



TRANSCENDING SPACE TRANSFORMING SEAS

Annual Report 2017



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ANYWHERE
ANYTIME
ANYONE
ANYTHING

Leveraging satellite networks in space, we develop communication terminals not only with a human touch, but also a lot of smart.

Our terminals connect seamlessly and effectively to anyone or anything across the world anytime, especially in places where terrestrial networks are either non-existent or incapable of providing reliable or adequate coverage. With the ubiquity and reliability of satellite communications, we take Internet of Things (IoT) to a whole new level of connectivity.





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 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**



Addvalue is ISO9001:2008 certified and maintains high quality on-time services and deliverables, promising total customer satisfaction.



Addvalue has also obtained a Business Continuity Management certification ISO 22301:2012 to strengthen the company's prestige as an excellent service provider in the satellite communications industry.





BUSINESS MODEL

Addvalue generates the bulk of its income from three revenue streams:

- Design income from the provision of new product development or technical solutions services against contracts awarded by its clients.

Our comprehensive and proven capabilities in high quality product development and our depth of technical knowhow in sophisticated engineering project have been highly regarded in the industry. This not only gives us tremendous competitive advantages to attract high value projects but also expand our opportunities into new and evolving markets that require our profile of core competence;

- Sales from supplying a wide range of terminals through its own distribution channels or through its private label or OEM arrangements with partners who have developed their own vertical markets; and
- Recurring income from subscription of solutions and airtime services.



Addvalue has established itself as a key partner to many major players in the satellite communication industry. Over the years we have broadened our product portfolio and also developed valuable partnerships in the mobile satellite industry that help reach the end users of our products. As it is crucial to understand the end user markets for any successful business, we forge alliances that help us develop and offer holistic solutions to the end users. This strengthens our business model with new revenue sources from air time services and/or solutions subscriptions.

Outsourcing Manufacturing

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



CHAIRMAN'S STATEMENT



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 2017 ("FY2017").

The Transformation

At the end of the financial year ended 31 March 2016 ("FY2016"), we shared about our business transformation based on our twin strategies of "The Emerging Market Focus" and "Commercial Refocusing".

Through "Commercial Refocusing", we have and will continue to scale up our capabilities to offer better value to customers by taking a more holistic approach. Instead of just marketing hardware equipment, the Group is poised to offer bundled applications and hardware as a variety of solution packages, thereby strengthening the resilience of our revenue models.

Through "Emerging Markets Focus", we are keenly pursuing three broad segments – Machine-to-Machine (M2M) market driven by the confluence of satellite communications and Internet-of-Things ("IoT") technologies; the small vessels market where the vessels in the fisheries industry are underserved in satellite communications; and the Low Earth Orbit ("LEO") satellite market ensuing the Inter-Satellite Data Relay System ("IDRS") services and related applications.

Despite being confronted with the continued depressed economic conditions in the merchant shipping and energy industries, FY2017 has been a year of reckoning for the Group in respect of its persistent efforts in carrying out the aforesaid transformation. We believe we have laid the solid foundation in ushering in the many new found opportunities accorded by the broadened prospects of our pursued markets that are ever brightened by the following trends:

• Ubiquitous Digital Connectivity Needs Satellites

As the insatiable market desires for connectivity and mobility that are driven by technologies, we are now witnessing the dawn of the fourth industrial revolution, where IoT and data analytics are destined to be the revolutionary drivers.

Given that satellite communication is an indispensable link for the data-driven IoT sector to realise its full potential, the Group is well poised to empower connectivity beyond the coverage of terrestrial network. The IoT spectrum which the Group's technological capabilities cover is extensive. This includes the incorporation of the low power wide area network ("LPWAN") technologies with the satellite communication technologies to bring end-to-end solutions targeting smart cities, smart farming, smart logistics and smart energy. At the moment, we have more than a dozen of projects on IoT or M2M trials with established industrial partners. Some of these trials are expected to turn commercial within this financial year ending 31 March 2018 ("FY2018").

While we have been successful in developing and supplying cost effective terminals for the fishing vessel markets, we are also scaling up by working closely with industrial partners and end users to uncover their specific requirements for data connectivity. As safety and security of fishermen are major national issue confronting offshore fishing, we have been actively pursuing projects to build and bundle our bespoke hardware and applications to better address these concerns as well as to enhance fishing sustainability. We hope to see a marked increase in the materialisation of some of these efforts in FY2018, which will be very much in line with our "Commercial Refocus" strategy to create recurring airtime and solution subscription revenue through collaboration with suitable partners.

• New Opportunities from the Space Momentum

The space industry is witnessing an unprecedented level of



As a homegrown enterprise, Addvalue's contributions to the budding satcom industry in Singapore are evidently recognised by the government, given the Minister for Trade and Industry (Industry) Mr S Iswaran's visit to the Company on 17 November 2016.



investment into new satellite resources. While the incumbent operators, such as Inmarsat, taking a more evolutionary path to bring about new services, the new entrants, such as OneWeb, intend to challenge the current paradigm with a radical approach to offer truly ubiquitous and highly affordable satellite services. All these will provide fertile ground for satellite-based terminal hardware, applications and services. In this regard, the Group is pursuing a few new design opportunities to develop new products and solutions to further expand its portfolio of satellite communication capabilities.

• The Relevance of Our IDRS in the LEO Satellite Industry

One of the most spectacular growths in the recent space industry must be the LEO satellites. As technologies advances have made LEO satellites much cheaper to be manufactured and much easier to be deployed, there is an increasing number of new LEO satellite players in offering imaging, IoT and communications services. According to a Northern Sky Research ("NSR") Report, there are an estimate of more than 2,000 commercial LEO satellites to be launched between 2015 and 2024.

Our world-first IDRS technical trial on board the VELOX-II satellite, built under contract by the Satellite Research Centre of Nanyang Technological University, came to a positive conclusion with all primary objectives fulfilled after more than one year of in-orbit trial. This achievement has injected new impetus into us as well as Inmarsat, the leading mobile satellite operator of the BGAN network upon which the Addvalue's IDRS solutions is based, to hasten the commercialisation of the IDRS service in the fast growing LEO satellite market. Our collective commitment with Inmarsat is evidenced by the Memorandum of Understanding that was signed in February 2017, wherein Inmarsat will grant Addvalue exclusive airtime distribution rights for the IDRS service. Consequently, we will be able to strengthen the visibility of our recurring income streams with the introduction of airtime

distribution revenue based on contracts, typically spanning about five to seven years, to be forged with various satellite operators. With our income stream being diversified on this account, we are also presently monetizing our capabilities by charging customers for design income on the hardware to be developed and built and which will be recognised progressively in our books.

• The Emerging Market Focus in Asia and the China's "Belt and Road" Initiative

Asia as a whole boasts a leading dynamo for global economic growth. These growth opportunities are further propelled by the "Belt and Road" initiative promulgated by the Chinese government. To this end, the Chinese and the ASEAN markets have and will continue to be explicit targets for the Group.

Our wholly-owned subsidiary, Zhongxin Chuangzhi (Beijing) Technologies Ltd Co, continues to spearhead our business initiatives in all areas in China. Of specific mentions are our partnerships with China Telecom and Zhongyou Century Technology Co Ltd, which have helped us become the leading supplier of narrowband satellite terminal for the Chinese fishing vessel market. We also have China Transport Telecommunications & Information Center ("CTTIC") signed up as our distributor to supply our broadband terminals for its maritime and M2M industries. Further, in order to latch onto the orbit of the Chinese industrial advancement, we have been selective in pursuing collaboration with established local industrial players for special-to-type products and solutions development. One such big movement is about the Chinese governmental program to modernise the fishing fleets, work boats, offshore platforms and merchant vessels with IT-capable products and solutions. To this end, we have managed to join force with a consortium of companies for several major governmental projects for customised products harnessed under the China Beidou system. Such projects, if successfully implemented shall open up an estimated market size of more than 100,000

CHAIRMAN'S STATEMENT



vessels for the next 3 to 5 years. We have also recently forged a partnership with Beijing Commsat Technology Development Co Ltd, a company specialised in LEO satellite services, to leverage our IDRS solutions for its commercial development under the “Belt and Road” initiative.

The Strong Endorsement from the Singapore Government

As a homegrown enterprise, Addvalue's contributions to the budding satcom industry in Singapore are evidently recognised by the government, given the Minister for Trade and Industry (Industry) Mr S Iswaran's visit to the Company on 17 November 2016. During the visit, we showcased our various product development capabilities in satellite communications technologies and solution integration knowhow for a wide range of applications.

Most noticeable is our recent extension of technical capability into space, an effort which has been well supported by the Singapore Government. From 2014 to 2016, the Group had received a grant of a significant sum from the Office for Space Technology and Industry (“OSTIn”) of the Economic Development Board of Singapore under its Capability Development Program for Space to help defray the Group's R&D costs incurred in developing engineering capabilities for space applications, including our game-changing IDRS technology. After the successful completion of a one-year in-orbit testing and validation of the IDRS innovation in end 2016, the Group has had in February 2017 received a further grant commitment of a much larger sum from OSTIn, which is to be drawn down over the next four years. Galvanised by the government's support, we are on track for the further development of the capabilities and the commercialisation of our IDRS innovation.

The Financial Rejuvenation through Strong Investors' Endorsement

In view of the substantial R&D outlays that the nature of our business inevitably entails, we have also successfully carried out several fund



raising exercises since FY2016, separately through a rights issue in June 2016 which raised S\$12.3 million (the “Rights Issue”), a private placement to accredited investors in April 2017 which raised S\$4.0 million and an issuance of convertible loans to renowned investors in April 2017 which raised S\$7.1 million (of which about S\$4.6 million had been converted into shares of the Company in June 2017 and thereby reduced the Group's gearing significantly). Collectively, these efforts have culminated in a war chest of a substantial size, allowing us to accelerate the growth plans for our business and the commercialisation of our IDRS business.

A Word of Thanks

Notwithstanding the favourable prospects that lay ahead of us, we maintain cautiously optimistic and stay cognisant of any macroeconomic headwinds. Our exceptional people are the reason that we were able to remain resilient amidst the challenges that sailed our way in the past years. As such, on behalf of the Board, I would like to thank the management and staff for living by the Addvalue values and going the extra mile so that we may achieve our notable milestones in FY2018.

I would also like to take this opportunity to extend my appreciation to our customers, partners, and suppliers for their kind understanding and encouragement as we embark on our new endeavours. Last but not least, I am thankful to our patient Shareholders for your belief in us as illustrated by your overwhelming backings for the Rights Issue. With your firmed standing behind us, we are one step closer to making our collective dream come true, and I sincerely look forward to your continued support in FY2018 and beyond.

Dr Chan Kum Lok, Colin
Chairman & CEO



FINANCIAL REVIEW

Revenue

US\$10.8 million

▲ 9% from US\$9.9 million in FY2016

Gross Profit

US\$4.1 million

Against a gross profit margin of 37.6%

Turnover

The turnover of the Group improved by 9% or US\$0.9 million from US\$9.9 million in FY2016 to US\$10.8 million in FY2017, attributed principally to the supply of maritime terminals.

Profitability

Our Group registered a gross profit of US\$4.1 million against a gross profit margin of 37.6% in FY2017 compared to a gross profit of US\$3.4 million against a gross profit margin of 34.6% in FY2016. The improved performance was attributed chiefly to the sales of higher yielding terminals in FY2017 relative to FY2016.

The increase in other operating income in FY2017 relative to FY2016 was attributed mainly to an unrealised foreign exchange gain in respect of our S\$ borrowings brought about as a result of strengthened US\$ against S\$.

In line with our ongoing cost containment efforts, our selling and distribution expenses decreased by US\$217,000 or 23.8% from US\$913,000 in FY2016 to US\$696,000 in FY2017 with our administrative expenses maintained at about US\$2.6 million over the two financial years under consideration.

The decrease in our other operating expenses by US\$0.3 million or 10.7% from US\$3.2 million in FY2016 to US\$2.9 million in FY2017 was attributed mainly to the reversal of amortisation due to overprovision.

Our finance expenses in FY2017 relative to FY2016 decreased significantly by 61.9% mainly as a result of repayment of borrowings with proceeds from the rights issue of S\$12.3 million

raised in June 2016 (the "Rights Issue").

The tax expense of about US\$0.9 million recorded in FY2017 was attributed principally to the reversal of the deferred tax assets of certain subsidiary of the Group in view of the lower than previously projected future economic benefits expected to be generated by the commercial exploitation of products, applications and processes that are developed by the entity.

As a result of the above, our Group reversed its EBITDA from a negative US\$0.7 million in FY2016 to a positive US\$0.3 million in FY2017 while significantly narrowed its net loss by US\$1.3 million or 26.3% from US\$4.7 million in FY2016 to US\$3.4 million in FY2017.

Notwithstanding the loss incurred by the Group, the principal wholly-owned subsidiary of the Group, Addvalue Innovation Pte Ltd, remained profitable for FY2017. The loss of the Group for FY2017 was attributed mainly to the continued amortisation of the intangible assets of the Company's wholly-owned subsidiary, Addvalue Communications Pte Ltd ("AVC"), which, pursuant to its proposed disposal by the Company (as first announced by the Company on 25 March 2014 and periodically thereafter on its progress, the latest being on 30 May 2017) (the "Disposal"), had led the Group since March 2014 to stop actively pursuing new business activities for AVC while taking active steps to reduce the operations of AVC.

Financial Position

The decrease in plant and equipment was attributed mainly to depreciation.

FINANCIAL REVIEW



The increase in our intangible assets was attributed mainly to development expenditures as we continue to develop our proprietary products, including new spin-off products, during FY2017.

The decrease in inventories was attributed mainly to the deliveries of certain finished products while the decrease in trade receivables was due mainly to payments received from customers.

The higher amount due from customers for contract work as at 31 March 2017 relative to that as at 31 March 2016 was due mainly to further work done for certain contracts which had yet to be billed.

The decrease in other receivables, deposits and prepayments were due mainly to the release of a security deposit in settlement of an account payable in FY2017.

The decrease in our trade payables and other payables and accruals were mainly attributed to payments made in FY2017.

The decrease in borrowings was attributed to repayments made in FY2017.



The increase in share capital was attributed to the Rights Issue.

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) significantly reduced from 59.3% as at 31 March 2016 to 12.6% as at 31 March 2017;
2. the negative working capital position of the Group improved from US\$6.5 million as at 31 March 2016 to US\$0.4 million as at 31 March 2017 ;
3. the net cash flow of the Group used in operations increased from an inflow of US\$1.7 million in FY2016 to an outflow of US\$3.2 million in FY2017; and
4. the net asset value of the Group significantly improved by US\$5.3 million or 63.9% from US\$8.3 million as at 31 March 2016 to US\$13.6 million as at 31 March 2017, with the net asset value per ordinary share improved markedly from 0.70 US cents per share as at 31 March 2016 to 0.86 US cents per share as at 31 March 2017.



OPERATIONS REVIEW

20 December 2016

Following the successful launch of the VELOX-II satellite on 16 December 2015, Addvalue Innovation's Inter-Satellite Data Relay System (IDRS) terminal has completed one year of in-orbit testing with all primary objectives met. In other words, the radical IDRS terminal successfully communicated over Inmarsat's proven Broadband Global Area Network (BGAN) which operates exclusively from geostationary orbits, while aboard the VELOX-II satellite built under contract by the Satellite Research Centre of Nanyang Technological University. As this validates the technical capability of IDRS to provide high-capacity, on-demand, 24/7, two-way IP-based data services for low earth orbit (LEO) satellite missions, Addvalue and Inmarsat are on track to offer the IDRS to satellite operators.

19 April 2016

Addvalue Innovation entered into a three-year distribution contract with Zhongyou Century (Beijing) Communications Co. Ltd., a subsidiary of China National Postal and Telecommunications Appliance Corp. Pursuant to the contract, Addvalue will supply satellite communication terminals and provided related support services to the maritime vessels market, which is estimated to comprise more than 300,000 vessels, in China. The initial batch of order worth US\$4 million was progressively delivered between May 2016 and November 2016.

23 February 2017

Addvalue Innovation announced a joint-lab collaboration agreement with the Institute for Infocomm Research (I²R), a research institute under the Agency for Science, Technology and Research (A*STAR). Through this synergistic nexus, Addvalue and I²R will be able to collectively embark on technological projects of strategic importance. The collaboration will also enable Addvalue to better compete in the satellite communications industry and to tap onto new opportunities generated by the advent of the Internet of Things (IoT).

2 February 2017

Addvalue Innovation signed a Memorandum of Understanding (MoU) with Inmarsat, the leading provider of global mobile satellite communications to offer the revolutionary IDRS service in the LEO satellite market. Subscribers of this commercial service will be able to capitalise on the 24/7 real-time, on-demand communication links with their LEO satellites. By forging a commercial IDRS model on Inmarsat's already established BGAN, Addvalue can significantly reduce cost and time to market IDRS as well as receive exclusive airtime distribution rights. The full agreement is expected to be finalised in the near term.

15 December 2016

Addvalue Innovation launched the latest generation of its maritime communications system – Wideye iFleetONE, specifically developed for Inmarsat. With its compact design, integrated Wi-Fi, and resilience to harsh weather conditions, Wideye iFleetONE caters to the needs of small and mid-sized fishing and leisure vessels by making it easy to talk, text, and e-mail while out in the open sea with the ease of one's mobile devices. To commemorate the product launch, Addvalue sponsored a two-member crew team on their "Rowing from Home to Home" expedition – a human-powered voyage from Singapore to New Zealand using a rowing boat as its primary mode of transport.

2017

2016



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 over 30 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 over 30 years of experience in product development and project management in the field of telecommunications. In the past eighteen 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 organisational 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 and technology 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 LIM HAN BOON

Lead Independent Director

Mr Lim was appointed to the Board since the Initial Public offering of the Company in June 2000 and serves as an Independent Director. At present, he is the Chairman of our Audit and Nominating Committees and on 26 June 2014, he was appointed Lead Independent Director of the Company. With more than 20 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 Institute of Singapore Chartered Accountants 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. At present, he is the Chairman of our Remuneration Committee. 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 more than 40 years of experience in areas relating to the provision of audit assurance, accounting, tax consultancy, corporate secretarial and general management services, including more than 36 years as a Practising Accountant. Mr Ang is currently a director of R Chan & Associates PAC, Chartered Accountants of Singapore.

