 US\$	2011 US\$
	(Re-presented)	
Employee benefits expense (including directors):		
– Salaries, bonuses and others	3,492,901	2,993,444
– Contribution to defined contribution plans	321,385	268,152
– Share based payment	19,978	55,456
– Job credit scheme	(90)	(8,718)
	<u>3,834,174</u>	<u>3,308,334</u>
Directors' fees	128,160	107,053
	<u>3,962,334</u>	<u>3,415,387</u>
Charged to consolidated statement of comprehensive income	1,494,602	960,911
Capitalised in development expenditure	2,467,732	2,454,476
	<u>3,962,334</u>	<u>3,415,387</u>

32. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Corporate Guarantee

As at 31 March 2012, unsecured corporate guarantees given to financial institutions, in connection with the facilities granted to subsidiaries amounted to approximately US\$2.4 million (2011: US\$3.8 million; 2010: US\$3.6 million). The facilities are for working capital purposes. As at 31 March 2012, the Company does not consider it probable that a claim will be made against the Company under the guarantee and therefore the fair value of the corporate guarantees are immaterial.

(b) Non-cancellable operating lease commitments

As at the end of the reporting period, the Group has various non-cancellable operating lease agreements for equipment, offices and other facilities. The leases have varying items, escalation clauses and renewable rights. The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Notes to the Financial Statements

32. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(b) Non-cancellable operating lease commitments (Continued)

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the financial year end date but not recognised as liabilities are as follows:

	Group	
	2012 US\$	2011 US\$ (Re-presented)
Future minimum lease payments		
– Within one year	117,899	217,519
– Later than one year but not later than five years	11,636	119,342
	<u>129,535</u>	<u>336,861</u>

33. SEGMENT INFORMATION

For management purposes, the Group organised their reportable segment based on their geographical areas which represents their strategic business units because the geographical segments as the Group's risks and rates of return are affected predominantly by geographical areas.

The Group is engaged in a single business of sales of telecommunication equipment and related products and components and provision of related design services. During the reporting years the Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the directors review internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1: Europe reflects sales made to customers based in Spain, Germany, United Kingdom, Norway and Netherlands;
- Segment 2: North America reflects sales made to customers based in United States of America and Canada;
- Segment 3: Asia reflects sales made to customers based in Singapore, Japan, China, Taiwan, Philippines, Middle East and Australia.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Notes to the Financial Statements

33. SEGMENT INFORMATION (Continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. There is no transfer pricing between operating segments as there is no inter-segment transaction.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

As at 31 March 2012	Europe US\$	North America US\$	Asia US\$	Consolidated US\$
Revenue				
Total revenue from external customers	1,555,613	5,565,732	3,469,530	10,590,875
Segment result	397,242	2,065,015	(65,802)	2,396,455
Unallocated expenses				(1,461,556)
Other income				131,461
Finance expenses				(328,805)
Finance income				–
Profit before income tax				737,555
Segment assets				
By location of customers				
– Segment assets	1,228,952	427,393	18,953,918	20,610,263
– Deferred tax assets				2,014,261
Total assets				22,624,524
By location of assets				
– Segment assets	692,416	230,442	19,687,405	20,610,263
– Unallocated assets				2,014,261
Total assets				22,624,524
Segment liabilities	318,406	41,801	4,870,992	5,231,199
Other Information				
Capital expenditure				
– Plant and equipment	–	–	234,101	234,101
– Intangible assets	–	–	3,073,242	3,073,242
Depreciation and amortisation	129,317	533,702	693,282	1,356,301

Notes to the Financial Statements

33. SEGMENT INFORMATION (Continued)

As at 31 March 2011	Europe US\$ (Re-presented)	North America US\$ (Re-presented)	Asia US\$ (Re-presented)	Consolidated US\$ (Re-presented)
Revenue				
Total revenue from external customers	3,987,265	5,531,510	5,714,832	15,233,607
Segment result	2,150,778	2,803,347	111,827	5,065,952
Unallocated expenses				(1,234,512)
Other income				136,916
Finance expenses				(428,480)
Finance income				215,922
Profit before income tax				3,755,798
Segment assets				
By location of customers				
– Segment assets	1,560,885	819,705	15,963,902	18,344,492
– Deferred tax assets				1,943,589
Total assets				20,288,081
By location of assets				
– Segment assets	783,200	792,431	16,768,861	18,344,492
– Deferred tax assets				1,943,589
Total assets				20,288,081
Segment liabilities	600,338	60,701	6,212,004	6,873,043
Other Information				
Capital expenditure				
– Plant and equipment	–	–	175,998	175,998
– Intangible assets			2,607,938	2,607,938
Depreciation and amortisation	–	–	1,287,381	1,287,381

