TRANSFORMING BUSINESS ENHANCING PROSPECTS

ANNUAL REPORT 2018

addvalue

driving connectivity

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.

CONTENTS

CORPORATE PROFILE

As a world recognised "one-stop shop" communications technology products developer, Addvalue provides state-of-the-art satellite-based communication and other innovative digital broadband products and solutions for a variety of connectivity between humans, between machines, and between humans and machines.

"We drive connectivity by leveraging our innovative communications knowhow and by integrating with other digital technologies; we develop communications products not only with a human touch but with a lot of smart ideas."

The "one-stop shop" portray poignantly describes the broad range of communications technologies knowhow and product development capabilities that Addvalue has built over the years through its dynamic engagements with the leading players in both industrial and governmental sectors. Built upon our deep technology foundations and enterprising mind-set, we create innovative ideas that will deliver unique values for our business partners.

"Indeed, creating values through innovation is the hallmark of Addvalue"

Certified to the latest ISO9001:2015, Addvalue, promising total customer satisfaction, is committed to high quality and on-time services and deliverables.

Complied with the Business Continuity Management certification ISO 22301:2012, Addvalue earns the confidence of the industry as a reliable business partner for its operations and in supporting mission-critical services.

BUSINESS MODEL

Our competitive edge comes from how we bring values to our business partners and end-users who embrace our products and services. Our constant efforts to upscale our communications and related digital technologies, to expand our pervasive experiences in the development and supporting of such innovative user terminals and related solutions, and our keen awareness of the changes in the industrial paradigm shifts form the bedrock of our strategic approach to position ourselves in the dynamic competing environment.

Over the years, we have not only established ourselves as a key partner to many major players in the satellite communication industry, but also extended our track record into emerging and exciting industries of new space, remote monitoring, tracking and smart computing through Internet-of-Things ("IoT") and Artificial Intelligence ("AI") technologies. 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 the profile of our core competence.

Diversified markets served

We position ourselves as a valuable business enabler for our partners/customers that are serving the following diverse market needs:

- Resilient fixed and mobile communication products and applications;

- Services and solutions that may include:

  - Turnkey contracting services for system integration that need stitching of technologies to offer a total solution package for connectivity;

  - Managed services that combine edge processing in terminals and cloud-based services platforms to provide total end-to-end solutions to end-users;

- Advanced agile communications systems development employing Software Defined Radio ("SDR") and deep machine learning tools for governments and commercial enterprises.

Key business activities

All the above revenue streams are to be derived from our two core business activities:

- Business concerning hardware sales and provision of services relating to Inter-Satellite Data Relay System ("IDRS") (the "IDRS Business"), widely recognised as a game-changer for the Low-Earth-Orbit ("LEO") satellite industry; the prospects of IDRS Business count on the huge potential nascent markets offered by the trending launches of LEO satellites; and

- Non-IDRS Business which rides on the exponential growth prospects of the IoT and AI markets.

Flexible revenue model

We adopt flexible business revenue model with the aim to streamline our operational efficiency and build sustainable business growth. We will adopt a variety of business arrangements as follows to enhance the resilience of our business model:

- Hardware sales: Sales from supplying hardware through own distribution channels or private label arrangements or terminal technology licensing with partners who have developed their own vertical markets;

- Solution and airtime income: Service income from turnkey contract services in the form of providing system integration services or managed services covering subscriptions of solutions and airtime services; and

- Design Fee: High value advanced technology contracts for bespoke third-party product development and supply.

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 2018 ("FY2018").

Financials

For FY2018, the Group delivered a jaded performance, registering a decrease of 62% in turnover to US$4.1 million against a net loss of US$12.8 million compared to a turnover of US$10.8 million and a net loss of US$3.5 million attained in the financial year ended 31 March 2017 ("FY2017"). Of the US$12.8 million loss incurred in FY2018, about US$8.4 million was attributed to the non-cash items of impairment and deferred tax adjustments. Had it not for these non-cash adjustments, the net loss sustained by the Group for FY2018 would have been about US$4.4 million. With the impairment taken up in FY2018, the Group expects the amortization its development expenses for the financial year ending 31 March 2019 ("FY2019") to be drastically reduced by at least 50% from that of US$1.2 million recorded in FY2018.

As a consequence to the above, the net asset value of the Group reduced by US$6.2 million or about 45% from US$13.7 million as at 31 March 2017 to US$7.5 million as at 31 March 2018 while the net asset value per share of the Group decreased from 0.86 US cents as at 31 March 2017 to 0.42 US cents per shares as at 31 March 2018.

Subsequent to 31 March 2018, the Company entered into an agreement with an investor, pursuant to which the investor has agreed to invest S$1.5 million by way of a subscription of 1,500,000 exchangeable bonds of S$1.00 each to be issued by Addvalue Innovation Pte Ltd ("AVI"), and, in the event that Addvalue Solutions Pte Ltd ("AVS"), a wholly-owned subsidiary of AVI, procures a listing and quotation of its shares on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") or AVS (or its undertakings or substantially the whole of its undertakings) are being acquired by a third party through a trade sale (the "Proposed Spin-Off or Sales"), such bonds being exchangeable into a certain number of new shares to be issued out of the capital of AVS (the "Investment"). The Company is currently in discussions and/or legal document review stage with other potential investors for additional funds to be raised in a manner akin to the Investment and based largely on the same terms and conditions as the Investment.

Transformation Program

Times have been difficult for the mobile satellite communication hardware suppliers who suffered mainly from the consequences of the protracted global depressions in the maritime shipping and energy industries. The gradual paradigm shift in the satellite ecosystem, which increasingly gravitates towards a preference for broadband transmission (traditionally not a forte of Addvalue) with the industry players grubbing protractedly to seek out viable commercial business models in exploiting the shift (the "Paradigm Shift"), compounds the problem. The Group, in anticipation of the Paradigm Shift, started our journey of enhancing and recalibrating our business model two year ago based on the twin strategies of 'Commercial Refocusing' and 'Emerging Markets Focus' (the "Transformation Program"); as at then, we already recognized the need to diversify our revenue model from the lopsided dependency on sales of our mobile satellite communication hardware. As in any business transformation, the Transformation Program proves to be not only internally resource-intensive but also depends on propitious external factors to come to fruition.

We had hoped to neutralize the adverse impacts due to the continual depressed markets in the maritime shipping and energy industries with the continuation of sales momentum for our small vessel terminals, such as SF2500, into the underserved fishing fleet markets, especially in China. This momentum, however, was interrupted in FY2018 due to the following external factors:

- The anti-graft campaigns in China have inflicted an adverse side effect in the momentum of small fishing vessel modernization programs. In turn, this has negatively affected the take up rate of the end-user terminals;

- The aggressiveness of Chinese Very Small Aperture Terminal (VSAT) operators to increase market shares also encroached into some segments of the fishing fleet market. With a view to gain in market shares, these VSAT operators have heavily subsidised the VSAT terminals while bundling broadband airtime services.

- Competitions from indigenous companies in China, lured by our success in the supply of maritime terminals; these companies tried to use price strategy to undercut us and have caused some resellers to delay their buying decisions from us.

> I would like to stress that we constantly challenge the logics of our value proposition behind our business model so as to create value to our shareholders. In order to do so, we must perforce create value for and capture value from our customers.

Our efforts to launch the commercial plans for IP data-centric services in this fishing fleet market and the burgeoning Internet-of-Things (IoT) applications were also dragged down by the lengthy and regurgitating approaches adopted by industry players to actuate viable business concepts and pricing models to take advantage of such trends.

Notwithstanding the above, we are seeing very encouraging signs in recent months that the negative factors interrupting our sales growth in small fishing fleet market are clearing out. For example, the Chinese VSAT operators can no longer sustain losses by subsidizing equipment to capture market shares as the fishing fleet communities have regarded both the coverage footprints of the Chinese VSAT services and the quality of the Ku band terminals so provided to be inadequate to match their needs. At the same time, our concrete actions to forge our partnerships in China to create new values through differentiated terminal development, better cost control and solutions offering are setting us apart from the competition. We are confident that our sales will recover and pick up within this current financial year.

I would like to stress that we constantly challenge the logics of our value proposition behind our business model so as to create value to our shareholders. In order to do so, we must perforce create value for and capture value from our customers. In this sense, I truly believe that, through our Transformation Program, we are well on the way to fundamentally and vastly recalibrate our business model to be more resilient against the vagaries of market forces and more agile and ready to tap into the new and burgeoning opportunities brought about by the ever-increasing demands and insatiable quest for connectivity in every conceivable industry.

Progress developments

Despite the very lackadaisical performance in FY2018, I would like to highlight the following noticeable developments achieved thus far as a result of our deliberate efforts on all fronts of the business initiatives identified in the Transformation Program:

- **Leveraging the ASEAN region for products sales and turnkey projects in IoT and fishing fleets**
  In tandem with our plan to establish local business and sales presence in the ASEAN region, which is an emerging market with vast potential for our profile of products, solutions and engineering services, we have started our representative office in Bangkok Thailand. To this end, we have increased our resources and intensified our efforts to accelerate our IoT and fishing fleet business development and expand sales activities in the ASEAN region, particularly Myanmar, Vietnam, Thailand, the Philippines and Indonesia, including the setting up of commercial packages for bundled offerings of solutions, hardware and services and the implementation of managed services for recurring revenue generation.

- **Continual riding on the China market and the "Belt and Road Initiative"**
  Through our China subsidiary, Zhongxin Chuangzhi (Beijing) Technologies Ltd Co., we continued to expand our partnerships in China beyond selling our terminals into the small fishing fleets and maritime market. As mentioned above, with the restraining factors that interrupted our momentum to push into the fishing fleet modernization programs now subdued, we expect our various tie-up programs with our partners, such as Huaan Xingke (Beijing) Information Technology Co., Ltd, Zhongyou Century (Beijing) Technology Co Ltd, China Telecom and China Transport Telecommunications & Information Center ("CTTIC"), to resume and surge forward.

  To create further inroad and to be truly latched onto the orbit of the China economic dynamo, we are exploring deeper and strategic partnerships to participate in the China indigenous programs, such as her new S-band mobile satellite system and new generation of Beidou navigation system.

- **Commercial breakthrough in IDRS**
  Our commercial traction has finally arrived for our Inter-Satellite Data Relay System ("IDRS") services, widely recognized as a game-changer for the Low-Earth-Orbit ("LEO") satellite industry, after we signed the airtime distribution agreement for our exclusive IDRS terminal operations over the Inmarsat BGAN satellite systems in August 2017. This was followed by a commercial collaboration agreement with KSAT, a Norwegian company that runs arguably the largest network of earth ground stations service around the world for LEO satellite operators. Our collaboration with KSAT is significant in that it immediately links us to the vast clientele base of KSAT. Separately, we have also signed commercial agreements with two new space players who embrace the use of IDRS in their telemetry, command and control of their spacecraft as well as payload operations. One of them will include a multi-satellite constellation for commercial and research-

Chairman's Statement

focused activities. We are extremely excited at the prospects of this agreement as the airtime traffic is expected to be substantial.

Indeed, our commercial traction for IDRS continues and increases in intensity. We expect to sign up a few more contracts in this new financial year.

- **High value advanced design engineering**
  Our deep capabilities in communication technologies and sophisticated product development, such as Software Defined Radio ("SDR") and FPGA embedded platform, have given us the defining edge to win high-market-barrier, advanced engineering project or high-value product development program from governments and enterprises.

  SDR engineering technology is much sought-after in sophisticated communication applications because of its flexibility in providing reconfigurable communication with only firmware upgrades. We have won repeated orders from the Singapore government for our fully in-house developed proprietary SDR module (the "SDR Module") as it forms a core engine for a variety of proprietary communications system. Accordingly, further future repeat orders of the SDR Module are to be anticipated. Besides, Addvalue also expects orders for its SDR Module to flow in from other sectors worldwide, be it commercial or otherwise, as it starts marketing such module or its derivatives through its industrial partners.

  Most interestingly due to the advancement in data analytic algorithms afforded by artificial intelligence ("AI") technologies, such as deep machine learning, we are now able to tap into such technologies for edge-processing onto our SDR embedded platform, thereby opening up immense business opportunities that harness AI applications.

- **Proposed Spin-off and listing of Addvalue Solutions Pte Ltd**
  As previously announced, the Group aims to spin-off its wholly-owned subsidiary, Addvalue Solutions Pte Ltd ("AVS"), which houses and undertakes all the business relating to its IDRS business, including the IDRS airtime business, via a distribution-in-specie of a portion of the shares of AVS ("AVS Shares") currently held by the Company (through another wholly-owned subsidiary) to the shareholders of the Company ("Shareholders") for the listing and quotation of the AVS Shares (the "Proposed AVS Listing") on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST" or the "Exchange") ("SGX-ST Catalist") (the "Proposed Spin-Off and Listing"). In this regards, the Group has received a pre-clearance from SGX-ST that it does not regard the Proposed Spin-Off and Listing on the SGX-ST Catalist as a chain listing pursuant to Rule 210(6) of the SGX-ST Listing Manual. On 8 May 2018, the Company appointed Hong Leong Finance Limited as the Full Sponsor, Issue Manager and Placement Agent for the Proposed Spin-Off and Listing.

A Word of Thanks

Notwithstanding the favorable prospects that lay ahead of us, we are cautiously optimistic and stay cognizant of any macroeconomic headwinds. Our exceptional staff are the key reason that we were able to remain resilient amidst the challenges 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's ethos of 'Dynamics, Enterprising, Fortitude and Trust' or 'DEFT'. I am highly confident that we are starting our turnaround process and are beginning to realize our commercial potentials in FY2019 and beyond.

My deep appreciation is also extended to our customers, partners, and suppliers for their kind understanding and encouragement as we surge forward with our Transformation Program. Last but not least, I am thankful to you our Shareholders for your steadfast support and patience. With your firm standing behind us, we will make our collective dream come true in FY2019 and beyond.

