ANNUAL REPORT **2019**

DRIVING CONNECTIVITY

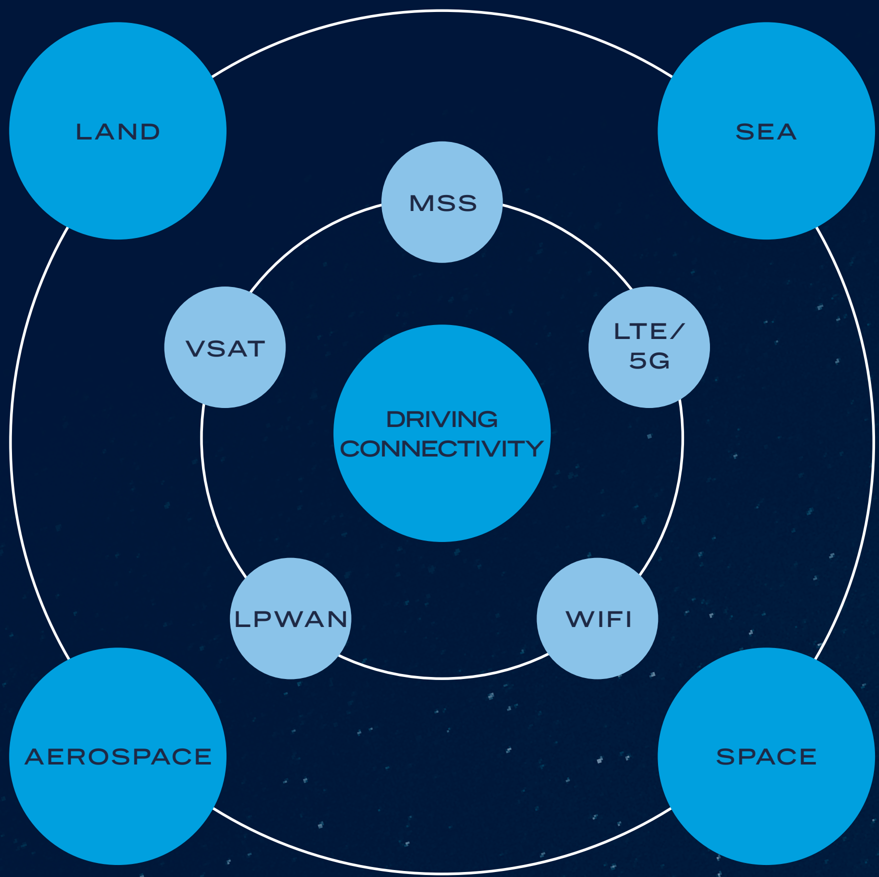
WITH DEEP TECHNOLOGY FOUNDATIONS

addvalue

driving connectivity

OUR PURPOSE:

Leveraging communications
technologies to drive Connectivity



We enable companies to unleash their real business potential by harnessing our products and services

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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.

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.

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.

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 2019 ("FY2019").

FINANCIALS

For FY2019, amidst our ongoing arduous efforts in building up and developing our various core IPs, particularly with regard to our IDRS (albeit at receding rates as such efforts are gradually drawing near to commercialisation), the Group delivered a noteworthy performance for FY2019. Against a turnover of approximately US$4.0 million for both the financial year ended 31 March 2018 ("FY2018") and FY2019 and through our continued concerted cost curtailment measures, the Group drastically reduced its net loss after tax by US$8.7 million or 68.0%, from US$12.8 million in FY2018 to US$4.1 million in FY2019.

Consequent to the above, the net asset value of the Group decreased by US$2.2 million or 29.7% from US$7.5 million as at 31 March 2018 to US$5.3 million as at 31 March 2019, with the net asset value per ordinary share decreased from 0.42 US cents per Share as at 31 March 2018 to 0.28 US cents per Share as at 31 March 2019.

Notwithstanding the maintained turnover, as a result of our ongoing business transformation efforts, we see our business revenue mix in FY2019 geared towards our new business pillars, with sales and provision of SDR embedded platform products and services, accounting for 27% of the Group's total turnover in FY2019, being the new dominant revenue contributor in FY2019. This new key revenue trend is to be contrasted against the sales and provision of maritime communication products and services, accounting for 23% of the Group's total turnover in FY2019, being the dominant revenue contributor in FY2018.