Notes to the Financial Statements

33. SEGMENT INFORMATION (Continued)

All non-current assets of the Group are located in Singapore. Revenue from external customers are mainly derived from sales of land and maritime communication products. The sales of components and design services are included in "Others". Breakdown of the revenue is as follows:

	Group	
	2012 US\$	2011 US\$ (Re-presented)
Land communication products	4,501,973	6,184,797
Maritime communication products	4,696,442	7,547,917
Others	1,392,460	1,500,893
	10,590,875	15,233,607

The countries from which the Group derives revenue are mainly as follows:

	Revenue	
	2012 US\$	2011 US\$ (Re-presented)
Country of domicile:		
– Singapore	891,234	1,068,886
Foreign countries		
– Canada	2,640,075	2,537,757
– United States	2,840,096	2,809,479
– Spain	1,173,491	2,677,366
– Taiwan	13,036	1,124,259
– China	779,421	115,565
– Philippines	–	2,080,000
– Others *	2,253,522	2,820,315
	10,590,875	15,233,607

- Others comprise of Australia, United Kingdom, UAE, Japan, Netherlands and Indonesia.

Revenue amounting to approximately US\$2,638,000 (2011: US\$3,136,000), US\$2,193,000 (2011: US\$2,276,000) and US\$1,195,000 (2011: US\$2,592,000) were attributed to major customers located in North America and Europe respectively. In 2011, there was another one-off customer located in Philippines contributing US\$2,080,000 to the Group's revenue.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is the Group's policy not to trade in derivative contracts.

The Group sells its products/services in several countries and for such overseas sales, it transacts mainly in Euro. Borrowings by the subsidiary are denominated in Singapore dollar ("S\$"). As a result, movements in S\$ and Euro 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.

(a) Market risk

(i) Foreign exchange risk

Group As at 31 March 2012	Singapore dollar US\$	United States dollar US\$	Euro dollar US\$	Others US\$	Total US\$
Financial assets					
Staff loan receivable	53,703	–	–	–	53,703
Trade receivables	–	3,139,688	194,643	–	3,334,331
Other receivables and deposits	119,833	–	–	–	119,833
Available-for-sale financial assets	–	6,097	–	–	6,097
Cash and bank balances	21,183	353,057	–	–	374,240
	<u>194,719</u>	<u>3,498,842</u>	<u>194,643</u>	<u>–</u>	<u>3,888,204</u>
Financial liabilities					
Trade payables	110,173	1,050,470	167,870	4,417	1,332,930
Other payables and accruals	992,168	244,062	–	–	1,236,230
Borrowings	2,363,688	–	–	–	2,363,688
	<u>3,466,029</u>	<u>1,294,532</u>	<u>167,870</u>	<u>4,417</u>	<u>4,932,848</u>
Net financial (liabilities)/assets	(3,271,310)	2,204,310	26,773	(4,417)	(1,044,644)
Less: Net financial assets denominated in the respective entities' functional currencies	–	(2,204,310)	–	–	(2,204,310)
Foreign currency exposure	<u>(3,271,310)</u>	<u>–</u>	<u>26,773</u>	<u>(4,417)</u>	<u>(3,248,954)</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(i) Foreign exchange risk (Continued)