Dr Chan Kum Lok, Colin
Chairman & CEO

FINANCIAL REVIEW

Revenue

US$ 4.1 million

▼ 62% from US$10.8 million in FY2017

Gross Profit

US$ 1.3 million

Against a gross profit margin of 32.3%

Turnover

Our Group registered a lower turnover of US$4.1 million in FY2018 compared to that of US$10.8 million in FY2017 due to:

1. the continued depressed economic conditions in the merchant shipping and energy sectors which our products primarily target;

2. the phasing out of certain ranges of our products which are reaching their end of lives. While new and improved version of such products with enhanced features were gradually being introduced by our Group into the markets, certain adjustment time is needed to cultivate these products in gaining market acceptance; and

3. the gradual shifting in market demand for narrowband satellite communications ("satcom") products to broadband satcom products with more data centric features. Our Group is now at an advanced stage of developing certain data centric features demanded by end users and to have them incorporated into our nascent range of broadband satcom products to be debuted by the end of FY2018.

Profitability

Our Group registered a gross profit of US$1.3 million against a gross profit margin of 32.3% for FY2018 relative to a gross profit of US$4.1 million against a gross profit margin of 37.6% for FY2017. The decrease in gross profit was due chiefly to the reduced turnover while the decrease in gross profit margin was attributable mainly to increased sales of lower yielding products.

Our selling and distribution expenses increased by US$139,000 or 20.0% from US$696,000 in FY2017 to US$835,000 in FY2018 due primarily to increased staff costs (through the recruitment of more marketing personnel) and travelling expense incurred in our continuous efforts to break into the Small Vessel Markets and to promote our solutions products in the ASEAN and Asia Pacific regions.

Our administrative expenses increased by US$0.4 million or 13.7% from US$2.6 million in FY2017 to US$3.0 million in FY2018 due mainly to increased staff costs and professional service charges incurred for corporate exercises and investor relations.

Our other operating expenses increased by US$5.5 million or 188.6% from US$2.9 million in FY2017 to US$8.4 million in FY2018 due mainly to impairments made to various assets, particularly the intangible assets, in FY2018 (the "Impairments"). The Impairments were in consequence to the lower projected future economic benefits expected to be generated by the capitalised development expenditure for certain terminals.

Our finance expenses in FY2018, relative to FY2017, decreased significantly by US$400,000 or 66.8%, mainly as a result of repayment of borrowings with proceeds raised from the Share Placement.

Financial Review

The tax expenses of about US$1.9 million and US$1.0 million recorded in FY2018 and FY2017 respectively were attributed principally to write down of the deferred tax assets of certain subsidiaries 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 these entities. This write-down has resulted in the deferred tax liabilities arising from the timing differences on development expenses claimed under income tax computations of about US$1.6 million being recognized in the current year.

As a result of the above, our Group incurred a net loss of US$12.8 million in FY2018 against a net loss of US$3.5 million in FY2017. Had it not for the Impairments and tax adjustments, the net loss incurred by the Group in FY2018 would have reduced to US$4.4 million instead.

Financial Position

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

The decrease in our intangible assets was mainly due to the Impairments made during FY2018, albeit higher amortization as well as increased development expenditures as we continued to develop our proprietary products, including our IDRS products as well as solutions and IoT-related products.

The increase in inventories as at 31 March 2018, albeit the write-off of certain dated components and finished products which were near or at their end-of-life, was attributed mainly to the build-up of materials and finished products in anticipation of sales resulting from our promotional activities as well as to cater to new orders for delivery in the first financial quarter of FY2019 ("Q1FY2019").

The decrease in amount due from customers for contract work was due principally to the completion of a contract work in FY2018.

The decrease in trade receivables and other receivables, deposit and prepayments were in line with the reduced business activities.

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

The decrease in provisions was mainly due to reduced provisions for directors' fees (following the resignation of one of our Independent Directors) and lower provisions on product warranty due to lower sales.

The decrease in our advance receipts was due mainly to fulfilment of orders from a customer.

The net increase in borrowings was mainly attributed to the outstanding Convertible Loan Notes issued on 31 May 2017 as well as new short-term borrowings procured in last quarter of FY2018.

Financial Review

The increase in share capital was attributed to the issuance of the conversion shares in connection with the Convertible Loan Notes and placement shares in FY2018.

The increase in capital reserve was attributed to the accounting for the equity portion of the outstanding Convertible Loan Notes (as the outstanding Convertible Loan Notes have features of both liability (debt) as well as equity, the accounting standards require for them to be accounted for the liability portion and equity portion separately).

As a 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) increase from 12.6% as at 31 March 2017 to 24.5% as at 31 March 2018;

2. the net cash used in operation increased from US$3.2 million in FY2017 to US$3.5 million in FY2018 chiefly as a result of reduced turnover and the build-up of inventories; and

3. the net asset value of the Group decreased by US$6.2 million or 45.32% from US$13.7 million as at 31 March 2017 to US$7.5 million as at 31 March 2018, with the net asset value per ordinary share decrease from 0.86 US cents per share as at 31 March 2017 to 0.42 US cents per share as at 31 March 2018.

Subsequent to 31 March 2018, the Company entered into an agreement with an investor, pursuant to which the investor has agreed to invest S$1.5 million by way of a subscription of 1,500,000 exchangeable bonds of S$1.00 each to be issued by Addvalue Innovation Pte Ltd ("AVI"), and, in the event that Addvalue Solutions Pte Ltd ("AVS"), a wholly-owned subsidiary of AVI, procures a listing and quotation of its shares on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") or AVS (or its undertakings or substantially the whole of its undertakings) are being acquired by a third party through a trade sale (the "Proposed Spin-Off or Sales"), such bonds being exchangeable into a certain number of new shares to be issued out of the capital of AVS (the "Investment"). The Company is currently in discussions and/or legal document review stage with other potential investors for additional funds to be raised in a manner akin to the Investment and based largely on the same terms and conditions as the Investment.

OPERATIONS REVIEW

7 MAY 2017

Addvalue announced that it has clinched initial trial order of about US$1.0 million for the supply of the Group's latest generation of maritime communications system, Wideye iFleetONE terminal from various customers globally. In the pipeline under discussion are also orders for about US$3.5 million from potential new customers, of which some are presently testing the product on their vessels. Pending success from the initial trial orders, the Group can expect repeated orders from the respective customers.

8 JUNE 2017

Addvalue announced a collaboration with INVAP S.E. ("INVAP"), a leading technology company in Argentine Republic specialising in the design and construction of low earth orbit ("LEO") and geostationary ("GEO") satellites. This collaboration is intended to facilitate the development and enhance the design of space hardware at Addvalue which will allow Addvalue to capitalise on the expertise that INVAP gained from its previous successful space missions with regard to hardware qualification and in-orbit operations.

20 JULY 2018

Addvalue announced that its Wideye iFleetONE terminal has been approved by the Thai authority for vessel tracking and management to combat illegal fishing and is the first of its kind to be approved and certified for import into Thailand. According to a recent report from the Thailand Embassy, it has an addressable market of over 10,000 commercial fishing vessels1. Kick-starting its presence in Thailand via cooperation with its Thai partners, the Group will commence delivery of the terminals in batches to support its partners' plan to deploy 200 terminals by the end of 2017.

11 AUGUST 2017

Addvalue and Inmarsat have formalized a worldwide agreement to jointly offer the world's first commercial on-demand communications service specifically designed to address certain elements of the rapidly expanding Low Earth Orbit (LEO) satellite market. The service, termed Inter-Satellite Data Relay Service ("IDRS"), will enhance and improve the operational efficiency of LEO satellite operations globally. As an example this service could be of particular interest to operators of scientific, weather forecasting, earth observation and imaging missions. The Inmarsat and Addvalue IDRS service agreement is a follow-through of the signed Memorandum of Understanding announced by Addvalue on 2 February 2017.

18 AUGUST 2017

Addvalue announced that it has set up its billing platform to offer airtime services and solutions for M2M and maritime industry, including merchant vessels market. In this regard, Addvalue has teamed up with local partners in Thailand to commence its equipment-cum-airtime bundled services for maritime market from next week with sales to a few vessels. Together with a new proprietary solution now being developed for cost effective IP based voice communications between ships and shore, Addvalue and its partners in Thailand will reach out to new market potential of several thousands of seafarers.

22 AUGUST 2017

Addvalue announced that it, together with Falcon Technology, a PRC company specialising in Internet of Things ("IoT") applications, has successfully demonstrated the applications of Satcom IoT to enhance tourism securities in Kanas, Xinjiang Province, China, amidst growing tourist arrivals. The Satcom IoT solution uses Addvalue Wideye SABRE Ranger 5000 terminal bundled with LoRa solution, a prevailing long range low power wireless technology for building IoT network. The system enables the tracking of tourists (and the sending of SOS alerts) via a wristband device. The successful trial is expected to lead to the mass commercial deployment after the local authorities finalise the implementation plan.

5 OCTOBER 2017

Addvalue announced that it has signed an agreement with a partner to offer its maritime product and data solutions bundle for deep-sea fishing vessels. Under the agreement, Addvalue and the partner will commence a two-month market trial from November 2017 followed by a commercial rollout. This market trial shall involve a "system test" of a new application that will prevent bill shock and at the same time provide chatting service for voice or text messages at very affordable rates. Such a chatting service will greatly ameliorate the communication between ships and shore, be it for fishing activities, logistic support, commercial deal making, or merely keeping in touch with family members and friends. The commercial rollout shall gradually cover vessels that will return to fishing ports for scheduled maintenance and upgrading work over a scheduled period of time. Addvalue and its partner target to capture a market size of at least 500 vessels.

2 JANUARY 2018

Addvalue announced that it has in collaboration with JSC GTNT ("GTNT") obtained type approval for the sales of the Thuraya Atlas IP terminal in Russia. The Thuraya Atlas IP is a maritime satellite terminal specifically designed and manufactured for Thuraya Telecommunications Company ("Thuraya") pursuant to a design and supply contract with Addvalue, and is the first Thuraya equipment of its kind to have received type approval from the Maritime and River Registers of Russia. GTNT is Thuraya's distribution partner in Russia.

6 FEBRUARY 2018

Zhongxin Chuangzhi (Beijing) Technology Ltd., Co. has entered into a collaboration agreement with Huaan Xingke (Beijing) Information Technology Co., Ltd a company incorporated in Beijing, to develop, market and distribute products and services integrating the China Beiduo navigation and satellite communications technologies for a number of vertical markets. The collaboration includes multi-mode broadband product development and the associated technical training to support partners in the fishing vessel industries in China and the South East Asia region.

12 MARCH 2018

KSAT, the world's leading provider of ground-station-based communications services to low orbiting spacecraft, and Addvalue, the sole provider of IDRS, an on-demand satellite relay based communications service, have entered into a collaboration agreement whereby they agree to work closely together to provide enhanced communications services in support of small low orbiting satellite operations. These satellites have experienced exponential growth due to their uses for earth observation, scientific, surveillance, weather forecasting, and imaging missions.

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 organizational competences necessary for the successful business transformation of the Group from consumer product-centric to satellite-based terminals and related application focus. His in-depth understanding of the industry and the competing forces helps the Group position its niche in the market. He oversees the business 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 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)

Mr Richard J Denny
Independent Director

Mr Denny was appointed to the Board on 1 May 2018 and serves as an Independent Director of the Company. At present, he is the Chairman of our Remuneration Committee. Mr Denny, an Australian national, has had over 40 years of experience in the space and satellite sector. Mr Denny joined Inmarsat in 1988 and held a range of positions spanning across the technical and operational functions of Inmarsat before he retired in 2012. From 1998 to 2008, He held the position of Vice President of Satellite and Network Operations, and was responsible for Inmarsat's fleet of satellites, network operations activities, satellite gateways, spectrum regulatory and spectrum management activities as well as satellite navigation services. In 2009, Mr Denny assumed a new role in spear heading the engineering activities across Inmarsat, ranging from new product and service development to systems engineering, of noteworthy mention were the engineering activities in connection with Inmarsat's new IsatPhone Pro hand-held satellite phone. From 2006 to 2012 and in conjunction with his operational and engineering responsibilities at Inmarsat, Mr Denny was appointed as the President Commissioner of PT ISAT, a new satellite business established by Inmarsat in Batam, Indonesia to expand the engineering and operational functions of Inmarsat in the Asia region.

Prior to joining Inmarsat, Mr Denny was with AUSSAT (now OPTUS) in Australia, and was tasked to establish the company's satellite control facilities and its subsequent launch and in-orbit operations of its first generation satellites.

Before his stint with AUSSAT, Mr Denny held various positions in the satellite control and satellite communications field with the Overseas Telecommunications Commission (now part of Telstra), an Australian international communications carrier. These roles primarily involved satellite launch and in-orbit support activities for Intelsat and the European Space Agency

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 17 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 15 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 listved 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.

Mr. Edward Fong
Senior Vice President, Products and Solutions / Managed Services

Mr Fong joined the Addvalue Group in 2018 as SVP, Product Solution and Managed Service. He had more than 35 years of working experience in the Telecommunication and Info-com Technology, on carrier environment of IP Internet, Data & Voice products. He had a Diploma in Computer Studies in 1979 and Project Management Professional certification in 2008. His previous appointment was; COO for Asia Games Central Pte Ltd in 2012 and Business Director for BizCres Pte Ltd in 2016.

He worked on various regional network and ICT projects in Asia countries. Together with the product and solution team had developed the LORA platform, and with IoT solution to go to market on Managed Service business for the Global Enterprise sector. The main focus is, together with the Sales team drive all sales engagement and opportunity into revenue growth for Addvalue group.

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 organization to undertake various research work. Dr Lim is currently in-charge of the technology development programs and also heading developmental work on baseband design. With more than 14 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 specializes in electronics hardware design. He has more than 26 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.