With regard to profitability, the Group registered a gross profit of US$1.9 million against a gross profit margin of 46.6% for FY2019 relative to a gross profit of US$1.3 million against a gross profit margin of 32.4% for FY2018. The considerably higher gross profit and improved gross profit margin in FY2019 generated by our new business pillars testified the beginning of the fruition of the transformation program which we have been painfully and unwaveringly pursuing over the past few years, and the efforts and progress thus made are gaining momentum to position the Group for higher growth and towards profitability for the financial year ending 31 March 2020 ("FY2020").

Subsequent to 31 March 2019, the Group strengthened its working capital position through the procurement for the issuance of long-term convertible bonds for an aggregate sum of S$3.4 million.

LOOKING FORWARD

Riding on our diligent development and marketing efforts built up in FY2019 and before, we expect breakthrough progress to be made under the Group's various business strategic drivers below in turning around the performance of the Group for FY2020:

1. Design Services & Technology Licensing

   As announced on 20 February 2019, the Group had just secured a significant milestone design contract with Avionica, a US-based world leader in innovative, miniaturised aircraft data collection and wireless data transmission equipment, to jointly develop a new generation of Swift Broadband ("SBB") terminals to support the growing demands for real-time flight data from the worldwide aviation market. The said contract is expected to contribute significantly towards the design revenue of the Group over the next 12 months. Further, upon the commercialisation of the SBB terminals, the Group is expected to derive further production support revenue from the sales of such products.

2. SDR Engineering

   Our in-house developed proprietary SDR module customised for a Singapore government agency had attracted purchase contracts contributing to over US$1 million in sales in FY2019, majority of which was reflected in the fourth financial quarter of FY2019 ("4Q2019"). A wide deployment of the module is expected as it is designed to be a common building block for a variety of proprietary communication systems. We have already received new inquiries for a much bigger requirement and at the same time are confident that the production system is now ready to take on bigger production commitments. We expect the SDR module to be one of the star revenue generators over the next 12 months.

3. Breakthrough in Vessel Monitoring System ("VMS") for Fishery Regulatory Market

As announced on 2 April 2019, we have achieved a very significant breakthrough in obtaining the type approval for Advalue's iFleetOne-VMS for use in the US fishery control regions after a prolonged period of our direct and proactive engagement with the US National Marine Fisheries Service ("NMFS") to develop a bespoke VMS solution that is based on the I4 and BGAN network. The Addvalue iFleetONE-VMS solution is the first and only truly IP-based VMS solution for mandatory fisheries control activities under the jurisdiction of the US NMFS/Office of Law Enforcement's ("OLE").

We are currently working closely with Inmarsat and our US partner, Network Innovations Inc, to coordinate a series of market roll-out plan for Addvalue iFleetOne-VMS to capitalise on this first-mover advantage. The target of this roll-out is at least 1,000 units within the next 12 months.

Based on Inmarsat's independent market analysis, the addressable market size for fishing vessel is over 200,000 vessels worldwide, of which 87% are based in Asia. We hope to duplicate the same success in the US in ASEAN, such as the Philippines, Myanmar, Thailand and Indonesia, and South Asia such as Maldives, where the fishery authorities have vested interests to pursue similar solutions in regulating the fishing activities under their respective purviews.

4. ASEAN Market Making Tractions: Satcom IoT/M2M and VSAT Focus

Endorsed by Inmarsat Australia, Pivotel and AST for Satcom machine-to-machine applications, our Sabre Ranger 5000 has been on technical trials for power utilities projects in Australia and Indonesia since December 2018, and such trials are expected to be completed by August 2019.

a. For the project in Australia, it is a renewal and expansion of the markets served by our legacy product, Sabre Ranger M2M, which is now replaced by the more advanced and feature-rich Sabre Ranger 5000.

b. For the Indonesia market, it will be our foray into the vast power utilities market, where machine-to-machine applications are essential. The technical trial there involves a dozen of Sabre Ranger 5000 units integrated into the national power utilities program, and the results to date have been very positive.

Separately, as announced by the Company on 3 July 2019, Addvalue has secured a contract worth at least US$1 million for the next 12 months with an Indonesian partner, which specialises in providing satellite communication ("satcom") and IT solutions to the Indonesian government and its military agency (the "Partner"), for the supply of Addvalue's proprietary Very Small Aperture Terminal ("VSAT") solution to the Indonesia government and its military agency. An initial order of US$100,000 will be placed for immediate delivery to the Partner. The said agreement is renewable annually, subject to mutually agreed minimum order commitment from the Partner for the subsequent 12 months. Further, the Partner is also promoting Addvalue's Value Added Services and Solutions ("VASS") for Internet-of-Things ("IoT") and Machine-to-Machine ("M2M") markets, including one in meeting the needs for rural banking in Indonesia. There is an addressable market of more than 12,000 rural banking ATMs in Indonesia, of which 50% needs satellite connectivity in the near future. More than one technical solution may be adopted for this massive project, and Addvalue, which has a few leading international satcom operators working closely with it in this regard, is well-poised to be one of the chosen solution providers. Initial trials have been positive and the Group is embarking on business model discussions with the relevant parties.