Group As at 31 March 2011	Singapore dollar US\$ (Re-presented)	United States dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
Financial assets					
Staff loan receivable	66,545	–	–	–	66,545
Trade receivables	30,231	2,712,892	541,608	–	3,284,731
Other receivables and deposits	141,336	–	–	–	141,336
Available-for-sale financial assets	–	3,413	–	–	3,413
Cash and bank balances	589,954	18,782	–	–	608,736
	<u>828,066</u>	<u>2,735,087</u>	<u>541,608</u>	<u>–</u>	<u>4,104,761</u>
Financial liabilities					
Trade payables	71,214	979,586	282,770	3,929	1,337,499
Other payables and accruals	1,317,255	166,040	898	–	1,484,193
Borrowings	3,801,896	–	–	–	3,801,896
	<u>5,190,365</u>	<u>1,145,626</u>	<u>283,668</u>	<u>3,929</u>	<u>6,623,588</u>
Net financial (liabilities)/assets	(4,362,299)	1,589,461	257,940	(3,929)	(2,518,827)
Less: Net financial liabilities denominated in the respective entities' functional currencies	<u>4,362,299</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,362,299</u>
Foreign currency exposure	<u>–</u>	<u>1,589,461</u>	<u>257,940</u>	<u>(3,929)</u>	<u>1,843,472</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Group As at 31 March 2010	Singapore dollar US\$ (Re-presented)	United States dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
Financial assets					
Trade receivables	132,515	838,069	561,415	–	1,531,999
Other receivables	83,650	–	–	–	83,650
Available-for-sale financial assets	–	39,709	–	–	39,709
Cash and bank balances	74,557	100,004	–	–	174,561
	<u>290,722</u>	<u>977,782</u>	<u>561,415</u>	<u>–</u>	<u>1,829,919</u>
Financial liabilities					
Trade payables	81,212	1,199,570	49,562	5,008	1,335,352
Other payables and accruals	1,541,851	466,509	–	22,772	2,031,132
Borrowings	3,480,361	147,207	–	–	3,627,568
	<u>5,103,424</u>	<u>1,813,286</u>	<u>49,562</u>	<u>27,780</u>	<u>6,994,052</u>
Net financial (liabilities)/assets	(4,812,702)	(835,504)	511,853	(27,780)	(5,164,133)
Less: Net financial liabilities denominated in the respective entities' functional currencies	<u>4,812,702</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,812,702</u>
Foreign currency exposure	<u>–</u>	<u>(835,504)</u>	<u>511,853</u>	<u>(27,780)</u>	<u>(351,431)</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(i) Foreign exchange risk (Continued)

Company As at 31 March 2012	Singapore dollar US\$	United States dollar US\$	Total US\$
Financial assets			
Deposits	4,119	–	4,119
Available-for-sale financial assets	–	6,097	6,097
Due from subsidiaries (non-trade)	3,766,784	122,786	3,889,570
Cash and bank balances	7,382	–	7,382
	<u>3,778,285</u>	<u>128,883</u>	<u>3,907,168</u>
Financial liabilities			
Other payables and accruals	355,163	–	355,163
Due to subsidiaries (non-trade)	106,361	–	106,361
	<u>461,524</u>	<u>–</u>	<u>461,524</u>
Net financial assets	3,316,761	128,883	3,445,644
Less: Net financial assets denominated in the respective entities' functional currencies	–	(128,883)	(128,883)
Foreign currency exposure	<u>3,316,761</u>	<u>–</u>	<u>3,316,761</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(i) Foreign exchange risk (Continued)