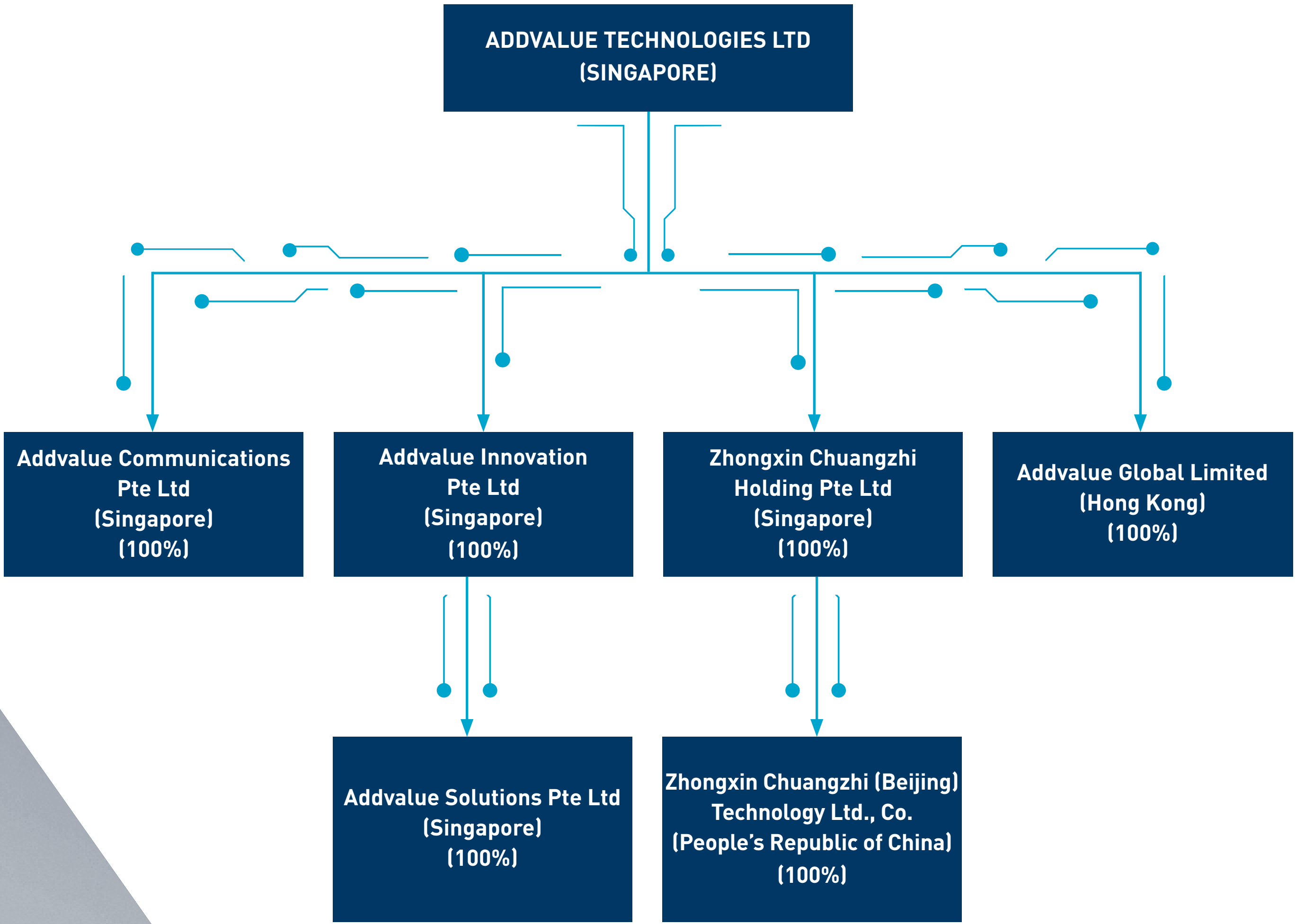
Mr. K. Kalaivanan

Vice President, Solutions Platform

Mr Kalaivanan joined the Group in 1996 and specializes in telecommunications software development, especially in the area of wireless communications and networking protocols. He heads the software design team of the Group, which also manages the software development of the Inmarsat BGAN satellite terminal projects. With more than 27 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

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 Michael J Butler
Independent Non-Executive Director

Mr Richard J Denny
Independent Non-Executive Director

Audit Committee
Mr Lim Han Boon *(Chairman)*
Mr Tan Khai Pang
Mr Michael J Butler
Mr Richard J Denny

Nominating Committee
Mr Lim Han Boon *(Chairman)*
Mr Tan Khai Pang
Mr Michael J Butler
Mr Richard J Denny

Remuneration Committee
Mr Richard J Denny *(Chairman)*
Mr Lim Han Boon
Mr Tan Khai Pang
Mr Michael J Butler

Company Secretary
Ms Foo Soon Soo

Registered Office
8 Tai Seng Link, Level 5 (Wing 2)
Singapore 534158
Tel: +65 6509 5700
Fax: +65 6509 5701

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

Auditors
Mazars LLP
135 Cecil Street
#10-01 MYP Plaza,
Singapore 069536
Partner-in-charge: Dominique Tan
Date of Appointment: From FY2016

Company Registration Number
199603037H

SUSTAINABILITY, CORPORATE GOVERNANCE REPORTS & FINANCIAL CONTENTS

SUSTAINABILITY REPORT

BOARD'S STATEMENT

The Board of Directors and management of the Company (the "Company" and together with its subsidiaries the "Group") are pleased to present the first Sustainability Report of the Group for the financial year ended 31 March 2018 ("FY2018"). As a world renowned one-stop digital, wireless and broadband communications technology products innovator, we provide state-of-the-art satellite-based communication terminals and solutions for a variety of voice and IP-based data applications. The Group also offers customized design services, tailored to the unique needs of each customer in availing total satellite communication solutions from anywhere and at any time. In order to promote long-term value creation in the pursuit of our commercial objectives and attainment of sustainable value for our key stakeholders, comprising the shareholders, employees, customers, vendors and regulators, the Group adopts various practices, to be carried out through sustainable efforts, concerning social, environment, governance and economic matters.

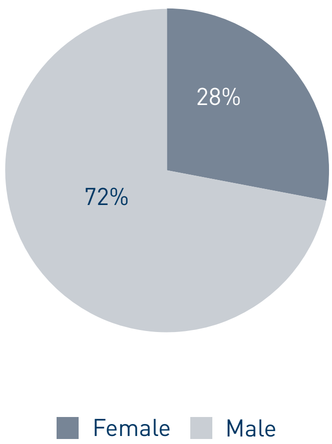
SUSTAINABILITY APPROACH

Our materiality assessment performed for FY2018 involved the Group's Senior Management in identifying sustainability factors deemed material to the Group's businesses and our stakeholders so as to allow us to channel our resources to create sustainable value for our stakeholders. This will be reviewed annually to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends. The details of each key sustainability factor are presented as follows:

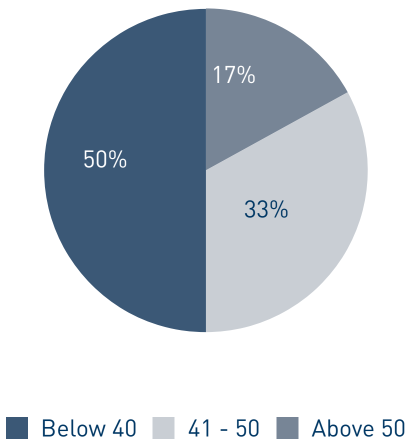
SOCIAL

As a technology developer and innovator, we place importance on our workforce capabilities, resourcefulness, experience, skills and knowhow. One important sustainability focus will be the development and social well-being of every community in which we operate in, especially to our very own employees, with emphasis on providing them with sustainable and inclusive labour practices. The Group believes in respecting and valuing diversity in cultures, religion, gender and age of our team. Diversity and non-discrimination practices are necessary to create an open mindedness, and productive and creative community that the Group needed to drive the growth and sustainability of our business. With a total work force of 88 full time employees as at 31 March 2018, of which 77 of them are stationed in Singapore, 9 in our Beijing office, 1 in Johor and 1 based in US, the diversity of the Group by gender, age and nationality are presented as follows:

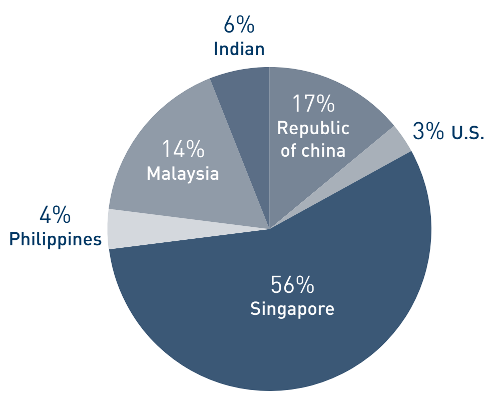
Gender Diversity



Age Diversity



Nationality Diversity



SUSTAINABILITY REPORT

Sustainable Labour Practices

In order to maintain a sustainable organisation, the Group acknowledges the importance of developing talent and adopting sustainable labour practices, which include providing work life balance, sufficient attention to occupational health and safety hazards, non-discrimination policy and having effective communications between management and employees. The Group believes in having a diverse and inclusive culture, where all employees are welcomed and treated equitably. Having these policies will help to ensure employees to not only lead a well-balanced work life, but also to inculcate a sustained positive attitude for continuous improvement towards their work, customers and business partners of the Group.

Work life balance

The Group has adopted a work life balance policy to enable flexible work hours arrangements with employees. All employees are allowed to adopt a flexi-time arrangement while the managers and above are additionally permitted to practice flexi-place arrangement outside the office.

Occupational health and safety hazards

Our Group regards work place safety as an essential part of office admin operation. Safety committee is put in place and safety inspections are performed regularly. Our Group sends employees to first-aid courses on regular basis to ensure that our team is equipped to provide first-aid help promptly when there is a need. We targets to have at least one (1) certified first-aid employee to be allocated at each department.

As the well-being of our staff is critical to the Group, we strive to actively promote healthy work practices. Accordingly, employees above 40 years of age, who are provided with additional relevant allowance, are encouraged to do a yearly health check. Regular health talks and annual health screening programmes are organised for our employees. In order to inculcate healthy eating habits, the Group also organised a Fruit Day once a month, whereby each employee will be given a healthy fruit on the Fruit Day.

Non-discrimination policy and effective communications

The Group promotes freedom of expression and open communications. The Group conducts regular company-wide meetings to discuss openly the Group's visions and goals. It also conducts team building and team bonding activities biennially, if not annually. During these meetings, all employees are encouraged to have open discussion with management and provide feedback. Our Group also conducts regular gatherings for festive lunches and occasional team bonding sessions.

The Group provides monthly internal sharing sessions with employees on product updates and knowledge; regular meetings with management on updates of relevant key matters; and monthly in-house newsletters to update our employees on key happenings, be it business-related or otherwise. Although our Group practices an open door policy, and all employees are welcomed to approach the head of their respective departments or the Human Resource department or the CEO Office for any grievances and/or issue that they may encounter, whether it is work-related or otherwise, we also provide feedback boxes for employees who would like to feedback or suggest to management for any improvement measure concerning our work office environment or on any staff matter.

Product Responsibility

Our vision is to be widely recognized as a world leading global mobile satellite service (MSS) player in the satellite communications industry.

"We shall develop products and solutions that fit the aspirations of every conceivable end user. Our products and solutions will be so pervasive in the market that we become the de facto brand synonymous with innovation, user experience and performance."
While we have been successful in adopting new technology advancements for new product development, our Compliance and Reliability Engineers are also scaling up our compliance for product safety and reliability. We ensure that our products are to be delivered in a responsible manner through a framework designed to manage issues relating to heat and radiation emissions of product when operating. Our products bearing the "Addvalue enabled" label are certified for compliance with relevant safety standards.

SUSTAINABILITY REPORT

GOVERNANCE

Corporate Governance

The Group is committed to ensure a high standard of corporate governance and transparency to protect the interest of our shareholders and in promoting the confidence of investors. The Group subscribes to the recommendations of the Code of Corporate Governance 2012 as a framework to provide accountability among the Board, management and employees.

Whistle-blowing Policy

The Group has put in place a whistle-blowing policy for employees to raise concerns on any possible misconduct or improprieties within the Group. Details of the whistle-blowing policies and procedures have been made available to all employees of the Group through our internal website, apart from making known to them when they joined the organisation. All information received will be treated in confidence and in good faith in order to protect the identity of the whistle blower. Report by any whistle blower will be submitted to the Audit Committee for appropriate actions, which may include independent investigations and conduct of appropriate follow-up actions. No incident was reported in FY2018.

ENVIRONMENT

Our Group recognizes the importance of good environmental management in order to preserve the environment. Below are some of our practices put in place as part of our work culture.

Product Development and Production Stage

As part of our supply chain operations, we have to maintain the quality of materials used for production to ensure minimum adverse impact on the environment. All purchase orders issue to key suppliers must meet the prerequisites set out in Addvalue's product quality requirements. Apart from the geographic location and green environment awareness, we need to consider factors that may influence our choice of supplier, including but not limited to the possible pervasive use of recycled parts by the supplier or whether the supplier is a qualified organization with environmental certification. With regard to improvement of environment, we commit to be as an environmental preservation organization. In this regard, we have started to send out yearly assessment forms in FY2018 to key suppliers for such evaluation.

Internally, as part of our work culture and to play a greater role in environmental protection, we encourage our product designers to adopt environmental friendly components across all product development stages. One of such first steps which we have adopted is to reduce the use of environmental unfriendly packing materials.

Waste Management and Recycling

In our daily operations and as part of our work culture, we continue to be committed to recycle, re-use and reduce wastage.

In FY2018, we have started to replace all our light tubes in our Singapore office premises with the lower energy consumption LED light tubes.

Our employees are also encouraged to be environmentally conscious by promoting paperless administration as well as operational practices to reduce paper usage, minimize energy consumption and water wastage, specifically through the switching off of lights during lunch hours and when not in use; the switching off of power for equipment which is not in use; the re-use of recycled printed papers for internal documents; and double-sided printing.