In a bid to expand beyond the Company's L-band products and solutions, the Company has also forged partnerships with VSAT operators and equipment manufacturers to offer VSAT solutions to enterprises and government agencies through its network of local partners in ASEAN besides Indonesia (through the collaboration with the Partner mentioned above).

5. IDRS Business

Since the commercial launch of the world first IDRS service in August 2017, we had secured a number of commitments, options and/or MOUs for the supply of our IDRS terminals and, pending the successful deployment of satellites, the subscription of our IDRS airtime services. In the pipeline, we are also in active negotiations with several more such customers.

After more than one year of marketing our IDRS services and in engaging Inmarsat, the many LEO satellites owners and the LEO satellite rocket launch service providers, with invaluable experience and market feedback received in allowing for the conduct of extensive paper studies, we are now better placed to understand the needs of the LEO satellites owners and rocket launch service providers, particularly those in the new space segment. We have since fine-tuned our IDRS business model, and are quietly confident to accelerate the growth of our IDRS business in 2019 and beyond.

In this regard and specifically in respect of one of our key IDRS customers, we are pleased to report that, following our successful on-schedule delivery of an engineering version of the IDRS terminal for the purpose of integrating with the said customer's satellite bus and ground testing for its pre-launch engineering verification process in 4Q2019, we had in end April 2019 procured the said customer exercising its option (availed under the major IDRS contract signed in 2018) to place an additional significant order for a multiple units of IDRS terminals with us. The additional order, which is worth over US$1 million and is expected to be substantially fulfilled in FY2020, is to support the said customer's launch program to be carried out in 2019 and 2020. The first commercial IDRS terminal is scheduled to be launched into space in the second half of 2019.

Accordingly, the following summary highlights can be drawn from the above in connection with the Group's expected business prospects ahead premised on the progressive outcome of the business transformation plan that Addvalue has been vigorously advocating and working on for the past few years:

1. A manifestation, in part, of the success of the transformation program can be inferred from the new found fortune accorded by the new lease of life rendered to iFleetOne through Addvalue iFleetOne-VMS. Addvalue iFleetOne-VMS, which represents a departure from our traditional business model, has applications embedded in the terminals for us to generate, apart from hardware sales, recurring revenue from solution subscriptions as well as airtime income and hence to usher in the beginning of a more resilient sustainable business model.

2. Our transformation program has progressed to a stage whereby more of our engineering resources can be freed up to take on lucrative design contracts such as the design contract we forged with Avionica. This partnership with Avionica, which apart from being another strong testimony attesting to our deep capabilities in developing high value communication products, and in which case, a new generation of mobile satellite terminal for Inmarsat in catering to the commercial aviation industry, it also extends our product portfolio into the aviation industry and makes available new business opportunities for us to tap into the high-growth aviation market, such as the provision of related after-sales and maintenance service support to Avionica's clients in the region. We can expect steady growth in our high value design contracts over the next few years, thereby making design services to be another sustainable pillar of growth which, in the process, will also broaden, deepen and sharpen our capabilities.