Company As at 31 March 2011	Singapore dollar US\$ (Re-presented)	United States dollar US\$ (Re-presented)	Total US\$ (Re-presented)
Financial assets			
Other receivables	31	–	31
Available-for-sale financial assets	–	3,413	3,413
Due from subsidiaries (non-trade)	4,252,553	–	4,252,553
Cash and bank balances	13,449	–	13,449
	<u>4,266,033</u>	<u>3,413</u>	<u>4,269,446</u>
Financial liabilities			
Other payables and accruals	561,030	30,997	592,027
Due to subsidiaries (non-trade)	122,971	–	122,971
	<u>684,001</u>	<u>30,997</u>	<u>714,998</u>
Net financial assets/(liabilities)	3,582,032	(27,584)	3,554,448
Less: Net financial assets denominated in the respective entities' functional currencies	<u>(3,582,032)</u>	<u>–</u>	<u>(3,582,032)</u>
Foreign currency exposure	<u>–</u>	<u>(27,584)</u>	<u>(27,584)</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company As at 31 March 2010	Singapore dollar US\$ (Re-presented)	United States dollar US\$ (Re-presented)	Total US\$ (Re-presented)
Financial assets			
Other receivables	28	–	28
Available-for-sale financial assets	–	39,709	39,709
Due from subsidiaries (non-trade)	1,863,355	–	1,863,355
Cash and bank balances	787	–	787
	<u>1,864,170</u>	<u>39,709</u>	<u>1,903,879</u>
Financial liabilities			
Other payables and accruals	465,910	22,772	488,682
Due to subsidiaries (non-trade)	118,202	–	118,202
	<u>584,112</u>	<u>22,772</u>	<u>606,884</u>
Net financial assets/ (liabilities)	1,280,058	16,937	1,296,995
Less: Net financial assets denominated in the respective entities' functional currencies	<u>(1,280,058)</u>	<u>–</u>	<u>(1,280,058)</u>
Foreign currency exposure	<u>–</u>	<u>16,937</u>	<u>16,937</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the United States dollar (2011 and 2010: Singapore dollar) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. 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. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the United States dollar (2011 and 2010: Singapore dollar) strengthens by 10% (2011 and 2010: 10%) against the relevant foreign currency, with all other variables held constant, profit for the year and other equity will increase (decrease) by:

As at 31 March 2012	Singapore dollar US\$	Euro dollar US\$	Others US\$	Total US\$
Group				
Profit for the year	<u>271,519</u>	<u>(2,222)</u>	<u>367</u>	<u>269,664</u>
Company				
Profit for the year	<u>(275,291)</u>	<u>–</u>	<u>–</u>	<u>(275,291)</u>
As at 31 March 2011	Singapore dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
Group				
Profit for the year	<u>(131,925)</u>	<u>(21,409)</u>	<u>326</u>	<u>(153,008)</u>
Company				
Profit for the year	<u>2,289</u>	<u>–</u>	<u>–</u>	<u>2,289</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

As at 31 March 2010	Singapore dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
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Group

Profit for the year	69,347	(42,484)	2,306	29,169
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Company

Profit for the year	(1,406)	–	–	(1,406)
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If the United States dollar (2011 and 2010: Singapore dollar) weakens by 10% (2011 and 2010: 10%) against the relevant foreign currencies, profit for the year will increase/ (decrease) by:

As at 31 March 2012	Singapore dollar US\$	Euro dollar US\$	Others US\$	Total US\$
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Group

Profit for the year	(271,519)	2,222	(367)	(269,664)
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Company

Profit for the year	275,291	–	–	275,291
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Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

As at 31 March 2011	Singapore dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
Group				
Profit for the year	131,925	21,409	(326)	153,008
Company				
Profit for the year	(2,289)	–	–	(2,289)
As at 31 March 2010	Singapore dollar US\$ (Re-presented)	Euro dollar US\$ (Re-presented)	Others US\$ (Re-presented)	Total US\$ (Re-presented)
Group				
Profit for the year	(69,347)	42,484	(2,306)	(29,169)
Company				
Profit for the year	1,406	–	–	1,406

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(ii) Interest rate risk

The Group obtains additional financing through borrowings from financial institutions. 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 2012, 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:

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Within 1 year – fixed rates			
Loans and trust receipts			
– Loan 1	–	1,254,324	–
– Loan 2	126,070	195,829	–
Lease obligations	36,224	22,527	–
Other payables	–	–	24,846
	<hr/>	<hr/>	<hr/>
More than 1 year – fixed rates			
Loans and trust receipts			
– Loan 1	2,171,930	2,159,349	2,841,111
– Loan 2	–	129,297	–
Lease obligations	29,464	40,570	–
	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) **Market risk** (Continued)

(ii) Interest rate risk (Continued)

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
<i>Within 1 year – floating rates</i>			
Loans and trust receipts			
– Trust receipts	–	–	147,207
– Loan 3	–	–	639,250

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 Group's consolidated statement of comprehensive income and equity are not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest until maturity. Hence, the Group's exposure to interest rate risk is minimal.

(b) **Liquidity risk**

The Group manages its liquidity risk by ensuring the availability of funding through committed credit facilities from a bank and financial institutions. In addition, the Group has also sought for investment funds via issuing of shares and convertible loan to finance its cash flow and operations.