ECONOMIC

Stakeholders

The Group recognizes the importance of effective engagement with our stakeholders in order to sustain a healthy relationship with them. The Group ensures that material information is released in a a timely manner through announcements on SGXNET, at general meetings, annual reports as well as other channels such as business publications and investors' relation events. Corporate information and key information on our products and services are also regularly updated and posted on our websites.

SUSTAINABILITY REPORT

Customers, business partners and vendors

The Group recognizes that its success is highly dependent on the supports from its customers, business partners and vendors as well as in having good and effective communications with fairness in business dealings with them. Communications with these stakeholders are generally conducted through the various channels, such as meetings, events like trade shows and partners' conferences as well as emails, phone calls and tele-conferencing.

Manpower

As a technology based company where our core competency lies with our workforce, the ability to recruit, retain and enhance the competency of talents is key. Currently, the Group provides in-house training on product and technology competency; as and when necessary, it will also send the relevant staff for external courses to upgrade their competency level. A more structured training program will be put in place in due course.

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.

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 Colin Chan Kum Lok	Chairman and Chief Executive Officer
Tan Khai Pang	Executive Director
Lim Han Boon	Lead Independent Director
Michael J Butler	Independent Director
Richard J Denny	Independent Director (appointed on 1 May 2018)

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

In compliance with SGX's requirements, the Company has presented its first Sustainability Report for financial year ended 31 March 2018 on page 20 to 23 in this Annual Report.

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 2017 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 one RC meeting.

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	1
Name of Directors	**Number of meetings attended**			
Dr Colin Chan Kum Lok	4	4	1	1
Tan Khai Pang	4	4	1	1
Lim Han Boon	4	4	1	1
Michael J Butler	4	4	1	1
Richard J Denny*	1	1	1	1

*appointed on 1 May 2018

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

CORPORATE GOVERNANCE REPORT

- 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.

GUIDELINES 1.6 AND 1.7
ORIENTATION, BRIEFINGS, UPDATES AND TRAININGS PROVIDED FOR DIRECTORS

Newly appointed Directors will be given an orientation program to familiarize themselves with our Group's operation. The experience and competency of each Director contribute to the overall effective management of the Group. 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 organization 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.

Mr Richard J Denny was appointed Director on 1 May 2018. He had gone through the above orientation process.

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 Richard J Denny 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 direct. The Board currently has five members, of which, 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.

CORPORATE GOVERNANCE REPORT

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.

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 oversight 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.

Mr Lim Han Boon has served the Board as Independent Director for more than nine years. Taking into account the views of the NC, the Board concurs that Mr Lim has 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. Having regard to Guideline 2.4 of the Code, the Board is of the view that although Mr Lim Han Boon has served on the Board for more than nine years, his independence will not be compromised for the following reasons:

(a) Mr Lim Han Boon has demonstrated a high degree of independence from the management of the Group during his term as Independent Director of the Company, in particular, as the chairman of the Audit Committee; and

(b) Mr Lim Han Boon has shown significant commitment to the Group and have brought to the Board considerable financial expertise as Independent Director of the Company.

Mr Lim Han Boon has confirmed that he has 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 is independent.

To maintain his independence, Mr Lim Han Boon 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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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 Michael J Butler	(Member/Independent and Non-Executive)
Mr Richard J Denny	(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.

CORPORATE GOVERNANCE REPORT

- 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.

  The NC has recommended to the Board the re-election of Mr Michael J Butler pursuant to Article 104 of the Company's Constitution.

  Article 108 of the Company's Constitution provides that any director appointed during the year shall retire at the next AGM and shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation

  The NC has recommended to the Board the re-election of Mr Richard J Denny who was appointed on 1 May 2018, pursuant to Article 108 of the Company's Constitution.

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

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. The Board concurs with the NC.

Mr Lim Han Boon, Mr Michael J Butler and Mr Richard J Denny have confirmed that they are able to devote sufficient time and attention to the affairs of the Group. They do not have any full-time executive commitments in any companies and their experience are 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 Board to cause them to doubt that Mr Lim Han Boon, Mr Michael J Butler and Mr Richard J Denny 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.

CORPORATE GOVERNANCE REPORT

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 a 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.

Following the retirement of Mr Ang Eng Lim at the last AGM, the NC has recommended that the Company appoint an Independent and Non-Executive Director to fill the vacancy left by Mr Ang Eng Lim to maintain the independent representation on the Board. The Board on recommendation of the NC, having reviewed the qualification and experience of Mr Richard J Denny and has appointed him as Independent and Non-Executive Director on 1 May 2018.

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.

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

Each year, the Directors were 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 were considered by the NC, which then made recommendations to the Board with the aim of helping the Board to discharge its duties more effectively.

CORPORATE GOVERNANCE REPORT

GUIDELINE 5.3
EVALUATION OF INDIVIDUAL DIRECTOR

The overall assessment of individual Directors and of the Board as a whole was good for FY2018, 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.

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.

CORPORATE GOVERNANCE REPORT

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 Richard J Denny	(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.

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

CORPORATE GOVERNANCE REPORT

GUIDELINE 8.2
LONG-TERM INCENTIVE SCHEME

The Company has a share incentive scheme, namely, the Addvalue Technologies Performance Share Plan. 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.

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 FY2018 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
S$250,000 to S$499,999	Dr Colin Chan Kum Lok	–	88	12
	Tan Khai Pang	–	89	11
Below S$250,000	Lim Han Boon	100	–	–
	Ang Eng Lim**	100	–	–
	Michael J Butler	100	–	–
	Richard J Denny	–	–	–

* 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.

** Pro-rated for Mr Ang Eng Lim's Director's fees for his service up to his retirement at the last AGM on 28 July 2017

CORPORATE GOVERNANCE REPORT

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 three 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 Executives (who are not Directors) for FY2018 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	86	14
	Ms Chow Choi Fun, Jackie	Financial Controller	99	1
	Mr EML Ekanayake	Vice President, Product Management	93	7
	Mr K Kalaivanan	Vice President, Solutions Platform	92	8
	Dr Lim Wei Ming	Vice President, Advanced Development	95	5
	Mr Edward Fong**	Senior Vice President, Products and Solutions / Managed Services	–	–

* 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.

** Joined on 2 April 2018

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 FY2018 aggregated to US$503,167, excluding Mr. Edward Fong who joined the Group on 2 April 2018.

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 FY2018 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 Addvalue Technologies Performance Share Plan, approved at an extraordinary general meeting held on 28 July 2017 was put in place to allow the Company to have flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No awards or shares under the aforesaid share plan were issued for FY2018.

CORPORATE GOVERNANCE REPORT

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.

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 minimize 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.

CORPORATE GOVERNANCE REPORT

GUIDELINE 11.3
BOARD'S COMMENT ON ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS

For FY2018, 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.

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 Richard J Denny	(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.

CORPORATE GOVERNANCE REPORT

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 FY2018.

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.

With Amba Partners CPA Limited 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 S$3,500 were 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.

CORPORATE GOVERNANCE REPORT

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.

GUIDELINES 13.3 & 13.4.
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 regularly 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.

CORPORATE GOVERNANCE REPORT

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.

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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 FY2018.

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.

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, the net proceeds of approximated US$2.8 million (S$3.8 million) raised from the Share Placement had been fully utilised in accordance with the intended use of proceeds as follows:

Used of Share Placement proceeds:	US$'000	Percentage utilised over allocated (%)
Capability development program for space	1,720	100
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	**2,800**	**100**

CORPORATE GOVERNANCE REPORT

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, the net proceeds of approximated US$4.8 million (S$6.7 million) raised from the Convertible Loan Notes had been fully utilised in accordance with the intended use of proceeds as follows:

Used of Convertible Loan Notes proceeds:	**US$'000**	**Percentage utilised over allocated (%)**
Capability development program for space	2,700	100
General working capital purposes:		
- Payments to suppliers for materials and services	1,300	100
- Payment of administrative expenses, including payroll and other services	800	100
Total amount utilised	**4,800**	**100**

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board confirms that for FY2018, 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 2018 and the statement of financial position of the Company as at 31 March 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) 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 2018 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

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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 Michael J Butler
Mr Richard J Denny (appointed on 1 May 2018)

In accordance with Article 104 of the Constitution of the Company, Mr Michael J Butler will retire and is eligible for re-election. In accordance with Article 108 of the Constitution of the Company, Mr Richard J Denny will retire and is eligible for re-election. Both Mr Michael J Butler and Mr Richard J Denny retire, and being eligible, offer themselves for 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 Act, except as disclosed below:

	Direct interests		
	At 1 April 2017	At 31 March 2018	At 21 April 2018
The Company			
Ordinary shares			
Dr Chan Kum Lok, Colin	39,190,960	39,190,960	39,190,960
Mr Tan Khai Pang	48,900,360	40,900,360	40,900,360
Mr Lim Han Boon	26,654,080	26,654,080	26,654,080
Mr Michael J Butler	2,666,666	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 Tan Khai Pang (Member)
Mr Michael J Butler (Member)
Mr Richard J Denny (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;
- 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;

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

- 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	**Mr Tan Khai Pang**
Director	Director

Singapore
6 July 2018

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 2018, 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 53 to 122.

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 2018 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

Audit Approach

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

Materiality

As in all our audits, we exercised our professional judgement 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.

Scope of audit

For the audit of the current financial year's financial statements, we identified 4 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

Out of the 4 significant components, 1 was audited by component auditors under our instructions and the remaining 3 were audited by us. 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.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

INDEPENDENT AUDITORS' REPORT

to the members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

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 year. 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.

Matter	Audit response

Impairment of development expenditure

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.

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 2018, the carrying value of development expenditure amounted to US$8,451,877, which represented 60% of the Group's total assets, out of which, development expenditure of US$7,753,674 is not yet available for use.

In accordance with FRS 36 *Impairment of Assets*, 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. The Group incurred net losses of US$12,784,898 which indicates possible impairment of development expenditure.

Irrespective of whether there is any indication of impairment, an entity shall also test the development expenditure not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

For the purpose of impairment assessment, development expenditure has been allocated to the Group's cash-generating units ("CGUs") as follows:
- Small vessels unit;
- Merchant and commercial vessels unit;
- Land products market unit; and
- Space resilient technologies

Management assessed discounted cash flow derived from the most recent financial budgets approved by Board of Directors and estimated the probable future economic benefits from identified CGUs that are expected to be generated by the development expenditure developed by the Group.

The estimate of the recoverable amounts of the CGUs in which development expenditure attributable to, are determined based on value in use calculations. Discounted cash flow projections used in the calculation are based on financial budgets, 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.

Our audit procedures includes, but are not limited to, the following:

- Assessed the reasonableness of key assumptions used by management based on our knowledge of the business;
- Performed sensitivity analysis 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.

We also considered the appropriateness of the disclosures in respect of value in use calculations 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 *Refer to Note 3.1 for the critical judgement made in applying the Group's accounting policies for disclosures relating to the going concern.*	
The Group incurred net losses of US$12,784,898 (2017: US$3,464,304) and net operating cash outflows of US$3,456,123 (2017: US$3,158,476) during the financial year ended 31 March 2018 and reported a net current asset position of US$106,775 (2017: net current liabilities of US$471,702), which included bank deposits of US$215,635 (2017: US$214,659) as of 31 March 2018. 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. 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 in consideration of factors, including and not limited to, the successful raising of funds aggregating to approximately S$1.5 million (US$1.1 million) on 3 July 2018 through their issuance of 1,500,000 exchangeable bonds of S$1.00 each by one of the subsidiaries, Addvalue Innovation Pte Ltd ("AVI") (Note 37), as well as lower operating cash outflows to be incurred consequent to a reduction in operating costs, such as employment benefits expenses, for the financial year ended 31 March 2019. Cash flow forecast used in the calculation is based on financial budgets covering the next 12 months period, for which the judgements and estimates are subject to risk due to subjectivity of management's assumptions used.	Our audit procedures include, but are not limited to, the following: • Obtained an understanding of and evaluated management's plans for future actions in relation to their going concern assessment, whether the outcome of the plans is likely to improve the situation and the feasibility of such plans in the circumstances; • Performed an analysis of the cash flow forecast prepared by management, which included our evaluation of the reliability of the underlying data generated to prepare the forecast and the adequacy of the support for the assumptions underlying the forecast; and • Considered facts and information that became available subsequent to management's assessment, such as the receipts of incoming funds. We also considered the appropriateness of the disclosures made in the financial statements in respect to the management's assessment of the appropriateness of the use of going concern assumption in their preparation of the Group's financial statements.

Matter	Audit response
Recoverability of deferred tax assets *Refer to Note 3.2 for the relevant key sources of estimation uncertainty and Note 17 (Deferred tax assets/liabilities) for the disclosures relating to the recoverability of deferred tax assets.*	
In accordance to FRS 12 *Income Taxes*, an entity shall review the carrying amount of deferred tax assets at the end of each reporting period, as to whether it is probable that is sufficient taxable profits will be available to allow the benefit of part of all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available. Consequent to the above consideration, the Group has written-down deferred tax assets amounting to US$2,715,817. Such consideration and assessment requires management's significant judgement and estimates which include the reasonableness of the assumptions used.	Our audit procedures includes, but are not limited to, the following: • Assessed the reasonableness of management's key assumptions used in forecast, including discount rate, sales forecast, and growth rate in revenue and cost of sales against the past forecast to the actual operating results and the business plans; and • Considered the management's assessment of the Group's taxable position, and applied our knowledge and experience of the relevant tax legislation. 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)

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.

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 FRSs, 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.

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 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.