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 25 years of successful commercial experience in world class, high technology businesses, including more than 13 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.

In April 2012, Mr Butler was appointed into the Board of Director of Thuraya Telecommunications Company, to serve as one of its Independent Directors. Mr Butler also serves as Non-Executive Chairman of BSS Ltd, a global distributor of satellite communications services (since July 2015), a Non-Executive Director of Synectics PLC, a U.K. listed security & surveillance solutions provider (since February 2016) and Non-Executive Director of TPO PLC, a U.K. listed MVNO (since January 2017).



KEY MANAGEMENT

MR TAN JUAY HWA

Project Director

Mr Tan, one of the co-founders, has over 30 years of experience in communications design, proprietary software technology development for communications products and product development management. In 2016, with the view to reinforce the independence of the Board, Mr Tan has decided not to seek for re-election as Executive Director of the Company, but will remain as a Director of the Group's wholly-owned subsidiary, Addvalue Communications Pte Ltd and continue to hold a key management role heading the Group's IT department as well as the Project Management team. For the past 16 years, his primary focus was on project management and firmware development for satellite communication products.

Mr Tan holds a Diploma in Electronics from the Ngee Ann Polytechnic and a Master of Business Administration Degree from the Open University, United Kingdom.

MS CHOW CHOI FUN, JACKIE

Financial Controller

Ms Chow, joined the Group in 2010. She is responsible for the accounting, financial, secretarial and tax related matters of the Group. She is in the accounting profession for more than 25 years with more than 14 years working experience in Singapore listed companies. Prior to joining the Group, 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 Association of Chartered Certified Accountants and an Associate member of the Institute of Singapore Chartered Accountants.

DR LIM WEI MING

Vice President, Advanced Development

Dr Lim first joined the Group in 2005. From 2007 to 2010 he was with Institute of Information Research ("I2R") under Agency for Science Technology and Research ("A*STAR"), a Singapore government-owned organisation 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 13 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.

MR E.M.L. EKANAYAKE

Vice President, Product Management

Mr Ekanayake joined the Group in 1996 and specialises in electronics hardware design. He has more than 25 years of experience in the areas of analog and digital telephony-related product development, hardware design for satellite communication products, design and development of tracking, navigation and remote monitoring products using GPS, GPRS technologies and product management. 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

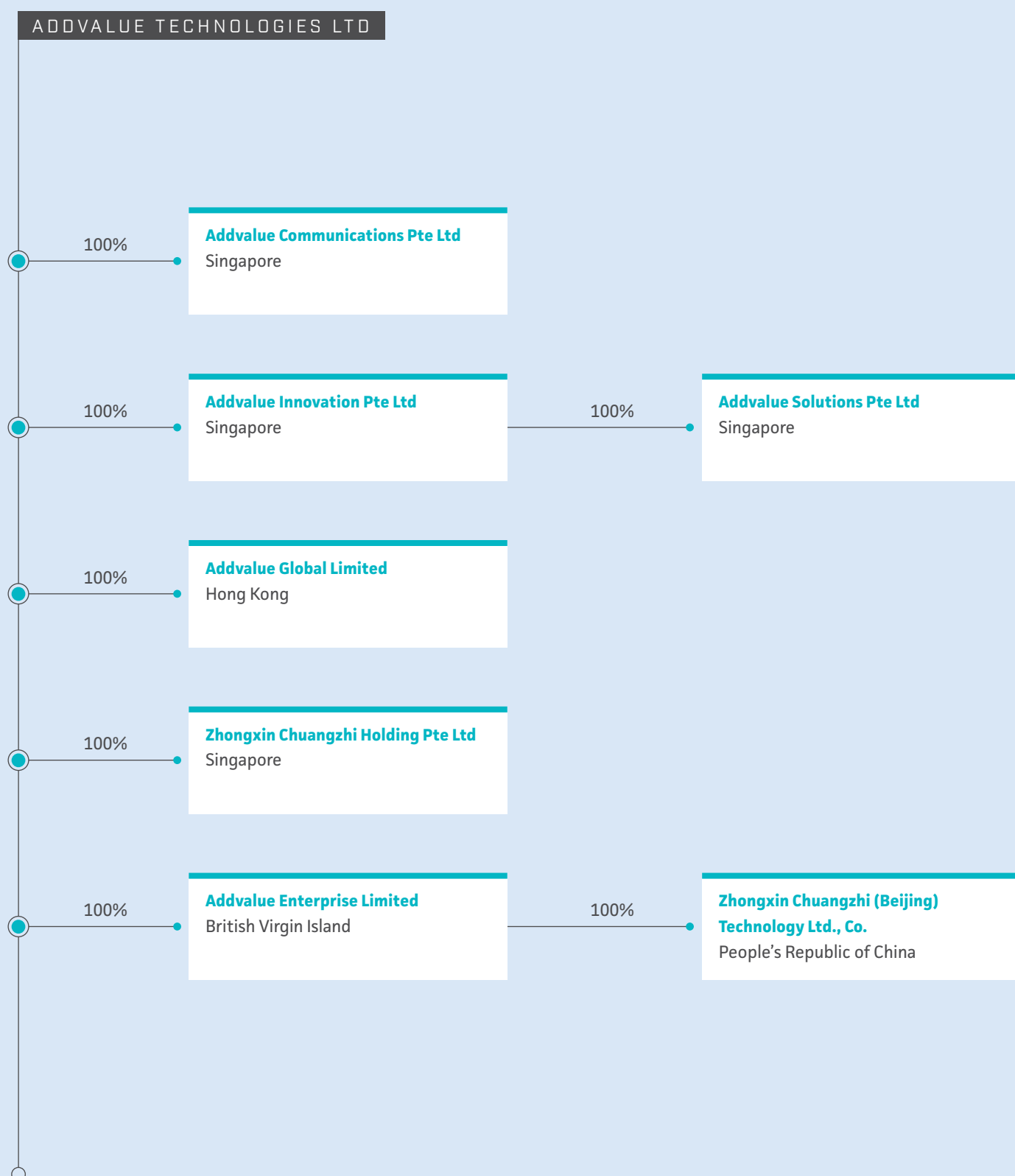
Vice President, Solutions Platform

Mr Kalaivanan joined the Group in 1996 and specialises 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 26 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.



GROUP STRUCTURE





CORPORATE INFORMATION

Board of Directors

Dr Chan Kum Lok, Colin

Chairman and Chief Executive Officer

Mr Tan Khai Pang

Executive Director

Mr Lim Han Boon

Lead 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

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Registrar

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Auditors

Mazars LLP

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#10-01 MYP Plaza,

Singapore 069536

Partner-in-charge: Dominique Tan

Date of Appointment: From FY2016

Company Registration Number

199603037H



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CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the “Board”) is committed to ensure that high standards of corporate governance and transparency are practiced for the protection of the interests of Shareholders. This statement outlines the Company’s corporate governance processes with specific reference to the Code of Corporate Governance 2012 (“Code”). In areas where the Company deviates from the Code, the rationale is provided. Rationale have been provided for deviations from Guideline 3.1, 9.1 and 13.1 to 13.4 of the Code.

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the management to achieve this outcome and the management remains accountable to the Board.

The Directors of the Company are:

| | |
|------------------------|--------------------------------------|
| Dr Chan Kum Lok, Colin | Chairman and Chief Executive Officer |
| Mr Tan Khai Pang | Executive Director |
| Mr Lim Han Boon | Lead Independent Director |
| Mr Ang Eng Lim | Independent Director |
| Mr Michael J Butler | Independent Director |

Guideline 1.1

Board’s Role, Duties and Responsibilities:

The Board is responsible for protecting and enhancing long-term Shareholders’ value. It provides directions and guidance to the overall management of the Company and its subsidiaries (the “Group”). The Board comprises two Executive Directors and three Independent Directors.

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
- Identify key stakeholder groups and recognise that their perceptions affect the Group’s reputation
- Set the Group’s values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met
- Consider sustainability issues as part of its strategy formulation

Guideline 1.2

Board’s Fiduciary Duties

All directors recognise and will objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the company.



CORPORATE GOVERNANCE REPORT

Guideline 1.3

Delegation of Authority to Board Committees

To facilitate effective management, certain roles have been delegated to various Board members by the establishment of an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). 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.

Guideline 1.4

Meetings of Board and Board Committees

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 Constitution. 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.

From 13 July 2016 being the date of the last Annual Report, to the date of this Annual Report, our Company convened four Board meetings, four AC meetings, one NC meeting and two RC meetings.

Besides formal meetings, Board members also met at informal meeting or via teleconferencing or emails to discuss specific issues related to the Company's development. While the Board considers Directors' attendance at Board meetings to be important, it does not consider that to be the only criterion to measure their contributions. Other than participating in these meetings, Board members also rendered guidance and advice on various matters relating to the Group and convened discussions when needed.

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

| Director | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-------------------------|-----------------------------|-----------------|----------------------|------------------------|
| Number of meetings held | 4 | 4 | 1 | 2 |
| Name of Directors | Number of meetings attended | | | |
| Dr Chan Kum Lok, Colin | 4 | 4 | 1 | 2 |
| Mr Tan Khai Pang | 4 | 4 | 1 | 2 |
| Mr Lim Han Boon | 4 | 4 | 1 | 2 |
| Mr Ang Eng Lim | 4 | 4 | 1 | 2 |
| Mr Michael J Butler | 4 | 4 | 1 | 2 |

Guideline 1.5

Internal Guidelines on Matters Requiring Board Approval

The Board has adopted internal guidelines governing matters reserved for the Board's approval, which include the following:

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

Board Committees, namely the AC, NC, and RC, have been constituted to assist the Board in the discharge of specific responsibilities. Please refer to Principles 4 to 5, 7 to 9, 11 and 12 herein for further information on the activities of the AC, NC and RC respectively.



CORPORATE GOVERNANCE REPORT

Guidelines 1.6 and 1.7

Orientation, briefings, updates and trainings provided for directors

No new Director was appointed to the Board during the financial year ended 31 March 2017 ("FY2017"). Newly appointed Directors will be given an orientation program to familiarise themselves with our Group's operation. The experience and competency of each Director contribute to the overall effective management of the Group. Incoming Directors joining the Board will be given briefing by the management, the Chief Executive Officer ("CEO") and, where appropriate, the Company's legal advisers, on their duties and obligations as Director, and on the Group's organisation structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. A new coming director will be issued a formal letter of appointment setting out his duties and obligations.

During the financial year reported on, the Directors had received updates on regulatory changes to the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the accounting standards and the Code. The Chairman updates the Board at each Board meeting on business and strategic developments and also highlights the salient issues as well as the risk management considerations for the Group. The Directors had also attended appropriate courses, conferences and seminars, including programmes run by the Singapore Institute of Directors.

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 and shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guidelines 2.1

Strong and Independent Element of the Board

The Board comprises five members, three of whom, namely Mr Lim Han Boon, Mr Ang Eng Lim and Mr Michael J Butler, are independent and non-executive.

Guideline 2.2

Composition of Independent Directors on the Board

Under Guideline 2.2 of the Code, the independent directors should make up half the Board where the Chairman is part of management team and is not an independent director. The Board currently has five members, of whom, three are Independent Directors. In accordance with Guideline 2.2, the Board currently has Independent Directors making up more than half the Board when both the Executive Chairman and CEO is the same person.

Guideline 2.3

Independence of Directors

The criterion for independence is based on the definition given in the Code. The Code has defined an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code.



CORPORATE GOVERNANCE REPORT

Guideline 2.4

Review of Independent Directors

The Board conducts a rigorous review of the independence of the Directors who have served beyond nine years. Such review includes critical examination of any conflicts of interest, as well as other factors such as the overseeing review and scrutiny performed by such Directors of matters and proposals put before the Board, and the effectiveness of their oversight role as check and balance on the acts of the Board and management of the Company and their role in enhancing and safeguarding the interest of the Group.

Presently, Mr Lim Han Boon and Mr Ang Eng Lim have served the Board as Independent Directors for more than nine years. Taking into account the views of the NC, the Board concurs the Independent Directors have over the years developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. On a yearly basis, based on the views of the NC and the assessment by the Board and having regard to Guideline 2.4 of the Code, the Board is of the view that although Mr Lim Han Boon and Mr Ang Eng Lim have served on the Board for more than nine years, their independence will not be compromised for the following reasons:

- (a) Mr Lim Han Boon and Mr Ang Eng Lim have demonstrated a high degree of independence from the management of the Group during their term as Independent Directors of the Company, in particular, as the chairman of their respective Committees; and
- (b) Mr Lim Han Boon and Mr Ang Eng Lim have shown significant commitment to the Group and have brought to the Board considerable financial expertise as Independent Directors of the Company.

Both Mr Lim Han Boon and Mr Ang Eng Lim have confirmed that they have no association with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment. After taking into account all these factors, the Board has determined that Mr Lim and Mr Ang are independent.

To maintain their independence, Mr Lim Han Boon and Mr Ang Eng Lim abstained from the NC's and the Board's deliberation with regard to their independence.

Guidelines 2.5 & 2.6

Composition and Competency of the Board

There are presently three Committees, namely the AC, NC and RC, 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 NC 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

Guideline 2.7

Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress and performance in implementing such agreed business strategies are monitored by the Non-Executive Directors.

Guideline 2.8

Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual represents a considerable concentration of power.

Guidelines 3.1 and 3.2

Chairman and CEO

Since the incorporation of the Company, the Company has not adopted a dual leadership structure, whereby there is a separate CEO and Chairman on Board.

As Chairman, Dr Colin Chan's responsibilities include:

- leading the Board in its role;
- scheduling of meetings (with assistance from the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda;
- reviewing most board papers before they are presented to the Board;
- ensuring effective communication with shareholders; and
- promoting corporate governance

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 between the leadership of the Board and the executives responsible for managing the business of the Group.

There are constant communications among Board members, and no Director represents a considerable concentration of power as any key decision will require the approval from all Directors prior to implementation.

Guidelines 3.3 and 3.4

Lead Independent Director

Mr Lim Han Boon is the Lead Independent Director. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns in which contact through the normal channels of the Executive Chairman and Executive Directors has failed to resolve or is inappropriate. In addition, more than half of the Board currently comprises Independent and Non-Executive Directors and the Chairman-cum-CEO of the Company is not a member of any Committee.



CORPORATE GOVERNANCE REPORT

The Independent Directors, led by the lead Independent Director may meet amongst themselves without the presence of the other Directors as and when necessary. The lead Independent Director will provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

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

Guideline 4.1

Nominating Committee

The NC was established in October 2002 and currently comprised the following members, the majority of whom, including the chairman, are independent and non-executive:

| | |
|---------------------|--|
| Mr Lim Han Boon | (Chairman/Independent and Non-Executive) |
| Mr Ang Eng Lim | (Member/Independent and Non-Executive) |
| Mr Michael J Butler | (Member/Independent and Non-Executive) |
| Mr Tan Khai Pang | (Member/Executive Director) |

The NC operates in accordance with its term of reference.

Guideline 4.2

NC Responsibilities

The role of the NC 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 NC is also charged with determining annually whether or not a Director is independent.

- Succession planning
The NC will review board succession plans for Directors, and will seek to refresh the Board membership in an orderly manner where it deems applicable. The NC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the Managing Director or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.
- Re-election of Directors
Article 104 of our Company's Constitution 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".

Mr Ang Eng Lim, who is retiring pursuant to Article 104 of the Constitution, will not be seeking re-election due to other personal commitments. Accordingly, Mr Ang Eng Lim will be retiring as an Independent Director of the Company at the forthcoming Annual General Meeting ("AGM"). Following his retirement, he will also cease to be a Chairman of the RC, a member of the NC and the AC.

Guideline 4.3

Determining Directors' Independence

Each Director completes a checklist to confirm his independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under guidelines 2.3 and 2.4.



CORPORATE GOVERNANCE REPORT

Guideline 4.4

Directors' multiple board representations

The NC considers and it is of the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. Accordingly, the NC leaves it to each Director to personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively.

Mr Lim Han Boon and Mr Ang Eng Lim have confirmed that they are able to devote sufficient time and attention to the affairs of the Group. They have both maintained good attendance records and actively participated at the Board and committee meetings of the Company. Further, Mr Lim does not have any full-time executive commitments in any companies and Mr Ang's experience as a Practising Accountant is valuable to the Board and the committees.

After making all reasonable enquiries and having considered the aforementioned, nothing has come to the attention of the NC (excluding Mr Lim Han Boon and Mr Ang Eng Lim) to cause them to doubt that both Mr Lim Han Boon and Mr Ang Eng Lim would not have the ability to commit sufficient time and attention to the affairs of the Group.

Guideline 4.5

Alternative Directors

There are currently no Alternative Directors on the Board.

Guideline 4.6

Process for the Selection and Appointment of New Directors

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

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

Where there is resignation or retirement of an existing Director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, whether the new Director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions. Candidates are sourced through a network of contacts and identified based on the established criteria. Search can be made through relevant institutions such as the SID, professional organisations or business federations or external search consultants. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board.

Guideline 4.7

Key information on Directors

Key information regarding the Directors and their appointments on the various Board Committees is presented under the profile of the Board of Directors in the annual report.



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.

Guideline 5.1

Conduct of Board Performance

The NC has established a formal evaluation process to assess the effectiveness of individual Directors and of the Board as a whole.

Each year, the Directors are requested to complete appraisal forms to assess the overall effectiveness of the Board and the Board Committees, as well as each individual Director's contributions to the Board and Board Committees.

Guideline 5.2

Performance Criteria for Board Evaluation

The appraisal focuses on the Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with the management and standard of conduct. The results of the appraisal exercise are considered by the NC, which then makes recommendations to the Board with the aim of helping the Board to discharge its duties more effectively.

Guideline 5.3

Evaluation of Individual Director

The overall assessment of individual Directors and of the Board as a whole was good for FY2017, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance, financially or otherwise. 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.

Guidelines 6.1 and 6.2

Board's Access to Information

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.

Guidelines 6.3

Board's Access to Company Secretary

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.

Guideline 6.4

Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary is subject to the approval of the Board.



CORPORATE GOVERNANCE REPORT

Guideline 6.5

Board's Access to Independent Professional Advice

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. Costs of such advice would be borne by the Company.