The Group's trade payables are non-interest bearing and normally settled on 30 days terms while other payables have an average term of 30 days. 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.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Group	On demand or within 1 year US\$	More than 1 year US\$
As at 31 March 2012		
Trade payables	1,332,930	–
Other payables and accruals	1,236,230	–
Borrowings	404,400	2,542,143
	<u>2,973,560</u>	<u>2,542,143</u>
Group	On demand or within 1 year US\$ (Re-presented)	More than 1 year US\$ (Re-presented)
As at 31 March 2011		
Trade payables	1,337,499	–
Other payables and accruals	1,484,193	–
Borrowings	1,760,215	2,707,191
	<u>4,581,907</u>	<u>2,707,191</u>
Group	On demand or within 1 year US\$ (Re-presented)	More than 1 year US\$ (Re-presented)
As at 31 March 2010		
Trade payables	1,335,352	–
Other payables and accruals	2,031,132	–
Borrowings	1,123,839	3,409,333
	<u>4,490,323</u>	<u>3,409,333</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Company	On demand or within 1 year US\$
As at 31 March 2012	
Other payables and accruals	355,163
Due to subsidiaries (non-trade)	106,361
	461,524
As at 31 March 2011	
Other payables and accruals	592,027
Due to subsidiaries (non-trade)	122,971
	714,998
As at 31 March 2010	
Other payables and accruals	488,682
Due to subsidiaries (non-trade)	118,202
	606,884

(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. In addition, receivables are closely monitored on an ongoing basis.

Included in the Group's trade receivables are the following major customers:

	2012		2011		2010	
	Number of customers	%	Number of customers	%	Number of customers	%
Europe	2	18	1	11	1	37
North America	–	–	1	21	2	27
Asia	4	56	2	43	1	17

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

As the Group and the Company do 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 statement of financial position.

The Group's trade receivables are non-interest bearing and are generally ranging from 30 to 90 days (2011: 30 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
By geographical areas			
– Europe	692,416	778,088	830,403
– North America	224,345	789,209	44,429
– Asia	2,417,570	1,717,434	657,167
	3,334,331	3,284,731	1,531,999
By business segments			
– Sales of finished products and components	2,955,605	3,167,731	1,531,999
– Design services	378,726	117,000	–
	3,334,331	3,284,731	1,531,999

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

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

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 statement of financial position 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:

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Not past due and not impaired	2,147,341	2,016,885	962,696
Past due but not impaired			
– Past due 0 to 3 months	330,819	1,263,169	517,862
– Past due 3 to 6 months	176,350	43	5,637
– Past due over 6 months	679,821	4,634	45,804
	1,186,990	1,267,846	569,303
	3,334,331	3,284,731	1,531,999
Impaired trade receivables	11,947	32,405	20,459
Less: Allowance for doubtful trade receivables	(11,947)	(32,405)	(20,459)
	<u>3,334,331</u>	<u>3,284,731</u>	<u>1,531,999</u>

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The movement in allowance for doubtful trade receivables is as follows:

	2012 US\$	Group 2011 US\$ (Re-presented)	2010 US\$ (Re-presented)
Balance at beginning of the year	32,405	20,459	14,036
Allowance made during the year	–	11,946	18,362
Write off against allowance	(17,376)	–	(11,939)
Bad debts recovered	(3,082)	–	–
Balance at end of the year	11,947	32,405	20,459

Included in the Group's trade receivables are an aggregate amount of US\$1,186,990 (2011: US\$1,267,846; 2010: US\$569,303) that are past due but not impaired. These relates to a number of independent customers of a subsidiary that have a good track record. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As other receivables are not significant, no detailed age analysis has been set out as above.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(d) Financial instruments by category

The carrying amount of the different categories of financial instruments as follows:

	2012	Group	2010	2012	Company	2010
	US\$	2011	US\$	US\$	2011	US\$
		(Re-presented)	(Re-presented)		(Re-presented)	(Re-presented)
Financial assets:						
– Loans and receivables	3,882,107	4,101,348	1,790,210	3,901,071	4,266,033	1,864,170
– Available-for-sale	6,097	3,413	39,709	6,097	3,413	39,709
	3,888,204	4,104,761	1,829,919	3,907,168	4,269,446	1,903,879
Financial liabilities at amortised cost	4,932,848	6,623,588	6,994,052	461,524	714,998	606,884

