

# Invigorating a New Dawn in Communication

Annual  
Report  
2013

# 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, SingTel, Astrium, Satlink, Globe Wireless and Intellian.

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.

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.

From-anywhere-at-anytime total satellite communication solutions  
= Our Technologies x Our Capabilities x Satellite Network

## CONTENTS

CHAIRMAN'S STATEMENT	2
FINANCIAL REVIEW	6
OPERATIONS REVIEW	10
PRODUCT MILESTONES	12
BOARD OF DIRECTORS	16
KEY MANAGEMENT	18
GROUP OF COMPANIES	19
CORPORATE INFORMATION	20

## BUSINESS MODEL OF ADDVALUE

Addvalue generates the bulk of its revenue streams from two main sources:

1. Development fees or design income from the provision of product and solution development service against contracts awarded by its key partners; and
2. Sales from supplying the abovementioned products and related application solutions.

As an authorised developer for Inmarsat BGAN terminals, the Group needs to provide products and solutions in tandem with Inmarsat's technologic and business strategic plan. 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.

The products and solutions of Addvalue are marketed under the Group's proprietary brand name of **"Wideye™"**.

**wideye**™

liberating communications

As a competent product development house, Addvalue also provides product development services to a few 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 a "captive customer effect" through the supply of such customised products and solutions to these key players.

## 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 that meets our stringent manufacturing requirements. The Group manages the manufacturer through its team of supply chain and quality assurance specialists. Through the years of close collaboration and interaction with the 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

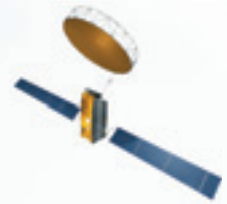
“

**Considering the tailwind gale that is expected to give a further uplift to our growth path, barring any unforeseen circumstances, the Group is optimistic about its performance for FY2014 and expects it to outperform that of FY2013.**

”

**Dr Chan Kum Lok, Colin**  
Chairman & CEO





## Dear Fellow Shareholders

On behalf of the Board of Directors (the "Board"), I present to you the Annual Report of Addvalue Technologies Ltd (the "Company") and its subsidiaries (the "Group" or "Addvalue") for the financial year ended 31 March 2013 ("FY2013").

### A Review of FY2013

For FY2013, the Group registered a net loss of US\$91,000 against a turnover of US\$10.2 million compared to a net profit of US\$811,000 against a turnover of US\$10.6 million for the financial year ended 31 March 2012 ("FY2012").

With regard to its financial position, the net asset value of the Group improved by US\$1.4 million or 8.0% from US\$17.4 million as at 31 March 2012 to US\$18.8 million as at 31 March 2013, with the net asset value per ordinary share enhanced from 1.55 US cents per share at 31 March 2012 to 1.59 US cents per share as at 31 March 2013.

The Group's lackluster financial performance for FY2013 was due largely to:

1. the premature termination of our business partnership with Sea Tel, albeit an amicable one, following a consolidation of the satellite communications eco-arena prompted by the corporate streamlining ("Sea Tel's Corporate Streamlining") of Sea Tel's parent, Cobham PLC ("Cobham"), subsequent to Cobham's acquisition of Thrane & Thrane, a competitor of Addvalue; and

2. the deferment of certain maritime product sales, attributed primarily to the delay in the commercial launch of these terminals in certain East Asia countries by the distributors in these countries.

Notwithstanding the less desirable financials attained in FY2013, we managed to overcome the setback of the premature termination of business partnership with Sea Tel by establishing a new customer base for our complete suite of Inmarsat FleetBroadband terminals namely, FX150, FX250 and FX 500, marketed under Addvalue's product brand, Wideye™, and which are under the private label of our new OEM partner. Further, we are also proud of the fact that Addvalue is the first company to offer such a complete suite of FleetBroadband terminals that have received ATC and extended L-band compliant certification from Inmarsat, and consequently accorded the Group with a prime mover advantage in selling these products.

### Moving Forward

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

## CHAIRMAN'S STATEMENT

For the financial year ending 31 March 2014 ("FY2014"), we envisage the Group's performance to be largely guided by the following favorable considerations:

1. Through increased marketing efforts forged with our key partners, particularly Inmarsat and Thuraya, we expect a significant improvement in the sales for our much expanded portfolio of products, especially with regard to our range of maritime products.
2. Through the imminent introduction of several new innovative products, we expect to enhance our product offerings as well as address the niches of new emerging markets.
3. With regard to design income, we are in the final negotiation stage with several prospects for some design-cum-supply contracts. If successful, these contracts are expected to contribute significantly to the bottom line of the Group for FY2014 and beyond.
4. With regard to our intangible assets, we have had in May 2013 engaged a reputable US-based firm, which specialized in intellectual properties, to help look into the possibility of monetizing some of our intellectual properties that target the consumer market and are believed to have been widely deployed in many smartphones today. If successful, the exercise is expected to contribute significantly to the bottom line of the Group in FY2014.

Considering the above as a whole and the tailwind gale that is expected to give a further uplift to our growth path, barring any unforeseen circumstances, the Group is optimistic about its performance for FY2014 and expects it to outperform that of 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 a greater shareholders' value for all in FY2014 and beyond.

**Dr Chan Kum Lok, Colin**  
Chairman & CEO







# FINANCIAL REVIEW

## Turnover

Our Group registered a reduction in turnover by 4.0% to US\$10.2 million in FY2013 from US\$10.6 million in FY2012. The decreased turnover was primarily attributed to the decrease in the sales of our land products.

## Profitability

Our Group achieved a gross profit of US\$4.5 million against a gross profit margin of 44.3% for FY2013 relative to a gross profit of US\$5.1 million against a gross profit margin of 47.9% for FY2012. The reduction in gross profit margin was attributed mainly to the sales of comparatively lower yielding products in FY2013 relative to FY2012.

The increase in the Group's selling and distribution expenses in FY2013 relative to FY2012 was attributed mainly to increased marketing activities in the East Asia region.

The increase in the Group's administrative expenses in FY2013 compared to FY2012 was due mainly to increases in rental rates, following the renewal of our office lease, as well as manpower costs.

The increase in the Group's other operating expenses in FY2013 was due mainly to higher foreign exchange loss, increased activities in laboratory usage as well as repair and maintenance costs due to our expanded range of products, the write-off of certain inventories and the impairment of certain trade receivables, which collectively were offsetted by lower travelling and transportation costs.

The Group's other operating income in FY2013 relates mainly to the compensation it received from Sea Tel in connection with the Sea Tel OEM Discontinuation (as defined hereinafter), gains from the write-off of certain other payables as well as government grants received in connection with our collaboration with a consortium, comprising Agency for Science, Technology and Research





## FINANCIAL REVIEW

(A\*STAR), Institute for Infocomm Research (I<sup>2</sup>R) and SP PowerGrid (a member of Singapore Power Group), for a project, entitled “Cyber Security and Secure Intelligent Electronics Devices for EV Ecosystem in Smart Grid”, which looks at securing the grid network with the development of a universal application-independent security blueprint to enable grid integrated applications, such as electric vehicle charging infrastructure, as announced by the Company on 17 October 2010.

Our finance expenses for FY2013 included an amount of US\$217,000 arising from the adjustment of the Group’s borrowings to its fair value.

After taking into account of applicable deferred tax adjustments, our Group recorded a a net loss of about US\$87,000 in FY2013 relative to the net profit of about US\$808,000 in FY2012. However, excluding the reversal of the afores mentioned fair value adjustment on the Group’s borrowings, we would have turned in a net profit of about US\$130,000 instead for FY2013.

### 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 expenditures as we continue to develop our proprietary products, including new spin-off products.

The staff loan receivable was fully settled following the resignation of the staff concerned.

The increase in our inventories was mainly attributed to increased finished goods and raw materials purchased for a wider range of products.





## FINANCIAL REVIEW

The increase in our trade receivables was attributed mainly to sales of products in the fourth financial quarter of FY2013 ("Q42013") as well as the longer credit terms granted to some of our valued customers.

The amount due from customers for contract work done relates to work done but yet to be billed in respect of design contracts. The higher amount due as at 31 March 2012 relative to that as at 31 March 2013 was mainly the result of work done in respect of projects of higher value procured in FY2012.

The increases in our trade payables, other payables and provisions were in tandem to the increased sales and business activities in respect of maritime products in 4Q2013.

The decrease in advance receipts was mainly due to the fulfilment of customers' orders in 4Q2013.

The increase in current borrowings was due largely to the reclassification of non-current borrowings to current liabilities as they are due for repayment within the next 12 months.

The increase in share capital of US\$1.5 million was attributed mainly to the exercise of 53,170,000 employees' share options by the employees of the Group under the Employees' Share Option Scheme of the Company during FY2013.

Consequence to the above:

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) increased moderately from 13.6% as at 31 March 2012 to 14.7% as at 31 March 2013;
2. the negative cash used in operating activities of the Group decreased marginally from US\$1.3 million for FY2012 to US\$1.2 million for FY2013; and
3. the net asset value of the Group improved by US\$1.4 million or 8.0% from US\$17.4 million as at 31 March 2012 to US\$18.8 million as at 31 March 2013, with the net asset value per ordinary share enhanced from 1.55 US cents per share as at 31 March 2012 to 1.59 US cents per share as at 31 March 2013.









# OPERATIONS REVIEW

Following the Sea Tel's Corporate Streamlining, it was decided between Sea Tel and Addvalue that, in our best mutual interests, the OEM partnership be amicably discontinued (as Thrane and Thrane, a competitor of Addvalue, also offers a complete suite of Inmarsat Fleet Broadband products), with Addvalue retaining the full ownership of the FX range of products which have had yet taken delivery together with the use of the "FX" model name (the "Sea Tel OEM Discontinuation"). These products, which have had since become a part of the Group's product

offerings, have been marketed successfully under our product brands of Wideye™ FX 150, Wideye™ FX 250 and Wideye™ FX 500. Besides, subsequent to the Sea Tel OEM Discontinuation, Addvalue had also successfully forged a new OEM partnership with Intellian Technologies ("Intellian") to market the complete suite of our FX series of maritime products under Intellian's private label.