REMUNERATION MATTERS

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

Guidelines 7.1 and 7.2

Remuneration Committee

The RC was established in May 2000 and currently comprised the following members, majority of whom, including the chairman, are independent and non-executive:

| | |
|---------------------|--|
| Mr Ang Eng Lim | (Chairman/Independent and Non-Executive) |
| Mr Lim Han Boon | (Member/Independent and Non-Executive) |
| Mr Michael J Butler | (Member/Independent and Non-Executive) |
| Mr Tan Khai Pang | (Member/Executive Director) |

The RC carried out its duties in accordance with the terms of reference. The role of the RC 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 RC benefits and will continue to benefit from the inputs of Mr Tan Khai Pang, the Executive Director, in carrying out its functions effectively. Each RC member will abstain from voting on any resolution in respect of his own remuneration package.

Guideline 7.3

RC's Access to Advice on Remuneration Matters

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

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

The RC 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.

Guideline 7.4

Service Contract

Each of the Executive Directors and key management personnel has an employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on an ongoing basis and no onerous or over-generous removal clauses are contained in his letter of employment.

Principle 8: The level of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.



CORPORATE GOVERNANCE REPORT

Guideline 8.1

Remuneration of Executive Directors and Key Management Personnel

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 RC members recommend the remuneration packages of Key Executives for the approval by the Board.

Key management personnel are paid a fixed monthly salary and variable bonus based on a combination of the Group's performance, their operating unit performance and individual performance.

Guideline 8.2

Long-term Incentive Scheme

Currently, the Company has no long term incentive scheme. The RC has reviewed and is satisfied that the existing remuneration structure for Executive Directors and key management personnel for their fixed and variable components to be paid out in cash would continue to be adequate in incentivising performance without being over-excessive.

Guideline 8.3

Remuneration of Non-Executive Directors

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 AGM.

Guideline 8.4

Contractual Provision

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel.



CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

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. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guidelines 9.1, 9.2 and 9.3 Remuneration Report

Details of the remuneration paid or proposed to be paid to the Directors of our Company for the FY2017 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 | – | 89 | 11 |
| | Mr Tan Khai Pang | – | 87 | 13 |
| | Mr Lim Han Boon | 100 | – | – |
| | Mr Ang Eng Lim | 100 | – | – |
| | Mr Michael J Butler | 100 | – | – |

* The fixed salary amounts include salary, annual wage supplements and Central Provident Fund contribution while the benefits include variable bonuses which are linked to individual performances and other allowances.

The Board considered the disclosure of Directors' remuneration in bands of S\$250,000 as adequate due to reasons of industry competitiveness, confidentiality and sensitivity of remuneration matters. The two Executive Directors are non-substantial shareholders of the Company and are employees of the Group like any of the other key management personnel who are not directors and whose remuneration are disclosed in bands of S\$250,000. The Board is of view that they should not be disadvantaged, as comparable to the other key management personnel, just merely because they are Directors.

Top 5 Management Personnel (who are not Directors)

Details of the remuneration paid to the key management personnel (who are not Directors, except for Mr. Tan Juay Hwa, who has resigned as Executive Director of the Company on 28 July 2016, and his remuneration for FY2017 is included here. Mr Tan remains as a Director under Addvalue Communications Pte Ltd, a wholly-owned subsidiary of the Group) for FY2017 are set out below:

| Remuneration Bands | Name of key Executive | Designation | Fixed Salary* (%) | Benefits (%) |
|------------------------|--------------------------|--------------------------------------|-------------------|--------------|
| \$250,000 to \$499,999 | Nil | | | |
| Below \$250,000 | Mr Tan Juay Hwa | Project Director | 88 | 12 |
| | Ms Chow Choi Fun, Jackie | Financial Controller | 99 | 1 |
| | Mr EML Ekanayake | Vice President, Product Management | 94 | 6 |
| | Mr K Kalaivanan | Vice President, Solutions Platform | 97 | 3 |
| | Dr Lim Wei Ming | Vice President, Advanced Development | 96 | 4 |

* The fixed salary amounts include salary, annual wage supplements and Central Provident Fund contribution while the benefits include variable bonuses which is linked to individual performances and other allowances.



CORPORATE GOVERNANCE REPORT

The present key management team of the Group, who are not Directors of the Company, comprised five personnel as disclosed above. The total remuneration paid to the five of them for FY2017 aggregated to US\$435,291.

There are no termination, retirement, and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel.

Guideline 9.4

Immediate Family Member of Directors or the CEO

During FY2017 and as at the date of this Annual Report, none of the employees of the Group are family members of the Directors or CEO.

Guideline 9.5

Share Incentive Scheme

The Group currently does not have any new share option scheme or other share incentive schemes for its employees.

Guideline 9.6

Link between Remuneration and Performance

The disclosures in Guidelines 8.1 and 8.3 set out the link between remuneration and performance for Executive Directors, key management personnel and Non-Executive Directors.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1

Accountability for Company's Performance, position and Prospects

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 Listing Manual of the SGX-ST. Price sensitive information is publicly announced before it is communicated to any other interested person.

Guideline 10.2

Compliance with Legislative and Regulatory Requirements

The Board is accountable to the Shareholders and is mindful of its obligations to ensure compliance with the Listing Rules of the SGX-ST. The Directors have each respectively signed the undertaking in the form set out in Appendix 7.7 of the Listing Manual of the SGX-ST to undertake to use their best endeavours to comply with the Listing Rules of the SGX-ST and to procure that the Company shall so comply as well. The Directors have also procured a similar undertaking by the Financial Controller in her capacity as an Executive Officer.

Guideline 10.3

Management Accounts

Management of the Company provides the Board with balanced and understandable accounts of the Group's performance, financial position and business prospects on a regular basis. They also specify major issues that are relevant to the Group's performance.



CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines 11.1 and 11.2

Risk Management and Internal Controls

The Board is responsible for ensuring that management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets.

The AC has reviewed the adequacy and effectiveness of the Group's internal control system in the light of key business and financial risks affecting its business.

The main risks arising from the Group's business and financial instruments are operational and financial risks. Operational risk is inherent in all business activities. To minimise such risk, the Group has put in place an Enterprise Risk Management Programme ("ERM"). The purpose of this programme was to actively engage senior management on a "hands-on" and proactive approach in managing and supervising the Group's business, with focus on operational and compliance risks. Where necessary, the Group engages external consultants and experts to assist in this area.

Guideline 11.3

Board's Comment on Adequacy and Effectiveness of Internal Controls

For FY2017, the Board has received assurance from the CEO and Financial Controller in the execution of their respective duties as CEO and Financial Controller and to the best of their knowledge and belief that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal controls system.

Pursuant to Rule 1207 (10) of the Listing Manual of the SGX-ST, based on above arrangement, the work performed by the external auditors, the assurances from the CEO and Financial Controller, the internal audit functions performed by finance and compliance department, the reviews performed by the management, the various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including operation, financial, compliance, information technology controls and risk management system, were adequate and effective as at the date of this Annual Report.

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

Guideline 11.4

Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.



CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guideline 12.1

AC Membership & Composition

The AC was established in May 2000 and currently comprised the following members, majority of whom, including the chairman, are independent and non-executive:

| | |
|---------------------|--|
| Mr Lim Han Boon | (Chairman/Independent and Non-Executive) |
| Mr Ang Eng Lim | (Member/Independent and Non-Executive) |
| Mr Michael J Butler | (Member/Independent and Non-Executive) |
| Mr Tan Khai Pang | (Member/Executive) |

Guideline 12.2

Expertise of AC Members

The Chairman of the AC, Mr Lim Han Boon, is a fellow member of the Institute of Singapore Chartered Accounts. The other AC 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 AC functions effectively.

The Independent and Non-Executive Directors believe that the AC 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.

Guidelines 12.3 and 12.4

Roles, Responsibilities and Authorities of AC

The AC 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 SGX-ST. In performing those functions, the AC 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 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 for approval;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- oversees the administration of the framework for whistleblowing.

The AC has full access to management and is given the resources required for it to discharge its functions. The AC has authority to investigate any matter within its terms of reference, and discretion to invite any director or executive officer to attend its meetings.

The AC also reviewed the key audit matters ("KAM") set out in the auditor's report for FY2017 and wishes to provide its perspective on the KAM.

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in engaging Mazars 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.



CORPORATE GOVERNANCE REPORT

With Central & Co appointed as the external auditors of the Company's Hong Kong-incorporated subsidiary, and Beijing An Zheng CPA Co., Ltd as the external auditors of the Company's People's Republic of China-incorporated subsidiary, the Board and the AC are satisfied that the appointment of different auditors would not compromise the standard and the effectiveness of the audit of the Group and that Rule 716 of the Listing Manual of the SGX-ST has been complied with.

Guideline 12.5

Meeting with External and Internal Auditors without Presence of Management

During the year, the Company's internal and external auditors were invited to attend the AC meetings and make presentations as appropriate.

Guideline 12.6

Independence of External Auditors

The AC 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. During the year, there were no fees paid to the external auditors of the Company for non-audit services. Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC recommended to the Board that Mazars LLP be nominated for the re-appointment as external auditor of the Group's companies in Singapore at the forthcoming AGM at remuneration to be re-negotiated.

Guideline 12.7

Whistle-blowing Policy

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.

Guidelines 12.8

AC to Keep Abreast of Changes to Accounting Standards

All the AC members are kept up to date with changes in accounting standards and issues through updates from the external auditors. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's functions.

Guideline 12.9

Partners or Directors of the Company's Auditing Firm

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the AC.

Internal Audit

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

Guidelines 13.1 and 13.2

Internal Auditors

In view of the needs to comply with the Group's established procedures, manuals and policies, including those required by the Group's ISO 9001 certification and Business Continuity Plan certification, and from the perspective of cost effectiveness coupled with the AC's view 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.



CORPORATE GOVERNANCE REPORT

Guidelines 13.3, 13.4 and 13.5

Internal Audit Function

The Group's finance and compliance department reviews the internal controls and compliance systems of the Group under the Internal Audit Charter and Audit Plans approved by the AC, and report findings and make recommendation to the management and the AC. To ensure the adequacy and the effectiveness of the Group's in-house internal audit functions, the AC meets annually to review these functions.

The AC 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 AC is generally satisfied with the adequacy of the current arrangement and will continue to assess its effectiveness regularly.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines 14.1

Sufficient Information to Shareholders

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 strives to ensure that timely disclosure is made regarding all material business matters affecting the Group so as to maintain a high level of transparency. All announcements by the Company are made through SGXNET.

Guideline 14.2

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Every shareholder has the right to receive notice of general meetings and to vote thereat. Notice of a general meeting is sent out at least 14 days before the meeting so that sufficient notice of meeting is given to shareholders to attend the meeting or appoint proxies to attend and vote in their stead.

At the annual general meeting, shareholders are given the opportunities to express their views and ask the Board and Management questions regarding the operations of the Company. All resolutions at general meetings are required to be voted by poll under the Listing Rules of the SGX-ST. Shareholders will be briefed by the Company on the poll voting procedures at general meetings. The Directors, including the chairpersons of each of the Board Committees are available at the meetings to address shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Guideline 14.3

Proxies for Nominee Companies

The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.



CORPORATE GOVERNANCE REPORT

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guideline 15.1 to 15.4

Timely information to and engagement with shareholders

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.

The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

Guideline 15.3 and 15.4

Engagement with shareholders

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.

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. The Group supports and encourages active shareholders participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the Annual Reports or Circulars sent to all Shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company website.

Guideline 15.5

Dividends

The Group currently does not have a formal dividend policy as it needs to conserve its financial resources for expansion or making inroads into newly cultivated markets.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1

Effective Shareholders' Participation

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by shareholders.

Voting in absentia by remote means which are currently not permitted until legislative changes are effected to recognise remote voting. However the Company's constitution allows for appointment of proxies which allows a member to vote in absentia through his proxy.

Guideline 16.2

Separate Resolutions at General Meetings

The Company will have separate resolutions at general meetings on each distinct issue. The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Singapore Companies Act, Cap. 50 allows relevant intermediaries which include CPF or agent banks nominees, to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF or agent banks' proxies.



CORPORATE GOVERNANCE REPORT

Guideline 16.3

Attendance of Chairman of the Board and Board Committees at General Meetings

The Directors, including the chairpersons of each of the Board Committees are available at the meetings to address shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Guideline 16.4

Minutes of General Meetings

The minutes of the general meetings are taken and are available to shareholders on request.

Guideline 16.5

Results of resolutions by poll

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by Shareholders.

INTERESTED PERSON TRANSACTION

The 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 AC. The Company does not have any general mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST. There were no interested person transactions for FY2017.

Disclosure of interested person transactions is set out as follows:

| Name of Interested Person | Aggregate value of all interested person transactions conducted (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | |
|----------------------------------|---|-----|
| | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) | |
| Nil | Nil | Nil |

SECURITIES TRANSACTIONS

The Company has adopted a policy prohibiting dealings in the Company's shares by the Company, Directors and employees of the Group 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. The Company, 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.



CORPORATE GOVERNANCE REPORT

USE OF THE PROCEEDS FROM SHARE PLACEMENT PURSUANT TO RULE 1207 (20)

Pursuant to the Company's announcements on 12 April 2017, 8 May 2017 and 15 May 2017, the Company has successfully completed the placement of 103,800,000 new ordinary shares (" Placement Shares") on 15 May 2017 at a placement price of S\$0.039 per Placement Share for a net proceeds of approximately S\$3.8 million (US\$2.8 million).

As at the date of this report, about US\$1.96 million of the net proceeds raised from the Share Placement had been utilised as follows:

| Used of Share Placement proceeds: | US\$'000 | Percentage utilised over allocated (%) |
|--|----------|--|
| Capability development program for space | 880 | 53.6 |
| General working capital purposes: | | |
| - Payments to suppliers for materials and services | 710 | 100 |
| - Payment of administrative expenses, including payroll and other services | 370 | 100 |
| Total amount utilised | 1,960 | 71.2 |

USE OF THE PROCEEDS FROM CONVERTIBLE LOAN NOTES PURSUANT TO RULE 1207 (20)

Pursuant to the Company's announcements on 29 April 2017, 31 May 2017, 2 June 2017 and 5 June 2017, the Company has successfully completed the issue of convertible loan notes in the aggregate principal amount of approximately S\$7.1 million (US\$5.1 million) convertible into 128,500,000 new ordinary shares at a conversion price of S\$0.055 per Conversion share, with a net proceeds of approximately S\$6.7 million (US\$4.8 million).

As at the date of this report, US\$583,000 of net proceeds of US\$4.8 million (S\$6.7 million) raised from the Convertible Loan Notes had been utilised as follows:

| Used of Convertible Loan Notes proceeds: | US\$'000 | Percentage utilised over allocated (%) |
|--|----------|--|
| Capability development program for space | 138 | 5.2 |
| General working capital purposes: | | |
| - Payments to suppliers for materials and services | 307 | 14.3 |
| - Payment of administrative expenses, including payroll and other services | 138 | 6.4 |
| Total amount utilised | 583 | 12.2 |

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board confirms that for FY2017, the Company has complied materially with the principal corporate governance recommendations set out in the Code.



DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Addvalue Technologies Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2017 and the statement of financial position of the Company as at 31 March 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended in accordance with the provisions of Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Executive directors

Dr Chan Kum Lok, Colin
Mr Tan Khai Pang

Independent non-executive directors

Mr Lim Han Boon
Mr Ang Eng Lim
Mr Michael J Butler

In accordance with Article 104 of the Constitution of the Company, Mr Ang Eng Lim will retire and are eligible for re-election. Mr Ang Eng Lim retires and has given notice to the Company that he is not seeking re-election.

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects 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, except as disclosed in paragraphs 4 and 5 below.



DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as disclosed below:

| | Direct interests | | |
|-------------------------------|------------------|------------------|------------------|
| | At 1 April 2016 | At 31 March 2017 | At 21 April 2017 |
| <u>The Company</u> | | | |
| <u>Ordinary shares</u> | | | |
| Dr Chan Kum Lok, Colin | 39,190,960 | 39,190,960 | 39,190,960 |
| Mr Tan Khai Pang | 51,675,360 | 48,900,360 | 48,900,360 |
| Mr Lim Han Boon | 19,990,560 | 26,654,080 | 26,654,080 |
| Mr Ang Eng Lim | 3,100,640 | 4,134,186 | 4,134,186 |
| Mr Michael J Butler | 2,000,000 | 2,666,666 | 2,666,666 |

5. SHARE OPTIONS

There were no options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. AUDIT COMMITTEE

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

| | |
|---------------------|------------|
| Mr Lim Han Boon | (Chairman) |
| Mr Ang Eng Lim | (Member) |
| Mr Tan Khai Pang | (Member) |
| Mr Michael J Butler | (Member) |

The Audit Committee has convened four meetings during the financial year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Audit Committee:

- reviews the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
- reviews the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;



DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONT'D)

- reviews the Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
- reviews the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
- reviews the adequacy of the Group's risk management processes;
- reviews the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- reviews any interested person transactions in accordance with Singapore Exchange Securities Trading Limited's Listing Manual;
- makes recommendation to the Board on the nomination of external auditors and approval of their compensation; and
- reviews the submission of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7. AUDITORS

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the board of directors

Dr Chan Kum Lok, Colin
Director

Mr Tan Khai Pang
Director

Singapore
30 June 2017



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Addvalue Technologies Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 March 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set on page 47 to 110.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Overview

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

For the audit of the current financial year's financial statements, we performed full scope audit of 4 components as appointed statutory auditors. We identified 4 significant components which required a full scope audit of their financial information, either because of their size or their risk characteristics, providing 100% coverage of the Group's revenue, 100% coverage of the Group's loss before tax and 92% of the Group's total assets. Out of the 4 significant components, 1 was audited by component auditors under our instructions and the remaining 3 are audited by us. For non-significant components that were not audited by us, we performed limited review.





INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Overview (Continued)

We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole which include but are not limited to the following:

- Issuance of a set of comprehensive group audit instructions to the component auditors to inform them about salient audit matters such as the component materiality thresholds, risks of material misstatements identified at the Group level, specific audit procedures, reporting deliverables and the necessity of timely communication to us of matters that could have a material impact on the Group's operations and financials;
- Review of the audit plans of significant components prepared by the component auditors and where deemed necessary, dictated additional audit procedures to be performed by them;
- Site-visit review of audit working files prepared by component auditors relating to the Group's significant components;
- Holding of teleconferences with the component auditors, as and when deemed necessary during the course of audit, to discuss about matters, including the audit approach and any other significant matters;
- Holding of closing meetings with the finance team of the significant components, and the corresponding component auditors to resolve issues and matters; and
- Provision of regular updates to the Group's management about the progress of the Group audit and, as and when deemed necessary, any significant accounting and audit issues we encountered during the course of the Group audit such that these issues can be resolved on a timely basis to facilitate the progress of the audit.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors. We will elaborate on the salient areas in the key audit matters below.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

| Matter | Audit response |
|---|--|
| <p>Impairment of development expenditure</p> <p><i>Refer to Note 3.2 for the relevant key sources of estimation uncertainty and Note 16 (Intangible Assets) for the disclosures relating to the impairment assessment.</i></p> <p>The Group develops and manufactures a range of terminals operating on major satellite networks for land, maritime, aeronautical applications and space resilient technologies. As at 31 March 2017, the carrying value of development expenditure amounted to US\$12,769,243, which represented 64% of the Group's total assets, out of which, development expenditure of US\$7,042,709 is not yet available for use.</p> <p>In accordance with FRS 36 <i>Impairment of Assets</i>, an entity assesses at the end of each reporting period whether there is any indication of the development expenditure may be impaired. If any such indication exists, the management shall estimate the recoverable amount of the asset. Due to the slowdown in maritime business, the Group incurred net losses of US\$3,464,304 which indicates possible impairment of development expenditure.</p> <p>Irrespective of whether there is any indication of impairment, an entity shall also test an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.</p> <p>For the purpose of impairment assessment, development expenditure has been allocated to the Group's cash-generating units ("CGUs") as follows:</p> <ul style="list-style-type: none">• Small vessels unit;• Merchant and commercial vessels unit;• Land products market unit; and• Space resilient technologies. <p>Management assessed discounted cash flow derived from the most recent financial budgets approved by management and estimated the probable future economic benefits from identified CGUs that are expected to be generated by the intangible assets developed by the Group.</p> <p>The estimate of the recoverable amounts of the CGUs in which intangible assets attributable to, are determined based on value in use calculations. Discounted cash flow projections used in the calculation are based on financial budgets, terminal value, discount rate and growth rate in revenue and cost of sales, which the judgements and estimates are subject to risk due to subjectivity of management's assumptions used.</p> | <p>We have performed the following:</p> <ul style="list-style-type: none">• Assessed the appropriateness of the valuation methodology used;• Assessed the reasonableness of key assumptions used by management based on our knowledge of the business;• Performed sensitivity analyses on the key assumptions where we adjusted the discount rates, sales forecast, and growth rates in revenue and cost of sales for those key assumptions that are most sensitive to the valuation models; and• Tested source data to supporting evidence on a sample basis, such as historical performance, management's expectations of market developments, approved budgets and considered the reasonableness of these budgets. <p>We also considered the appropriateness of the disclosures in respect of value in use calculations presented in the financial statements.</p> |



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

| Matter | Audit response |
|--|--|
| Deferred tax assets <i>Refer to Note 3.2 for the relevant key sources of estimation uncertainty and Note 17 for the disclosures relating to the deferred tax assets.</i> In accordance FRS 12 <i>Income Taxes</i> , an entity shall assess at the end of each reporting period whether there is any probable taxable profits will be available against which the deferred tax asset can be utilised. If there is no such probable taxable profits exists, the management shall estimate the recognition of deferred tax asset only to the extent that sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available. The Group has recognised deferred tax assets amounting to US\$262,504 which were calculated from unutilised tax losses by considering the probability of future taxable profits determined by management in the profit forecast, whether they will have sufficient for the utilisation of unutilised tax losses. Forecast on future taxable profits used in the calculation to determine the probability that deferred tax assets will be recovered based on management's expectation of taxable profit in future years are subject to risk due to subjectivity of management's assumptions used. | We have performed the following procedures: <ul style="list-style-type: none">• Assessed the reasonableness of key assumptions used by management in forecasting of future taxable profits of the Group by comparing with the internal and external sources of information; and• Assessed the reasonableness of the forecast of future taxable profits by comparing the past forecast to the actual operating results and the business plans. We also considered the appropriateness of the disclosures in respect of deferred tax assets presented in the financial statements. |



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

| Matter | Audit response |
|--|--|
| Going concern <i>Refer to Note 2.1 for the summary of the significant accounting policies for disclosures relating to the going concern.</i> | |
| <p>During the financial year ended 31 March 2017, the Group incurred net losses of US\$3,464,304, reported net current liabilities of US\$471,702 and net operating cash outflow of US\$3,158,476. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.</p> <p>Management assessed that there is no material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern. Subsequent to reporting date, the Company successfully raised an aggregate of approximately S\$11.1 million (US\$8.0 million) from fund raising exercises. A fund raising exercise on 15 May 2017 was concluded through the allotment and issuance of 103,800,000 new ordinary shares of the Company (the "Placement Shares" and each, a "Placement Share") in the capital of the Company at a placement price of S\$0.039 per Placement Share for approximately S\$4.0 million (US\$2.9 million). On 2 and 5 June 2017, the Company successfully issued convertible loan notes in the aggregate principal amount of approximately S\$7.1 million (US\$5.1 million) convertible into 128,500,000 new ordinary shares in the capital of the Company (the "Conversion Shares" and each, a "Conversion Share") at the conversion price of S\$0.055 per Conversion Share. The fund raising exercises are sufficient to support the Group's continuing operations, based on the discounted cash flow projections prepared by management.</p> <p>Cash flow forecast used in the calculation is based on financial budgets covering the next 12 months period, which the judgements and estimates are subject to risk due to subjectivity of management's assumption used.</p> | <p>We have performed the following procedures:</p> <ul style="list-style-type: none">• Performed analyses on the key assumptions used by management in cash flow forecast covering the next 12 months period, where we reviewed the reasonableness of cash flow forecasts, past performance and future plans associated with the operations; and• Checked to the subsequent incoming funds obtain from investors to the supporting documents to determine the funds that sufficient to support the Group's continuing operations. <p>We also considered the appropriateness of the disclosures in respect of going concern presented in the financial statements.</p> |

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Other information (Continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRs, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chin Soon, Dominique.

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore
30 June 2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year Ended 31 March 2017

| | Note | 2017 US\$ | 2016 US\$ |
|---|------|--------------|--------------|
| Revenue | 4 | 10,839,850 | 9,943,649 |
| Cost of sales | | (6,760,788) | (6,504,448) |
| Gross profit | | 4,079,062 | 3,439,201 |
| Other operating income | 5 | 239,422 | 143,079 |
| Selling and distribution expenses | | (695,749) | (913,175) |
| Administrative expenses | | (2,626,561) | (2,578,796) |
| Other operating expenses | 6 | (2,900,151) | (3,247,442) |
| Finance expenses | 7 | (598,832) | (1,573,358) |
| Loss before income tax | 8 | (2,502,809) | (4,730,491) |
| Income tax (expense)/credit | 9 | (961,495) | 21,152 |
| Loss for the year | | (3,464,304) | (4,709,339) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences arising from translation of foreign operations | | (4,648) | (6,256) |
| Other comprehensive loss for the year, net of tax | | (4,648) | (6,256) |
| Total comprehensive loss for the year, net of tax | | (3,468,952) | (4,715,595) |
| Loss per share attributable to equity holders of the Company (cents) | | | |
| Basic and diluted | 10 | (0.23) | (0.40) |

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



STATEMENTS OF FINANCIAL POSITION

for the Financial Year Ended 31 March 2017

| | | Group | | Company | |
|--|------|--------------|--------------|--------------|--------------|
| | Note | 2017 | 2016 | 2017 | 2016 |
| | | US\$ | US\$ | US\$ | US\$ |
| | | | | | |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Plant and equipment | 12 | 793,391 | 939,073 | – | – |
| Subsidiaries | 13 | – | – | 16,338,005 | 5,228,105 |
| Associate | 14 | – | – | – | – |
| Other equity investments | 15 | – | – | – | – |
| Intangible assets | 16 | 13,245,816 | 12,606,990 | – | – |
| Deferred tax assets | 17 | 262,504 | 1,208,381 | – | – |
| | | 14,301,711 | 14,754,444 | 16,338,005 | 5,228,105 |
| Current assets | | | | | |
| Inventories | 18 | 2,859,197 | 3,702,962 | – | – |
| Amounts due from customers for contract work | 19 | 221,385 | 66,213 | – | – |
| Trade receivables | 20 | 1,600,085 | 2,136,910 | – | – |
| Other receivables, deposits and prepayments | 21 | 644,192 | 1,087,636 | 43,641 | 539,320 |
| Available-for-sale financial assets | 22 | 2,135 | 2,135 | 2,135 | 2,135 |
| Due from subsidiaries (non-trade) | 23 | – | – | – | 747,311 |
| Fixed deposit | | 39,655 | 39,655 | – | – |
| Cash and bank balances | | 214,659 | 425,533 | 1,604 | 1,314 |
| | | 5,581,308 | 7,461,044 | 47,380 | 1,290,080 |
| TOTAL ASSETS | | 19,883,019 | 22,215,488 | 16,385,385 | 6,518,185 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade payables (third parties) | | 1,847,182 | 3,749,505 | – | – |
| Other payables and accruals | 24 | 2,031,752 | 4,196,737 | 881,535 | 1,873,847 |
| Provisions | 25 | 269,801 | 250,065 | 116,159 | 127,940 |
| Borrowings | 26 | 1,555,349 | 4,852,587 | 1,037,910 | 1,109,100 |
| Advances received from customers | | 299,989 | 829,765 | – | – |
| Deferred income | 29 | 48,937 | 40,585 | – | – |
| Due to subsidiaries (non-trade) | 23 | – | – | 80,782 | – |
| | | 6,053,010 | 13,919,244 | 2,116,386 | 3,110,887 |
| Non-current liability | | | | | |
| Borrowings | 26 | 171,156 | 40,666 | – | – |
| TOTAL LIABILITIES | | 6,224,166 | 13,959,910 | 2,116,386 | 3,110,887 |
| NET ASSETS | | 13,658,853 | 8,255,578 | 14,268,999 | 3,407,298 |
| EQUITY | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | 30 | 66,752,824 | 57,880,597 | 66,752,824 | 57,880,597 |
| Capital reserve | 31 | 746,882 | 746,882 | – | – |
| Statutory reserve | 32 | 7,813 | 7,813 | – | – |
| Foreign currency translation reserve | 33 | (10,883) | (6,235) | – | – |
| Accumulated losses | | (53,837,783) | (50,373,479) | (52,483,825) | (54,473,299) |
| TOTAL EQUITY | | 13,658,853 | 8,255,578 | 14,268,999 | 3,407,298 |

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 March 2017

| | Share capital | Capital reserve | Statutory reserve | Foreign currency translation reserve | Accumulated losses | Total equity |
|--|---------------|-----------------|-------------------|--------------------------------------|--------------------|--------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Balance as at 1 April 2015 | 57,880,597 | 746,882 | 10,423 | 21 | (45,664,140) | 12,973,783 |
| Loss for the year | - | - | - | - | (4,709,339) | (4,709,339) |
| Other comprehensive loss, net of tax | - | - | - | (6,256) | - | (6,256) |
| Total comprehensive loss for the year | - | - | - | (6,256) | (4,709,339) | (4,715,595) |
| Contribution by and distribution to owners | | | | | | |
| Appropriation to statutory reserve, representing total contribution by and distribution to owners | - | - | (2,610) | - | - | (2,610) |
| Balance as at 31 March 2016 | 57,880,597 | 746,882 | 7,813 | (6,235) | (50,373,479) | 8,255,578 |
| Loss for the year | - | - | - | - | (3,464,304) | (3,464,304) |
| Other comprehensive loss, net of tax | - | - | - | (4,648) | - | (4,648) |
| Total comprehensive loss for the year | - | - | - | (4,648) | (3,464,304) | (3,468,952) |
| Contribution by and distribution to owners | | | | | | |
| Issuance of new share, pursuant to Rights Issue, representing total contribution by and distribution to owners | 8,872,227 | - | - | - | - | 8,872,227 |
| Balance as at 31 March 2017 | 66,752,824 | 746,882 | 7,813 | (10,883) | (53,837,783) | 13,658,853 |

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



CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 March 2017

| | Note | 2017 US\$ | 2016 US\$ |
|--|------|--------------|--------------|
| Cash flows from operating activities | | | |
| Loss before income tax | | (2,502,809) | (4,730,491) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 16 | 968,663 | 2,017,894 |
| Amortisation of deferred income | 29 | (55,745) | (40,330) |
| Depreciation of plant and equipment | 12 | 359,252 | 363,106 |
| Interest expense | 7 | 343,822 | 702,785 |
| Interest income | 5 | (401) | (751) |
| Impairment loss on development expenditure | 16 | 878,534 | – |
| Inventories written off | 18 | 230,495 | 72,382 |
| Loss on disposal of plant and equipment | | 39 | – |
| Provisions/(Provisions utilisation) | 25 | 19,736 | (155,245) |
| Unrealised foreign exchange (gain)/loss | | (453) | 96,366 |
| Operating profit/(loss) before working capital changes | | 241,133 | (1,674,284) |
| Inventories | | 613,270 | (259,566) |
| Amounts due from customers for contract work | | (155,172) | 61,334 |
| Trade and other receivables | | 980,269 | 1,094,782 |
| Advances received from customers | | (529,776) | 618,988 |
| Trade and other payables | | (4,292,596) | 1,922,963 |
| Cash (used in)/generated from operations | | (3,142,872) | 1,764,217 |
| Interest income received | | 401 | 751 |
| Income tax paid | | (16,005) | (21,778) |
| Net cash (used in)/generated from operating activities | | (3,158,476) | 1,743,190 |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | A | (213,609) | (179,856) |
| Additions in intangible assets | B | (2,693,921) | (3,209,181) |
| Proceeds from government grants | C | 271,995 | 1,358,811 |
| Net cash used in investing activities | | (2,635,535) | (2,030,226) |
| Cash flows from financing activities | | | |
| Net proceeds from Rights Issue | 30 | 8,872,227 | – |
| Proceeds from borrowings | | 3,005,956 | 2,071,891 |
| Repayment of borrowings | | (5,949,411) | (1,103,023) |
| Reduction in fixed deposits | | – | 3,735 |
| Interest paid | | (247,612) | (581,245) |
| (Repayment to)/Advances from a shareholder | | (98,023) | 28,710 |
| Net cash generated from financing activities | | 5,583,137 | 420,068 |
| Net (decrease)/increase in cash and cash equivalents | | (210,874) | 133,032 |
| Cash and bank balances at beginning of financial year | | 425,533 | 292,501 |
| Cash and bank balances at end of financial year | D | 214,659 | 425,533 |

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



CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 March 2017

Note A

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

| | 2017 US\$ | 2016 US\$ |
|---|--------------|--------------|
| Plant and equipment purchased during the financial year (Note 12) | 213,609 | 255,725 |
| Less: Financed by finance lease obligations | – | (75,869) |
| Cash payment to acquire plant and equipment | 213,609 | 179,856 |

Note B

For the purpose of the consolidated statement of cash flows, the Group's additions to intangible assets during the financial year comprised:

| | 2017 US\$ | 2016 US\$ |
|--|--------------|--------------|
| Additions of intangible assets during the financial year (Note 16) | 2,486,023 | 1,909,194 |
| Grants received for intangible assets (Note C) | 207,898 | 1,299,987 |
| Cash payment | 2,693,921 | 3,209,181 |

Note C

For the purpose of the consolidated statement of cash flows, the Group's proceeds from government grants during the financial year comprised:

| | 2017 US\$ | 2016 US\$ |
|---|--------------|--------------|
| Grants received for intangible assets (Note B) | 207,898 | 1,299,987 |
| Grants received for plant and equipment (Note 29) | 64,097 | 58,824 |
| | 271,995 | 1,358,811 |

Note D

| | | |
|---|----------|----------|
| Cash and bank balances ⁽¹⁾ | 214,659 | 425,533 |
| Fixed deposit ⁽²⁾ | 39,655 | 39,655 |
| | 254,314 | 465,188 |
| Less: Pledged fixed deposit | (39,655) | (39,655) |
| Cash and bank balances at end of financial year | 214,659 | 425,533 |

⁽¹⁾ Included in the cash and bank balances is amount of US\$Nil (2016: US\$11,312) 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 as disclosed in Note 27 to the financial statements.

⁽²⁾ Fixed deposit amounting to US\$39,655 (equivalent to S\$55,000) (2016: US\$39,655 or S\$55,000) 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 form an integral part of and should be read in conjunction with these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

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 8 Tai Seng Link, Level 5 (Wing 2), Singapore 534158.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13 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 2017 were authorised for issue by the Board of Directors on 30 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (“FRSs”) including related Interpretations of FRS (“INT FRSs”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and 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 also the functional currency of the Company.

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding the Group incurred net losses of US\$3,464,304 (2016: US\$4,709,339), reported net current liabilities of US\$471,702 (2016: US\$6,458,200) and net operating cash outflow of US\$3,158,476 (2016: inflow of US\$1,743,190) as at 31 March 2017. In addition, the Group has recorded external borrowings totaling US\$1,555,349 (2016: US\$4,852,587), which are repayable within the next 12 months from the end of the financial year. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Group’s and the Company’s ability to continue as going concerns.