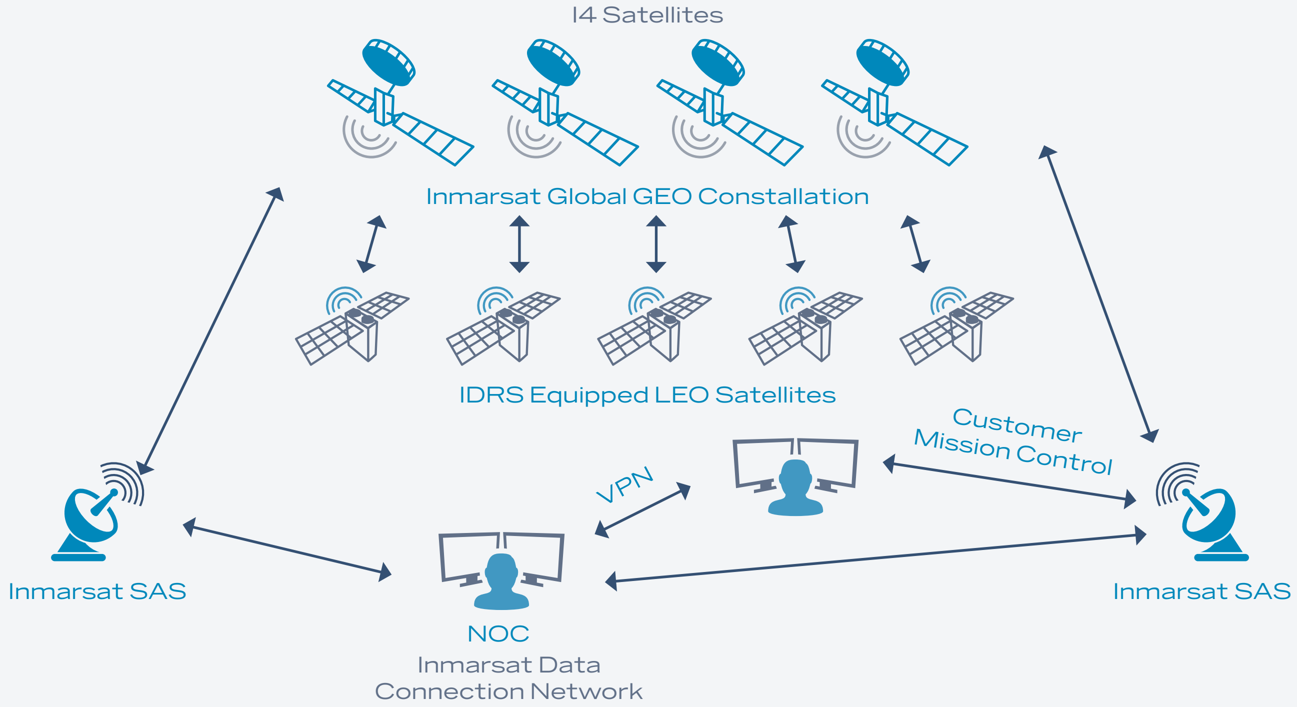
3. As a result of our ongoing business transformation efforts, we also see our business revenue mix in FY2019 geared towards our new business pillars through the sales and provision of SDR embedded platform products and services. We expect the sales of our proven and tested SDR modules to the Singapore government agency to increase significantly at the very least in the current and next financial years. Further, we are presently also actively promoting our SDR technology to other potential customers for other similar applications. The sale of SDR modules is expected to be a strong pillar of growth for the Group, especially in FY2020.

4. Amidst our ongoing arduous transformation efforts in building up and developing our IDRS, albeit at receding rates as such efforts are gradually drawing near to the commercialization of IDRS, the IDRS business is expected to generate revenue at an accelerated pace from FY2020 onwards. We are particularly excited about its prospects as more and more IDRS terminals will be shipped for commercial service towards the second half of FY2020. As these IDRS terminals commence commercial services on board the LEO satellites, it will accelerate the growth of recurring airtime revenue and transform our revenue model to be one which will be more stable and resilient.

Taking into account of the above, which cumulatively resulted in a prevailing confirmed order book of about US$4.8 million (which is more than the turnover achieved by the Group for each of the entire financial year of FY2018 and FY2019) and an indicative order book of at least US$15.0 million, barring any unforeseen circumstance, the Group is cautiously optimistic and expects to achieve profitability in FY2020, particularly in the second half of FY2020.

IDRS

Inter-Satellite Data Relay System



RELENTLESS SUPPORTS FROM INMARSAT IN ITS COLLABORATION WITH ADDVALUE FOR IDRS

In collaboration with Addvalue on the IDRS development, Inmarsat, one of the world's largest satellite communications operators, is convinced that the IDRS is a key strategy of Inmarsat in re-purposing its unique BGAN satellite network for future growth as the in-orbit connectivity market provides a distinctive new and increasing use case for Inmarsat's L-band connectivity, and Addvalue is ideally placed to capitalise on this new ongoing service requirement.

Envisaging the in-orbit connectivity market to grow exponentially over the next 24 months as the small satellite market matures and with additional constellations being progressively launched, Inmarsat sees tremendous potential for the IDRS service, and has provided resources from its government and product development teams to ensure that, in combination with Addvalue, all is being done to deliver the IDRS business and its great potentials. Such a push by Inmarsat is to be achieved through Addvalue's exceptional position as a 'one-stop shop' for IDRS hardware and connectivity services backed by Inmarsat throughout the lifetime of the small satellites.