Since the launch of our Thuraya-centric narrowband maritime terminals, SF2500™, in June 2012, the joint







## OPERATIONS REVIEW

aggressive marketing efforts promoted by Thuraya and Addvalue had seen a gaining in traction for the products. Barring any unforeseen circumstances, we expect the sales of such terminals to pick up strong speed in FY2014.

With regard to new product offerings, we have had started with the design and development of several new products during FY2013, and expect some of these products to be commercially launched by the first half of FY2014.

On our design business front, there also had been a flurry of activities during FY2013 following our stepped-up efforts in garnering for more design service engagements. We are currently in final negotiations with several prospects and expect many of these potential customers to make commitments by the first half of FY2014.





**Wideye™  
SABRE™ 1**

2006



**Wideye™  
SABRE™ 1 Remote**

2007



**Wideye™  
SABRE™ Ranger**

2008



**Wideye™  
SKIPPER™ 150**

2009



**SATLINK FB250**



**Wideye™  
Seagull 5000**

## PRODUCT MILESTONES

Attained by the Group since 2005 when the group underwent a transition to focus on satellite communications

2010



**Wideye™  
SAFARI™**



**GLOBE iFUSION®**

2011



**Wideye™  
Seagull 5000i  
and FaxConnect™**

2012



**Wideye™  
FX series**



**Wideye™  
SF2500™**

2013



**Wideye™  
SAFARI™ 10**



**Wideye™  
SABRE™ Ranger M2M**



# 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 and Wideye™ SABRE™ Ranger M2M** are Inmarsat BGAN M2M terminals are waterproof and ruggedised build for long term outdoor all weather installation. In addition, with intrinsic safety certification, the terminals are 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™ and Wideye™ SAFARI™ 10** are Inmarsat land vehicular BGAN terminals 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. SAFARI™ supports streaming of up to 128kbps and Standard IP data rate of up to 464kbps; SAFARI™ 10 supports streaming of up to 256kbps and Standard IP data rate of up to 492kbps.



## THE GROUP'S PREVAILING LIST OF PRODUCTS

### INMARSAT-CENTRIC PRODUCTS

**Wideye™ FX series** is a suite of Inmarsat FleetBroadband terminals comprising the FX 150 with a data rate of up to 150kbps, the FX 250 with a data rate of up to 284kbps and FX 500 with a data rate of up to 432kbps.



**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.



### THURAYA-CENTRIC PRODUCTS

**Wideye™ Seagull 5000i** is a voice, data and fax satellite terminal with a builtin 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 Chan Kum Lok, Colin**

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 29 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 29 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 29 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 17 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 a member of the Remuneration, Audit and Nominating Committees.

Mr Ang is a Chartered Accountant Singapore and a Fellow Member of the Association of Chartered Certified Accountants and the Insolvency Practitioners Association of Singapore Limited. He has many years of experience in areas relating to the provision of audit assurance, accounting, tax consultancy, corporate secretarial and general management services.

### Mr Michael 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 21 years of successful commercial experience in worldclass, high technology businesses, including more than 12 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 multimillion 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 Group, joined the Group 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 22 years with more than 10 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**

Head of Hardware Engineering

Mr Ekanayake joined the Group in 1996 and specializes in electronics hardware design. He has more than 22 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**

Head of Software & Application Engineering

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 22 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.

## **Dr Lim Wei Ming**

Head of Advanced Development

Dr Lim first joined the Group in 2005. From 2007 to 2010 he was with Institute of Information Research ("I<sup>2</sup>R") under Agency for Science Technology and Research ("A\*STAR"), a Singapore government-owned organization to undertake various research work. Dr Lim is currently in-charge of the technology development programs and also heading developmental work on baseband design. With more than 10 years of experience in designing state-of-the-art communications systems, especially in the area of satellite communications for both fixed and mobile satellite terminals, he is well versed in many aspects of embedded systems design, including (FPGA) Field Programmable Gate Array, ASIC (Application Specific Integrated Circuit) and digital signal processing. Having been involved in many research and development projects over the years, he is also responsible for identifying future technology trends and finding opportunities to leverage on the research and development expertise of local research institutes and universities. Dr Lim graduated with a PhD in Electronics Engineering and a Bachelor Degree (First Class Honours) in Electronics Engineering (Computing), both from the University of Sheffield, UK.





# GROUP OF COMPANIES



addvalue



driving connectivity

Addvalue Technologies Ltd  
wholly-owned subsidiaries



# Corporate Information

## Board of Directors

**Dr Chan Kum Lok, Colin**  
Chairman & CEO

**Mr Tan Khai Pang**  
Executive Director

**Mr Tan Juay Hwa**  
Executive Director

**Mr Lim Han Boon**  
Independent Non-Executive Director

**Mr Ang Eng Lim**  
Independent Non-Executive Director

**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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Singapore 534106  
T +65 6509 5700  
F +65 6509 5701

## Registrar

KCK CorpServe Pte Ltd  
333 North Bridge Road #08-00  
KH KEA Building  
Singapore 188721  
T + 65 6837 2133  
F + 65 6339 0218

## Auditors

Crowe Horwath First Trust LLP  
8 Shenton Way #05-01  
AXA Tower  
Singapore 068811  
Partner-in-charge: Catherine Cheng  
Date of Appointment: From FY2012

## Company Registration Number

199603037H



# Corporate Governance Report & Financial Contents

CORPORATE GOVERNANCE REPORT	22
DIRECTORS' REPORT	32
STATEMENT BY DIRECTORS	37
INDEPENDENT AUDITORS' REPORT	38
STATEMENTS OF FINANCIAL POSITION	40
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	42
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	43
CONSOLIDATED STATEMENT OF CASH FLOWS	45
NOTES TO THE FINANCIAL STATEMENTS	47
ANALYSIS OF SHAREHOLDINGS	111
NOTICE OF ANNUAL GENERAL MEETING	112
PROXY FORM	

# 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

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.

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



# Corporate Governance Report

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

From 29 June 2012, 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 Chan Kum Lok, Colin	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	3	3	0	0
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.

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.

# Corporate Governance Report

## 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.

## 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.



# Corporate Governance Report

## 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 2013, 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.

## 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 representative 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)

# Corporate Governance Report

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.

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 2013 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
S\$250,000 to S\$499,999	Nil			
Below S\$250,000	Dr Chan Kum Lok, Colin	—	96	4
	Tan Khai Pang	—	96	4
	Tan Juay Hwa	—	95	5
	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 2013 are set out below:

Remuneration Bands	Name of key Executive	Designation	Fixed Salary* (%)	Benefits (%)
\$250,000 to \$499,999	Nil			
Below \$250,000	Ms Chow Choi Fun	Financial Controller	99	1
	Mr EML Ekanayake	Head of Hardware Engineering	100	—
	Mr K Kalaivanan	Head of Software & Application Engineering	99	1
	Dr Lim Wei Ming	Head of Advanced Development	99	1

\*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 2013.

## 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 1.4.12	Options lapsed/ exercised	Options Outstanding as at 31.03.13
01.08.2002	01.08.2002 to 31.07.2012	0.12	520,000	(520,000)	—
22.06.2010	22.06.2011 to 21.06.2014	0.035	62,440,000	(53,170,000)	9,270,000

During the financial year ended 31 March 2013, 520,000 Options were lapsed due to the expiration of the Options and 53,170,000 Options were exercised.

## Options granted to Directors

Director	Options Outstanding as at 31.03.12 and 21.4.12	Options lapsed/ exercised	Options Outstanding as at 31.3.13 and 21.4.13
Dr Chan Kum Lok, Colin	8,750,000	(8,750,000)	—
Tan Khai Pang	6,750,000	(6,750,000)	—
Tan Juan Hwa	6,500,000	(6,500,000)	—
Lim Han Boon	—	—	—
Ang Eng Lim	—	—	—
Michael J Butler	—	—	—

# Corporate Governance Report

## *Options granted to key Executives*

Key Executives	Options Outstanding as at 31.03.12 and 21.4.12	Options lapsed/ exercised	Options Outstanding as at 31.3.13 and 21.4.13
E.M.L Ekanayake	1,900,000	(1,900,000)	—
K. Kalaivanan	3,000,000	(3,000,000)	—
Dr Lim Wei Ming	1,000,000	(1,000,000)	—
Chow Choi Fun	—	—	—

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.

### 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.



# Corporate Governance Report

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).

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.***

# Corporate Governance Report

***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 Audit Committee's review 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.

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 recognizes 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.



# Corporate Governance Report

## INTERESTED PERSON TRANSACTION

Our Group has adopted an internal policy in respect of 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 for the financial year ended 31 March 2013.

## 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 2013, 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 2013

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 2013 and the statement of financial position of the Company as at 31 March 2013.

## Directors

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

Dr Chan Kum Lok, Colin  
 Tan Khai Pang  
 Tan Juay Hwa  
 Lim Han Boon  
 Ang Eng Lim  
 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 2012	At 31 March 2013	At 21 April 2013
<b>The Company</b>			
<i>Ordinary shares</i>			
Dr Chan Kum Lok, Colin	33,440,960	<b>42,190,960</b>	<b>42,190,960</b>
Tan Khai Pang	41,925,360	<b>48,675,360</b>	<b>48,675,360</b>
Tan Juay Hwa	4,631,720	<b>11,131,720</b>	<b>11,131,720</b>
Lim Han Boon	19,990,560	<b>19,990,560</b>	<b>19,990,560</b>
Ang Eng Lim	3,100,640	<b>3,100,640</b>	<b>3,100,640</b>
Michael J Butler	2,000,000	<b>2,000,000</b>	<b>2,000,000</b>

# Directors' Report

Year Ended 31 March 2013

## Directors' interests in shares or debentures (Continued)

	Direct interests		
	At 1 April 2012	At 31 March 2013	At 21 April 2013

### *Options to subscribe for the Company's ordinary shares*

Dr Chan Kum Lok, Colin	8,750,000	—	—
Tan Khai Pang	6,750,000	—	—
Tan Juay Hwa	6,500,000	—	—

## 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").
- (b) The options shall be accepted by the eligible participant within 30 days after the grant date.