Fair values of financial assets and financial liabilities

A. Fair value of financial instruments by classes that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Fair values of financial assets and financial liabilities (Continued)

A. Fair value of financial instruments by classes that are carried at fair value (Continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at 31 March 2012:

	Group			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Available-for-sale financial assets	6,097	–	–	6,097

Determination of fair value

Fair value of Available-for-sale financial assets is determined directly by reference to their published market bid price at the financial year end date.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances, current trade and other receivables, borrowings (current) and payables, due from/(to) subsidiaries

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are market interest rate instruments on or near the financial year end date.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Fair values of financial assets and financial liabilities (Continued)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classed that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value is as follows:

	2012		Group 2011		2010	
	Carrying amount US\$	Fair value US\$	Carrying amount US\$ (Re-presented)	Fair value US\$ (Re-presented)	Carrying amount US\$ (Re-presented)	Fair value US\$ (Re-presented)
Financial liabilities						
Borrowings (non-current)						
– Loans	2,171,930	2,206,586	2,288,646	2,338,133	2,841,111	2,626,594
– Lease obligations	29,464	30,756	40,570	35,937	–	–

Determination of fair value

Borrowings (non-current)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the financial year end date.

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, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves.

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board of Directors, 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 2011.

35. COMPARATIVE FIGURES

As mentioned in Note 2, the Company and its subsidiaries changed its functional currency from Singapore dollar ("S\$") to United States dollar ("US\$") with effect from 1 April 2011 to reflect the current and prospective economic substance of the underlying transactions and circumstances of the Group as the Group standardises the billing denomination of sales transaction and retains its receipts from operation in US\$. In prior years, the Group's transactions with its customers were denominated in various currencies including Singapore dollar.

The effect of the change in functional currency to US\$ was applied prospectively in the financial statements. The Company translated all items into the new functional currency using the exchange rate of US\$1: S\$1.26 as at 1 April 2011.

In conjunction with the change of functional currency, the Group changed its presentation currency from S\$ to US\$. This change was applied retrospectively using the following procedures:

- assets and liabilities of all corresponding figures presented (including opening balances from the beginning of earliest prior period presented) were translated at the closing rates of respective year end;
- income and expenses for all corresponding figures presented were translated at the average exchange rate for the financial year approximating the exchange rates at the dates of transactions; and
- all resulting exchange differences were recognised in other comprehensive income.

Analysis of Shareholdings

Distribution of shareholdings as at 29 June 2012

Number & Class of shares : 1,165,865,813 ordinary shares
 Voting rights – On a show of hands : one vote per member
 – On a poll : one vote per share

Distribution of shareholdings as at 29 June 2012

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	40	0.84	16,994	–
1,000 – 10,000	2,004	42.30	10,754,170	0.92
10,001 – 1,000,000	2,591	54.67	257,233,400	22.07
1,000,001 and above	104	2.19	897,861,249	77.01
Total	4,739	100.00	1,165,865,813	100.00

As at 29 June 2012, the percentage of shareholdings held in the hands of the public was 86% and Rule 723 of the Listing Manual is complied with.

20 largest registered shareholders as at 29 June 2012 as shown in the Registers of Members