- 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
6 July 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2018

	Note	2018 US$	2017 US$
Revenue	4	4,086,136	10,839,850
Cost of sales		(2,763,318)	(6,760,788)
Gross profit		1,322,818	4,079,062
Other operating income	5	179,140	239,422
Selling and distribution expenses		(834,635)	(695,749)
Administrative expenses		(2,986,408)	(2,626,561)
Other operating expenses	6	(8,370,756)	(2,900,151)
Finance expenses	7	(199,317)	(598,832)
Loss before income tax	8	(10,889,158)	(2,502,809)
Income tax expense	9	(1,895,740)	(961,495)
Loss for the year		(12,784,898)	(3,464,304)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, representing other comprehensive income/(loss) for the year, net of tax		28,878	(4,648)
Total comprehensive loss for the year, net of tax		(12,756,020)	(3,468,952)
Loss per share attributable to equity holders of the Group (cents)			
Basic	10	(0.73)	(0.23)
Diluted	10	(0.70)	(0.23)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2018

	Note	Group		Company	
		2018 US$	2017 US$	2018 US$	2017 US$
ASSETS					
Non-current assets					
Plant and equipment	12	598,711	793,391	–	–
Subsidiaries	13	–	–	12,406,144	16,338,005
Associate	14	–	–	–	–
Other equity investments	15	–	–	–	–
Intangible assets	16	8,555,213	13,245,816	–	–
Deferred tax assets	17	–	262,504	–	–
		9,153,924	14,301,711	12,406,144	16,338,005
Current assets					
Inventories	18	3,253,603	2,859,197	–	–
Amounts due from customers for contract work	19	–	221,385	–	–
Trade receivables	20	1,124,745	1,600,085	–	–
Other receivables, deposits and prepayments	21	500,407	644,192	10,070	43,641
Available-for-sale financial assets	22	1,464	2,135	1,464	2,135
Due from subsidiaries (non-trade)	23	–	–	6,374,185	827,422
Fixed deposit		39,655	39,655	–	–
Cash and bank balances		215,635	214,659	5,237	1,604
		5,135,509	5,581,308	6,390,956	874,802
TOTAL ASSETS		14,289,433	19,883,019	18,797,100	17,212,807
LIABILITIES					
Current liabilities					
Trade payables (third parties)		1,624,021	1,847,182	–	–
Other payables and accruals	24	1,300,915	2,031,752	76,061	881,535
Provisions	25	168,519	269,801	97,967	116,159
Borrowings	26	1,692,233	1,555,349	1,114,134	1,037,910
Advances received from customers		243,046	299,989	–	–
Deferred income	30	–	48,937	–	–
Due to subsidiaries (non-trade)	23	–	–	790,668	908,204
		5,028,734	6,053,010	2,078,830	2,943,808
Non-current liabilities					
Borrowings	26	138,824	171,156	–	–
Deferred tax liabilities	17	1,646,304	–	–	–
		1,785,128	171,156	–	–
TOTAL LIABILITIES		6,813,862	6,224,166	2,078,830	2,943,808
NET ASSETS		7,475,571	13,658,853	16,718,270	14,268,999
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	31	72,505,617	66,752,824	72,505,617	66,752,824
Capital reserve	32	1,566,827	746,882	819,945	–
Statutory reserve	33	7,813	7,813	–	–
Foreign currency translation reserve	34	17,995	(10,883)	–	–
Accumulated losses		(66,622,681)	(53,837,783)	(56,607,292)	(52,483,825)
TOTAL EQUITY		7,475,571	13,658,853	16,718,270	14,268,999

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 2018

	Share capital US$	Capital reserve US$	Statutory reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total equity US$
Balance as at 1 April 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 shares, pursuant to Rights Issue, representing total contribution by and distribution to owners (Note 31)	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
Loss for the year	–	–	–	–	(12,784,898)	(12,784,898)
Other comprehensive loss, net of tax	–	–	–	28,878	–	28,878
Total comprehensive loss for the year	–	–	–	28,878	(12,784,898)	(12,756,020)
Contribution by and distribution to owners						
Equity portion of outstanding Conversion Shares (Note 29)	–	819,945	–	–	–	819,945
Issuance of new shares:						
- Pursuant to placements issue (Note 31)	2,416,342	–	–	–	–	2,416,342
- Pursuant to conversion of convertible loan notes (Note 29, 31)	3,336,451	–	–	–	–	3,336,451
Total contribution by and distribution to owners	5,752,793	819,945	–	–	–	6,572,738
Balance as at 31 March 2018	72,505,617	1,566,827	7,813	17,995	(66,622,681)	7,475,571

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 2018

	Note	2018 US$	2017 US$
Cash flows from operating activities			
Loss before income tax		(10,889,158)	(2,502,809)
Adjustments for:			
Amortisation of intangible assets	16	1,227,114	968,663
Amortisation of deferred income	30	(57,952)	(55,745)
Depreciation of plant and equipment	12	343,589	359,252
Interest expense	7	171,749	343,822
Interest income	5	(1,333)	(401)
Impairment loss in available-for-sale financial assets	22	671	–
Impairment loss on development expenditure	16	5,689,175	878,534
Inventories written off	18	601,013	230,495
Loss on disposal of plant and equipment		–	39
(Provisions utilisation)/Provisions	25	(101,282)	19,736
Unrealised foreign exchange loss/(gain)		64,938	(453)
Operating (loss)/profit before working capital changes		(2,951,476)	241,133
Inventories		(995,419)	613,270
Amounts due from customers for contract work		221,385	(155,172)
Trade and other receivables		619,125	980,269
Advances received from customers		(56,941)	(529,776)
Trade and other payables		(307,198)	(4,292,596)
Cash used in operations		(3,470,524)	(3,142,872)
Interest income received		1,333	401
Income tax refund/(paid)		13,068	(16,005)
Net cash used in operating activities		(3,456,123)	(3,158,476)
Cash flows used in investing activities			
Purchase of plant and equipment	12	(148,909)	(213,609)
Additions in intangible assets	A	(3,383,303)	(2,693,921)
Proceeds from government grants	B	1,166,632	271,995
Net cash used in investing activities		(2,365,580)	(2,635,535)
Cash flows from financing activities			
Net proceeds from rights issue	31	–	8,872,227
Net proceeds from placement shares	31	2,054,092	–
Net proceeds from convertible loan notes	29	5,065,984	–
Proceeds from borrowings		566,420	3,005,956
Repayment of borrowings		(1,092,480)	(5,949,411)
Interest paid		(119,713)	(247,612)
Repayment to a shareholder		(651,624)	(98,023)
Net cash generated from financing activities		5,822,679	5,583,137
Net increase/(decrease) in cash and cash equivalents		976	(210,874)
Cash and bank balances at beginning of financial year		214,659	425,533
Cash and bank balances at end of financial year	C	215,635	214,659

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 2018

Reconciliation of liabilities arising from financing activities:

	1 April 2017 US$	Financing cash (outflow)/ inflow US$	Non-cash movements: Interest expenses US$	Non-cash movements: Conversion of shares US$	Non-cash movements: Equity portion of convertible loan notes US$	Non-cash movements: Foreign exchange movement US$	31 March 2018 US$
Liabilities							
Borrowings	1,726,505	(526,060)	–	(362,250)	–	(121,272)	716,923
Convertible loan notes	–	5,065,984	47,214	(3,336,451)	(819,945)	157,332	1,114,134
Repayment to a shareholder	651,624	(651,624)	–	–	–	–	–

Note A

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

	2018 US$	2017 US$
Additions of intangible assets during the financial year (Note 16)	2,225,686	2,486,023
Grants received for intangible assets (Note B)	1,157,617	207,898
Cash payment	3,383,303	2,693,921

Note B

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

	2018 US$	2017 US$
Grants received for intangible assets (Note A)	1,157,617	207,898
Grants received for plant and equipment (Note 30)	9,015	64,097
	1,166,632	271,995

Note C

	2018 US$	2017 US$
Cash and bank balances	215,635	214,659
Fixed deposit[1]	39,655	39,655
	255,290	254,314
Less: Pledged fixed deposit	(39,655)	(39,655)
Cash and bank balances at end of financial year	215,635	214,659

[1] Fixed deposit amounting to US$39,655 (equivalent to S$55,000) (2017: 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 2018

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 2018 were authorised for issue by the Board of Directors on 6 July 2018.

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.

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 2017. 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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

FRS 7 *Amendments to FRS 7: Disclosure Initiative*

Consequent to the adoption of these amendments, the Group has disclosed additional information to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

FRSs and INT FRSs issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 28	Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40	Amendments to FRS 40: Transfer of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
Various	Improvements to FRSs (December 2016)	Various
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019

Consequential amendments were also made to various standards as a result of these new/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 2018. Other than the following standards, management anticipates that the adoption of the aforementioned new/revised standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

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* ("FRS 39") 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 plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. However, the Group has not completed its assessment of the potential impact of FRS 109 on its financial statements in the initial year of adoption. Based on currently known and reasonably estimate information relevant to its assessment, the Group expects no material impact in its initial 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 has assessed the potential impact of FRS 115 and concluded that there is no material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

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 is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS(I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 First-Time Adoption of International Financial Reporting Standards and which mandates, amongst other disclosure requirements, the Group's presentation of at least 3 statements of financial position, including comparative information for all statements presented.

The Group has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I)1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant new/revised FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group's initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, other than the possible impact arising from its initial adoption of FRS 115, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 intra-group 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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* ("FRS 103") 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* ("FRS 105"), 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BUSINESS COMBINATIONS (CONTINUED)

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.

(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 occurence 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INCOME TAX (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONTINUED)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 PLANT AND EQUIPMENT (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 INTANGIBLE ASSETS (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 INVESTMENTS IN ASSOCIATES (CONTINUED)

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 it 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments (continued)

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

The liability component of bonds is recognised initially at the fair value of a similar non-convertible liability. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the compound financial instrument as a whole.

Any directly attributable transaction costs are allocated to the liability and equity portion in proportion to their initial carrying amounts.

Subsequent to the initial measurement, the liability component of the bonds is measured at amortised cost using the effective interest method until its extinguishment upon conversion, redemption or at the maturity date. The equity component remains as equity, net of income tax effects, but may be transferred within 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 Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities and equity instruments (continued)

Other financial liabilities (continued)

Financial guarantee contracts (continued)

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 expired.

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 SERVICE CONTRACTS

Where the outcome of a service contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the service 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 service 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".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 PROVISIONS (CONTINUED)

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

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 2018

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 CRITICAL JUDGEMENTS MADE IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

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.

Going concern

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$12,784,898 (2017: US$3,464,304) and net operating cash outflows of US$3,456,123 (2017: US$3,158,476) during the financial year ended 31 March 2018 and reported a net current asset position of US$106,775 (2017: net current liabilities of US$471,702), which included bank deposits of US$215,635 (2017: US$214,659) as of 31 March 2018. 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.

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 in consideration of factors, including and not limited to, the successful raising of funds aggregating to approximately S$1.5 million (US$1.1 million) on 3 July 2018 through their issuance of 1,500,000 exchangeable bonds of S$1.00 each by one of the subsidiaries, Addvalue Innovations Pte Ltd ("AVI") (Note 37), as well as lower operating cash outflows to be incurred consequent to a reduction in operating costs, such as employment benefits expenses for the financial year ended 31 March 2019. Consequently, management has also assessed the Group's 12 months cash flow projection from the end of the financial year end based on certain assumptions and estimates. Based on the cash flow projection, the Group is able to meet its commitments as well as repay its debts as and when they fall due within the next 12 months. Accordingly, the directors of the Company are of the view that the going concern assumption is appropriate for the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 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.

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$5,689,175 (2017: US$878,534) in respect of its development expenditure as at 31 March 2018. The carrying value of the Group's development expenditure as at 31 March 2018 is US$8,451,877 (2017: US$12,769,243), out of which, development expenditure of US$7,753,674 (2017: 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 2018 were US$1,739,965 (2017: US$2,010,744) and US$6,389,492 (2017: US$829,137) respectively (Note 39).

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. An entity shall review the carrying amount of deferred tax assets at the end of each reporting period, as to whether it is probable that is sufficient taxable profits will be available to allow the benefit of part of all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Recoverability of deferred tax assets (continued)

The Group has unutilised tax losses and capital allowances amounting to approximately US$48,855,000 and US$Nil (2017: US$43,038,000 and US$151,000) respectively, deferred tax assets has been recognised on amounts of tax losses and credits totaling US$10,814,000 in 2017 (Note 17). During the year, the Group has written down deferred tax assets amounting to US$2,715,817 due to the uncertainty of its recoverability.

The Company has unrecognised unutilised tax losses of US$977,000 (2017: US$984,000), 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 its recoverability.

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$8,305,000 and US$166,000 (2017: US$5,504,000 and US$167,000) respectively.

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 2018 was US$12,406,144 (2017: US$16,338,005) (Note 13). Investments in associates of the Group and of the Company were fully impaired as at 31 March 2018 and 2017 (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 2018 was US$3,253,603 (2017: US$2,859,197) (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 charges could be revised. If the estimated useful lives increase or decrease by 1 year, amortisation expenses for the current financial year will increase or decrease by approximately US$193,000 or US$381,000 respectively (2017: US$1,367,000 or US$928,000). The carrying amount of the Group's development expenditure included as intangible assets as at 31 March 2018 was US$8,451,877 (2017: US$12,769,243) (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 as at 31 March 2018 was US$598,711 (2017: US$793,391) (Note 12).