# Directors' Report

Year Ended 31 March 2013

## Share options (Continued)

- (c) The options granted vests and expires as follows:
- (i) in relation to an option granted to an employee of the Company and/or its subsidiary companies, a period commencing on (and including) the first anniversary or where the subscription price for the shares comprised in an option is set at a discount to the Market Price on (and including) the second anniversary and expiring on (and including) the day immediately preceding the tenth anniversary of the date of grant or other shorter period 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 2013	Aggregate options granted since commencement of the Scheme to 31 March 2013	Aggregate options exercised since commencement of the Scheme to 31 March 2013	Aggregate options cancelled/ transferred since commencement of the Scheme to 31 March 2013	Aggregate options outstanding as at 31 March 2013 and 21 April 2013
<b>Directors of the Company</b>					
Dr Chan Kum Lok, Colin	—	17,950,000	(16,750,000)	(1,200,000)	—
Tan Khai Pang	—	18,900,000	(16,750,000)	(2,150,000)	—
Tan Juay Hwa	—	9,450,000	(8,000,000)	(1,450,000)	—
Lim Han Boon	—	8,800,000	(8,000,000)	(800,000)	—
Ang Eng Lim	—	700,000	(500,000)	(200,000)	—

Unissued ordinary shares in respect of unexercised options granted under the Scheme as at 31 March 2013 comprise:

For ordinary shares in the Company	Exercise price per option	Exercise period
9,270,000	\$S0.035	22 June 2011 to 21 June 2014

# Directors' Report

Year Ended 31 March 2013

## Share options (Continued)

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 2013 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 2013.

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 2013 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.

# Directors' Report

Year Ended 31 March 2013

## 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 CHAN KUM LOK, COLIN**

Director

**TAN KHAI PANG**

Director

26 June 2013



# 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 40 to 110 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 2013 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 CHAN KUM LOK, COLIN**  
Director

**TAN KHAI PANG**  
Director

26 June 2013

# 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 40 to 110, which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 March 2013, 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.



# Independent Auditors' Report

To The Members Of Addvalue Technologies Ltd

## *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 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## **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  
26 June 2013



# Statements of Financial Position

As at 31 March 2013

(Amounts in United States dollar)

	Note	Group		Company	
		2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Plant and equipment	5	535,883	581,189	—	—
Subsidiaries	6	—	—	14,345,362	14,345,361
Associates	7	—	—	—	—
Other equity investments	8	—	—	—	—
Intangible assets	9	14,189,636	12,581,245	—	—
Staff loan receivable	10	—	53,703	—	—
Deferred tax assets	11	2,152,079	2,014,261	—	—
		<b>16,877,598</b>	<b>15,230,398</b>	<b>14,345,362</b>	<b>14,345,361</b>
<b>Current assets</b>					
Inventories	12	3,319,601	2,196,272	—	—
Amount due from customers for contract work	13	94,364	647,355	—	—
Trade receivables	14	3,979,466	3,334,331	—	—
Other receivables, deposits and prepayments	10	814,204	835,831	5,000	4,119
Available-for-sale financial assets	15	2,135	6,097	2,135	6,097
Due from subsidiaries (non-trade)	16	—	—	5,371,442	3,889,570
Fixed deposit		47,578	—	—	—
Cash and bank balances		197,751	374,240	4,568	7,382
		<b>8,455,099</b>	<b>7,394,126</b>	<b>5,383,145</b>	<b>3,907,168</b>
<b>TOTAL ASSETS</b>		<b>25,332,697</b>	<b>22,624,524</b>	<b>19,728,507</b>	<b>18,252,529</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		2,107,899	1,332,930	—	—
Other payables and accruals	17	1,341,653	1,236,230	404,343	355,163
Provisions	18	329,826	242,172	127,940	128,160
Borrowings	19	2,739,052	162,294	—	—
Advances received from customers		9,517	56,179	—	—
Due to subsidiaries (non-trade)	16	—	—	75,319	106,361
		<b>6,527,947</b>	<b>3,029,805</b>	<b>607,602</b>	<b>589,684</b>

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

# Statements of Financial Position

As at 31 March 2013

(Amounts in United States dollar)

	Note	Group		Company	
		2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>Non-current liabilities</b>					
Borrowings	19	<b>19,759</b>	2,201,394	—	—
<b>TOTAL LIABILITIES</b>		<b>6,547,706</b>	5,231,199	<b>607,602</b>	589,684
<b>NET ASSETS</b>		<b>18,784,991</b>	17,393,325	<b>19,120,905</b>	17,662,845
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	3	<b>57,614,993</b>	56,064,662	<b>57,614,993</b>	56,064,662
Capital reserve	4	<b>753,510</b>	877,270	<b>6,628</b>	130,388
Fair value adjustment reserve		<b>(101,075)</b>	(97,113)	<b>(101,075)</b>	(97,113)
Accumulated losses		<b>(39,482,437)</b>	(39,451,494)	<b>(38,399,641)</b>	(38,435,092)
<b>TOTAL EQUITY</b>		<b>18,784,991</b>	17,393,325	<b>19,120,905</b>	17,662,845

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

# Consolidated Statement of Comprehensive Income

Year Ended 31 March 2013

(Amounts in United States dollar)

	Note	2013 US\$	2012 US\$
<b>Revenue</b>	22	<b>10,170,852</b>	10,590,875
Cost of sales		<b>(5,662,542)</b>	(5,512,456)
Gross profit		<b>4,508,310</b>	5,078,419
Other operating income	23	<b>262,347</b>	131,461
Selling and distribution expenses		<b>(924,545)</b>	(821,884)
Administrative expenses		<b>(1,467,733)</b>	(1,329,748)
Other operating expenses	24	<b>(2,089,994)</b>	(1,991,888)
Finance expenses	25	<b>(513,565)</b>	(328,805)
<b>(Loss) / Profit before income tax</b>	26	<b>(225,180)</b>	737,555
Income tax credit	27	<b>137,818</b>	70,672
<b>(Loss) / Profit for the year</b>		<b>(87,362)</b>	808,227
<b>Other comprehensive (expense) / income</b>			
Fair value (loss) / gain on available-for-sale financial assets		<b>(3,962)</b>	2,684
<b>Total comprehensive (expense) / income for the year</b>		<b>(91,324)</b>	810,911
<b>(Loss) / Earnings per share attributable to equity holders of the Company (cents)</b>	28		
Basic		<b>(0.01)</b>	0.07
Diluted		<b>(0.01)</b>	0.07

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



# Consolidated Statement of Changes in Equity

Year Ended 31 March 2013

(Amounts in United States dollar)

	Attributable to equity holders of the Company					
	Share capital US\$	Capital reserve US\$	Fair value adjustment reserve US\$	Currency translation reserve US\$	Accumulated losses US\$	Total equity US\$
<b>Balance as at 1.4.2011</b>	40,487,921	99,311	(90,346)	1,462,876	(28,544,724)	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
Profit for the year	—	—	—	—	808,227	808,227
Other comprehensive income, net of tax	—	—	2,684	—	—	2,684
Total comprehensive income for the year	—	—	2,684	—	808,227	810,911
Issuance of new shares	3,930,388	—	—	—	—	3,930,388
Share issue expenses	(12,024)	—	—	—	—	(12,024)
Redemption of redeemable preference shares	—	—	—	—	—	—
— redemption at a premium	(746,882)	—	—	—	(24,084)	(770,966)
— transfer within equity for redemption out of profits	—	746,882	—	—	(746,882)	—
Share options expenses	—	19,978	—	—	—	19,978
Total transactions with owners in their capacity as owners, being contribution by wners	3,171,482	766,860	—	—	(770,966)	3,167,376
<b>Balance as at 31.3.2012</b>	<b>56,064,662</b>	<b>877,270</b>	<b>(97,113)</b>	<b>—</b>	<b>(39,451,494)</b>	<b>17,393,325</b>

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

# Consolidated Statement of Changes in Equity

Year Ended 31 March 2013

(Amounts in United States dollar)

	Attributable to equity holders of the Company					
	Share capital US\$	Capital reserve US\$	Fair value adjustment reserve US\$	Currency translation reserve US\$	Accumulated losses US\$	Total US\$
Balance as at 1.4.2012	56,064,662	877,270	(97,113)	—	(39,451,494)	17,393,325
Loss for the year	—	—	—	—	(87,362)	(87,362)
Other comprehensive expenses, net of tax	—	—	(3,962)	—	—	(3,962)
Total comprehensive loss for the year	—	—	(3,962)	—	(87,362)	(91,324)
Issuance of new shares	1,550,926	(67,341)	—	—	—	1,483,585
Share issue expenses	(595)	—	—	—	—	(595)
Lapse of share options	—	(56,419)	—	—	56,419	—
Total transactions with owners in their capacity as owners, being contribution by owners	1,550,331	(123,760)	—	—	56,419	1,482,990
Balance as at 31.3.2013	57,614,993	753,510	(101,075)	—	(39,482,437)	18,784,991

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

# Consolidated Statement of Cash Flows

Year Ended 31 March 2013

(Amounts in United States dollar)