Subsequent to reporting date, the Company successfully raised an aggregate of approximately S\$11.1 million (US\$8.0 million) from fund raising exercises. A fund raising exercise on 15 May 2017 was concluded through the allotment and issuance of 103,800,000 new ordinary shares of the Company (the “Placement Shares” and each, a “Placement Share”) in the capital of the Company at a placement price of S\$0.039 per Placement Share for approximately S\$4.0 million (US\$2.9 million). On 2 and 5 June 2017, the Company successfully issued convertible loan notes in the aggregate principal amount of approximately S\$7.1 million (US\$5.1 million) convertible into 128,500,000 new ordinary shares in the capital of the Company (the “Conversion Shares” and each, a “Conversion Share”) at the conversion price of S\$0.055 per Conversion Share. Accordingly, the directors of the Company are of the view that the going concern assumption is appropriate for the preparation of these financial statements.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRSs that are relevant to its operations and effective for annual periods beginning on or after 1 April 2016. The adoption of these new/revised FRSs and INT FRSs did not result in changes to the Group’s and Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial years.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRSs and INT FRSs issued but not yet effective

At the date of authorisation of these statements, the following FRSs and INT FRSs that are relevant to the Group were issued but not yet effective:

| | | Effective date (annual periods beginning on or after) |
|----------------|--|--|
| FRS 7 | Amendments to FRS 7: <i>Disclosure Initiative</i> | 1 January 2017 |
| FRS 12 | Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> | 1 January 2017 |
| FRS 40 | Amendments to FRS 40: <i>Transfers of Investment Property</i> | 1 January 2018 |
| FRS 102 | Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| FRS 104 | Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i> | 1 January 2018 |
| FRS 109 | <i>Financial Instruments</i> | 1 January 2018 |
| FRS 110, 28 | Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | To be determined |
| FRS 115 | <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 115 | Amendments to FRS 115: <i>Effective Date of FRS 115</i> | 1 January 2018 |
| FRS 115 | Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i> | 1 January 2018 |
| FRS 116 | <i>Leases</i> | 1 January 2019 |
| Various | Improvements to FRSs (December 2016) | Various |
| INT FRS 122 | <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 March 2017. Other than the following standards, management anticipates that the adoption of the aforementioned revised or new standards will not have a material impact on the financial statements of the Company in the period of their initial adoption.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 *Construction contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of the transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 116 Leases

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of “low-value” assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

The Group does not intend to early adopt FRS 116. The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders’ meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group’s equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree’s identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

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

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition (Continued)

(a) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity. 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) Contract design revenue and service income

Revenue from contract design is recognised on 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 occurrence is foreseen. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the provision of services are recognised upon the rendering of the services.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group participates in the national pension schemes as defined by the laws of People's Republic of China ("PRC"). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Employee leave entitlement

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

2.8 Income tax

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

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the 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 on taxable temporary differences arising on investments in subsidiaries and associates, 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.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The Group's sales of goods in the PRC are subjected to Value-added Tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statement of financial position. The Group's export sales are not subject to VAT.

2.9 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | Useful lives (Years) |
|--|---|
| Laboratory equipment | 5 |
| Furniture, fittings and office equipment | 3 - 10 |
| Computers and software | 2 - 5 |
| Toolings | 3 |
| Renovations | over the remaining term of lease period |

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of plant and equipment is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets (Continued)

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life 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. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(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 completed 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 follow:

| | Useful lives (Years) |
|-------------------------|----------------------|
| Development expenditure | 10 |

(ii) Patents

Separately acquired 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

Separately acquired 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

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments in associates

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of those policies, and generally accompanying a shareholding of 20% or more of the voting power.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* from the date on which the investee become an associate. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investments in associates at cost in its separate financial statements.

2.13 Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of tangible and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, cash and bank balances and fixed deposits.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets ("AFS")

Certain equity instruments and debt securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the year.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (see above).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average 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.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.16 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Amounts due from customers for contract work". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Amounts due to customers for contract work".

Progress billings not yet paid by customers and retentions are included in "Trade receivables".

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

Finance Leases

Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation 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, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.5).

Operating Leases

Lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

Warranty provisions

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.

2.20 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an 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 instalment.

2.21 Contingencies

A contingent liability is:

- (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (ii) a present obligation that arises from past events but is not recognised because:
 - (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (b) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.22 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Related parties (Continued)

- (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. If the Company is itself such a plan, the sponsoring employers are also 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); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the parent of the reporting entity.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY [CONTINUED]

3.1 Critical judgements made in applying the Group'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.

Determination of functional currency

The Group translates foreign currency items into the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

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 assesses, 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.

Proposed disposal of its wholly-owned subsidiary

The Group considers FRS 105 *Non-current asset held for sale and Discontinued Operations* in the application of the accounting treatment on the investment in subsidiary, Addvalue Communications Pte Ltd, for which disposal was proposed (Note 13). This determination requires significant judgement of the management. Amongst other factors, management assessed the probability of the sale of the disposal group, by considering factors including, but not limited to, the fulfilment of certain condition imposed on the buyer necessary for the completion of the sale.

3.2 Key sources of estimation uncertainty

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.

Impairment of development expenditure

The Group determines whether there is any indication of development expenditure may be impaired at least on an annual basis. Irrespective of whether there is any indication of impairment, the Group also performed impairment assessment annually for development expenditure not yet available for use by comparing its carrying value with its recoverable amount. 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 approved by the management 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 2018 and the growth rate used for extrapolation purposes.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY [CONTINUED]

3.2 Key sources of estimation uncertainty (Continued)

Impairment of development expenditure (Continued)

In preparing the budgets, management also assumed competitive but stable market conditions and continued acceptability of products sold except that the management expects certain products to phase out in next few years.

The Group has carried out a review of products' life cycle and determined that certain products have reached saturation point and will be phased out in next few years. As a result, the Group has made an impairment loss of US\$878,534 (2016: US\$Nil) in respect of its development expenditure as at 31 March 2017. The carrying value of the Group's development expenditure as at 31 March 2017 is US\$12,769,243 (2016: US\$12,003,848), out of which, development expenditure of US\$7,042,709 is not yet available for use. Further details of the key assumptions applied in the impairment assessment of development expenditure are disclosed in Note 16.

Impairment of loans and receivables

The Group assesses its loans and receivables on a continuous basis for any objective evidence of impairment by considering factors, including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's loans and receivables as at 31 March 2017 were US\$2,010,744 (2016: US\$3,402,845) and US\$1,715 (2016: S\$1,270,737) respectively (Note 38).

Recoverability of deferred tax assets

Deferred tax assets are recognised for all unutilised 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. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts. Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. In the event that the future taxable profit achieved is lower than the level forecasted, the expected duration of recovery of such tax credits will correspondingly be extended. In addition, the recovery of the deferred tax assets in one of the subsidiaries will be affected by the proposed disposal of the subsidiary, which is still on-going at the date of this set of financial statements.

The Group has unutilised tax losses and capital allowances amounting to approximately US\$40,381,000 and US\$151,000 (2016: US\$40,781,000 and US\$151,000) respectively, out of which, the deferred tax assets has been recognised on amounts of tax losses and credits totaling US\$10,813,000 (2016: US\$18,799,000) (Note 17).

The Company has unrecognised unutilised tax losses of US\$985,000 (2016: US\$994,000), out of which neither are there any temporary taxable differences or tax planning opportunities available to support recognition of these losses as deferred tax assets. No deferred tax assets have been recognised due to uncertainty of recovery.

If the Group and the Company was able to recognise all unrecognised deferred tax assets in the current financial year, profit would increase by approximately US\$5,027,000 and US\$167,000 (2016: US\$3,737,000 and US\$169,000) respectively.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY [CONTINUED]

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries and associates

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value in use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 31 March 2017 was US\$16,338,005 (2016: US\$5,228,105) (Note 13). Investments in associates of the Group and of the Company were fully impaired as at 31 March 2017 and 2016 (Note 14).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the salability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 March 2017 was US\$2,859,197 (2016: US\$3,702,962) (Note 18).

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. If the estimated useful lives decrease or increase by 1 year, amortisation expenses for the current financial year will increase or reduce by approximately US\$928,000 or US\$1,367,000 respectively (2016: US\$244,000 or US\$138,000). The carrying amount of the Group's development expenditure included as intangible assets as at 31 March 2017 was US\$12,769,243 (2016: US\$12,003,848) (Note 16).

Depreciation of plant and equipment

The Group depreciates the plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's plant and equipment at 31 March 2017 was US\$793,391 (2016: US\$939,073) (Note 12).



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

4. REVENUE

| | Group | |
|--|------------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Sale of finished products and components | 10,026,839 | 8,815,261 |
| Contract design revenue | 720,835 | 1,089,059 |
| Design service income | 92,176 | 39,329 |
| | 10,839,850 | 9,943,649 |

5. OTHER OPERATING INCOME

| | Group | |
|--|---------|---------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Government grants received including amortisation of deferred income (Note 29) | 88,927 | 48,161 |
| Foreign exchange gain, net | 100,685 | 51,196 |
| Interest income | 401 | 751 |
| Others | 49,409 | 42,971 |
| | 239,422 | 143,079 |

6. OTHER OPERATING EXPENSES

| | Group | |
|--|-----------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Amortisation of intangible assets (Note 16) | 968,663 | 2,017,894 |
| Bank charges | 14,146 | 14,854 |
| Depreciation of plant and equipment (Note 12) | 359,252 | 363,106 |
| Impairment loss of development expenditure (Note 16) | 878,534 | – |
| Inventories written off (Note 18) | 230,495 | 72,382 |
| Labour cost | – | 5,000 |
| Laboratory usage | 29,952 | 169,730 |
| Loss on disposal of plant and equipment | 39 | – |
| Repairs and maintenance | 160,173 | 217,056 |
| Telecommunications | 49,071 | 60,554 |
| Transportations | 10,550 | 11,229 |
| Travelling | 95,037 | 83,504 |
| Utilities | 15,377 | 17,826 |
| Others | 88,862 | 214,307 |
| | 2,900,151 | 3,247,442 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

7. FINANCE EXPENSES

| | Group | |
|-------------------------------|---------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Interest on loans | 323,865 | 662,566 |
| Interest on late payment | 16,568 | 36,550 |
| Interest on lease obligations | 3,389 | 3,669 |
| Loan facilities fees | 255,010 | 870,573 |
| | 598,832 | 1,573,358 |

8. LOSS BEFORE INCOME TAX

The following charges/(credits) were included in the determination of loss before income tax:

| | Note | Group | |
|--|------|-----------|-----------|
| | | 2017 | 2016 |
| | | US\$ | US\$ |
| Amortisation of intangible assets | 16 | 968,663 | 2,017,894 |
| Audit fees | | 58,121 | 56,057 |
| Depreciation of plant and equipment | 12 | 359,252 | 363,106 |
| Directors' remuneration of the Company | | | |
| – Remuneration and contribution to defined contribution plan | 34 | 375,283 | 470,546 |
| – Directors' fees | 11 | 116,159 | 117,043 |
| Employee benefits expense* | 11 | 2,320,685 | 2,604,577 |
| Foreign exchange gain, net | 5 | (100,685) | (51,196) |
| Impairment loss on development expenditure | 16 | 878,534 | – |
| Inventories recognised as an expense in cost of sales | 18 | 5,016,832 | 5,228,564 |
| Operating lease expenses | | 429,458 | 439,187 |

* This includes the amount shown as directors' remuneration.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

9. INCOME TAX (EXPENSE)/CREDIT

| | Group | |
|--|--------------|--------------|
| | 2017 US\$ | 2016 US\$ |
| Income tax expense: | | |
| – Current financial year | – | (21,778) |
| – (Under)/Over provision in prior financial years | (16,005) | 4,140 |
| | (16,005) | (17,638) |
| Deferred tax: | | |
| – Current financial year | – | 6,302 |
| – Relates to origination and reversal of temporary differences | (44,968) | 32,488 |
| – Reversal of deferred tax assets and liabilities, net (Note 17) | (900,522) | – |
| | (945,490) | 38,790 |
| Income tax (expense)/credit | (961,495) | 21,152 |

Reconciliation of effective tax rate is as follows:

| | Group | |
|---|--------------|--------------|
| | 2017 US\$ | 2016 US\$ |
| Loss before income tax | (2,502,809) | (4,730,491) |
| Tax at the applicable tax rate of 17% | 425,478 | 804,183 |
| Different tax rates in other countries | (15,733) | (21,778) |
| Expenses not deductible for tax purposes | (542,262) | (8,220) |
| Income not subject to tax | 19,892 | 8,324 |
| Tax incentives | – | 15,140 |
| Deferred tax assets not recognised | (832,865) | (784,245) |
| Over provision in prior financial years | (16,005) | 4,140 |
| Withholding tax on undistributed earnings of the PRC subsidiary | – | 3,608 |
| Income tax (expense)/credit | (961,495) | 21,152 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subject to an applicable tax rate of 17%.

Hong Kong

The subsidiary is subject to an applicable tax rate of 16.5%.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

9. INCOME TAX [EXPENSE]/CREDIT [CONTINUED]

British Virgin Islands ("BVI")

The subsidiary incorporated under the laws of BVI is exempted from income tax.

People's Republic of China ("PRC")

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT" Law) which was promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including (Foreign Investment Enterprises ("FIEs") and domestic enterprises. The general applicable EIT tax rate in the PRC is 25%. Under the EIT Law, dividends received by foreign investors from their investment in Chinese enterprises in respect of profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by a treaty. Pursuant to a tax arrangement between the PRC and Singapore, the investment holding companies established in Singapore are subject to a reduced withholding tax rate of 5% on dividends they received from their PRC subsidiary.

The PRC subsidiary is subject to an applicable tax rate of 25% and withholding tax of 5% respectively.

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the financial years ended 31 March:

| | Basic | | Diluted | |
|---|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Loss for the year attributable to equity holders of the Company | (3,464,304) | (4,709,339) | (3,464,304) | (4,709,339) |

Weighted average number of shares:

| | Number of shares | |
|--|------------------|---------------|
| | 2017 | 2016 |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 1,500,731,000 | 1,187,355,813 |
| | 2017 | 2016 |
| | US\$ | US\$ |
| Basic and diluted loss per share | (0.23) | (0.40) |

The basic and dilutive loss per share is the same as there were no potentially dilutive instruments.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

11. EMPLOYEE BENEFITS

| | Group | |
|--|--------------|-------------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Employee benefits expense (including directors): | | |
| – Salaries, bonuses and others | 3,904,491 | 4,295,436 |
| – Contribution to defined contribution plans | 443,387 | 482,105 |
| | 4,347,878 | 4,777,541 |
| Directors' fees | 116,159 | 117,043 |
| | 4,464,037 | 4,894,584 |
| Charged to consolidated statement of profit or loss and other comprehensive income | 2,320,685 | 2,604,577 |
| Capitalised in development expenditure (Note 16) | 2,143,352 | 2,290,007 |
| | 4,464,037 | 4,894,584 |

12. PLANT AND EQUIPMENT

| | Laboratory equipment | Furniture, fittings and office equipment | Computers and software | Toolings | Renovations | Total |
|--|-----------------------------|---|-------------------------------|-----------------|--------------------|--------------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Group Cost | | | | | | |
| At 1 April 2015 | 545,426 | 193,612 | 773,148 | 747,265 | 386,873 | 2,646,324 |
| Additions | 163,440 | 854 | 87,931 | 3,500 | – | 255,725 |
| At 31 March 2016 | 708,866 | 194,466 | 861,079 | 750,765 | 386,873 | 2,902,049 |
| Additions | 7,909 | – | 4,313 | 201,387 | – | 213,609 |
| Disposal | – | – | (3,140) | – | – | (3,140) |
| At 31 March 2017 | 716,775 | 194,466 | 862,252 | 952,152 | 386,873 | 3,112,518 |
| Accumulated depreciation | | | | | | |
| At 1 April 2015 | 277,841 | 54,597 | 556,235 | 616,855 | 94,342 | 1,599,870 |
| Depreciation charge for the financial year | 114,788 | 37,249 | 72,921 | 73,670 | 64,478 | 363,106 |
| At 31 March 2016 | 392,629 | 91,846 | 629,156 | 690,525 | 158,820 | 1,962,976 |
| Depreciation charge for the financial year | 107,338 | 36,724 | 76,051 | 74,660 | 64,479 | 359,252 |
| Disposal | – | – | (3,101) | – | – | (3,101) |
| At 31 March 2017 | 499,967 | 128,570 | 702,106 | 765,185 | 223,299 | 2,319,127 |
| Carrying amount | | | | | | |
| At 31 March 2017 | 216,808 | 65,896 | 160,146 | 186,967 | 163,574 | 793,391 |
| At 31 March 2016 | 316,237 | 102,620 | 231,923 | 60,240 | 228,053 | 939,073 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

12. PLANT AND EQUIPMENT (CONTINUED)

Laboratory equipment and computers and software of the Group with carrying amount of US\$158,435 (2016: US\$214,666) were acquired under finance lease arrangements (Note 28).

Leased assets are pledged as security for the related finance lease obligations (Note 28).

13. SUBSIDIARIES

| | Company | |
|--|--------------|--------------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| <u>Unquoted equity shares, at cost</u> | | |
| At beginning of financial year | 44,927,385 | 44,927,384 |
| Additions ⁽¹⁾ | 11,109,900 | 1 |
| | 56,037,285 | 44,927,385 |
| Less: Impairment losses | | |
| At beginning and end of financial year | (39,699,280) | (39,699,280) |
| At end of financial year | 16,338,005 | 5,228,105 |

Notes:

⁽¹⁾ During the financial year, the Group has capitalised amount due from Addvalue Innovation Pte Ltd amounting to US\$11,109,900 by way of an issuance and allotment of 16,000,000 units of ordinary shares, in partial satisfaction of the said amount due.

In prior financial year, the Group has incorporated a new subsidiary, Zhongxin Chuangzhi Holding Pte Ltd with a paid up capital of S\$2, which is wholly owned by the Company.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

13. 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 | |
|---|---|--|---|------|-----------------------------------|------------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | US\$ | US\$ |
| Held by the Company | | | | | | |
| Addvalue Communications Pte Ltd ^{(1) #} | Design, development and distribution of tele-communication equipment and related products | Singapore | 100 | 100 | 34,027,803 | 34,027,803 |
| Addvalue Innovation Pte Ltd ⁽¹⁾ | Design, development and distribution of tele-communication equipment and related products | Singapore | 100 | 100 | 22,009,480 | 10,899,580 |
| Addvalue Global Limited ⁽²⁾ | Business development, sale and marketing of satellite communication equipment | Hong Kong | 100 | 100 | ^ | ^ |
| Addvalue Enterprise Limited ⁽³⁾ | Business development, sale and marketing of satellite communication equipment | British Virgin Island (“BVI”) | 100 | 100 | 1 | 1 |
| Zhongxin Chuangzhi Holding Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | 1 | 1 |
| | | | | | 56,037,285 | 44,927,385 |

^ denotes amount less than US\$1.00.