No.	Name	No. of Shares	%
1	CREST CAPITAL ASIA PTE LTD	85,000,000	7.29
2	HSBC (SINGAPORE) NOMS PTE LTD	64,913,000	5.57
3	ORIENTAL MAYA (S'PORE) PTE LTD	54,000,000	4.63
4	CHAN KUM LOK COLIN	42,190,960	3.62
5	TAN KHAI PANG	35,125,360	3.01
6	CHAN KUM ONN ROGER	32,256,240	2.77
7	HONG LEONG FINANCE NOMINEES PL	25,010,000	2.15
8	RAFFLES NOMINEES (PTE) LTD	23,085,760	1.98
9	WONG KOON CHUE @ WONG KOON	21,340,000	1.83
10	LIM HAN BOON	19,990,560	1.71
11	LEE JAN GWAN	19,050,000	1.63
12	OCBC SECURITIES PRIVATE LTD	18,316,320	1.57
13	NG SER MIANG	18,053,000	1.55
14	CITIBANK NOMS S'PORE PTE LTD	16,818,006	1.44
15	GOH POH HENG	16,500,000	1.42
16	THE ENTERPRISE FUND II LTD	16,000,000	1.37
17	THE ENTERPRISE FUND LTD	16,000,000	1.37
18	PHILLIP SECURITIES PTE LTD	15,985,000	1.37
19	UNITED OVERSEAS BANK NOMINEES	15,358,000	1.32
20	DBS NOMINEES PTE LTD	14,855,000	1.27
Total		569,847,206	48.87

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at 28 Tai Seng Street #06-02, Singapore 534106, on Friday, 27 July 2012, 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 2012 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To re-elect Mr. Tan Juay Hwa, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 2)**
3. To approve the payment of Directors' Fees of S\$160,000 for the financial year ended 31 March 2012 (2011: S\$143,333). **(Resolution 3)**
4. To re-appoint Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions (with or without amendments):—

5. **Authority to allot and issue shares**

- "(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

Notice of Annual General Meeting

- (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

- (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)

Notice of Annual General Meeting

6 Proposed renewal of Share Buyback Mandate

"that:

- (a) for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchase(s) ("**Market Purchase**"), transacted on SGX-ST through Quest-ST, the new trading system of the SGX-ST which replaces the Central Limit Order Book (CLOB) trading system as of 7 July 2008 or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme(s) as defined in Section 76C of the Companies Act;
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company ("AGM") or the date by which such AGM is required by law to be held;
 - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

Notice of Annual General Meeting

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period or within any one financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered;

"Relevant Period" means the period commencing from the date on which the AGM is held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:-

(i) in the case of a Market Purchase: 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." **(Resolution 6)**
(See Explanatory Note 2)

Notice of Annual General Meeting

ANY OTHER BUSINESS

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

By Order of the Board

Foo Soon Soo
Company Secretary

Singapore,
12 July 2012

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 Note 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% 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% 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. 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. The Ordinary Resolution No. 6 in item 6 relates to the renewal of mandate approved by shareholders on 27 July 2011 authorizing the Company to purchase its own shares subject to and in accordance with the rules of the SGX-ST. The details are set out in the circular to shareholders dated 12 July 2012 on the Proposed Renewal of the Share Buyback Mandate.

Notice of Annual General Meeting

A map on the location of the value (being the registered office of the Company) convening the Annual General Meeting is provided below:



PROXY FORM

SIXTEENTH ANNUAL GENERAL MEETING

Addvalue Technologies Ltd

(Incorporated in the Republic of Singapore)

Registration No. 199603037H

IMPORTANT:

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

I/We _____ (Name)

of _____ (Address)

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

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

and/or [delete as appropriate]

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

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on Friday, 27 July 2012 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 2012 together with the reports of the Directors and the Auditors thereon.				
2.	To re-elect Mr Tan Juay Hwa, a Director retiring under Article 104 of the Articles of Association of the Company.				
3.	To approve the payment of Directors' Fees of S\$160,000 for the financial year ended 31 March 2012.				
4.	To re-appoint Crowe Horwath First Trust LLP 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 approve the renewal of Share Buyback Mandate				

* 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 _____ 2012.

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

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

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM



Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If the number of shares is not inserted, this proxy form will be deemed to relate to the entire number of ordinary shares in the Company registered in your name(s).
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding or the number of shares to be represented by each proxy. If no such proportion or number is specified, the first-named proxy may be treated as representing 100% of the shareholding and any second-named proxy as alternate to the first-named.
4. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof, shall be deposited at the Registered Office at 28 Tai Seng Street #06-02, Singapore 534106, not less than 48 hours before the time appointed for the Meeting.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing; or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
7. Please indicate with a "✓" in the appropriate space how you wish your proxy to vote. If this proxy form is returned without any indication as to how your proxy shall vote, he will vote or abstain from voting as he thinks fit.

General

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



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