	Note	2013 US\$	2012 US\$
<b>Cash flows from operating activities</b>			
(Loss) / Profit before income tax		(225,180)	737,555
Adjustments for:			
Amortisation of intangible assets	9	1,108,629	1,022,210
Depreciation of plant and equipment	5	245,826	334,091
Interest expense	25	513,565	328,805
Fair value of share options recognised as expenses		—	19,978
Provisions	18	661,472	979,589
Operating profit before working capital changes		2,304,312	3,422,228
Inventories		(1,123,329)	(569,081)
Amount due from customers for contract work		552,991	20,589
Trade and other receivables		(569,805)	(10,891)
Development expenditure	9	(2,644,766)	(2,980,279)
Advances received from customers		(46,662)	20,059
Trade and other payables		306,574	(1,203,284)
<b>Net cash used in operating activities</b>		<b>(1,220,685)</b>	<b>(1,300,659)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	A	(167,589)	(207,587)
Purchase of computer software	9	(72,254)	(92,963)
Repayment from staff	10	—	12,842
<b>Net cash used in investing activities</b>		<b>(239,843)</b>	<b>(287,708)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares (net of share issue expenses)		1,482,990	3,918,364
Redemption of redeemable preference shares by subsidiary		—	(770,966)
Proceeds from borrowings		601,500	—
Repayment of borrowings		(457,095)	(1,464,722)
Placement of pledged deposit		(47,578)	—
Interest paid	25	(295,778)	(328,805)
<b>Net cash from financing activities</b>		<b>1,284,039</b>	<b>1,353,871</b>
<b>Net decrease in cash and cash equivalent</b>		<b>(176,489)</b>	<b>(234,496)</b>
<b>Cash and cash equivalent at beginning of year</b>		<b>374,240</b>	<b>608,736</b>
<b>Cash and cash equivalent at end of year</b>	B	<b>197,751</b>	<b>374,240</b>

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



# Consolidated Statement of Cash Flows

Year Ended 31 March 2013

(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:

	<b>2013 US\$</b>	<b>2012 US\$</b>
Plant and equipment purchased during the year (Note 5)	<b>200,520</b>	234,101
Less: Financed by finance lease obligations, net	<b>(32,931)</b>	(26,514)
Cash payment to acquire plant and equipment	<b>167,589</b>	207,587

## Note B

	<b>2013 US\$</b>	<b>2012 US\$</b>
Cash and bank balances <sup>(1)</sup>	<b>197,751</b>	374,240
Fixed deposit <sup>(2)</sup>	<b>47,578</b>	—
Less: Pledged fixed deposit	<b>245,329 (47,578)</b>	374,240 —
Cash and cash equivalent for the purpose of presenting consolidated statement of cash flows	<b>197,751</b>	374,240

(1) Included in the cash and bank balances is amount of US\$8,372 deposited into an escrow account which is maintained in accordance with the loan agreement with the funding institution in relation to a loan granted to a subsidiary (Note 20). The escrow account can be used for payment for cost of goods sold according to the estimated budget and repayment made to the funding institution.

(2) Fixed deposit is pledged for the purpose of performance bond which serve as a security deposit for the due and faithful performance of the subsidiary's obligations given to an external customer.

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

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

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 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 26 June 2013.

## 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 2012, 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 accounting policies and had no material effect on the amounts reported for the current or prior financial periods.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Amendments to FRS 107 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 – <i>Presentation of Financial Statements</i>	1 January 2013
– Amendment to FRS 16 – <i>Property, Plant and Equipment</i>	1 January 2013
– Amendment to FRS 32 – <i>Financial Instruments: Presentation</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

Except for 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 Amendments to FRS 1 and FRS 112 is described below.

#### Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

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 in financial year 2014.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Standards issued but not yet effective (Continued)

#### FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including 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 Company 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 Company when implemented in financial year 2015.

### Group accounting

#### (i) Subsidiaries

##### *(a) 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.

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.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### (i) Subsidiaries (Continued)

##### (a) Basis of consolidation (Continued)

###### 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.

##### (b) 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.

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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### (i) Subsidiaries (Continued)

##### (b) Acquisition of businesses (Continued)

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.
- 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### (i) Subsidiaries (Continued)

##### c) 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.

#### (ii) 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Group accounting (Continued)

#### (ii) Associates (Continued)

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, associates and other equity investments

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

### Currency translation

#### (i) Functional and presentation currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in United States dollar ("US\$"), which is the functional currency of the Company and of each of the Company's subsidiaries.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Currency translation (Continued)

#### (ii) 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.

### 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 are 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

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Plant and equipment (Continued)

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)".

### 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.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation calculated on a product-by-product basis over the estimated useful life begins 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 are 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

#### (i) Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### (i) Initial recognition and measurement (Continued)

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every balance sheet date. As at the balance sheet date, the Group has no financial assets in the categories of financial assets at fair value through profit or loss and held-to-maturity investments.

#### (ii) Subsequent measurement

The subsequent measurement of financial assets depends on the classification, as follows:

##### (a) *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.

##### (b) *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.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### (ii) Subsequent measurement (Continued)

##### (b) Available-for-sale financial assets (Continued)

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.

#### (iii) 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

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

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.

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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### (ii) Available-for-sale financial assets (Continued)

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.

#### (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 construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (the percentage of completion method).

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Construction contracts work-in-progress

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

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

#### (i) 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.

#### (ii) 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.

#### (iii) 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

#### 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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 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 12 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 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.

### Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Share capital (Continued)

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.

### 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, and effective control of the goods have been passed to the customer, recovery of the consideration is probable, and the amount of revenue and costs can be measured reliably. 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 for each contract is determined by the proportion that costs incurred for work performed to date relative to estimated total contract costs. 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 scheme. Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

#### (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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employees' benefits (Continued)

#### (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 capital 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 capital 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 balances previously recognised in the capital reserve are credited to the share capital account, when new ordinary shares are issued.

### 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

### 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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants (Continued)

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).
  - (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); or
  - (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.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

#### (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) 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 discounted cash flows are derived from the budget for the next five financial years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to sales quantities forecasted for the existing and new products in 2014 and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of development expenditure are disclosed below. The carrying value of the Group's development expenditure as at 31 March 2013 is US\$13,880,127 (2012: US\$12,314,621).

Key assumptions used for value-in-use calculations:

	Group	
	2013	2012
Growth rates applied for the next 5 years	5% to 120%	9% to 100%
Discount rate	10%	10%

The Group expects certain products to be competitive and if sales achieved in 2014 are 35% and 40% of the Group's forecasted quantities with other assumptions remain constant, the related carrying amount of the development expenditure of US\$2.2 million and US\$3.2 million as at 31 March 2013 will show an impairment loss of approximately US\$621,000 and US\$26,000 respectively.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Critical accounting estimates and judgements (Continued)

#### (i) Critical accounting estimates and assumptions (Continued)

##### (a) *Impairment of development expenditure* (Continued)

The key assumptions used to determining the value in use also include competitive but stable market conditions and continued acceptability of products sold. Management determined estimated growth rate based on past performance and its expectations of the market development. The discount rates used were pre-tax and reflected specific risks relating to the relevant industry.

##### (b) *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 2013 is US\$3,979,466 (2012: US\$3,334,331).

##### (c) *Recoverability of deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Critical accounting estimates and judgements (Continued)

#### (i) Critical accounting estimates and assumptions (Continued)

##### (c) Recoverability of deferred tax assets (Continued)

The Group has carried forward tax losses amounting to approximately US\$25,469,000 (2012: US\$23,335,000) for which deferred tax assets has been recognised. These losses relate to the companies that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The Company has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. The recognition of the deferred tax assets is supported by the probable future taxable profits generated by securing higher sales of existing products and expanding new products, as disclosed in part (a) above.

If the discounted cash flows of the subsidiaries reduce by 15% from the management's forecast, the Group's deferred tax assets would reduced by approximately US\$112,000 (2012: Nil).

On the other hand, no deferred tax assets has been recognised on the unutilised tax losses of the Company, amounting to approximately US\$931,000 (2012: US\$868,000) due to uncertainty of recovery. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by approximately US\$158,000 (2012: US\$148,000).

##### (d) Useful lives of development expenditure

The cost of development expenditure is amortised on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives to be 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 development expenditure included as intangible assets as at 31 March 2013 is US\$13,880,127 (2012: US\$12,314,621).

##### (e) 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 2013 is US\$535,883 (2012: US\$581,189).

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **Critical accounting estimates and judgements** (Continued)

#### **(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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 3. SHARE CAPITAL

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>Amount</b>				
(a) Ordinary shares				
Issued and fully paid:				
As at beginning of year				
Ordinary shares	<b>56,064,662</b>	39,741,039	<b>56,064,662</b>	39,741,039
Effect of change in functional currency	—	12,405,259	—	12,405,259
	<b>56,064,662</b>	52,146,298	<b>56,064,662</b>	52,146,298
Issued during the year:				
— exercise of share options	<b>1,550,926</b>	1,140,203	<b>1,550,926</b>	1,140,203
— placement	—	2,790,185	—	2,790,185
Share issue expenses	<b>(595)</b>	(12,024)	<b>(595)</b>	(12,024)
As at end of year	<b>57,614,993</b>	56,064,662	<b>57,614,993</b>	56,064,662
(b) Redeemable preference shares issued by a subsidiary				
As at beginning of year				
Preference shares	—	746,882	—	—
Redemption during the year:				
Preference shares	—	(746,882)	—	—
As at end of year	—	—	—	—
Total share capital	<b>57,614,993</b>	56,064,662	<b>57,614,993</b>	56,064,662



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 3. SHARE CAPITAL (Continued)

	Group		Company	
	2013	2012	2013	2012
<b>Number of shares</b>				
(a) Ordinary shares				
Issued and fully paid:				
As at beginning of year	<b>1,124,915,813</b>	997,905,813	<b>1,124,915,813</b>	997,905,813
Issued during the year:				
– exercise of share options	<b>53,170,000</b>	41,010,000	<b>53,170,000</b>	41,010,000
– placement	–	86,000,000	–	86,000,000
As at end of year	<b>1,178,085,813</b>	<b>1,124,915,813</b>	<b>1,178,085,813</b>	<b>1,124,915,813</b>
(b) Redeemable preference shares issued by a subsidiary				
As at beginning of year	–	1,000,000	–	–
Redemption during the year:	–	(1,000,000)	–	–
As at end of year	–	–	–	–
Total share capital	<b>1,178,085,813</b>	<b>1,124,915,813</b>	<b>1,178,085,813</b>	<b>1,124,915,813</b>

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 have 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 in prior year and the premium paid amounting to US\$24,084 was recognised directly in accumulated losses.