4. REVENUE

	Group	
	2018	2017
	US$	US$
Sale of finished products and components	3,593,862	10,026,839
Contract design revenue	408,934	720,835
Design service income	83,340	92,176
	4,086,136	10,839,850

5. OTHER OPERATING INCOME

	Group	
	2018	2017
	US$	US$
Government grants received including amortisation of deferred income	177,807	88,927
Foreign exchange gain, net	–	100,685
Interest income	1,333	401
Others	–	49,409
	179,140	239,422

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

6. OTHER OPERATING EXPENSES

	Group	
	2018	2017
	US$	US$
Amortisation of intangible assets (Note 16)	1,227,114	968,663
Bank charges	10,742	14,146
Depreciation of plant and equipment (Note 12)	343,589	359,252
Impairment loss of development expenditure (Note 16)	5,689,175	878,534
Inventories written off (Note 18)	601,013	230,495
Foreign exchange loss, net	137,011	–
Laboratory usage	119,474	29,952
Loss on disposal of plant and equipment	–	39
Repairs and maintenance	112,538	160,173
Telecommunications	41,212	49,071
Transportations	9,240	10,550
Travelling	25,488	95,037
Utilities	16,352	15,377
Others	37,808	88,862
	8,370,756	2,900,151

7. FINANCE EXPENSES

	Group	
	2018	2017
	US$	US$
Interest on convertible loan	47,214	–
Interest on loans	119,713	323,865
Interest on late payment	1,648	16,568
Interest on lease obligations	3,174	3,389
Loan facilities fees	27,568	255,010
	199,317	598,832

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

8. LOSS BEFORE INCOME TAX

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

	Note	Group 2018 US$	Group 2017 US$
Amortisation of intangible assets	16	1,227,114	968,663
Audit fees		55,203	58,121
Depreciation of plant and equipment	12	343,589	359,252
Directors' remuneration of the Company			
– Remuneration and contribution to defined contribution plan	35	400,396	375,282
– Directors' fees	11	97,967	116,159
Employee benefits expense*	11	2,472,513	2,320,685
Foreign exchange loss/(gain), net		137,011	(100,685)
Impairment loss on development expenditure	16	5,689,175	878,534
Inventories recognised as an expense in cost of sales	18	2,569,451	5,016,832
Operating lease expenses		423,854	429,458

* This includes the amount shown as directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

9. INCOME TAX EXPENSE

	Group	
	2018 US$	2017 US$
Income tax expense:		
– (Over)/Under provision in prior financial years	(13,068)	16,005
Deferred tax:		
– Relates to origination and reversal of temporary differences	(807,009)	44,968
– Write-down of deferred tax assets recognised in prior year (Note 17)	2,715,817	900,522
	1,908,808	945,490
Income tax expense	1,895,740	961,495

Reconciliation of effective tax rate is as follows:

	Group	
	2018 US$	2017 US$
Loss before income tax	(10,889,158)	(2,502,809)
Tax at the applicable tax rate of 17%	(1,851,157)	(425,478)
Different tax rates in other countries	(18,991)	15,733
Expenses not deductible for tax purposes	139,963	542,262
Income not subject to tax	(65,848)	(19,892)
Utilisation of deferred tax assets previously not recognised	–	(67,657)
Deferred tax assets not recognised	989,024	–
Write-down of deferred tax assets	2,715,817	900,522
(Over)/Under provision in prior financial years	(13,068)	16,005
Income tax expense	1,895,740	961,495

The Group has unutilised tax losses and unutilised capital allowances of approximately US$48,855,000 and US$Nil (2017: US$43,038,000 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$48,855,000 (2017: US$32,224,000) 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$10,814,000 and US$151,000 respectively in 2017. During the year, the Group has written-down deferred tax assets amounting to US$2,715,817 due to the uncertainty of its recoverability.

The reconciliation of effective tax rate is prepared by aggregating separate reconciliations for each national jurisdiction.

<u>The Company and Singapore subsidiaries</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

9. INCOME TAX EXPENSE (CONTINUED)

Hong Kong

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

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 Group 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:

	2018 US$	2017 US$
Loss		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to the Company)	(12,784,898)	(3,464,304)
Finance costs saving on conversion of convertible loan notes	299,055	–
Loss for the purpose of calculating diluted loss per share	(12,485,843)	(3,464,304)

	Number of shares	
	2018	2017
Number of shares	1,770,441,084	1,583,141,084
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,743,744,646	1,500,731,000
Effect of dilutive potential ordinary shares arising from convertible loan notes	45,000,000	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	1,788,744,646	1,500,731,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

10. LOSS PER SHARE (CONTINUED)

	2018 US$	2017 US$
Loss per share		
Basic (cents)	(0.73)	(0.23)
Diluted (cents)	(0.70)	(0.23)

Diluted loss per share are calculated by dividing loss for the financial year attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

11. EMPLOYEE BENEFITS

	Group	
	2018 US$	2017 US$
Employee benefits expense (including directors):		
– Salaries, bonuses and others	4,369,383	3,904,491
– Contribution to defined contribution plans	493,610	443,387
	4,862,993	4,347,878
Directors' fees	97,967	116,159
	4,960,960	4,464,037
Charged to consolidated statement of profit or loss and other comprehensive income	2,472,513	2,320,685
Capitalised in development expenditure (Note 16)	2,488,447	2,143,352
	4,960,960	4,464,037

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

12. PLANT AND EQUIPMENT

	Laboratory equipment US$	Furniture, fittings and office equipment US$	Computers and software US$	Toolings US$	Renovations US$	Total US$
Group						
Cost						
At 1 April 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
Additions	54,190	8,720	54,556	23,000	8,443	148,909
At 31 March 2018	770,965	203,186	916,808	975,152	395,316	3,261,427
Accumulated depreciation						
At 1 April 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
Depreciation charge for the financial year	88,474	36,748	79,514	74,103	64,750	343,589
At 31 March 2018	588,441	165,318	781,620	839,288	288,049	2,662,716
Carrying amount						
At 31 March 2018	182,524	37,868	135,188	135,864	107,267	598,711
At 31 March 2017	216,808	65,896	160,146	186,967	163,574	793,391

Laboratory equipment and computers and software of the Group with carrying amount of US$61,299 (2017: US$158,435) were acquired under finance lease arrangements (Note 28).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

13. SUBSIDIARIES

	Company 2018 US$	Company 2017 US$
Unquoted equity shares, at cost		
At beginning of financial year	56,037,285	44,927,385
Additions[1]	–	11,109,900
Disposal	(1)	–
	56,037,284	56,037,285
Less: Impairment losses	(43,631,140)	(39,699,280)
At end of financial year	12,406,144	16,338,005

Notes:

[1] In prior 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.

Movements in allowance for impairment losses are as follows:

	Company 2018 US$	Company 2017 US$
At beginning of financial year	39,699,280	39,699,280
Impairment losses recognised during the financial year	3,931,860	–
At end of financial year	43,631,140	39,699,280

An impairment assessment was conducted on the recoverable amounts of the Company's investment in subsidiaries during the financial year as there was an indication that certain products of the subsidiaries have reached saturation point and will be phased out in next few years. Consequently, an impairment losses of US$3,931,860 (2017: US$Nil) is recognised in the current financial year as the recoverable amount which is based on value-in-use of the subsidiaries at the end of the period is lower than the carrying amount of the Company's cost of investments.

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 2018 %	Percentage of equity interest held by the Group 2017 %
Held by the Company				
Addvalue Communications Pte Ltd[1] [#]	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

13. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group	
			2018 %	2017 %
Addvalue Innovation Pte Ltd[1]	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100
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
Zhongxin Chuangzhi Holding Pte. Ltd.[1]	Investment holding	Singapore	100	100
<u>Held by Zhongxin Chuangzhi Holding Pte Ltd</u>				
Zhongxin Chuangzhi (Beijing) Technology Ltd., Co.[4] [*]	Business development sale and marketing of satellite communication equipment	People's Republic of China	100	–
<u>Held by Addvalue Enterprise Limited</u>				
Zhongxin Chuangzhi (Beijing) Technology Ltd., Co.[4] [*]	Business development sale and marketing of satellite communication equipment	People's Republic of China	–	100
Addvalue Solutions Pte. Ltd.[1]	Design and supply of communication products and services	Singapore	100	100

[1] Audited by Mazars LLP, Singapore.

[2] Audited by Amba Partners CPA Limited, 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. Effective from 1 October 2017, the company has been struck off from the registrar of the British Virgin Island.

[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.

[*] On 23 June 2017, Addvalue Enterprise Limited has transferred its 100% shareholding in Zhongxin Chuangzhi (Beijing) Technology Ltd., Co. to Zhongxin Chuangzhi Holding Pte. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

13. SUBSIDIARIES (CONTINUED)

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:

a) 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;
b) Execution of an escrow agreement to govern the release of AVC's shares to the Buyer;
c) 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;
d) The approval of the shareholders of the Company for the Disposal at the extraordinary general meeting;
e) 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
f) 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 fulfillment 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 at 31 March 2017, the transaction remains uncompleted.

As of the reporting date, the buyer is still seeking ways to have certain conditions to the supplemental agreement fulfilled. Accordingly, the expected completion date of the Disposal remains fluid and cannot be determined with certainty. While the Buyer still endeavors to see the transaction through in one way or another, the Company has decided to take a passive role on this matter and to re-visit the transaction only if the Buyer is able to demonstrate a break through to fulfill those conditions that brought about the impasse.

14. ASSOCIATE

	Group and Company	
	2018 US$	2017 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	
			2018 %	2017 %	2018 US$	2017 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 2018

15. OTHER EQUITY INVESTMENTS

	Group		Company	
	2018 US$	2017 US$	2018 US$	2017 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 US$	Patents US$	Computer software US$	Total US$
Group				
Cost				
At 1 April 2016	24,530,854	70,924	1,304,042	25,905,820
Additions	2,641,421	–	52,500	2,693,921
Government grant	(207,898)	–	–	(207,898)
At 31 March 2017	26,964,377	70,924	1,356,542	28,391,843
Additions	3,381,838	1,465	–	3,383,303
Government grant	(1,157,617)	–	–	(1,157,617)
At 31 March 2018	29,188,598	72,389	1,356,542	30,617,529
Accumulated amortisation				
At 1 April 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
Amortisation charge for the financial year	852,412	–	374,702	1,227,114
At 31 March 2018	10,969,012	44,126	1,281,469	12,294,607
Accumulated impairment				
At 1 April 2016	3,200,000	–	–	3,200,000
Impairment losses	878,534	–	–	878,534
At 31 March 2017	4,078,534	–	–	4,078,534
Impairment losses	5,689,175	–	–	5,689,175
At 31 March 2018	9,767,709	–	–	9,767,709
Carrying amount				
At 31 March 2018	8,451,877	28,263	75,073	8,555,213
At 31 March 2017	12,769,243	26,798	449,775	13,245,816

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

16. INTANGIBLE ASSETS (CONTINUED)

Included in the development expenditure is an amount of US$7,753,674 (2017: US$7,042,709) pertaining to development projects not yet available for use.

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$8,451,877 (2017: US$12,769,243) 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$852,412 (2017: US$789,594) 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 2018 or 2017 are as follows:

	Group			
	2018		2017	
	Carrying amount	Remaining amortisation period (years)	Carrying amount	Remaining amortisation period (years)
Project 1 (In progress)	2,453,343	–	2,919,810	–
Project 2 (In progress)	1,386,913	–	–	–
Project 3 (In progress)	874,908	–	–	–

Included in the development expenditure are the capitalisation of the employee benefits expense of US$2,488,447 for the current financial year (2017: US$2,143,352) (Note 11).

Development expenditure for Project 1 and Project 2 are net of government grant received during the current financial year amounting to US$466,467 (2017: US$141,681) and US$665,043 (2017:US$: Nil) respectively.

<u>Impairment losses of development expenditure</u>

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	
	2018 US$	2017 US$
Small vessels unit	2,167,668	3,590,128
Merchant and commercial vessels unit	–	3,293,204
Land products market unit	922,511	1,522,201
Space resilient technologies	5,361,698	4,363,710
	8,451,877	12,769,243

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

16. INTANGIBLE ASSETS (CONTINUED)

Impairment losses of development expenditure (continued)

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.

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	
	2018	2017	2018	2017	2018	2017
Growth rates [1]	0%	2 – 10%	0%	2 – 10%	0%	2 – 10%
Discount rate [2]	21%	10%	21%	10%	21%	10%
Cash flow projections	10 years	10 years	10 years	10 years	10 years	10 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.

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 small vessels unit, merchant and commercial vessels unit and land products market unit have reached saturation point and will be phased out in next few years. As a result, an impairment losses amounting to US$5,689,175 (2017: US$ 878,534) was recognised in "Other operating expenses" (Note 6) for the financial year ended 31 March 2018. The impairment losses is included in the segment result of Asia Pacific region as the development expenditure is located in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

16. INTANGIBLE ASSETS (CONTINUED)

Sensitivity analysis for impairment losses 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 remaining constant, the carrying amount of certain developments will show additional impairment losses of the CGUs as follow:

	Group	
	Carrying amount US$	Impairment loss US$
2018		
Small vessels unit	1,967,655	619,000
Land products market unit	922,511	668,000
Space resilient technologies	5,361,698	1,869,000
2017		
Land products market unit	1,522,201	901,000
Space resilient technologies	4,363,710	1,181,000

17. DEFERRED TAX ASSETS/LIABILITIES

	Group	
	2018 US$	2017 US$
At beginning of financial year	262,504	1,208,381
Recognised in the profit or loss		
– Relates to origination and reversal of temporary differences	807,009	(44,968)
– Write-down of deferred tax assets recognised in prior years	(2,715,817)	(900,522)
Exchange differences	–	(387)
At end of financial year	(1,646,304)	262,504

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

17. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

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

	Unutilised capital allowances US$	Unutilised tax losses US$	Other temporary differences US$	Development expenditure US$	Accrued revenue US$	Total US$
Group						
2018						
At beginning of financial year	25,742	2,677,043	13,032	(2,414,258)	(39,055)	262,504
Recognised in the profit or loss						
– Relates to origination and reversal of temporary differences	–	–	–	767,954	39,055	807,009
– Write-down of deferred tax assets recognised in prior years	(25,742)	(2,677,043)	(13,032)	–	–	(2,715,817)
At end of financial year	–	–	–	(1,646,304)	–	(1,646,304)
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)
– Write-down of deferred tax assets recognised in prior years	–	(894,337)	(6,185)	–	–	(900,522)
Exchange differences	–	–	–	–	(387)	(387)
At end of financial year	25,742	2,677,043	13,032	(2,414,258)	(39,055)	262,504

18. INVENTORIES

	Group 2018 US$	Group 2017 US$
Finished goods	1,745,979	2,021,900
Raw materials	1,227,018	770,051
Semi-finished goods	280,606	67,246
	3,253,603	2,859,197

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US$2,569,451 (2017: US$5,016,832). 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$601,013 (2017: US$230,495), included in "Other operating expenses" (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group	
	2018	2017
	US$	US$
Aggregate costs incurred and recognised profit to date	–	3,829,588
Less: Progress billings	–	(3,608,203)
	–	221,385
Presented as:		
Gross amounts due from customers for contract work	–	221,385

20. TRADE RECEIVABLES

	Group	
	2018	2017
	US$	US$
Trade receivables	1,124,745	1,600,085

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Deposits	108,416	110,582	110	111
Other receivables	249,690	22,289	9,960	–
Prepayments	140,477	487,847	–	43,530
Staff loans and advances	1,824	23,474	–	–
	500,407	644,192	10,070	43,641

Staff loans and advances relates to an amount held in trust by an employee of the Group for future operating expenditure amounting to US$1,824 (2017: US$23,474).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2018	2017
	US$	US$
Equity instrument (quoted), at fair value		
At beginning of financial year	2,135	2,135
Impairment for the year	(671)	–
At end of financial year	1,464	2,135

An impairment assessment was conducted on the recoverable amounts based on fair value. Consequently, an impairment loss of US$671 (2017: US$Nil) is recognised in the current financial year as the recoverable amount at the end of the period is lower than the carrying amount.