On 24 March 2014, the Company has entered into a Conditional Sale and Purchase Agreement ("CSPA") with an entity incorporated in People's Republic of China, namely 天成恒盛(北京)科技有限公司 (the "Buyer"), to dispose of its wholly-owned subsidiary, Addvalue Communications Pte Ltd ("AVC") for a total Disposal Consideration of S\$330,000,000 ("Proposed Disposal").

The completion of the CSPA is subject to, amongst others, the fulfilment of following conditions precedent:

- All relevant approvals, consents and authorization from Chinese Foreign Exchange Control Bureau ("FECB"), a government authority of People's Republic of China, having been obtained;
- Execution of an escrow agreement to govern the release of AVC's shares to the Buyer;
- The payment of an initial deposit by the Buyer into the Company's designated account, amounting to S\$33 million ("Initial Deposit") and subsequent payments into a Joint Account;
- The approval of the shareholders of the Company for the Disposal at the extraordinary general meeting;
- Submission of the relevant notification of share transfer to The Accounting and Corporate Regulatory Authority of Singapore ("ACRA") to have the Buyer reflected as the new holder of all the AVC Shares (the "Transfer Notification"); and
- Approval from supervisory authority over the Buyer.

As announced by the Company on 7 June 2016, the Buyer has affirmed the key revised terms governing the Proposed Disposal, and amongst others, to revise the total Disposal Consideration to S\$308,000,000 and the directors of the Company are in the process of reviewing the revised terms and conditions of the Proposed Disposal with the Buyer.

On 7 October 2016, the completion of the disposal is still subject to the fulfilment of certain conditions by the Buyer prior to the signing of the Supplemental Agreement. The targeted completion date for the disposal is expected to be further delayed. As of the reporting date, the transaction remains uncompleted.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

13. SUBSIDIARIES (CONTINUED)

| Name of subsidiaries | Country of incorporation and place of business | Principal activities | Effective interest held by the Group | |
|---|--|---|--------------------------------------|------|
| | | | 2017 | 2016 |
| | | | % | % |
| Held by Addvalue Enterprise Limited | | | | |
| Zhongxin Chuangzhi (Beijing) Technology Ltd., Co ⁽⁴⁾ | People's Republic of China | Business development, sale and marketing of satellite communication equipment | 100 | 100 |
| Held by Addvalue Innovation Pte Ltd | | | | |
| Addvalue Solutions Pte Ltd ⁽¹⁾ | Singapore | Design and supply of communication products and services | 100 | 100 |

⁽¹⁾ Audited by Mazars LLP, Singapore.

⁽²⁾ Audited by Central & Co, Hong Kong and reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements of the Group.

⁽³⁾ Not required to be audited by law in the country of incorporation. However, it is reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements of the Group.

⁽⁴⁾ Audited by Beijing An Zheng CPA Co., Ltd, Beijing and reviewed by Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements of the Group.

14. ASSOCIATE

| | Group and Company | |
|------------------------|-------------------|-------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Equity shares, at cost | 137 | 137 |
| Impairment losses | (137) | (137) |
| Carrying amount | – | – |

Details of the associate are as follows:

| Name of associate | Principal activities | Country of incorporation and place of business | Percentage of equity interest held by the Group | | Cost of investment to the Company | |
|---|----------------------|--|---|------|-----------------------------------|------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | % | % | US\$ | US\$ |
| Addvalue Communications Inc ("AVCI") ⁽¹⁾ | 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 operation since 2009. As a result, there are no financial statements available to the Group.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

15. OTHER EQUITY INVESTMENTS

| | Group | | Company | |
|--------------------------------------|-------------|-------------|-------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | 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) |
| Carrying amount | – | – | – | – |

16. INTANGIBLE ASSETS

| | Development expenditure | Patents | Computer software | Total |
|--|-------------------------|---------|-------------------|------------|
| | US\$ | US\$ | US\$ | US\$ |
| Group | | | | |
| Cost | | | | |
| At 1 April 2015 | 22,947,016 | 60,795 | 988,815 | 23,996,626 |
| Additions | 1,583,838 | 10,129 | 315,227 | 1,909,194 |
| At 31 March 2016 | 24,530,854 | 70,924 | 1,304,042 | 25,905,820 |
| Additions | 2,433,523 | – | 52,500 | 2,486,023 |
| At 31 March 2017 | 26,964,377 | 70,924 | 1,356,542 | 28,391,843 |
| Accumulated amortisation | | | | |
| At 1 April 2015 | 7,471,595 | 44,126 | 565,215 | 8,080,936 |
| Amortisation charge for the financial year | 1,855,411 | – | 162,483 | 2,017,894 |
| At 31 March 2016 | 9,327,006 | 44,126 | 727,698 | 10,098,830 |
| Amortisation charge for the financial year | 789,594 | – | 179,069 | 968,663 |
| At 31 March 2017 | 10,116,600 | 44,126 | 906,767 | 11,067,493 |
| Accumulated impairment | | | | |
| At 1 April 2015 and 31 March 2016 | 3,200,000 | – | – | 3,200,000 |
| Impairment losses | 878,534 | – | – | 878,534 |
| At 31 March 2017 | 4,078,534 | – | – | 4,078,534 |
| Carrying amount | | | | |
| At 31 March 2017 | 12,769,243 | 26,798 | 449,775 | 13,245,816 |
| At 31 March 2016 | 12,003,848 | 26,798 | 576,344 | 12,606,990 |

Included in the development expenditure is an amount of US\$7,042,709 (2016: US\$5,119,728) pertaining to development projects not yet available for use.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

16. INTANGIBLE ASSETS (CONTINUED)

The Group invests in development activities to build its base of proprietary products, applications and processes. The net carrying value of development expenditure amounting to US\$12,769,243 (2016: US\$12,003,848) represents development costs incurred for the development of various core technological elements in mobile satellite communication terminals and related applications, including radio frequency and antenna design, new embedded firmware and hardware systems, digital communication and baseband processing and application firmware to ensure continual innovation, competitiveness and future proof of terminal design and related applications. The carrying value of development expenditure is expected to be recovered from probable future economic benefits that are expected to be generated from the sales of the wide portfolio of existing products and the commercial exploitation of related applications over the useful mobile satellite service life time. The amortisation of development expenditure amounting to US\$789,594 (2016: US\$1,855,411) was charged to other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

The individual development project of which carrying amount is more than 10% of the total intangible assets in either 2017 or 2016 are as follows:

| | Group | | | |
|-------------------------|-----------------|---------------------------------------|-----------------|---------------------------------------|
| | 2017 | | 2016 | |
| | Carrying amount | Remaining amortisation period (years) | Carrying amount | Remaining amortisation period (years) |
| Project 1 (In progress) | 2,919,810 | – | 2,208,436 | – |

Included in the development expenditure and computer software are the capitalisation of the employee benefits expense of US\$2,143,352 for the current financial year (2016: US\$2,290,007) (Note 11).

Impairment loss of development expenditure

During the financial year, for the purpose of impairment testing, development expenditure has been allocated to the Group's cash-generating units ("CGUs") as follows:

| | Group | |
|--------------------------------------|------------|------------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Small vessels unit | 3,590,128 | 3,138,596 |
| Merchant and commercial vessels unit | 3,293,204 | 3,534,898 |
| Land products market unit | 1,522,201 | 2,123,258 |
| Space resilient technologies | 4,363,710 | 3,207,096 |
| | 12,769,243 | 12,003,848 |

The recoverable amounts of the remaining CGUs have been determined based on value in use using cash flow projections based on financial budgets approved by management.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

16. INTANGIBLE ASSETS (CONTINUED)

Impairment loss of development expenditure (Continued)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

| | Small vessels | | Merchant and commercial vessels | | Land products market | |
|-------------------------------------|---------------|---------|---------------------------------|---------|----------------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Growth rates ⁽¹⁾ | 2 – 10% | 10% | 2 – 10% | 10% | 2 – 10% | 10% |
| Discount rate ⁽²⁾ | 10% | 10% | 10% | 10% | 10% | 10% |
| Terminal growth rate ⁽³⁾ | – | – | – | – | – | – |
| Cash flow projections | 5 years | 5 years | 5 years | 5 years | 5 years | 5 years |

⁽¹⁾ Annual growth rates used to extrapolate cash flows are based on the past performance and the market development adjusted for the specific circumstances of the CGU and based on management's experience.

⁽²⁾ The discount rate applied is based on the weighted average cost of the Group's capital (the "WACC"), adjusted for the specific circumstances of the CGU and based on management's experience, and grossed-up to arrive at the pre-tax rate.

⁽³⁾ Terminal growth rate beyond the budget period based on published industry research, adjusted for the specific circumstances of the CGU.

Space resilient technologies

For the Space resilient technologies, management performed an assessment on the recoverable amount using a discounted cash flow model based on a cash flow projection on financial budgets approved by management with a terminal value and applying certain estimates and assumptions, such as product sales prices, airtime service revenue, discount rates, production volume, capital expenditure and operating costs. The assumption for product sales prices and airtime service revenue are determined by taking reference from external information sources. The discount rate used is ranging from 30% to 35%. These estimates and assumptions are subject to risk and uncertainty.

The Group has assessed products' life cycle and determined that certain products under land products market unit have reached saturation point and will be phased out in next few years. As a result, an impairment loss for land products market unit amounting to US\$878,534 (2016: US\$Nil) was recognised in "Other operating expenses" (Note 6) for the financial year ended 31 March 2017. The impairment loss is included in the segment result of Asia Pacific region as the development expenditure is located in Singapore.

No impairment loss was recognised for small vessels unit, merchant and commercial vessels unit and space resilient technologies because the carrying amount of the mentioned CGUs lower than their recoverable amount. The value in use was measured by management.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

16. INTANGIBLE ASSETS (CONTINUED)

Impairment loss of development expenditure (Continued)

Sensitivity analysis for impairment loss of development expenditure

The Group expects certain products to be competitive and if sales achieved in the forecast year dropped by 15% from the Group's forecasted quantities; with other assumptions remain constant, the carrying amount of certain developments will show additional impairment loss of development expenditure as follow:

| | Group | |
|------------------------------|-----------------|-----------------|
| | Carrying amount | Impairment loss |
| | US\$ | US\$ |
| 2017 | | |
| Land products market unit | 1,522,201 | 901,000 |
| Space resilient technologies | 4,363,710 | 1,181,000 |

17. DEFERRED TAX ASSETS

| | Group | |
|--|-----------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| At beginning of financial year | 1,208,381 | 1,168,013 |
| Recognised in the profit or loss | | |
| - Relates to origination and reversal of temporary differences | (44,968) | 32,488 |
| - Recognition of deferred tax assets | - | 6,302 |
| - Reversal of deferred tax assets and liabilities, net | (900,522) | - |
| Exchange differences | (387) | 1,578 |
| At end of financial year | 262,504 | 1,208,381 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

17. DEFERRED TAX ASSETS (CONTINUED)

The components and movement of deferred tax assets and liabilities during the financial year as follows:

| | Unutilised capital allowances | Unutilised tax losses | Other temporary differences | Development expenditure | Accrued revenue | Total |
|--|-------------------------------------|--------------------------|-----------------------------------|----------------------------|--------------------|-----------|
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Group | | | | | | |
| 2017 | | | | | | |
| At beginning of financial year | 25,694 | 3,202,156 | 21,187 | (2,040,656) | – | 1,208,381 |
| Recognised in the profit or loss | | | | | | |
| – Relates to origination and reversal of temporary differences | 48 | 369,224 | (1,970) | (373,602) | (38,668) | (44,968) |
| – Reversal of deferred tax assets and liabilities, net | – | (1,733,065) | (6,185) | 838,728 | – | (900,522) |
| Exchange differences | – | – | – | – | (387) | (387) |
| At end of financial year | 25,742 | 1,838,315 | 13,032 | (1,575,530) | (38,055) | 262,504 |
| 2016 | | | | | | |
| At beginning of financial year | 285,062 | 2,972,498 | 31,341 | (2,086,822) | (34,066) | 1,168,013 |
| Recognised in the profit or loss | | | | | | |
| – Relates to origination and reversal of temporary differences | (258,759) | 239,874 | (10,154) | 46,166 | 32,488 | 49,615 |
| – Over provision of prior financial year | (609) | (10,216) | – | – | – | (10,825) |
| Exchange differences | – | – | – | – | 1,578 | 1,578 |
| At end of financial year | 25,694 | 3,202,156 | 21,187 | (2,040,656) | – | 1,208,381 |

The Group has unutilised tax losses and unutilised capital allowances of approximately US\$40,381,000 and US\$151,000 (2016: US\$40,781,000 and US\$151,000) respectively which can be carried forward indefinitely and used to offset against future taxable income subject to meeting certain statutory requirements, out of which approximately US\$29,568,000 (2016: US\$21,982,000) of unutilised tax losses was not recognised as deferred tax assets due to uncertainty of its recoverability.

Deferred tax assets recognised for the unutilised tax losses and capital allowances of approximately US\$10,813,000 and US\$151,000 (2016: US\$18,799,000 and US\$151,000) respectively, are expected to be recovered from the probable future taxable income expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

18. INVENTORIES

| | Group | |
|---------------------|-----------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Finished goods | 2,021,900 | 2,496,321 |
| Raw materials | 770,051 | 989,197 |
| Semi-finished goods | 67,246 | 217,444 |
| | 2,859,197 | 3,702,962 |

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US\$5,016,832 (2016: US\$5,228,564). Finished goods, raw materials and semi-finished goods of the Group are stated at net realisable value after the write-down of inventories of US\$230,495 (2016: US\$72,382), included in "Other operating expenses" (Note 6).

Inventories amounting to US\$Nil (2016: US\$2,530,648) held by a subsidiary as at reporting date have been pledged as security for a loan from a funding institution to the subsidiary (Note 27).

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | Group | |
|--|-------------|-------------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Aggregate costs incurred and recognised profit to date | 3,829,588 | 3,195,597 |
| Less: Progress billings | (3,608,203) | (3,129,384) |
| | 221,385 | 66,213 |
| Presented as: | | |
| Gross amounts due from customers for contract work | 221,385 | 66,213 |

20. TRADE RECEIVABLES

| | Group | |
|-------------------|-----------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Trade receivables | 1,600,085 | 2,136,910 |

Included in the total trade receivables, an amount of US\$Nil (2016: US\$1.8 million) is subject to floating charge to a funding institution for securing a loan facility to a subsidiary as disclosed in Note 27.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|--------------------------|---------|-----------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Deposits | 110,582 | 625,308 | 111 | 522,002 |
| Other receivables | 22,289 | 61,941 | – | 110 |
| Prepayments | 487,847 | 286,889 | 43,530 | 17,208 |
| Staff loans and advances | 23,474 | 113,498 | – | – |
| | 644,192 | 1,087,636 | 43,641 | 539,320 |

Staff loans and advances relates to an amount held in trust by an employee of the Group for future operating expenditure amounting to US\$23,474 (2016: US\$113,498).

Included in deposits of the Group and the Company was security deposit paid to the Group's subcontractors amounting to US\$ Nil (2016: US\$500,000) held by the Company.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group and Company | |
|---|-------------------|-------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Equity instrument (quoted), at fair value | | |
| At beginning and end of financial year | 2,135 | 2,135 |

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

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

During the financial year, the Company has increased its investment in a subsidiary, Addvalue Innovation Pte Ltd ("AVI"), by way of capitalisation of amount due from AVI, amounting to US\$11,109,900 as cost of investment (Note 13).



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

24. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|-------------------------------------|-----------|-----------|---------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Accrued operating expenses: | | | | |
| – Employee benefits | 504,865 | 471,909 | – | – |
| – Directors' fees ⁽¹⁾ | 118,285 | 505,515 | 118,285 | 505,515 |
| – Others | 321,010 | 725,042 | 58,881 | 70,993 |
| Due to a shareholder ⁽²⁾ | 651,624 | 186,793 | 651,624 | 186,793 |
| Other payables | 435,968 | 2,307,478 | 52,745 | 1,110,546 |
| | 2,031,752 | 4,196,737 | 881,535 | 1,873,847 |

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

⁽²⁾ The amount represented advances from a shareholder of the Company for the purpose of research and development of technology which is unsecured, interest-free and repayable on demand. The advance is jointly and severally guaranteed by certain directors of the Company.

25. PROVISIONS

| | Group | | Company | |
|-----------------|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Directors' fees | 116,159 | 127,940 | 116,159 | 127,940 |
| Royalties | – | 39,693 | – | – |
| Warranty | 153,642 | 82,432 | – | – |
| | 269,801 | 250,065 | 116,159 | 127,940 |

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



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

25. PROVISIONS (CONTINUED)

| | Directors' fees US\$ | Royalties US\$ | Warranty US\$ | Total US\$ |
|--------------------------------|-------------------------|-------------------|------------------|---------------|
| Group | | | | |
| 2017 | | | | |
| At beginning of financial year | 127,940 | 39,693 | 82,432 | 250,065 |
| Provision | 116,159 | 153,029 | 120,229 | 389,417 |
| Utilisation | (127,940) | (192,722) | (49,019) | (369,681) |
| At end of financial year | 116,159 | – | 153,642 | 269,801 |
| 2016 | | | | |
| At beginning of financial year | 127,940 | 78,411 | 198,959 | 405,310 |
| Provision/(Over provision) | 127,940 | (5,250) | (93,437) | 29,253 |
| Utilisation | (127,940) | (33,468) | (23,090) | (184,498) |
| At end of financial year | 127,940 | 39,693 | 82,432 | 250,065 |

| | Directors' fees US\$ |
|--------------------------------|-------------------------|
| Company | |
| 2017 | |
| At beginning of financial year | 127,940 |
| Provision | 116,159 |
| Utilisation | (127,940) |
| At end of financial year | 116,159 |
| 2016 | |
| At beginning of financial year | 127,940 |
| Provision | 127,940 |
| Utilisation | (127,940) |
| At end of financial year | 127,940 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

26. BORROWINGS

| | Group | | Company | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Due within one year | | | | |
| Loans (Note 27) | 1,515,462 | 4,806,100 | 1,037,910 | 1,109,100 |
| Finance lease obligations (Note 28) | 39,887 | 46,487 | – | – |
| | 1,555,349 | 4,852,587 | 1,037,910 | 1,109,100 |
| Due after one year or more | | | | |
| Loans (Note 27) | 169,285 | – | – | – |
| Finance lease obligations (Note 28) | 1,871 | 40,666 | – | – |
| | 171,156 | 40,666 | – | – |
| Total borrowings | | | | |
| Loans (Note 27) | 1,684,747 | 4,806,100 | 1,037,910 | 1,109,100 |
| Finance lease obligations (Note 28) | 41,758 | 87,153 | – | – |
| | 1,726,505 | 4,893,253 | 1,037,910 | 1,109,100 |

27. LOANS

| | Group | | Company | |
|----------------------------|-----------|-----------|-----------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Due within one year | | | | |
| Loan 1 (secured) | – | 3,697,000 | – | – |
| Loan 2 (unsecured) | 37,445 | – | – | – |
| Loan 3 (unsecured) | 1,037,910 | 1,109,100 | 1,037,910 | 1,109,100 |
| Loan 4 (unsecured) | 151,300 | – | – | – |
| Loan 5 (unsecured) | 184,320 | – | – | – |
| Loan 6 (unsecured) | 104,487 | – | – | – |
| | 1,515,462 | 4,806,100 | 1,037,910 | 1,109,100 |
| Due after one year or more | | | | |
| Loan 2 (unsecured) | 169,285 | – | – | – |
| Total loans | 1,684,747 | 4,806,100 | 1,037,910 | 1,109,100 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

27. LOANS (CONTINUED)

Loan 1 (secured)

Loan 1 which was fully repaid during the financial year, was obtained by a subsidiary of the Company from a funding institution sponsored by International Enterprise Singapore in prior financial year. The loan amount was denominated in Singapore dollar, bore a fixed interest rate at 10% per annum in 2016 and was secured by way of the following:

- (a) Floating charge on the inventories of a subsidiary of the Company (Note 18);
- (b) Floating charge on the trade receivables of a subsidiary of the Company (Note 20);
- (c) Escrow accounts with a bank of a subsidiary of the Company; and
- (d) Corporate guarantee provided by the Company.