During the financial year ended 31 March 2013, the Company issued the following shares:

No. of shares	US\$	Description of shares	Purpose of issue
53,170,000	1,483,585	Ordinary shares at exercise price of S\$0.035 each for cash	Issued pursuant to exercise of shares options under the employees shares option scheme.

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

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 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 \$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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 3. SHARE CAPITAL (Continued)

### Share Option Scheme (Continued)

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

	Group and Company			
	2013		2012	
<u>Options outstanding</u>	Number of share options	Weighted average exercise price S\$	Number of share options	Weighted average exercise price S\$
As at beginning of year	62,960,000	0.043	120,870,000	0.043
Lapsed during the year	(520,000)	0.120	(7,100,000)	0.120
Lapsed during the year	—	—	(3,900,000)	0.123
Exercised during the year	(53,170,000)	0.035	(41,010,000)	0.035
Cancelled during the year	—	—	(5,900,000)	0.035
As at end of year	9,270,000	0.035	62,960,000	0.036
Exercisable at the end of year	9,270,000		62,960,000	

The weighted average share price at the time of exercise range from S\$0.067 to S\$0.114 (2012: S\$0.05 to S\$0.114) per share. The related transaction costs amounting to US\$595 (2012: US\$147) were deducted against the proceeds received.

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

	Exercise price	Number of options	
		2013	2012
<b>Expiry date</b>			
31 July 2012*	S\$0.120	—	520,000
21 June 2014	S\$0.035	9,270,000	62,440,000
		9,270,000	62,960,000

\* Granted before 22 November 2002 and not accounted for under FRS 102.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 3. SHARE CAPITAL (Continued)

### Share Option Scheme (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.

## 4. CAPITAL RESERVE

	Group	
	2013 US\$	2012 US\$
As the beginning of year	877,270	99,311
Effect of change in functional currency	—	11,099
As restated	877,270	110,410
Recognition of share-based payment	—	19,978
Redemption of preference shares out of profits of a subsidiary	—	746,882
Less: exercise of share options	(67,341)	—
Less: lapse of share options	(56,419)	—
As at end of year	753,510	877,270
Representing non-distributable reserve (Group):		
– Share based payment reserve	6,628	130,388
– Redemption of preference shares out of profits of a subsidiary	746,882	746,882
	753,510	877,270
Representing non-distributable reserve (Company):		
– Share based payment reserve	6,628	130,388

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 5. PLANT AND EQUIPMENT

### Group

	Laboratory equipment US\$	Furniture, fittings and office equipment US\$	Computers and software US\$	Toolings US\$	Renovations US\$	Total US\$
<b>Cost</b>						
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
As at 1.4.2012	419,823	202,302	525,784	573,475	192,472	1,913,856
Additions	66,797	–	32,173	101,550	–	200,520
As at 31.3.2013	486,620	202,302	557,957	675,025	192,472	2,114,376
<b>Accumulated depreciation</b>						
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
As at 1.4.2012	267,163	129,498	305,904	518,188	111,914	1,332,667
Depreciation charge for the year	52,162	10,808	73,381	61,357	48,118	245,826
As at 31.3.2013	319,325	140,306	379,285	579,545	160,032	1,578,493
<b>Net carrying value</b>						
As at 31.3.2013	167,295	61,996	178,672	95,480	32,440	535,883
As at 31.3.2012	152,660	72,804	219,880	55,287	80,558	581,189

### Assets held under finance leases

During the financial year, the Group acquired plant and equipment with an aggregate cost of US\$32,931 (2012: US\$33,759) by means of finance leases.

The carrying amount of plant and equipment held under finance leases as at 31 March 2013 were US\$103,150 (2012: US\$92,043).

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



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 6. SUBSIDIARIES

	Company	
	2013 US\$	2012 US\$
<u>Unquoted equity shares at cost</u>		
As at beginning of year	<b>40,944,641</b>	37,074,208
Addition of investment in a subsidiary	<b>1</b>	3,870,433
	<b>40,944,642</b>	40,944,641
Impairment losses	<b>(26,599,280)</b>	(26,599,280)
	<b>14,345,362</b>	14,345,361
Analysis of impairment losses:		
As at beginning of year	<b>26,599,280</b>	28,999,280
Reversal during the year	<b>—</b>	(2,400,000)
	<b>26,599,280</b>	26,599,280

For the purpose of impairment testing at the balance sheet date, the recoverable amount of cost of investments in subsidiaries were determined based on a value-in-use calculation and was determined by discounting future cash flows to be generated from the continuing use of the cash-generating unit. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three-year period. The key assumption of the calculation is as disclosed in Note 2.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 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	
			2013 %	2012 %	2013 US\$	2012 US\$
Addvalue Communications Pte Ltd <sup>(1)</sup> ("AVC")	Design, development and distribution of tele-communications equipment and related products	Singapore	100	100	34,027,803	34,027,803
Addvalue Innovation Pte Ltd <sup>(1)</sup>	Design, development and distribution of tele-communications equipment and related products	Singapore	100	100	6,916,838	6,916,838
Addvalue Global Limited <sup>(2)</sup>	Business development, sale and marketing of satellite communications equipment	Hong Kong	100	100	— <sup>^</sup>	— <sup>^</sup>
Addvalue Enterprise Limited <sup>(3)</sup>	Business development, sale and marketing of satellite communications equipment	British Virgin Island ("BVI")	100	—	1	—
					<b>40,944,642</b>	40,944,641

<sup>^</sup> denotes amount less than US\$1.00.

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

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

(3) A BVI business company incorporated on 1 March 2013 and is not required to be audited by law in the country of incorporation. It is reviewed by Crowe Horwath First Trust LLP for consolidation purposes.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 7. ASSOCIATES

	Group and Company	
	2013 US\$	2012 US\$
Equity shares at cost	137	137
Impairment losses	(137)	(137)
	—	—

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	
			2013 %	2012 %	2013 US\$	2012 US\$
Addvalue Communications Inc ("AVCI") <sup>(1)</sup>	Ceased operations	United States of America	23	23	137	137

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

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

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Unquoted equity investments, at cost	1,713,763	1,713,763	1,485,956	1,485,956
Impairment losses	(1,713,763)	(1,713,763)	(1,485,956)	(1,485,956)
Net carrying value	—	—	—	—

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 9. INTANGIBLE ASSETS

Group	Development expenditure US\$	Patents US\$	Computer software US\$	Total US\$
<b>Cost</b>				
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
As at 1.4.2012	15,376,417	44,126	660,321	16,080,864
Additions	2,644,766	—	72,254	2,717,020
As at 31.3.2013	18,021,183	44,126	732,575	18,797,884
<b>Accumulated amortisation</b>				
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
As at 1.4.2012	3,061,796	44,126	393,697	3,499,619
Amortisation charge for the year	1,079,260	—	29,369	1,108,629
As at 31.3.2013	4,141,056	44,126	423,066	4,608,248
<b>Net carrying value</b>				
As at 31.3.2013	13,880,127	—	309,509	14,189,636
As at 31.3.2012	12,314,621	—	266,624	12,581,245

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\$13,880,127 (2012: US\$12,314,621) represents development 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\$1,079,260 (2012: US\$936,036) was charged to other operating expenses in the consolidated statement of comprehensive income.

Included in the development expenditure and computer software are the capitalisation of the employees benefit expenses of US\$2,345,131 for the current financial year (2012: US\$2,467,732) (Note 30).

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Deposits and prepayments	<b>163,955</b>	218,007	<b>5,000</b>	4,119
Other receivables	<b>3,547</b>	49,327	—	—
Deposits and advances paid to suppliers	<b>618,478</b>	553,053	—	—
Staff loans and advances	<b>28,224</b>	69,147	—	—
	<b>814,204</b>	889,534	<b>5,000</b>	4,119
Less: Non-current staff loans	—	(53,703)	—	—
Current portion	<b>814,204</b>	835,831	<b>5,000</b>	4,119

## 11. DEFERRED TAX ASSETS

	Group	
	2013 US\$	2012 US\$
As at beginning of year	<b>2,014,261</b>	1,943,589
Recognised in the profit or loss		
– Relates to origination and reversal of temporary differences	<b>10,425</b>	70,672
– Under-provision of prior year	<b>127,393</b>	—
As at end of year	<b>2,152,079</b>	2,014,261



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 11. DEFERRED TAX ASSETS (Continued)

	Deferred tax liabilities		Deferred tax assets			
	Development expenditure	Provision for unconsumed leave	Allowance for doubtful trade receivables	Unutilised capital allowance	Unutilised tax loss	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>2013</b>						
As at beginning of year	(2,086,409)	31,454	2,031	100,156	3,967,029	2,014,261
Recognised in the profit or loss						
– Relates to origination and reversal of temporary differences	(273,211)	1,554	1,314	33,610	247,158	10,425
– Under-provision of prior year	–	–	–	4,899	122,494	127,393
As at end of year	(2,359,620)	33,008	3,345	138,665	4,336,681	2,152,079
<b>2012</b>						
As at beginning of year	–	–	–	–	1,943,589	1,943,589
Recognised in the profit or loss	(2,086,409)	31,454	2,031	100,156	2,023,440	70,672
As at end of year	(2,086,409)	31,454	2,031	100,156	3,967,029	2,014,261

The Group has deductible unutilised capital allowances and unutilised tax losses of approximately US\$816,000 (2012: US\$589,000) and US\$26,400,000 (2012: US\$24,176,000) 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\$931,000 (2012: US\$841,000) of unutilised tax losses was not recognised as deferred tax assets due to uncertainty of its recoverability.