A WORD OF THANKS

Notwithstanding the favorable prospects that lay ahead of us, we are cautiously optimistic and stay cognizant of any macroeconomic headwinds. To ensure that resources are allocated efficiently within the Group in tackling any of these macroeconomic headwinds, we regularly review and when necessary, right-size our business units and continue to explore measures to optimise utilisation of our resources efficiently to spur growth and create a better value for Shareholders as well as our exceptional staff, who are the key reason that we are able to remain resilient amidst the challenges faced in the past years.

In closing, I would like to express my utmost sincere appreciation to our much cherished management and staff for their unyielding hard work, contribution, commitment and dedication. I would also like to say a big thank you to our valued partners, suppliers and customers for their strong and unrelenting supports over the years. My earnest gratitude is also extended to my fellow Directors for their invaluable contributions and guidance in helping the Group to overcome the many challenges over the past year.

Last but not least, I would like to thank you our steadfast Shareholders for your patience and trust as well as for standing by us through the past years, and I look forward to your continued support in making our collective dream come true in FY2020 and beyond.

Dr Chan Kum Lok, Colin
Chairman & CEO

FINANCIAL REVIEW

REVENUE

US$
4 million

maintained from FY2018

GROSS PROFIT

US$
1.9 million

against a gross profit margin of 46.6%

TURNOVER

Amidst the global slowdown in the traditional satellite communication industry, the Group maintained its turnover at US$4 million for both FY2018 and FY2019.

Notwithstanding the maintained turnover, more importantly (as inferred from the business revenue-mix table below), as a result of our ongoing business transformation efforts, we see our business revenue mix in FY2019 geared towards our new business pillars, with sales and provision of SDR embedded platform products and services, accounting for 27% of the Group's total turnover in FY2019, being the new dominant revenue contributor in FY2019 (as contrast against the sales and provision of maritime communication products and services, accounting for 23% of the Group's total turnover in FY2019, being the dominant revenue contributor in FY2018).

	The Group			
Turnover	**FY2019**		**FY2018**	
	US$'000	**% Contribution**	**US$'000**	**% Contribution**
Sale and provision of land communication products and services	744	19	1,072	26
Sale and provision of maritime communication products and services	943	23	1,386	34
Sale and provision of IDRS products and services	170	4	-	-
Other design services	601	15	356	9
Sale and provision of SDR embedded platform products and services	1,082	27	136	3
Others (comprising mainly sales of other components)	477	12	1,136	28
	4,017	100	4,086	100

PROFITABILITY

Our Group registered a gross profit of US$1.9 million against a gross profit margin of 46.6% for FY2019 relative to a gross profit of US$1.3 million against a gross profit margin of 32.4% for FY2018. The improved gross profit and gross profit margin were attributable mainly to the sales and provision of higher yielding products and design services.

Our selling and distribution expenses decreased by US$194,000 or 23.2%, from US$835,000 in FY2018 to US$641,000 in FY2019, due principally to rigorous cost control measures.

Our administrative expenses decreased by US$620,000 or 20.8%, from US$2,986,000 in FY2018 to US$2,366,000 in FY2019, due mainly to continued stringent cost containment measures, particularly through curtailment of manpower costs brought about by reduced headcount and salary adjustments, coupled with a significant reduction in professional fees (incurred for corporate exercises and investor relations) from that incurred in FY2018.

Our other operating expenses decreased by US$5,941,000 or 71.0%, from US$8,372,000 in FY2018 to US$2,431,000 in FY2019, due mainly to the higher impairment loss on certain intangible assets of the Group in FY2018.

Our other operating income for FY2019 and FY2018 comprised mainly government grants received.

The increase in finance expenses in FY2019 compared to FY2018 was attributed mainly to interest expense and facilities fees in respect of short term loans secured in FY2019 as well as imputed interest charge arising from the conversion feature of the Convertible Loan Notes.

As a result of the above, the Group drastically reduced its net loss to US$4.1 million in FY2019 from a net loss of US$12.8 million in FY2018.

FINANCIAL POSITION

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

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

The decrease in inventories was attributed mainly to the delivery of finished products.

The decrease in trade receivables was primarily due to payments received.

The increase in other receivables, deposits and prepayments were mainly due to prepayments made.

The decrease in trade payables were due to payments made.

The increase in other payables and accruals were attributed mainly to advances from certain directors.

The net increase in borrowings was attributed largely to short term borrowings.