The loan of S\$5,000,000 (US\$3,697,000) was fully settled on 17 June 2016 with the proceeds from the Rights Issue and the above securities were fully discharged thereafter.

Loan 2 (unsecured)

Loan 2 obtained by a subsidiary of the Company from a local bank during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 6.75% per annum and is unsecured and repayable in 60 monthly instalments. The loan was jointly and severally guaranteed by certain directors of the Company.

Loan 3 (unsecured)

Loan 3 obtained by the Company from several third party individuals is denominated in Singapore dollar, bears a fixed interest rate at 18% to 48% (2016: 18%) per annum and is unsecured with tenure of 2 to 3 months (2016: 6 months). The loan is guaranteed by a director of the Company.

Loan 4 (unsecured)

Loan 4 obtained by a subsidiary of the Company from several third party individuals during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 18% per annum and is unsecured and repayable in 12 monthly instalments. The loan is jointly and severally guaranteed by certain directors of the Company and a corporate guarantee by the Company.

Loan 5 (unsecured)

Loan 5 obtained by a subsidiary of the Company from several third party individuals during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 18% per annum and is unsecured and repayable on one time repayment on the repayment date. The loan is jointly and severally guaranteed by certain directors of the Company and a corporate guarantee by the Company.

Loan 6 (unsecured)

Loan 6 obtained by a subsidiary of the Company from funding institution during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 10% per annum and is unsecured and repayable in 12 monthly instalments. The loan is guaranteed by the Company.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

28. FINANCE LEASE OBLIGATIONS

| | Group | | |
|--|------------------------|----------|---------------------------|
| | Minimum lease payments | Interest | Present value of payments |
| | US\$ | US\$ | US\$ |
| 2017 | | | |
| Within one year | 43,130 | (3,243) | 39,887 |
| More than one year but not later than five years | 2,025 | (154) | 1,871 |
| | 45,155 | (3,397) | 41,758 |
| 2016 | | | |
| Within one year | 49,924 | (3,437) | 46,487 |
| More than one year but not later than five years | 44,015 | (3,349) | 40,666 |
| | 93,939 | (6,786) | 87,153 |

The finance lease terms range from 2 to 3 years.

The effective interest rate charged during the financial year range from 3.01% to 5.46% (2016: 3.27% to 6.60%) per annum. Interest rates are fixed at the contract dates, and thus are not exposed to fair value interest rate risk. As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group and guaranteed by the Company.

29. DEFERRED INCOME

Deferred income represents Productivity and Innovation Credit grants received from Inland Revenue Authority of Singapore ("IRAS") relating to qualifying plant and equipment acquired by the Group in prior financial years. The grant is amortised to profit or loss as "Other operating income" (Note 5) over the remaining useful life of the relevant assets.

| | Group | |
|-------------------------------------|----------|----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| At beginning of financial year | 40,585 | 22,091 |
| Additions | 64,097 | 58,824 |
| Amortisation for the financial year | (55,745) | (40,330) |
| At end of financial year | 48,937 | 40,585 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

30. SHARE CAPITAL

| | Group and Company | | | |
|--------------------------------|------------------------------|------------|------------------------------|------------|
| | 2017 | | 2016 | |
| | Number of ordinary shares | US\$ | Number of ordinary shares | US\$ |
| Issued and fully paid: | | | | |
| At beginning of financial year | 1,187,355,813 | 57,880,597 | 1,187,355,813 | 57,880,597 |
| Issued for Rights Issue | 395,785,271 | 8,872,227 | – | – |
| At end of financial year | 1,583,141,084 | 66,752,824 | 1,187,355,813 | 57,880,597 |

The holders of ordinary shares are entitled to receive dividends when declared from time to time and are entitled to one vote per share at meetings of the Company.

Pursuant to a Rights Issue of 395,785,271 new ordinary shares of the Company (the “Rights Issue”) on the basis of one Rights Share for every three existing ordinary shares of the Company at an issue price of S\$0.031, the Company allotted and issued 395,785,271 Rights Shares on 16 June 2016. Following the allotment and issue of the Rights Shares, the total number of issued shares was increased from 1,187,355,813 shares to 1,583,141,084 shares.

The entire net proceeds raised from the Rights Issue of approximately US\$8,872,000 had been fully utilised, which is in accordance with the intended use of proceeds of the Rights Issue as follows:

| | 2017 US\$ |
|---|--------------|
| Repayment of secured borrowings | 3,688,000 |
| General working capital purposes | |
| – Payments to trade and other payables | 1,714,000 |
| – Payments to suppliers for materials and services | 2,182,000 |
| – Payments of administrative expenses, including payroll and other services | 1,288,000 |
| | 8,872,000 |

31. CAPITAL RESERVE

| | Group | |
|---|--------------|--------------|
| | 2017 US\$ | 2016 US\$ |
| At beginning and end of financial year | 746,882 | 746,882 |
| Representing non-distributable reserve (Group): | | |
| Redemption of preference shares out of profits of a subsidiary* | 746,882 | 746,882 |

* This amount arose from redemption of preference shares issued by a subsidiary in financial year 2012.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

32. STATUTORY RESERVE

One of the Group's subsidiaries follows PRC GAAP applicable to foreign-owned enterprise in the preparation of its accounting records and statutory financial statements. According to the Articles of Association of the subsidiary, it is required to transfer certain amounts from its profits after tax to statutory reserve. The transfers to the reserve must be made before the distribution of dividends to equity owners. The percentage of appropriation is at the discretion of the directors of the subsidiary. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

33. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group, as well as from the translation of foreign currency loans which form part of the Group's net investments in foreign operations.

34. SIGNIFICANT RELATED PARTY TRANSACTIONS

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Compensation of directors and key management personnel:

| | Group | |
|---|---------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Salaries, bonus and others | 758,707 | 894,353 |
| Contribution to defined contribution plans | 56,643 | 58,202 |
| | 815,350 | 952,555 |
| Directors' fees | 116,159 | 117,043 |
| | 931,509 | 1,069,598 |
| Total compensation paid/payable to key management personnel | | |
| Comprised of amount due to: | | |
| Directors of the Company | | |
| – Fees | 116,159 | 117,043 |
| – Remuneration and contribution to defined contribution plans | 375,282 | 470,546 |
| | 491,441 | 587,589 |
| Other key management personnel | 440,068 | 482,009 |
| | 931,509 | 1,069,598 |

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 2017 owing to the directors of the Company are disclosed in Note 24. There has been no other related party transaction entered into during the financial year.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

35. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 March 2017, the Company has given guarantees amounting to US\$481,865 (2016: US\$3,784,153 million) to certain financial institutions in respect of facilities granted to one of the subsidiaries of the Group.

The Company has not recognised any liability in respect of the guarantees given to the financial institutions for the facilities granted to one of the subsidiaries of the Group as the Company's directors have assessed that the possible amount is not material and it is not probable that the subsidiaries will default on repayment.

As at the end of the financial year, the total amount of loans drawn down and outstanding covered by the guarantees is US\$440,107 (2016: US\$3,697,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective financial institutions if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the facility.

As at the end of the financial year, the Company had also given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

Non-cancellable operating lease commitments

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

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 | |
|---|---------|---------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Future minimum lease payments: | | |
| - within one year | 349,526 | 177,020 |
| - later than one year but not later than five years | 537,620 | 170,269 |
| | 887,146 | 347,289 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

36. SUBSEQUENT EVENT

- (i) On 15 May 2017, the Company successfully concluded a fund raising exercise through the allotment and issuance of 103,800,000 new ordinary shares of the Company (the “Placement Shares” and each, a “Placement Share”) in the capital of the Company at a placement price of S\$0.039 per Placement Share for approximately S\$4.0 million (US\$2.9 million).
- (ii) On 2 and 5 June 2017, the Company successfully issued convertible loan notes in the aggregate principal amount of approximately S\$7.1 million (US\$5.1 million) convertible into 128,500,000 new ordinary shares in the capital of the Company (the “Conversion Shares” and each, a “Conversion Share”) at the conversion price of S\$0.055 per Conversion Share. Following the allotment and issue of 83,500,000 Conversion Shares on 2 June 2017, the total number of issued shares was increased from 1,583,141,084 shares to 1,770,441,084 shares.

37. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical areas 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 Middle East and Africa (“EMEA”) included sales made to customers based in Spain, United Kingdom, United Arab Emirates (“UAE”) and other countries within the region;
- Segment 2: North America included sales made to customers based in United States of America, Canada and other countries within the region;
- Segment 3: Asia Pacific included sales made to customers based in Singapore, Malaysia, Korea, China, Philippines, Australia, and other countries within the region.

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’s 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.

The Group operates from Asia Pacific region. Segment assets and liabilities for other segments (EMEA and North America) mainly includes the balances with the customers or suppliers located in the respective regions. Other segment assets (mainly comprising intangible assets, plant and equipment and inventories) and other segment liabilities are presented based on its location, being the Asia Pacific region.

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 2.23.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

37. SEGMENT INFORMATION (CONTINUED)

| | EMEA US\$ | North America US\$ | Asia Pacific US\$ | Consolidated US\$ |
|--|--------------|-----------------------|----------------------|----------------------|
| 2017 | | | | |
| Revenue | | | | |
| Total revenue from external customers | 5,228,499 | 743,000 | 4,868,351 | 10,839,850 |
| Segment result | 1,531,325 | 69,570 | (1,005,657) | 595,238 |
| Unallocated expenses* | | | | (2,738,637) |
| Other income | | | | 239,422 |
| Finance expenses | | | | (598,832) |
| Loss before income tax | | | | (2,502,809) |
| Income tax expense | | | | (961,495) |
| Loss for the year | | | | (3,464,304) |
| Segment assets | | | | |
| - Segment assets | 747,835 | 20,825 | 18,851,855 | 19,620,515 |
| - Deferred tax assets | | | | 262,504 |
| Total assets | | | | 19,883,019 |
| Segment liabilities | 862,393 | 28,924 | 5,332,849 | 6,224,166 |
| Other information | | | | |
| Capital expenditure | | | | |
| - Plant and equipment | – | – | 213,609 | 213,609 |
| - Intangible assets | – | – | 2,486,023 | 2,486,023 |
| Impairment loss on development expenditure | – | – | 878,534 | 878,534 |
| Depreciation and amortisation** | 160,873 | 2,987 | 1,164,055 | 1,327,915 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

37. SEGMENT INFORMATION (CONTINUED)

| | EMEA | North America | Asia Pacific | Consolidated |
|---------------------------------------|-----------|---------------|--------------|--------------|
| | US\$ | US\$ | US\$ | US\$ |
| 2016 | | | | |
| Revenue | | | | |
| Total revenue from external customers | 1,229,497 | 417,649 | 8,296,503 | 9,943,649 |
| Segment result | 265,649 | (79,599) | (688,705) | (502,655) |
| Unallocated expenses* | | | | (2,746,361) |
| Other income | | | | 91,883 |
| Finance expenses | | | | (1,573,358) |
| Loss before income tax | | | | (4,730,491) |
| Income tax credit | | | | 21,152 |
| Loss for the year | | | | (4,709,339) |
| Segment assets | | | | |
| - Segment assets | 755,438 | 480,747 | 19,770,922 | 21,007,107 |
| - Deferred tax assets | | | | 1,208,381 |
| Total assets | | | | 22,215,488 |
| Segment liabilities | | | | |
| - Segment liabilities | 974,499 | 1,043,669 | 11,941,742 | 13,959,910 |
| - Deferred tax liabilities | | | | - |
| Total liabilities | | | | 13,959,910 |
| Other information | | | | |
| Capital expenditure | | | | |
| - Plant and equipment | - | - | 255,725 | 255,725 |
| - Intangible assets | - | - | 1,909,194 | 1,909,194 |
| Depreciation and amortisation** | 111,695 | 8,806 | 2,260,499 | 2,381,000 |

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

** Depreciation and amortisation were allocated based on revenue contribution from each segment.

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:

| | Group | |
|---------------------------------|------------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Land communication products | 1,841,085 | 3,327,763 |
| Maritime communication products | 6,925,263 | 3,912,592 |
| Design services | 827,739 | 1,089,059 |
| Components and other sales | 1,245,763 | 1,614,235 |
| | 10,839,850 | 9,943,649 |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

37. SEGMENT INFORMATION (CONTINUED)

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

| | Revenue | |
|----------------------------|------------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Country of domicile | | |
| - Singapore | 466,831 | 1,008,544 |
| Foreign countries | | |
| - United States of America | 645,115 | 407,417 |
| - Korea | 902,157 | 347,420 |
| - UAE | 4,452,086 | 541,588 |
| - United Kingdom | 306,187 | 583,041 |
| - China | 1,954,820 | 2,662,748 |
| - Canada | 87,500 | 21,376 |
| - Australia | 56,344 | 180,885 |
| - Malaysia | 694,580 | 1,135,640 |
| - Philippines | 672,490 | 2,202,095 |
| - Others* | 601,740 | 852,895 |
| | 10,839,850 | 9,943,649 |

* Others comprise Spain, France, Taiwan, South Africa, Indonesia, Vietnam, Turkey, Norway and Netherlands.

Major customers

In 2017, revenue of the Group was attributable to major customer based in UAE, amounted to US\$4,383,000.

In 2016, revenue of the Group was attributable to these major customers based in Asia Pacific amounted to US\$2,202,000, US\$2,000,000 and US\$709,000 respectively.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group's and Company's major classes of financial assets are cash and bank balances, fixed deposit and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

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 | |
|---|---------|-----------|
| | 2017 | 2016 |
| | US\$ | US\$ |
| Corporate guarantees provided to banks on subsidiary's loans and finance leases | 481,865 | 3,784,153 |

The Group's trade receivables are non-interest bearing and are generally ranging from 0 to 60 days (2016: 0 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables is as follows:

| | Group | |
|-------------------------------|--------------|--------------|
| | 2017 US\$ | 2016 US\$ |
| Not past due and not impaired | 502,125 | 642,848 |
| Past due but not impaired | | |
| - Past due 0 to 3 months | 592,740 | 1,290,634 |
| - Past due 3 to 6 months | 505,220 | 203,428 |
| | 1,097,960 | 1,494,062 |
| | 1,600,085 | 2,136,910 |

Included in the Group's trade receivables are an aggregate amount of US\$1,097,960 (2016: US\$1,494,062) that are past due but not impaired. These relate to a number of independent customers of subsidiaries that have a good payment 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, except that for past-due but not impaired trade receivables with an amount of US\$485,249 (2016: US\$540,344), credit risk can be partially mitigated by amounts owing to the same counterparties (included in trade payables) subject to the agreement of the counterparties to offset these balances.