Deferred tax assets are recognised for the unutilised capital allowances and tax losses amounting to approximately US\$816,000 (2012: US\$589,000) and US\$25,469,000 (2012: US\$23,335,000) respectively, relating to subsidiaries which incurred marginal losses during the year are expected to be recovered from the probable future economic benefits expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 12. INVENTORIES

	Group	
	2013 US\$	2012 US\$
Finished goods	2,516,212	993,055
Raw materials	433,647	533,901
Semi-finished goods	309,707	669,316
Goods-in-transit	60,035	—
	<b>3,319,601</b>	<b>2,196,272</b>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to US\$4,493,453 (2012: US\$4,411,903).

Inventories with a carrying amount of US\$3,319,601 (2012: US\$2,196,272) 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

	Group	
	2013 US\$	2012 US\$
Aggregate amount of costs incurred and recognised profit to date	182,947	1,479,255
Less: Progress billings	(88,583)	(831,900)
	<b>94,364</b>	<b>647,355</b>
Presented as:		
Gross amount due from customers for contract work	<b>94,364</b>	<b>647,355</b>

## 14. TRADE RECEIVABLES

	Group	
	2013 US\$	2012 US\$
Trade receivables	3,999,145	3,346,278
Less : Allowance for doubtful trade receivables (Note 33(iii))	(19,679)	(11,947)
	<b>3,979,466</b>	<b>3,334,331</b>

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2013	2012
	US\$	US\$
Equity instrument (quoted), at fair value		
As at beginning of year	6,097	3,413
Fair value adjustment for the year	(3,962)	2,684
As at end of year	2,135	6,097

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

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

## 17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Accrued operating expenses:				
– Employee benefits	491,590	458,696	–	–
– Directors' fees <sup>(1)</sup>	228,050	120,856	228,050	120,856
– Others	144,860	146,957	55,573	70,537
Due to directors <sup>(1)</sup>	37,462	22,392	–	–
Other payables	439,691	487,329	120,720	163,770
	1,341,653	1,236,230	404,343	355,163

(1) These amounts represents unpaid directors' fees and salaries which are unsecured, interest-free and repayable on demand.

## 18. PROVISIONS

	Group		Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Directors' fees	127,940	128,160	127,940	128,160
Royalties	124,984	47,943	–	–
Warranty	76,902	66,069	–	–
	329,826	242,172	127,940	128,160

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 18. PROVISIONS (Continued)

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 or repairs and returns.

Group	Directors' fees US\$	Royalties US\$	Warranty US\$	Total US\$
<b>2013</b>				
As at beginning of year	128,160	47,943	66,069	242,172
Provision for the year	127,940	442,724	90,808	661,472
Utilisation during the year	(128,160)	(365,683)	(79,975)	(573,818)
As at end of year	127,940	124,984	76,902	329,826
<b>2012</b>				
As 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)
As at end of year	128,160	47,943	66,069	242,172
<b>Company</b>				
<b>2013</b>				
As at beginning of year	128,160	—	—	128,160
Provision for the year	127,940	—	—	127,940
Utilisation during the year	(128,160)	—	—	(128,160)
As at end of year	127,940	—	—	127,940
<b>2012</b>				
As at beginning of year	107,053	—	—	107,053
Provision for the year	128,160	—	—	128,160
Utilisation during the year	(107,053)	—	—	(107,053)
As at end of year	128,160	—	—	128,160

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 19. BORROWINGS

	Group	
	2013 US\$	2012 US\$
<b>Due within one year</b>		
Loans (Note 20)	2,688,000	126,070
Lease obligations (Note 21)	51,052	36,224
	<b>2,739,052</b>	162,294
<b>Due after one year or more</b>		
Loans (Note 20)	—	2,171,930
Lease obligations (Note 21)	19,759	29,464
	<b>19,759</b>	2,201,394
<b>Total borrowings</b>		
Loans (Note 20)	2,688,000	2,298,000
Lease obligations (Note 21)	70,811	65,688
	<b>2,758,811</b>	2,363,688

## 20. LOANS

	Group	
	2013 US\$	2012 US\$
Loan 1 (secured)	2,688,000	2,171,930
Loan 2 (unsecured)	—	126,070
	<b>2,688,000</b>	2,298,000

### Loan 1 (secured)

Loan 1 obtained by a subsidiary from a funding institution sponsored by International Enterprise Singapore, denominated in Singapore dollar, bears interest rate at 10% per annum (2012: 10%) and is secured by a floating charge on the inventories (Note 12) and escrow accounts with a bank of a subsidiary of the Company and a corporate guarantee by the Company. The loan amount of S\$3,333,333 (2012: S\$3,000,000) is repayable on 6 October 2013.

Subsequent to the balance sheet date, the Group has fully repaid the S\$333,333 loan in April 2013 and the Group has obtained the approval of the funding institution to extend the repayment date of the S\$3,000,000 loan to 6 December 2014.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 20. LOANS (Continued)

### 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. This loan was fully repaid during current financial year.

## 21. LEASE OBLIGATIONS

Group	Minimum lease payments US\$	Interest US\$	Present value of payments US\$
<b>2013</b>			
Within one year	53,360	(2,308)	51,052
More than one year but not later than five years	20,615	(856)	19,759
	73,975	(3,164)	70,811

Group	Minimum lease payments US\$	Interest US\$	Present value of payments US\$
<b>2012</b>			
Within one year	39,650	(3,426)	36,224
More than one year but not later than five years	30,455	(991)	29,464
	70,105	(4,417)	65,688

Interest is payable at effective interest rate of 6.6% (2012: 6.6%) per annum and guaranteed by the Company.

## 22. REVENUE

	Group	
	2013 US\$	2012 US\$
Sale of finished products and components	9,748,800	9,652,630
Rendering of design services	422,052	938,245
	10,170,852	10,590,875

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 23. OTHER OPERATING INCOME

	Group	
	2013 US\$	2012 US\$
Amount due to third parties written off	51,613	72,630
Reversal of allowance of doubtful trade receivables	—	3,082
Government grants received	39,695	19,146
Others	171,039	36,603
	<b>262,347</b>	<b>131,461</b>

Government grants relates to income received from Innovation Voucher Scheme for the EMA Funding project and SME grant from IRAS. There is no unfulfilled condition or contingencies attached to these grants.

## 24. OTHER OPERATING EXPENSES

	Group	
	2013 US\$	2012 US\$
Amortisation of intangible assets (Note 9)	1,108,629	1,022,210
Bank charges	10,747	14,800
Depreciation of plant and equipment (Note 5)	245,826	334,091
Foreign exchange loss, net	132,129	68,595
Inventory written off	29,255	—
Labour cost	29,046	29,089
Laboratory usage	97,497	56,876
Repairs and maintenance	266,612	219,171
Trade receivables impairment (Note 33 (iii))	7,732	—
Telecommunications	63,794	48,862
Transportation	6,626	12,848
Travelling	35,261	94,462
Utilities	47,970	46,830
Others	8,870	44,054
	<b>2,089,994</b>	<b>1,991,888</b>

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 25. FINANCE EXPENSES

	Group	
	2013 US\$	2012 US\$
Interest on bank overdrafts	10	31
Interest on loans	287,749	317,412
Interest on late payment	4,149	8,772
Interest on lease obligations	3,870	2,590
Fair value adjustment on borrowings	217,787	–
	<b>513,565</b>	<b>328,805</b>

## 26. (LOSS) / PROFIT BEFORE INCOME TAX

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

	Group	
	2013 US\$	2012 US\$
Amortisation of intangible assets (Note 9)	<b>1,108,629</b>	1,022,210
Remuneration paid to auditors of the Company		
– Audit fees	<b>56,386</b>	55,243
– Non-audit fees	–	2,434
Allowance / (Reversal) for doubtful trade receivables (Note 33 (iii))	<b>7,732</b>	(3,082)
Depreciation of plant and equipment (Note 5)	<b>245,826</b>	334,091
Directors' remuneration (Note 29)		
– directors of the Company	<b>508,112</b>	523,730
Directors' fees (Note 29)	<b>127,940</b>	128,160
Bad debts written off	–	1,500
Employee benefits expense (Note 30)*	<b>1,597,970</b>	1,494,602
Foreign exchange loss, net (Note 24)	<b>132,129</b>	68,595
Inventories recognised as an expense in cost of sales (Note 12)	<b>4,493,453</b>	4,411,903
Operating lease expenses	<b>211,059</b>	178,356

\* This includes the amount shown as directors' remuneration.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 27. INCOME TAX CREDIT

	Group	
	2013 US\$	2012 US\$
Current tax	—	—
Deferred tax:		
– Current year	10,425	70,672
– Under provision in prior years	127,393	—
Income tax credit	137,818	70,672

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

	Group	
	2013 US\$	2012 US\$
(Loss) / Profit before income tax	(225,180)	737,555
Tax at the applicable tax rate of 17% (2012: 17%)	(38,281)	125,384
Expenses not deductible for tax purposes	16,028	64,329
Recognition of previously unrecognised deferred tax assets	—	(241,040)
Utilisation of previously unrecognised tax losses	—	(19,345)
Under provision of deferred tax assets in prior years	(127,393)	—
Deferred tax assets not recognized	11,828	—
Income tax credit	(137,818)	(70,672)

## 28. (LOSS) / EARNINGS PER SHARE

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

	Basic		Diluted	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
(Loss) / Profit attributable to shareholders	(87,362)	808,227	(87,362)	808,227

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 28. (LOSS) / EARNINGS PER SHARE (Continued)