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

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

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

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Accrued operating expenses:				
– Employee benefits	648,113	504,865	–	–
– Directors' fees[1]	–	118,285	–	118,285
– Others	173,823	321,010	42,615	58,881
Due to a shareholder[2]	–	651,624	–	651,624
Due to a director[3]	207,653	–	–	–
Other payables	271,326	435,968	33,446	52,745
	1,300,915	2,031,752	76,061	881,535

[1] These amounts in 2017 represent unpaid directors' fees which are unsecured, interest-free and repayable on demand. These amounts have been fully repaid during the current financial year.

[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. These amounts have been fully repaid during the current financial year.

[3] This amount represents advance from a director which is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

25. PROVISIONS

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Directors' fees	97,967	116,159	97,967	116,159
Warranty	70,552	153,642	–	–
	168,519	269,801	97,967	116,159

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.

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.

	Directors' fees	Royalties	Warranty	Total
	US$	US$	US$	US$
Group				
2018				
At beginning of financial year	116,159	–	153,642	269,801
Provision	97,967	–	29,430	127,397
Utilisation	(116,159)	–	(112,520)	(228,679)
At end of financial year	97,967	–	70,552	168,519
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

	Directors' fees
	US$
Company	
2018	
At beginning of financial year	116,159
Provision	97,967
Utilisation	(116,159)
At end of financial year	97,967
2017	
At beginning of financial year	127,940
Provision	116,159
Utilisation	(127,940)
At end of financial year	116,159

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

26. BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Due within one year				
Loans (Note 27)	576,324	1,515,462	–	1,037,910
Finance lease obligations (Note 28)	1,775	39,887	–	–
Convertible loan notes (Note 29)	1,114,134	–	1,114,134	–
	1,692,233	1,555,349	1,114,134	1,037,910
Due after one year or more				
Loans (Note 27)	138,824	169,285	–	–
Finance lease obligations (Note 28)	–	1,871	–	–
	138,824	171,156	–	–
Total borrowings				
Loans (Note 27)	715,148	1,684,747	–	1,037,910
Finance lease obligations (Note 28)	1,775	41,758	–	–
Convertible loan notes (Note 29)	1,114,134	–	1,114,134	–
	1,831,057	1,726,505	1,114,134	1,037,910

27. LOANS

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Due within one year				
Loan 1 (unsecured)	131,694	–	–	–
Loan 2 (unsecured)	43,092	37,445	–	–
Loan 3 (unsecured)	–	1,037,910	–	1,037,910
Loan 4 (unsecured)	62,258	151,300	–	–
Loan 5 (unsecured)	186,740	184,320	–	–
Loan 6 (unsecured)	152,540	104,487	–	–
	576,324	1,515,462	–	1,037,910
Due after one year or more				
Loan 2 (unsecured)	138,824	169,285	–	–
Total loans	715,148	1,684,747	–	1,037,910

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

27. LOANS (CONTINUED)

Loan 1 (unsecured)

Loan 1 obtained by a subsidiary from a local company during financial year and is denominated in Singapore dollar, bears a total interest of S$36,000 (approximately US$27,000) and is unsecured and repayable in 6 monthly instalments. The loan is guaranteed by the Company.

Loan 2 (unsecured)

Loan 2 obtained by a subsidiary of the Company from a local bank in 2017 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 was denominated in Singapore dollar, bears a fixed interest rate at 18% to 48% per annum and was unsecured with tenure of 2 to 3 months. The loan was guaranteed by a director of the Company.

The loan has been fully repaid during the financial year.

Loan 4 (unsecured)

Loan 4 obtained by a subsidiary of the Company from several third party individuals in prior year bears a fixed interest rate at 18% per annum and has been fully repaid during the financial year.

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 16% 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 in prior year bears a fixed interest rate at 18% per annum and has been fully repaid during the financial year.

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 16% 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 in prior year bears a fixed interest rate at 10% per annum and has been fully repaid during the financial year.

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 jointly and severally guaranteed by certain directors of the Company and a corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

28. FINANCE LEASE OBLIGATIONS

	Group		
	Minimum lease payments	Interest	Present value of payments
	US$	US$	US$
2018			
Within one year	1,998	(223)	1,775
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

The finance lease terms range from 1 to 3 years.

The effective interest rate charged during the financial year range from 5.31% to 5.46% (2017: 3.01% to 5.46%) 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 value 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 are guaranteed by the Company.

29. CONVERTIBLE LOAN NOTES

On 31 May 2017 ("Completion Date"), the Company issued convertible loan notes with principal amount of S$7.1 million (approximately US$5.1 million). The loan notes are convertible at a fixed interest rate of 5% per annum on each amount outstanding under convertible loan notes, on each anniversary of the completion date until the loan principal is fully repaid. The loan notes are convertible at the option of the holders at any time into 128,500,000 new ordinary shares in the capital of the Company (the "conversion shares") at a conversion price of S$0.055 per conversion shares upon maturity date. The Company shall on the maturity date, at the option of the holders, redeem the convertible loan notes from the holders by repaying the outstanding loan principal in full and all interest that remain outstanding or made full redemption of convertible loan notes through conversion shares. On 2 June 2017, the Company allotted and issued 83,500,000 conversion shares. As at 31 March 2018, there is an outstanding convertible loan notes of S$2.475 million (approximately US$1.9 million) which remained unconverted.

The interest charged for the financial year ended 31 March 2018 is calculated by applying an effective interest rate of 5% per annum to the liability component from the issuance date of the convertible loan notes since they were issued. The convertible loan notes will mature in 31 May 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

29. CONVERTIBLE LOAN NOTES (CONTINUED)

The proceeds received from the issue of the convertible loan notes have been split between the liability and equity component as follows:

	Note	Group and Company US$
Nominal value of convertible loan notes issued		5,065,984
Equity component (Note 32)		819,945
Liability component		
At 31 May 2017	(a)	4,246,039
Imputed interest charged		125,790
Interest paid		(78,576)
Exchange difference		157,332
Conversion of loan notes (Note 31)		(3,336,451)
At 31 March 2018		1,114,134
Equity component		
At 31 May 2017 and 31 March 2018	(b)	819,945
Proceeds from convertible loan notes (total of (a) (b))		5,065,984

30. 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	
	2018 US$	2017 US$
At beginning of financial year	48,937	40,585
Additions	9,015	64,097
Amortisation for the financial year	(57,952)	(55,745)
At end of financial year	–	48,937

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

31. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Issued and fully paid:				
At beginning of financial year	1,583,141,084	66,752,824	1,187,355,813	57,880,597
Issuance of Rights Issue	–	–	395,785,271	9,044,960
Issuance of Placement Shares	103,800,000	2,897,042	–	–
Issuance of ordinary shares by conversion of convertible loan notes (Note 29)	83,500,000	3,336,451	–	–
Share issue expense	–	(480,700)	–	(172,733)
At end of financial year	1,770,441,084	72,505,617	1,583,141,084	66,752,824

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.

In prior financial year, pursuant to a Rights Issue of 395,785,271 new ordinary shares of the Group and the Company (the "Rights Issue") on the basis of one Rights Share for every three existing ordinary shares of the Group and the Company at an issue price of S$0.031, the Group and 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 in 2017.

On 15 May 2017, pursuant to a placement exercise, the Group and the Company allotted and issued 103,800,000 new ordinary shares of the Group and the Company (the "Placement Shares") in the capital of the Group and the Company at a placement price of S$0.039 per Placement,13,000,000 out of 103,800,000 new ordinary shares were converted from private loan amount of US$362,250 which was drawn down in 2017.

On 31 May 2017, pursuant to the issuance of convertible loan notes (the "Convertible Loan Notes") in the aggregate principal amount of approximately US$5 million convertible in full into 128,500,000 new ordinary shares in the capital of the Company (the "Conversion Shares") at a conversion price of S$0.055 per Conversion shares. On 2 June 2017, the Company allotted and issued 83,500,000 ordinary shares which were converted from aggregate principal amount of US$3,336,451 Convertible Loan Notes. As at 31 March 2018, there is an outstanding convertible loan note of approximately US$ 1.9 million which remained unconverted (Note 29).

These newly issued shares rank pari passu with the existing shares. Following the allotment and issue of the Placement Shares and Conversion Shares, the total number of issued shares was increased from 1,583,141,084 shares to 1,770,441,084 shares.

The Addvalue Technologies Performance Share Plan, approved at an extraordinary general meeting held on 28 July 2017 was put in place to allow the Company to have flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees. No awards or shares under the aforesaid share plan were issued during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

32. CAPITAL RESERVE

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
At beginning of financial year	746,882	746,882	–	–
Equity portion of outstanding conversion shares (Note 29)	819,945	–	819,945	–
At end of financial year	1,566,827	746,882	819,945	–
Representing non-distributable reserve (Group and Company):				
Redemption of preference shares out of profits of a subsidiary*	746,882	746,882	–	–
Equity portion of outstanding conversion shares	819,945	–	819,945	–

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

33. 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.

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

35. 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	
	2018	2017
	US$	US$
Salaries, bonus and others	853,016	758,707
Contribution to defined contribution plans	50,547	56,643
	903,563	815,350
Directors' fees	97,967	116,159
Total compensation paid/payable to key management personnel	1,001,530	931,509
Comprised of amount proposed or due to:		
Directors of the Company		
- Provision for directors' fees	97,967	116,159
- Remuneration and contribution to defined contribution plans	400,396	375,282
	498,363	491,441
Other key management personnel	503,167	440,068
	1,001,530	931,509

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 2018 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.

36. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 March 2018, the Company has given guarantees amounting to US$535,007 (2017: US$481,865) 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$533,232 (2017: US$440,107). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

36. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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	
	2018	2017
	US$	US$
Future minimum lease payments:		
- within one year	368,995	349,526
- later than one year but not later than five years	230,076	537,620
	599,071	887,146

37. SUBSEQUENT EVENT

On 3 July 2018, the Company successfully raised an aggregate of approximately S$1.5 million (US$1.1 million) through issuance of 1,500,000 exchangeable bonds of S$1.00 each by one of the subsidiaries , Addvalue Innovations Pte Ltd ("AVI"), and, in the event that one of the subsidiaries, Addvalue Solutions Pte Ltd ("AVS") procures a listing and quotation of its shares on the Catalist Board of the Singapore Exchange Securities Trading Limited or AVS are being acquired by a third party through a trade sale, such bonds being exchangeable into a certain number of new shares to be issued out of the capital of AVS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

38. 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 2018

38. SEGMENT INFORMATION (CONTINUED)

	EMEA US$	North America US$	Asia Pacific US$	Consolidated US$
2018				
Revenue				
Total revenue from external customers	879,346	480,317	2,726,473	4,086,136
Segment result	284,672	155,495	882,651	1,322,818
Unallocated expenses*				(12,191,799)
Other income				179,140
Finance expenses				(199,317)
Loss before income tax				(10,889,158)
Income tax expense				(1,895,740)
Loss for the year				(12,784,898)
Segment assets				
- Segment assets	253,812	66,342	13,969,279	14,289,433
Segment liabilities				
- Segment liabilities	678,216	8,346	4,480,996	5,167,558
- Deferred tax liabilities				1,646,304
Total liabilities				6,813,862
Other information				
Capital expenditure				
- Plant and equipment	–	–	148,909	148,909
- Intangible assets	–	–	3,383,303	3,383,303
Impairment loss on development expenditure	–	–	5,689,175	5,689,175
Depreciation and amortisation**	338,019	184,633	1,048,051	1,570,703

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

38. 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

* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

38. SEGMENT INFORMATION (CONTINUED)

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	
	2018	2017
	US$	US$
Land communication products	1,071,547	1,841,085
Maritime communication products	1,385,655	6,925,263
Design services	492,274	827,739
Components and other sales	1,136,660	1,245,763
	4,086,136	10,839,850

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

	Revenue	
	2018	2017
	US$	US$
Country of domicile		
- Singapore	398,944	466,831
Foreign countries		
- United States of America	259,677	645,115
- Korea	276,305	902,157
- UAE	222,150	4,452,086
- United Kingdom	196,213	306,187
- China	1,001,183	1,954,820
- Canada	216,640	87,500
- Australia	359,079	56,344
- Malaysia	405,324	694,580
- Spain	310,271	140,314
- Philippines	–	672,490
- Others*	440,350	461,426
	4,086,136	10,839,850

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

Major customers

In 2018, revenue of the Group was attributable to major customers based in Asia Pacific amounted to US$2,187,000.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. 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	
	2018	**2017**
	US$	**US$**
Corporate guarantees provided to banks on subsidiary's loans and finance leases	535,007	481,865