The increase in share capital was due to the allotment and issue of 100,000,000 new ordinary shares pursuant to the Share Placement carried out in November 2018.

As a result of the above:

1. the gearing of the Group (defined as the ratio of all interest-bearing loans of the Group to the shareholders' fund of the Group) increased from 24.5% as at 31 March 2018 to 59.7% as at 31 March 2019;

2. the working capital position of the Group reversed from a positive US$0.1 million as at 31 March 2018 to a negative US$2.8 million as at 31 March 2019;

3. the net cash flow of the Group used in operations has reduced from a negative cash used of US$3.5 million in FY2018 to a negative cash used of US$0.9 million in FY2019; and

4. the net asset value of the Group decreased by US$2.2 million or 29.7% from US$7.5 million as at 31 March 2018 to US$5.3 million as at 31 March 2019, with the net asset value per ordinary share decreased from 0.42 US cents per Share as at 31 March 2018 to 0.28 US cents per Share as at 31 March 2019.

OPERATIONS REVIEW

APRIL 2018

10 April 2018

Addvalue entered into an agreement with a US-based aerospace company to carry out a feasibility study for the adoption of the Inter-Satellite Data Relay System ("IDRS™") in the latter's upcoming space mission for commercial purposes. The success of the said feasibility study will represent a new use of IDRS™ beyond the LEO satellite application.

25 April 2018

Addvalue entered into an agreement with a satellite service provider (the "Customer") for the customised design and supply of IDRS™ terminals to be installed on the Customer's fleet of LEO satellites. The Customer plans to deploy a multi-satellite constellation in the near future to provide enhanced data gathering services for its clients. The delivery of the said IDRS™ terminals will be in stages to match the launch schedule of the satellites forming the Customer's multi-satellite constellation.

Subsequently, on 7 June 2018, Addvalue entered into an airtime service agreement with the Customer for the provision of its enhanced data gathering services to its clients. Pursuant to the said service agreement, Addvalue, in partnership with Inmarsat, is contracted to provide the Customer with IDRS™ airtime service till at least 2026.

MAY 2018

30 May 2018

Huaan Xingke (Beijing) Information Technology Co., Ltd (华安星科(北京)信息技术有限公司) ("Huaan Xingke"), a strategic business partner of Addvalue's Beijing based wholly-owned subsidiary, Zhongxing Chuangzhi (Beijing) Technology Ltd., Co., successfully obtained the type approval for their multi-mode satellite communication terminal, S600, from the Register of Fishing Vessel under the Ministry of Agriculture, Fisheries Bureau of the People's Republic of China.

The said terminal, a joint development between Addvalue and Huaan Xingke, is customised to meet the Chinese governmental plan to modernise the country's fishing fleets, and is the first-of-its kind to be certified by the Chinese authorities for shipboard and offshore surveillance, navigation and safety operations.

JUNE 2018

9 June 2018

Addvalue commenced maiden supply of its in-house developed high-end proprietary software define radio ("SDR") communication module (the "SDR Module") to a Singapore government agency.

Subsequently, on 26 September 2018, Addvalue received a repeat order of the SDR Module from the same government agency. Under the said repeat order, the said government agency has the option to increase the order quantity at a pre-agreed price pegged to bulk purchase any time within the next 15 months.

The purchase commitment from the said governmental agency is a strong testament of the commercial relevance of the SDR Module as such module becomes a core engine for a variety of proprietary systems.

On 27 November 2018, Addvalue received yet another order of its in-house developed high-end proprietary SDR Module . The New Order presents a strong testament of the commercial relevance of the SDR Technology. To capitalise on such wide ranging commercial relevance of the SDR Technology, the Group has stepped up its marketing efforts in promoting its SDR Technology through its industrial partners, and such endeavours have had been receiving very positive feedbacks and gaining a lot of commercial tractions.

18 June 2018

Addvalue entered into a new distribution contract with 中邮世纪(北京) Zhongyou Century (Beijing) Technology Co Ltd ("Zhongyou"), a subsidiary of China National Postal and Telecommunications Alliance Corp, to supply satellite communication terminals for small fishing fleets operating in the China regional seas worth at least US$1 million.

The new contract supersedes the 3-year collaboration agreement which AVI entered into with Zhongyou in April 2016 to supply at least 5,000 units of satellite communications terminals.