### Weighted average number of shares

	Number of shares	
	2013	2012
For basic earnings per share	<b>1,165,571,799</b>	1,089,973,217
Effect of dilutive potential ordinary shares		
– Share options pursuant to the Scheme	<b>12,695,536</b>	34,289,520
For diluted earnings per share	1,178,267,335	1,124,262,737

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 2013 and 2012.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 29. RELATED PARTY

Details of compensation of key management personnel is as follows:

	Group	
	2013 US\$	2012 US\$
Salaries, bonus and others	<b>877,022</b>	846,472
Contributions to defined contribution plans	<b>49,138</b>	42,656
Share-based payment	—	10,391
	<b>926,160</b>	899,519
Directors' fees	<b>127,940</b>	128,160
	<b>1,054,100</b>	1,027,679
Total compensation paid to key management personnel		
Comprise amount due to:		
Directors of the Company		
— Fees	<b>127,940</b>	128,160
— Remuneration and contribution to defined contribution plans	<b>508,112</b>	523,730
	<b>636,052</b>	651,890
Other key management personnel	<b>418,048</b>	375,789
	<b>1,054,100</b>	1,027,679

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 2013 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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 30. EMPLOYEE BENEFITS

	Group	
	2013 US\$	2012 US\$
Employee benefits expense (including directors):		
– Salaries, bonuses and others	3,483,349	3,492,901
– Contribution to defined contribution plans	334,534	321,385
– Share based payment	–	19,978
– Job credit scheme	(2,722)	(90)
	<b>3,815,161</b>	3,834,174
Directors' fees	127,940	128,160
	<b>3,943,101</b>	3,962,334
Charged to consolidated statement of comprehensive income	1,597,970	1,494,602
Capitalised in development expenditure (Note 9)	2,345,131	2,467,732
	<b>3,943,101</b>	3,962,334

## 31. CONTINGENT LIABILITIES AND COMMITMENTS

### (i) Corporate Guarantee

As at 31 March 2013, unsecured corporate guarantees given to financial institutions, in connection with the facilities granted to subsidiaries amounted to approximately US\$2.8 million (2012: US\$2.4 million). The facilities are for working capital purposes. As at 31 March 2013, 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.

### (ii) 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 terms, 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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 31. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

### (ii) 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	
	2013	2012
	US\$	US\$
Future minimum lease payments		
– Within one year	151,955	117,899
– Later than one year but not later than five years	8,165	11,636
	160,120	129,535

## 32. 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.

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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 32. SEGMENT INFORMATION (Continued)

As at 31 March 2013

	Europe US\$	North America US\$	Asia US\$	Consolidated US\$
<b>Revenue</b>				
Total revenue from external customers	1,309,228	5,254,406	3,607,218	10,170,852
<b>Segment result</b>	345,371	1,097,324	282,595	1,725,290
<b>Unallocated expenses*</b>				(1,699,252)
Other income				262,347
Finance expenses				(513,565)
<b>Loss before income tax</b>				(225,180)
<b>Segment assets</b>				
By location of customers				
– Segment assets	905,835	2,625,506	19,649,277	23,180,618
– Deferred tax assets				2,152,079
Total assets				25,332,697
By location of assets				
– Segment assets	905,835	2,632,501	19,642,282	23,180,618
– Unallocated assets				2,152,079
Total assets				25,332,697
<b>Segment liabilities</b>	415,218	433,350	5,679,379	6,527,947
<b>Other Information</b>				
Capital expenditure				
– Plant and equipment	–	–	200,521	200,521
– Intangible assets	–	–	2,717,019	2,717,019
Depreciation and amortisation	156,616	499,971	697,867	1,354,454

\* Unallocated expenses mainly represent administrative expenses not directly attributable to revenue generated from customers.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 32. SEGMENT INFORMATION (Continued)

### As at 31 March 2012

	Europe US\$	North America US\$	Asia US\$	Consolidated US\$
<b>Revenue</b>				
Total revenue from external customers	1,555,613	5,565,732	3,469,530	10,590,875
<b>Segment result</b>	397,242	2,065,015	(65,802)	2,396,455
<b>Unallocated expenses</b>				(1,461,556)
Other income				131,461
Finance expenses				(328,805)
<b>Profit before income tax</b>				737,555
<b>Segment assets</b>				
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
<b>Segment liabilities</b>	318,406	41,801	4,870,992	5,231,199
<b>Other Information</b>				
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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 32. 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. Breakdown of the revenue is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Land communication products	<b>1,566,930</b>	4,501,973
Maritime communication products	<b>7,232,117</b>	4,696,442
Design services	<b>422,052</b>	938,245
Components and other sales	<b>949,753</b>	454,215
	<b>10,170,852</b>	10,590,875

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

	<b>Revenue</b>	
	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Country of domicile		
– Singapore	<b>692,080</b>	891,234
Foreign countries		
– Canada	<b>1,317,084</b>	2,640,075
– United States	<b>3,935,038</b>	2,840,096
– Spain	<b>200,241</b>	1,173,491
– China	<b>312,589</b>	779,421
– Phillippines	<b>915,000</b>	–
– Others *	<b>2,798,820</b>	2,266,558
	<b>10,170,852</b>	10,590,875

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

Revenue amounting to approximately US\$3,070,000 (2012: US\$2,638,000) and US\$1,309,000 (2012: US\$2,193,000) were attributed to major customers located in North America (2012: North America).

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. 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 some of such overseas sales, it transacts 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 existing and firm purchases and sales commitments. The Group has not entered into any derivative instruments for hedging or trading purposes.

#### (i) Market risk

##### (a) Foreign exchange risk

Group As at 31 March 2013	United States dollar US\$	Singapore dollar US\$	Euro dollar US\$	Others* US\$	Total US\$
<b>Financial assets</b>					
Amount due from customers for contract work	94,364	—	—	—	94,364
Trade receivables	3,611,237	111,813	128,504	127,912	3,979,466
Other receivables and deposits	520,000	87,775	—	—	607,775
Available-for-sale financial assets	2,135	—	—	—	2,135
Fixed Deposit	—	47,578	—	—	47,578
Cash and bank balances	108,750	60,797	—	28,204	197,751
Intragroup receivables	1,070,094	4,298,742	—	—	5,368,836
	5,406,580	4,606,705	128,504	156,116	10,297,905
<b>Financial liabilities</b>					
Trade payables	1,480,709	72,573	550,846	3,771	2,107,899
Other payables and accruals	117,310	1,216,051	—	8,292	1,341,653
Borrowings	—	2,758,811	—	—	2,758,811
Intragroup payables	1,070,094	4,298,742	—	—	5,368,836
	2,668,113	8,346,177	550,846	12,063	11,577,199
Net financial assets / (liabilities)	2,738,467	(3,739,472)	(422,342)	144,053	(1,279,294)
Less: Net financial assets denominated in the respective entities' functional currencies	(2,738,467)	—	—	—	(2,738,467)
Foreign currency exposure	—	(3,739,472)	(422,342)	144,053	(4,017,761)

\* Others comprise of Chinese Renminbi, British Pound Sterling, Hong Kong dollar and Malaysia Ringgit.



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

Group As at 31 March 2012	United States dollar US\$	Singapore dollar US\$	Euro dollar US\$	Others US\$	Total US\$
<b>Financial assets</b>					
Staff loan receivable	—	53,703	—	—	53,703
Amount due from customers for contract work	647,355	—	—	—	647,355
Trade receivables	3,139,688	—	194,643	—	3,334,331
Other receivables and deposits	520,000	119,833	—	—	639,833
Available-for-sale financial assets	6,097	—	—	—	6,097
Cash and bank balances	353,057	21,183	—	—	374,240
Intragroup receivables	134,356	3,721,564	—	—	3,855,920
	4,800,553	3,916,283	194,643	—	8,911,479
<b>Financial liabilities</b>					
Trade payables	1,050,470	110,173	167,870	4,417	1,332,930
Other payables and accruals	244,062	992,168	—	—	1,236,230
Borrowings	—	2,363,688	—	—	2,363,688
Intragroup payables	134,356	3,721,564	—	—	3,855,920
	1,428,888	7,187,593	167,870	4,417	8,788,768
Net financial assets / (liabilities)	3,371,665	(3,271,310)	26,773	(4,417)	122,711
Less: Net financial assets denominated in the respective entities' functional currencies	(3,371,665)	—	—	—	(3,371,665)
Foreign currency exposure	—	(3,271,310)	26,773	(4,417)	(3,248,954)

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

#### Company As at 31 March 2013

#### Financial assets

Available-for-sale financial assets  
Due from subsidiaries (non-trade)  
Cash and bank balances

United States dollar US\$	Singapore dollar US\$	Total US\$
---------------------------------	-----------------------------	---------------

2,135	—	2,135
1,692,280	3,679,162	5,371,442
—	4,568	4,568
1,694,415	3,683,730	5,378,145

#### Financial liabilities

Other payables and accruals  
Due to subsidiaries (non-trade)

—	404,343	404,343
—	75,319	75,319
—	479,662	479,662

Net financial assets

1,694,415	3,204,068	4,898,483
-----------	-----------	-----------

Less: Net financial assets denominated  
in the Company's functional currency

(1,694,415)	—	(1,694,415)
-------------	---	-------------

Foreign currency exposure

—	3,204,068	3,204,068
---	-----------	-----------

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) Foreign exchange risk (Continued)

#### Company As at 31 March 2012

#### Financial assets

Available-for-sale financial assets  
Due from subsidiaries (non-trade)  
Cash and bank balances

United States dollar US\$	Singapore dollar US\$	Total US\$
---------------------------------	-----------------------------	---------------

6,097	—	6,097
122,786	3,766,784	3,889,570
—	7,382	7,382

128,883	3,774,166	3,903,049
---------	-----------	-----------

#### Financial liabilities

Other payables and accruals  
Due to subsidiaries (non-trade)