The Group's trade receivables are non-interest bearing and are generally ranging from 0 to 60 days (2017: 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 2018

39. 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	
	2018 US$	2017 US$
Not past due and not impaired	569,786	502,125
Past due but not impaired		
- Past due 0 to 3 months	229,663	592,740
- Past due 3 to 6 months	325,296	505,220
	554,959	1,097,960
	1,124,745	1,600,085

Included in the Group's trade receivables are an aggregate amount of US$554,959 (2017: US$1,097,960) 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 non-impaired trade receivables with an amount of US$432,157 (2017: US$485,249), 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 staff loans and advances (Note 21) relates to an amount of US$1,824 (2017: US$23,474) due from an employee of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. 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	
	2018	2017
	US$	US$
By geographical areas		
- EMEA	253,812	591,202
- North America	64,878	15,475
- Asia Pacific	806,055	993,408
	1,124,745	1,600,085
By type of revenue		
- Sales of finished products and components	1,083,580	1,600,085
- Contract design revenue	41,165	–
	1,124,745	1,600,085

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, Chinese Renminbi, British Sterling Pound and Malaysian Ringgit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. 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* US$	Total US$
Group						
2018						
Financial assets						
Trade receivables	845,647	52,575	–	226,523	–	1,124,745
Other receivables and deposits	49,390	118,425	167,486	24,486	143	359,930
Available-for-sale financial assets	1,464	–	–	–	–	1,464
Fixed deposit	–	39,655	–	–	–	39,655
Cash and bank balances	28,163	78,129	–	109,343	–	215,635
	924,664	288,784	167,486	360,352	143	1,741,429
Financial liabilities						
Trade payables	1,246,444	309,530	51,862	16,185	-	1,624,021
Other payables and accruals	60,406	1,183,042	–	55,931	1,536	1,300,915
Borrowings	–	1,831,057	–	–	–	1,831,057
	1,306,850	3,323,629	51,862	72,116	1,536	4,755,993
Net financial (liabilities)/ assets	(382,186)	(3,034,845)	115,624	288,236	(1,393)	(3,014,564)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	382,186	–	–	(109,343)	–	272,843
Foreign currency exposure	–	(3,034,845)	115,624	178,893	(1,393)	(2,741,721)

* Others comprise British Sterling Pound and Malaysia Ringgit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. 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						
2017						
Financial assets						
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
Financial liabilities						
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 Malaysia Ringgit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (continued)

Foreign currency risks (continued)

	United States dollar US$	Singapore dollar US$	Total US$
Company			
2018			
Financial assets			
Available-for-sale financial assets	1,464	–	1,464
Other receivables and deposits	–	10,070	10,070
Due from subsidiaries (non-trade)	6,374,185	–	6,374,185
Cash and bank balances	–	5,237	5,237
	6,375,649	15,307	6,390,956
Financial liabilities			
Other payables and accruals	–	76,061	76,061
Borrowings	–	1,114,134	1,114,134
Due to subsidiaries (non-trade)	790,668	–	790,668
	790,668	1,190,195	1,980,863
Net financial assets/(liabilities)	5,584,981	(1,174,888)	4,410,093
Less: Net financial assets denominated in the Company's functional currency	(5,584,981)	–	(5,584,981)
Foreign currency exposure	–	(1,174,888)	(1,174,888)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (continued)

Foreign currency risks (continued)

	United States dollar US$	Singapore dollar US$	Total US$
2017			
Financial assets			
Available-for-sale financial assets	2,135	–	2,135
Other receivables and deposits	–	111	111
Due from subsidiaries (non-trade)	827,422	–	827,422
Cash and bank balances	–	1,604	1,604
	829,557	1,715	831,272
Financial liabilities			
Other payables and accruals	–	881,535	881,535
Borrowings	–	1,037,910	1,037,910
Due to subsidiaries (non-trade)	908,204	–	908,204
	908,204	1,919,445	2,827,649
Net financial liabilities	(78,647)	(1,917,730)	(1,996,377)
Less: Net financial liabilities denominated in the Company's functional currency	78,647	–	78,647
Foreign currency exposure	–	(1,917,730)	(1,917,730)

The following table details the sensitivity to a 10% (2017: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2017: 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% (2017: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (continued)

Foreign currency risks (continued)

Foreign exchange risk sensitivity

If the relevant foreign currency strengthens by 10% (2017: 10%) against the functional currency of each Group entity, with all other variables held constant, profit or loss for the year and equity will increase/(decrease) by:

	Singapore dollar US$	Euro US$	Renminbi US$	Others US$	Total US$
2018					
Group					
Loss for the year	251,893	(9,597)	(14,849)	116	227,563
Company					
Loss for the year	97,516	–	–	–	97,516
2017					
Group					
Loss for the year	307,462	122	(11,295)	302	296,591
Company					
Loss for the year	159,172	–	–	–	159,172

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. 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 (2017: 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 shows details of 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					
2018					
Trade payables	–	1,624,021	1,624,021	1,624,021	–
Other payables and accruals	–	1,300,915	1,300,915	1,300,915	–
Borrowings	3.01 - 16	1,831,057	2,002,819	1,863,995	138,824
		4,755,993	4,927,755	4,788,931	138,824
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
Company					
2018					
Other payables and accruals	–	76,061	76,061	76,061	–
Borrowings	5	1,114,134	1,285,896	1,285,896	–
Due to subsidiaries (non-trade)	–	790,668	790,668	790,668	–
		1,980,863	2,152,625	2,152,625	–
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)	–	908,204	908,204	908,204	–
		2,827,649	2,917,840	2,917,840	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial instruments by category

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

	Group		Company	
	2018 US$	2017 US$	2018 US$	2017 US$
Financial assets:				
- Loans and receivables	1,739,965	2,010,744	6,389,492	829,137
- Available-for-sale	1,464	2,135	1,464	2,135
	1,741,429	2,012,879	6,390,956	831,272
Financial liabilities at amortised cost	4,755,993	5,605,439	1,198,865	2,827,649

40. 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:

(a) 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).

(b) 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.

(c) 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$
2018				
Recurring:				
Financial assets				
Available-for-sale financial assets[1]	1,464	–	–	1,464
2017				
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 2018

40. 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.

41. 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 31 to 34 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 2017.

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	
	2018	**2017**	**2018**	**2017**
	US$	**US$**	**US$**	**US$**
Total borrowings	1,831,057	1,726,505	1,114,134	1,037,910
Less: Cash and cash equivalents	(255,290)	(254,314)	(5,237)	(1,604)
Net debt	1,575,767	1,472,191	1,108,897	1,036,306
Total equity	7,475,569	13,658,853	16,718,268	14,268,999
Total capital	9,051,336	15,131,044	17,827,165	15,305,305
Gearing ratio	0.17	0.10	0.06	0.07

The Group and the Company are not subjected to any externally imposed capital requirements during the financial years ended 31 March 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

42. COMPARITIVE FIGURES

Certain restatement has been made to the prior year statements of financial position consequent to a presentation adjustment made in prior financial year by management to conform with the current year presentation. This adjustment was related to the offsetting of amount due from subsidiaries (non-trade) and amount due to subsidiaries (non-trade) and accordingly, the net amount were presented under "due to subsidiaries (non-trade)" instead of presenting it separately.

As a result, amendments have been made to statements of financial position to conform with current year presentation. The items were reclassified as follows:

	Company		
	As previously reported US$	Reclassification US$	As restated US$
Statements of Financial Position			
Due from subsidiaries (non-trade)	–	827,422	827,422
Due to subsidiaries (non-trade)	(80,782)	(827,422)	(908,204)

ANALYSIS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 JUNE 2018

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 29 JUNE 2018

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	16	0.35	958	0.0001
100 - 1,000	268	5.91	235,697	0.0133
1,001 - 10,000	1,300	28.64	7,732,227	0.4367
10,001 - 1,000,000	2,782	61.29	387,610,311	21.8934
1,000,001 and above	173	3.81	1,374,861,891	77.6565
Total	**4,539**	**100**	**1,770,441,084**	**100.0000**

As at 29 June 2018, the percentage of shareholdings held in the hands of the public was 92% and Rule 723 of the Listing Manual is complied with.

20 LARGEST REGISTERED SHAREHOLDERS AS AT 29 JUNE 2018 AS SHOWN IN THE REGISTERS OF MEMBERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LTD	93,564,100	5.28%
2	DBS VICKERS SECS (S) PTE LTD	92,179,831	5.21%
3	CREST CAPITAL ASIA PTE LTD	68,699,017	3.88%
4	HSBC (SINGAPORE) NOMS PTE LTD	67,517,426	3.81%
5	DBS NOMINEES PTE LTD	49,842,365	2.82%
6	MAYBANK KIM ENG SECS PTE LTD	43,982,749	2.48%
7	TAN KHAI PANG	40,900,360	2.31%
8	PAUL CLARK BURKE	39,366,506	2.22%
9	CHAN KUM LOK COLIN	39,190,960	2.21%
10	GOH POH HENG	33,904,000	1.92%
11	OCBC SECURITIES PRIVATE LTD	33,547,719	1.89%
12	UNITED OVERSEAS BANK NOMINEES	31,626,466	1.79%
13	LIM HAN BOON	26,654,080	1.51%
14	CITIBANK NOMS S'PORE PTE LTD	25,109,332	1.42%
15	TAN KHAI TENG	23,281,000	1.32%
16	NG KENG SOON	23,000,000	1.30%
17	YUEN WAI KHEONG	21,325,300	1.20%
18	SIM SIEW TIN CAROL	20,043,200	1.13%
19	CHONG GIM KOW	20,000,000	1.13%
20	WANG YU HUEI	19,997,000	1.13%
		813,731,411	**45.96%**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting (the "AGM") 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 Tuesday, 31 July 2018 at 3.00pm. 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 2018 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Michael J Butler, a Director retiring under Article 104 of the Constitution of the Company.

(Resolution 2)
(See Explanatory Note 1)

3. To re-elect Mr Richard J Denny, a Director retiring under Article 108 of the Constitution of the Company.

(Resolution 3)
(See Explanatory Note 2)

4. To approve the Directors' Fee of S$133,333 for the financial year ended 31 March 2018 (2017: S$160,000).

(Resolution 4)

5. 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 5)

AS SPECIAL BUSINESS

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

6. 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 capitalization issues; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings, 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 subsidiary holdings, and for the purpose of this resolution, the total number of issued shares excluding treasury shares and subsidiary holdings shall be the Company's total number of issued shares excluding treasury shares and subsidiary holdings 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

(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 6)
(See Explanatory Note 3)

7. 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:

NOTICE OF ANNUAL GENERAL MEETING

(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 excluding treasury shares and subsidiary holdings 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 annual general meeting is held and expiring on the date the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

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

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

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

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (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 7)
(See Explanatory Note 4)

NOTICE OF ANNUAL GENERAL MEETING

8. AUTHORITY TO GRANT AWARDS AND TO ALLOT AND ISSUE SHARES UNDER THE ADDVALUE TECHNOLOGIES PERFORMANCE SHARE PLAN

"That:

the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the provisions of the Addvalue Technologies Performance Share Plan (the "Share Plan") and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Share Plan provided always:

(i) that the aggregate number of shares which may be available pursuant to awards granted under the Plan on any date, when added to the number of new shares issued and issuable in respect of (a) all awards granted under the Plan and (b) options or awards granted under any other option scheme or share plan which the Company may implement from time to time, shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of award; and

(ii) that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 8)
(See Explanatory Note 5)

ANY OTHER BUSINESS

9. 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, 16 July 2018

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 Michael J Butler will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

2. Mr Richard J Denny will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. **Resolution 6**, 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 and subsidiary holdings 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 and subsidiary holdings 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 and subsidiary holdings 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.

4. **Resolution 7** relates to the renewal of mandate approved by shareholders on 28 July 2017 authorizing the Company to purchase its own shares subject to and in accordance with the rules of the SGX-ST. The details are set out in the circular to shareholders dated 16 July 2018 on the Renewal of the Share Buyback Mandate.

5. **Resolution 8**, if passed, will empower the Directors of the Company, to grant awards and issue shares in the Company pursuant to all awards granted under the Share Plan, up to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier.

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.

This page has been intentionally left blank.

This page has been intentionally left blank.

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 monies and/or SRS monies to buy shares in ADDVALUE TECHNOLOGIES LTD, this Annual Report is forwarded to them at the request of the CPF and/or SRS Approved Nominees.
3. This proxy form is not valid for use by CPF and SRS 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 Tuesday, 31 July 2018 at 3.00p.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 or cross	
		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 2018 together with the Auditors' Report thereon.		
2.	To re-elect Mr Michael J Butler, a Director retiring under Article 104 of the Constitution of the Company		
3.	To re-elect Mr Richard J Denny, a Director retiring under Article 108 of the Constitution of the Company		
4.	To approve the Directors' Fee of S$133,333 for the financial year ended 31 March 2018 (2017: S$160,000).		
5.	To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	Special Business		
6.	To authorize Directors to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To approve the renewal of the Share Buyback Mandate.		
8.	To authorise Directors to grant awards and to allot and issue shares under Addvalue Technologies Performance Share Plan.		

Dated this .... day of 2018

Total Number of Shares Held

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

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. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her votes at the meeting in person. CPF and SRS Investors who are unable to attend the meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the meeting.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting.

6. 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.

7. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized 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.

8. A corporation which is a member of the Company may authorize 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.

9. 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.

10. 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.

11. 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 appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of 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.

12. 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.

13. 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

Designed and Produced by **Rockstar Atelier**

TRANSFORMING BUSINESS ENHANCING PROSPECTS

ANNUAL REPORT 2018

Addvalue Technologies Ltd
Company Registration No.
199603037H

8 Tai Seng Link, Level 5 (Wing 2)
Singapore 534158
Tel : +65 6509 5700
Fax: +65 6509 5701

www.addvaluetech.com
www.wideye.com.sg

addvalue
driving connectivity