JUNE 2018

28 June 2018

Inmarsat and Addvalue signed a significant contract in revolutionising commercial and research-focused satellite operations via IDRS™. The agreement will allow the spacecraft to stay in continuous communications with their operation centre on the ground, thereby enabling mission tasking and mission data delivery in near real time. This agreement heralded the first constellation of IDRS™ equipped satellites, one that will provide a game changing capability for satellite operators.

AUGUST 2018

9 August 2018

Open Cosmos, a space mission provider, and Addvalue announced a partnership to jointly offer continuous LEO connectivity to constellation-based remote sensing and IoT businesses.

The agreement will allow Open Cosmos's nanosatellites to stay in continuous communications with their operation centre on the ground, thereby enabling mission tasking and mission data delivery in near real time. The combination of light weight, small form factor and a low cost system also make it perfectly suited for carrying out telemetry, tracking, and command (TT&C) communications, mission tasking, trouble-shooting and restoring operations.

SEPTEMBER 2018

17 September 2018

Addvalue iFleetONE™ terminal together with its proprietary vessel monitoring system (VMS) was type approved by the US National Marine Fisheries Service Office Of Law Enforcement (OLE).

It is mandatory for all legally licensed commercial fishing vessels, which are permitted to fish in certain US regions under the Fisheries Management, to carry NMFS/OLE type approved VMS terminals that securely report their GPS positions via a secured satellite link. In the US, there are currently around 4,000 fishing vessels required to comply with the VMS regulations. Similar global VMS regulatory programs are estimated to affect over 50,000 commercial fishing vessels.

OCTOBER 2018

4 October 2018

Addvalue signed exclusive collaboration agreement with Network Innovations Inc ("NI") to jointly market Addvalue iFleetONE™ VMS in the US.

Under the said agreement, Addvalue and NI will exclusively market the Addvalue iFleetONE™ VMS in the US. NI will place an initial order of 50 units immediately to kick start the marketing program, which will also be supported by NI's well positioned maritime dealer network and multiple technical support offices.

31 October 2018

Addvalue, via a teaming agreement, teamed up with Shenzhen Marinesat Network Technology Co., Ltd. ("Marinesat"), a company based in Shenzhen, China, to supply its range of L-band maritime products and applications to supplement Marinesat's VSAT maritime communications services for its wide customer base counting some of the biggest shipping companies in China, such as COSCO SHIPPING, Sinotrans, Shandong Shipping Corporation, to name just a few.

As a strategic partner, both companies will combine their strengths in the field of L-band mobile satellite communications and VSAT (Very Small Aperture Terminal) broadband satellite communications, to develop L/VSAT dual mode satellite communication solutions to meet the increasingly demanding needs of commercial vessels. The L/VSAT dual mode satellite communication solution will enable the vessels to have cost effective high bandwidth communication services backed by the resilient L-band communication network to ensure reliable communication services under all weather conditions. The L-band communication service will be used to support GMDSS applications and a wide variety of on board IoT solutions as well as for VSAT backup. The extent of collaboration also includes joint marketing, project bidding, equipment installation, after-sales support, and on-site maintenance. Marinesat has a customer base of more than 1,100 commercial vessels, and is working with Addvalue on a rollout plan.

NOVEMBER 2018

4 November 2018

Addvalue entered into an agreement with a LEO satellite operator to augment and enhance the latter's future multi-satellite earth observation constellation with IDRS™ using Inmarsat's award-winning, global L-band network.
The use of IDRS™ in support of this constellation will facilitate the delivery of high quality, cost effective imagery on a global basis within very short intervals. This will provide a highly flexible and responsive service that will enhance existing and support new users that require Earth Observation imagery.

26 November 2018

Addvalue and Seven Star Communication Technology Co. Ltd 柒星通信科技（北京）有限公司 ("Seven Star"), a company based in Beijing, China, successfully completed the development and test verification of a first-of-its-kind smart dual-mode satellite terminal – V1 Satellite Communication Terminal ("V1") pursuant to a joint product development collaboration. Seven Star is planning the production of V1 to support the commercial launch in 2019.

The V1 smart dual-mode satellite equipment supports both the China S band mobile satellite system, also known as Tiantong-01 (天通一号), and the Thuraya satellite system, thereby giving the end users the means to fully exploit the voice, data and short messages communications services offered by these two satellite systems. Designed with robustness to meet "Communications-on-the-Move" for maritime and land applications, the V1 terminal will be targeting the governmental agencies for marine fishery and regulatory control, transportation, mining, forestry, water conservancy and disaster response services. The potential market for these services is projected to be about 40,000 terminals within five years from the launch.