—	355,163	355,163
—	106,361	106,361

—	461,524	461,524
---	---------	---------

Net financial assets

128,883	3,312,642	3,441,525
---------	-----------	-----------

Less: Net financial assets denominated  
in the Company's functional currency

(128,883)	—	(128,883)
-----------	---	-----------

Foreign currency exposure

—	3,312,642	3,312,642
---	-----------	-----------

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (a) 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 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 strengthens by 10% (2012: 10%) against the relevant foreign currency, with all other variables held constant, loss for the year and other equity will increase (decrease) by:

#### **As at 31 March 2013**

	<b>Singapore dollar US\$</b>	<b>Euro dollar US\$</b>	<b>Others US\$</b>	<b>Total US\$</b>
<u>Group</u>				
Loss for the year	(310,376)	(35,054)	11,956	(333,474)
<u>Company</u>				
Loss for the year	265,938	—	—	265,938

#### **As at 31 March 2012**

	<b>Singapore dollar US\$</b>	<b>Euro dollar US\$</b>	<b>Others US\$</b>	<b>Total US\$</b>
<u>Group</u>				
Profit for the year	271,519	(2,222)	367	269,664
<u>Company</u>				
Profit for the year	(274,949)	—	—	(274,949)

A weakening of the USD against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (i) Market risk (Continued)

##### (b) 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 2013, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

	Group	
	2013 US\$	2012 US\$
<b>Within 1 year – fixed rates</b>		
Loans		
– Loan 1	2,688,000	–
– Loan 2	–	126,070
Lease obligations	51,052	36,224
<b>More than 1 year – fixed rates</b>		
Loans		
– Loan 1	–	2,171,930
Lease obligations	19,759	29,464

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.

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (ii) 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 to 90 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.

Group	On demand or within 1 year US\$	More than 1 year US\$
<b>As at 31 March 2013</b>		
Trade payables	2,107,899	—
Other payables and accruals	1,341,653	—
Borrowings	3,010,159	20,615
	6,459,711	20,615
<b>As at 31 March 2012</b>		
Trade payables	1,332,930	—
Other payables and accruals	1,236,230	—
Borrowings	404,400	2,542,143
	2,973,560	2,542,143
<b>Company</b>		<b>On demand or within 1 year US\$</b>
<b>As at 31 March 2013</b>		
Other payables and accruals		404,343
Due to subsidiaries (non-trade)		75,319
		479,662
<b>As at 31 March 2012</b>		
Other payables and accruals		355,163
Due to subsidiaries (non-trade)		106,361
		461,524



# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) 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:

	2013		2012	
	Number of customers	%	Number of customers	%
Europe	—	—	2	18
North America	2	43	—	—
Asia	2	12	4	56

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, except as follows:

	Company	
	2013 US\$	2012 US\$
Corporate guarantees provided to banks on subsidiary's loans	2,758,811	2,363,688

The Group's trade receivables are non-interest bearing and are generally ranging from 30 to 90 days (2012: 30 to 90 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:

	Group	
	2013 US\$	2012 US\$
By geographical areas		
— Europe	377,489	692,416
— North America	2,609,258	224,345
— Asia	992,719	2,417,570
	3,979,466	3,334,331

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

	Group	
	2013	2012
	US\$	US\$
By type of revenue		
– Sales of finished products and components	3,884,553	2,955,605
– Design services	94,913	378,726
	<b>3,979,466</b>	<b>3,334,331</b>

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.

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:

	Group	
	2013	2012
	US\$	US\$
Not past due and not impaired	3,043,477	2,147,341
Past due but not impaired		
– Past due 0 to 3 months	563,760	330,819
– Past due 3 to 6 months	111,320	176,350
– Past due over 6 months	260,909	679,821
	<b>935,989</b>	<b>1,186,990</b>
	<b>3,979,466</b>	<b>3,334,331</b>
Impaired trade receivables	19,679	11,947
Less: Allowance for doubtful trade receivables	(19,679)	(11,947)
	<b>3,979,466</b>	<b>3,334,331</b>

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

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

	Group	
	2013 US\$	2012 US\$
As at beginning of the year	11,947	32,405
Allowance made during the year	7,732	–
Write off against allowance	–	(17,376)
Bad debts recovered	–	(3,082)
As at end of the year	19,679	11,947

Included in the Group's trade receivables are an aggregate amount of US\$935,989 (2012: US\$1,186,990) 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.

Other receivables include US\$500,000 deposits paid to a major subcontractor as advances which are fully refundable upon termination of contract.

#### (iv) Financial instruments by category

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

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Financial assets:				
– Loans and receivables	4,926,934	5,049,462	5,376,010	3,896,952
– Available-for-sale	2,135	6,097	2,135	6,097
	4,929,069	5,055,559	5,378,145	3,903,049
Financial liabilities at amortised cost	6,208,363	4,932,848	479,662	461,524

# Notes to the Financial Statements

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. FINANCIAL INSTRUMENTS (Continued)

### 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 classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has 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).

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

	Group and Company			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
<b>As at 31 March 2013</b>				
<u>Financial assets</u>				
Available-for-sale financial assets	2,135	–	–	2,135
<b>As at 31 March 2012</b>				
<u>Financial assets</u>				
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

Year Ended 31 March 2013

(Amounts in United States dollar)

## 33. 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:

	Group			
	2013		2012	
	Carrying amount US\$	Fair value US\$	Carrying amount US\$	Fair value US\$
<b><u>Financial liabilities</u></b>				
<b><u>Borrowings (non-current)</u></b>				
– Loans	—	—	2,171,930	2,206,586
– Lease obligations	19,759	12,306	29,464	30,756

#### 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.

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 2012.

# Analysis of Shareholdings

## Distribution of shareholdings as at 25 June 2013

Number & Class of shares	: 1,178,685,813
Voting rights – On a show of hands	: One vote per member
– On a poll	: One vote per share

## Distribution of shareholdings as at 25 June 2013

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	38	0.84%	15,784	0.00%
1,000 – 10,000	1,916	42.53%	10,235,180	0.87%
10,001 – 1,000,000	2,446	54.30%	240,715,580	20.42%
1,000,001 and above	105	2.33%	927,719,269	78.71%
<b>Total</b>	<b>4,505</b>	<b>100.00%</b>	<b>1,178,685,813</b>	<b>100%</b>

As at 25 June 2013, the percentage of shareholdings held in the hands of the public was 80% and Rule 723 of the Listing Manual is complied with.

## 20 largest registered shareholders as at 25 June 2013 as shown in the Registers of Members

No.	Name	No. of Shares	%
1	CREST CAPITAL ASIA PTE LTD	101,000,000	8.57%
2	HSBC (SINGAPORE) NOMS PTE LTD	89,456,000	7.59%
3	ORIENTAL MAYA (S'PORE) PTE LTD	54,000,000	4.58%
4	CHAN KUM LOK COLIN	42,190,960	3.58%
5	TAN KHAI PANG *	38,875,360	3.30%
6	OCBC SECURITIES PRIVATE LTD	37,083,840	3.15%
7	CHAN KUM ONN ROGER	31,356,240	2.66%
8	WONG KOON CHUE @ WONG KOON	24,573,000	2.08%
9	HONG LEONG FINANCE NOMINEES PL	23,600,000	2.00%
10	LIM HAN BOON	19,990,560	1.70%
11	CITIBANK NOMS S'PORE PTE LTD	19,148,006	1.62%
12	LEE JAN GWAN	19,050,000	1.62%
13	NG SER MIANG	18,053,000	1.53%
14	GOH POH HENG	16,500,000	1.40%
15	UNITED OVERSEAS BANK NOMINEES	16,286,000	1.38%
16	THE ENTERPRISE FUND II LTD	16,000,000	1.36%
17	DBS VICKERS SECS (S) PTE LTD	15,222,833	1.29%
18	LEE SIN CHONG	15,000,000	1.27%
19	CHIA MIA NGUANG	14,500,000	1.23%
20	RAFFLES NOMINEES (PTE) LTD	13,889,760	1.18%
		<b>625,775,559</b>	<b>53.09%</b>

\* Mr Tan Khai Pang is also the beneficial owner of 9,800,000 shares held by Hong Leong Finance Nominees PL.

## SUBSTANTIAL SHAREHOLDERS INFORMATION

(As recorded in the Register of Substantial Shareholders)

Name	No of shares	%
Merida Resources Incorporated	60,097,000	5.1



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventeenth Annual General Meeting of the Company will be held at 28 Tai Seng Street #06-02, Singapore 534106, on Friday, 26 July 2013, 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 2013 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To re-elect Mr. Lim Han Boon, a Director retiring under Article 104 of the Articles of Association of the Company. **(Resolution 2)**
3. To approve the payment of Directors' Fees of S\$160,000 for the financial year ended 31 March 2013 (2012: S\$160,000). **(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
  - (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

# Notice of Annual General Meeting

- (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)**

## 6. Proposed renewal of share buy-back 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;

# Notice of Annual General Meeting

(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;

(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

# Notice of Annual General Meeting

- (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)**

## 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, 11 July 2013

## 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 11 July 2013 on the Proposed Renewal of the Share Buyback Mandate.

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## PROXY FORM

### SEVENTEENTH 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 28 Tai Seng Street #06-02, Singapore 534106 on Friday, 26 July 2013 on 10.00 a.m. 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 2013 together with the reports of the Directors and the Auditors thereon.				
2.	To re-elect Mr Lim Han Boon, a Director retiring under Article 104 of the Articles of Association of the Company.				
3.	To approve the payment of Directors' Fees of S\$160,000 for the financial year ended 31 March 2013.				
4	To re-appoint Crowe Horwath First Trust LLP as Auditors and to authorise the Directors to fix their remuneration.				
	<b>Special Business</b>				
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 \_\_\_\_\_ 2013.

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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