At the end of the reporting date, other than as disclosed elsewhere, the Group's significant credit risk exposure to single counterparty or group of counterparties having similar characteristics without collaterals, are analysed as follows:

- Included in deposit (Note 21) was an amount of US\$Nil (2016: US\$500,000) paid to a major subcontractor as security deposit which are fully refundable upon termination of contract; and
- Staff loans and advances (Note 21) relates to an amount of US\$23,474 (2016: US\$113,498) due from an employee of the Group.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | Group | |
|---|--------------|--------------|
| | 2017 US\$ | 2016 US\$ |
| <u>By geographical areas</u> | | |
| - EMEA | 591,202 | 619,734 |
| - North America | 15,475 | 11,389 |
| - Asia Pacific | 993,408 | 1,505,787 |
| | 1,600,085 | 2,136,910 |
| <u>By type of revenue</u> | | |
| - Sales of finished products and components | 1,600,085 | 1,851,853 |
| - Contract design revenue | – | 285,057 |
| | 1,600,085 | 2,136,910 |

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risks

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets, mainly cash and cash equivalents, and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. The currencies giving rise to this risk are primarily the Singapore dollar, Euro, British Sterling Pound, Chinese Renminbi and Malaysian Ringgit.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

The carrying amounts of the Group's and of the Company's foreign currency denominated financial assets and financial liabilities as at the end of the financial year are as follows:

| | United States dollar US\$ | Singapore dollar US\$ | Euro US\$ | Renminbi US\$ | Others* | Total US\$ |
|--|---------------------------------|-----------------------------|--------------|------------------|---------|---------------|
| Group 2017 | | | | | | |
| <u>Financial assets</u> | | | | | | |
| Trade receivables | 1,452,450 | 7,007 | – | 140,628 | – | 1,600,085 |
| Other receivables and deposits | 15,000 | 100,784 | – | 40,307 | 254 | 156,345 |
| Available-for-sale financial assets | 2,135 | – | – | – | – | 2,135 |
| Fixed deposit | – | 39,655 | – | – | – | 39,655 |
| Cash and bank balances | 11,062 | 16,063 | – | 187,534 | – | 214,659 |
| | 1,480,647 | 163,509 | – | 368,469 | 254 | 2,012,879 |
| <u>Financial liabilities</u> | | | | | | |
| Trade payables | 1,505,474 | 340,057 | 1,474 | 177 | – | 1,847,182 |
| Other payables and accruals | 181,893 | 1,801,306 | – | 44,665 | 3,888 | 2,031,752 |
| Borrowings | – | 1,726,505 | – | – | – | 1,726,505 |
| | 1,687,367 | 3,867,868 | 1,474 | 44,842 | 3,888 | 5,605,439 |
| Net financial (liabilities)/assets | (206,720) | (3,704,359) | (1,474) | 323,627 | (3,634) | (3,592,560) |
| Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies | 206,720 | – | – | (187,534) | – | 19,186 |
| Foreign currency exposure | – | (3,704,359) | (1,474) | 136,093 | (3,634) | (3,573,374) |

* Others comprise British Sterling Pound and Malaysian Ringgit.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

| | United States dollar US\$ | Singapore dollar US\$ | Euro US\$ | Renminbi US\$ | Others* US\$ | Total US\$ |
|--|---------------------------------|-----------------------------|------------------|------------------|-----------------|--------------------|
| Group 2016 | | | | | | |
| <u>Financial assets</u> | | | | | | |
| Trade receivables | 1,601,754 | 238,041 | – | 297,115 | – | 2,136,910 |
| Other receivables and deposits | 537,136 | 132,414 | – | 131,197 | – | 800,747 |
| Available-for-sale financial assets | 2,135 | – | – | – | – | 2,135 |
| Fixed deposit | – | 39,655 | – | – | – | 39,655 |
| Cash and bank balances | 286,731 | 77,810 | – | 60,992 | – | 425,533 |
| | 2,427,756 | 487,920 | – | 489,304 | – | 3,404,980 |
| <u>Financial liabilities</u> | | | | | | |
| Trade payables | 2,627,456 | 858,716 | 177,730 | 85,603 | – | 3,749,505 |
| Other payables and accruals | 1,771,602 | 2,350,716 | – | 38,211 | 36,208 | 4,196,737 |
| Borrowings | – | 4,893,253 | – | – | – | 4,893,253 |
| | 4,399,058 | 8,102,685 | 177,730 | 123,814 | 36,208 | 12,839,495 |
| Net financial (liabilities)/assets | (1,971,302) | (7,614,765) | (177,730) | 365,490 | (36,208) | (9,434,515) |
| Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies | 1,971,302 | – | – | (60,992) | – | 1,910,310 |
| Foreign currency exposure | – | (7,614,765) | (177,730) | 304,498 | (36,208) | (7,524,205) |

* Others comprise British Sterling Pound and Malaysian Ringgit.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

| | United States dollar US\$ | Singapore dollar US\$ | Total US\$ |
|---|---------------------------------|--------------------------|---------------|
| Company | | | |
| 2017 | | | |
| <u>Financial assets</u> | | | |
| Available-for-sale financial assets | 2,135 | – | 2,135 |
| Other receivables and deposits | – | 111 | 111 |
| Cash and bank balances | – | 1,604 | 1,604 |
| | 2,135 | 1,715 | 3,850 |
| <u>Financial liabilities</u> | | | |
| Other payables and accruals | – | 881,535 | 881,535 |
| Borrowings | – | 1,037,910 | 1,037,910 |
| Due to subsidiaries (non-trade) | 80,782 | – | 80,782 |
| | 80,782 | 1,919,445 | 2,000,227 |
| Net financial liabilities | (78,647) | (1,917,730) | (1,996,377) |
| Less: Net financial assets denominated in the Company's functional currency | 78,647 | – | 78,647 |
| Foreign currency exposure | – | (1,917,730) | (1,917,730) |
| 2016 | | | |
| <u>Financial assets</u> | | | |
| Available-for-sale financial assets | 2,135 | – | 2,135 |
| Other receivables and deposits | 510,625 | 11,487 | 522,112 |
| Due from subsidiaries (non-trade) | 747,311 | – | 747,311 |
| Cash and bank balances | – | 1,314 | 1,314 |
| | 1,260,071 | 12,801 | 1,272,872 |
| <u>Financial liabilities</u> | | | |
| Other payables and accruals | 1,192,793 | 681,054 | 1,873,847 |
| Borrowings | – | 1,109,100 | 1,109,100 |
| | 1,192,793 | 1,790,154 | 2,982,947 |
| Net financial assets/(liabilities) | 67,278 | (1,777,353) | (1,710,075) |
| Less: Net financial assets denominated in the Company's functional currency | (67,278) | – | (67,278) |
| Foreign currency exposure | – | (1,777,353) | (1,777,353) |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% (2016: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2016: 10%) is the sensitivity rate representing 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% (2016: 10%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% (2016: 10%) against the functional currency of each Group entity, with all other variables held constant, profit or loss for the year and other equity will increase/(decrease) by:

| | Singapore dollar US\$ | Euro US\$ | Renminbi US\$ | Others US\$ | Total US\$ |
|-------------------|-----------------------------|--------------|------------------|----------------|---------------|
| 2017 | | | | | |
| <u>Group</u> | | | | | |
| Loss for the year | 307,462 | 122 | (11,295) | 302 | 296,591 |
| <u>Company</u> | | | | | |
| Loss for the year | 159,181 | – | – | (9) | 159,172 |
| 2016 | | | | | |
| <u>Group</u> | | | | | |
| Loss for the year | 632,025 | 14,752 | (25,273) | 3,005 | 624,509 |
| <u>Company</u> | | | | | |
| Loss for the year | 147,520 | – | – | – | 147,520 |

A 10% weakening of functional currency of each Group entity against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks relate to interest bearing liabilities.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

Interests on the Group's borrowings (Note 26) are on fixed rates that prevail until the maturity of the instruments. No other financial instrument of the Group is subject to interest rate risks.

Interest risk sensitivity

The Group's consolidated statements of profit or loss and other comprehensive income and equity are not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest until maturity and most are repayable within the next financial year. Hence, the Group's exposure to interest rate risk is minimal.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

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 repayment terms of the trade payables are non-interest bearing and generally on 30 to 90 days (2016: 30 to 90 days) credit term.

The repayment terms of the loans and finance lease payables are disclosed in Notes 27 and 28 to these financial statements respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

| | Effective Interest rate % | Carrying amount US\$ | Total US\$ | One year or less US\$ | Two to five years US\$ |
|---------------------------------|---------------------------------|----------------------------|---------------|-----------------------------|------------------------------|
| Group | | | | | |
| 2017 | | | | | |
| Trade payables | – | 1,847,182 | 1,847,182 | 1,847,182 | – |
| Other payables and accruals | – | 2,031,752 | 2,031,752 | 2,031,752 | – |
| Borrowings | 3.01 - 48 | 1,726,505 | 1,893,573 | 1,697,082 | 196,491 |
| | | 5,605,439 | 5,772,507 | 5,576,016 | 196,491 |
| 2016 | | | | | |
| Trade payables | – | 3,749,505 | 3,749,505 | 3,749,505 | – |
| Other payables and accruals | – | 4,196,737 | 4,196,737 | 4,196,737 | – |
| Borrowings | 3.27 - 18 | 4,893,253 | 5,190,623 | 5,146,608 | 44,015 |
| | | 12,839,495 | 13,136,865 | 13,092,850 | 44,015 |
| Company | | | | | |
| 2017 | | | | | |
| Other payables and accruals | – | 881,535 | 881,535 | 881,535 | – |
| Borrowings | 18 | 1,037,910 | 1,128,101 | 1,128,101 | – |
| Due to subsidiaries (non-trade) | – | 80,782 | 80,782 | 80,782 | – |
| | | 2,000,227 | 2,090,418 | 2,090,418 | – |
| 2016 | | | | | |
| Other payables and accruals | – | 1,873,847 | 1,873,847 | 1,873,847 | – |
| Borrowings | 18 | 1,109,100 | 1,122,409 | 1,122,409 | – |
| | | 2,982,947 | 2,996,256 | 2,996,256 | – |



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial instruments by category

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

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2017 US\$ | 2016 US\$ | 2017 US\$ | 2016 US\$ |
| Financial assets: | | | | |
| - Loans and receivables | 2,010,744 | 3,402,845 | 1,715 | 1,270,737 |
| - Available-for-sale | 2,135 | 2,135 | 2,135 | 2,135 |
| | 2,012,879 | 3,404,980 | 3,850 | 1,272,872 |
| Financial liabilities at amortised cost | 5,605,439 | 12,839,495 | 2,000,227 | 2,982,947 |

39. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of applicable assets and liabilities are determined and categorised using a fair value hierarchy as follows:

- Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).
- Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.
- Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

| | Group and Company | | | |
|--|-------------------|-----------------|-----------------|---------------|
| | Level 1 US\$ | Level 2 US\$ | Level 3 US\$ | Total US\$ |
| 2017 | | | | |
| Recurring: | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets ¹ | 2,135 | – | – | 2,135 |
| 2016 | | | | |
| Recurring: | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets ¹ | 2,135 | – | – | 2,135 |

¹ 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.



NOTES TO THE FINANCIAL STATEMENTS

for the Financial Year Ended 31 March 2017

39. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, fixed deposit, trade and other receivables (excluding prepayments), bank borrowings, trade and other payables and amounts due from/(to) subsidiaries approximate their respective fair values due to the relative short term maturity of these financial instruments. The non-current borrowings which are carried at amortised cost and bear a fixed interest rate. Fair value information is not disclosed as there is a lack of market information of comparable instruments with similar characteristics and risk profile.

40. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 26 and equity attributable to owners of the Company, comprising issued capital, retained earnings and reserves as disclosed in Notes 30 to 33 and statements of changes in equity.

The Group's management reviews the capital structure on a regularly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends to shareholders, return capital to shareholders or issue new shares and share buy-backs. The Group's overall strategy remains unchanged from 31 March 2016.

Management monitors capital based on a gearing ratio of less than one. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (excluding income tax payable and deferred tax liabilities as shown in the statements of financial position), less cash and bank balances. Total capital is calculated as total equity as shown in the statements of financial position, plus net debt.

| | Group | | Company | |
|------------------------------|------------|------------|------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | US\$ | US\$ | US\$ | US\$ |
| Total borrowings | 1,726,505 | 4,893,253 | 1,037,910 | 1,109,100 |
| Less: Cash and bank balances | (214,659) | (435,533) | (1,604) | (1,314) |
| Net debt | 1,511,846 | 4,457,720 | 1,036,306 | 1,107,786 |
| Total equity | 13,658,853 | 8,255,578 | 14,268,999 | 3,407,298 |
| Total capital | 15,170,699 | 12,713,298 | 15,305,305 | 4,515,084 |
| Gearing ratio | 0.10 | 0.35 | 0.07 | 0.25 |

The Group and the Company are not subjected to any externally imposed capital requirements during the financial years ended 31 March 2017 and 2016.



ANALYSIS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2017

| | |
|---|----------------------|
| Issued and fully paid-up capital | : S\$94,754,648 |
| Total number of shares | : 1,770,441,084 |
| Class of Shares | : Ordinary |
| Treasury shares | : Nil |
| Voting Rights (excluding treasury shares) | : One Vote Per Share |

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 JUNE 2017

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|-------|---------------|----------|
| 1 - 99 | 18 | 0.39 | 1,061 | 0.0001 |
| 100 - 1,000 | 281 | 6.01 | 246,793 | 0.0140 |
| 1,001 - 10,000 | 1,337 | 28.58 | 7,983,695 | 0.4509 |
| 10,001 - 1,000,000 | 2,865 | 61.24 | 389,537,989 | 22.0023 |
| 1,000,001 and above | 177 | 3.78 | 1,372,671,596 | 77.5327 |
| Total | 4,678 | 100 | 1,770,441,134 | 100.0000 |

As at 30 June 2017, the percentage of shareholdings held in the hands of the public was 90.70% and Rule 723 of the Listing Manual is complied with.

20 LARGEST REGISTERED SHAREHOLDERS AS AT 30 JUNE 2017 AS SHOWN IN THE REGISTERS OF MEMBERS

| No. | Name | No. of Shares | % |
|-----|-------------------------------|--------------------|---------------|
| 1 | RAFFLES NOMINEES (PTE) LTD | 94,429,600 | 5.33% |
| 2 | CREST CAPITAL ASIA PTE LTD | 68,699,017 | 3.88% |
| 3 | OCBC SECURITIES PRIVATE LTD | 63,636,719 | 3.59% |
| 4 | MAYBANK KIM ENG SECS PTE LTD | 61,098,067 | 3.45% |
| 5 | DBS VICKERS SECS (S) PTE LTD | 52,553,231 | 2.97% |
| 6 | TAN KHAI PANG | 48,900,360 | 2.76% |
| 7 | HSBC (SINGAPORE) NOMS PTE LTD | 48,117,426 | 2.72% |
| 8 | PAUL CLARK BURKE | 39,366,506 | 2.22% |
| 9 | CHAN KUM LOK COLIN | 39,190,960 | 2.21% |
| 10 | DBS NOMINEES PTE LTD | 35,685,465 | 2.02% |
| 11 | GOH POH HENG | 33,904,000 | 1.92% |
| 12 | UNITED OVERSEAS BANK NOMINEES | 30,657,032 | 1.73% |
| 13 | CITIBANK NOMS S'PORE PTE LTD | 27,964,432 | 1.58% |
| 14 | LIM HAN BOON | 26,654,080 | 1.51% |
| 15 | PHILLIP SECURITIES PTE LTD | 25,071,932 | 1.42% |
| 16 | WANG YU HUEI | 25,000,000 | 1.41% |
| 17 | TAN KHAI TENG | 24,981,000 | 1.41% |
| 18 | SIM SIEW TIN CAROL | 24,368,000 | 1.38% |
| 19 | YUEN WAI KHEONG | 23,095,300 | 1.30% |
| 20 | UOB KAY HIAN PTE LTD | 18,864,432 | 1.07% |
| | | 812,237,559 | 45.88% |



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of Addvalue Technologies Ltd will be held at the Registered Office of the Company at 8 Tai Seng Link (Level 5) Wing 2, Singapore 534158 on Friday, 28 July 2017 at 10.00 a.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company for the financial year ended 31 March 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To approve the Directors' Fee of S\$160,000 for the financial year ended 31 March 2017 (2016: S\$160,000). **(Resolution 2)**
3. To re-appoint Mazars LLP as Auditors of the Company to hold office until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

4. Authority to allot and issue shares

"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:

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
- (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:
 - (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent (50%) of the 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 twenty per cent (20%) of the total number of issued shares excluding treasury shares, 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 SGX-ST, and



NOTICE OF ANNUAL GENERAL MEETING

- (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 4)
(See Explanatory Note 2)

5. Proposed renewal of Share Buyback Mandate

“That:

- (a) for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the “**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined) during the Relevant Period, at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchase(s) (“**Market Purchase**”), transacted on SGX-ST through the SGX-ST’s trading system 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 or schemes as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual;
- (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



NOTICE OF ANNUAL GENERAL MEETING

“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 (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

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

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

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

(Resolution 5)

(See Explanatory Note 3)

ANY OTHER BUSINESS

- 6. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Foo Soon Soo
Company Secretary

Singapore, 13 July 2017

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 8 Tai Seng Link, Level 5 (Wing 2), Singapore 534158 not less than 48 hours before the time appointed for the Meeting.



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Mr Ang Eng Lim, who is retiring pursuant to Article 104 of the Constitution, will not be seeking re-election due to other personal commitments. Accordingly, Mr Ang Eng Lim will be retiring as an Independent Director of the Company at this Annual General Meeting. Following his retirement, he will also cease to be a Chairman of the Remuneration Committee, a member of the Nominating Committee and the Audit Committee.
2. **Resolution 4**, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares 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 twenty per cent (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 bonus issues 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.
3. **Resolution 5** in item 5 relates to the renewal of mandate approved by shareholders on 28 July 2016 authorising 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 13 July 2017 on the Renewal of the Share Buyback Mandate.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

ANNUAL GENERAL MEETING

ADDVALUE TECHNOLOGIES LTD

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

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF moneys to buy shares in ADDVALUE TECHNOLOGIES LTD, this Annual Report is forwarded to them at the request of the CPF Approved Nominees.
3. This proxy form is 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,

of.....

being *a member/members of ADDVALUE TECHNOLOGIES LTD (the "Company"), hereby appoint

| Name | Address | NRIC/Passport No. | Proportion of shareholdings to be represented by proxy (%) |
|------|---------|-------------------|--|
| | | | |

*and/or (delete as appropriate)

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 8 Tai Seng Link (Level 5) Wing 2, Singapore 534158 on Friday, 28 July 2017 at 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 Annual General Meeting in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

| No. | Ordinary Resolutions | No. of Votes or to indicate with a tick | |
|-----|----------------------|---|---------|
| | | For | Against |

Ordinary Business

| | | | |
|----|--|--|--|
| 1. | To receive and adopt the Audited Financial Statements and Directors' Statement of the Company for the financial year ended 31 March 2017 together with the Auditors' Report thereon. | | |
| 2. | To approve the Directors' Fee of S\$160,000 for the financial year ended 31 March 2017 (2016: S\$160,000). | | |
| 3. | To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |

Special Business

| | | | |
|----|--|--|--|
| 4. | To authorise Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50. | | |
| 5. | To approve the renewal of the Share Buyback Mandate. | | |

Dated this.....day of.....2017

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

Total Number of Shares Held



IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. A member of the Company (other than a relevant intermediary as defined in Section 181 of the Companies Act, Cap.50) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. A relevant intermediary as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the meeting and vote.
3. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting.

Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Tai Seng Link (Level 5) Wing 2, Singapore 534158 not later than 48 hours before the time set for the Annual General Meeting.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited) he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appoint or are not ascertainable from the instructions of the appoint or specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
11. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

Fold along this line

Affix
Postage
Stamp

The Company Secretary
ADDVALUE TECHNOLOGIES LTD
8 Tai Seng Link (Level 5) Wing 2
Singapore 534158

Fold along this line



TRANSCENDING SPACE TRANSFORMING SEAS

Annual Report 2017

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