FEBRUARY 2019

20 February 2019

Addvalue formalised a significant design contract with Avionica LLC ("Avionica"), a world leader in innovative, miniaturised aircraft data collection and wireless data transmission equipment, to jointly develop a new generation of Swift Broadband ("SBB") terminals to support the growing demands for real-time flight data services for the worldwide aviation market.

Under the said contract, Addvalue will develop the main components of the satellite connectivity while Avionica will develop the avionic components of the system and be responsible for the system integration and project management for the FAA certification process.

APRIL 2019

2 April 2019

Addvalue iFleetONE-VMS™ expanded the NOAA/NMFS type-approval from the US government for use in the NMFS Southeast regional fisheries.

The Addvalue iFleetONE-VMS™ was previously type-approved by the NOAA/National Marine Fisheries Service ("NMFS") in October 2018 for three regions, namely, Alaska, Pacific Islands and West Coast.

The upgraded Addvalue iFleetONE-VMS™ is now also typed-approved for use in the Southeast Region with the successful inclusion of a Form Reporting System feature to support the mandatory reporting requirements by the fishermen while they are at sea. The Southeast Region type approval will not only expand our reach of the commercial fishing market but also opens a new market in the Charter Sport Fishing vessels market which previously do not require a type-approved VMS.

Accordingly, the Addvalue iFleetONE-VMS™ is currently the only broadband terminal in the US with VMS that has been type-approved for use in Alaska, Pacific Islands, West Coast and the Southern Region.

30 April 2019

Pursuant to an existing Inter-satellite Data Relay System ("IDRS"), supply contract signed with a client (the "IDRS Client"), Addvalue secured a significant additional order ('New Order") for multiple space qualified IDRS terminals. This New Order follows Addvalue's successful on-schedule delivery of an engineering version of the IDRS terminal for the purpose of integration with the IDRS Client's satellite bus and ground testing as part of its pre-launch engineering verification process. The New Order, which is worth over US$1 million and is expected to be substantially fulfilled within the current financial year ending 31 March 2020 ("FY2020"), is to support the IDRS Client's launch program to be carried out in 2019 and 2020.

BOARD OF DIRECTORS

Dr Chan Kum Lok, Colin
Chairman and Chief Executive Officer

Dr Chan, the key co-founder of the Group, is responsible for the overall management of financials, investor relations, operations and formulation of business strategies and policies of the Group. As a Mechanical Engineer with over 30 years of experience in communications product design and manufacturing, business development and corporate management, he was responsible for formulating the strategies in restructuring and transforming the Group to be a satellite communications focused company.

Dr Chan graduated with a Bachelor of Science Degree in Mechanical Engineering with First Class Honours from the University of Strathclyde, UK, and was conferred a PhD in Mechanical Engineering from the same university in 1984.

Mr Tan Khai Pang
Chief Operating and Technology Officer

Mr Tan, one of the co-founders, has over 30 years of experience in product development and project management in the field of telecommunications. In the past eighteen years, his work was primarily focused on satellite communications product development and strategic business management. He was instrumental in re-moulding the Group's strategies and organisational competences necessary for the successful business transformation of the Group from consumer product-centric to satellite-based terminals and related application focus. His in-depth understanding of the industry and the competing forces helps the Group position its niche in the market. He oversees the business and technology development in order to ensure an integrated and cohesive overall Group strategic direction.

Mr Tan graduated from the University of Knoxville, USA with a Bachelor of Science Degree in Electrical Engineering with Highest Honours. He holds a Master of Science Degree in Engineering (Telecommunications) from the University of California, Los Angeles Campus, USA.

Mr Lim Han Boon
Lead Independent Director

Mr Lim was appointed to the Board since the Initial Public offering of the Company in June 2000 and serves as an Independent Director. At present, he is the Chairman of our Audit and Nominating Committees and on 26 June 2014, he was appointed Lead Independent Director of the Company. With more than 20 years of experience in investment banking and private equity financing services, he has been advising the Company on matters concerning financial reporting, compliance with listing rules and other regulatory requirements, upholding of good practices for sound corporate governance, fund raising and corporate restructuring etc.

Mr Lim holds a Master of Business Administration (Finance) Degree from the City University, UK and a Bachelor of Accountancy Degree from the National University of Singapore, Singapore. He is a Fellow Member of Institute of Singapore Chartered Accountants and a Full Member of the Singapore Institute of Directors.

Mr 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 handheld 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 18 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.

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.

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 16 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 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. Francis Low
Head of Advanced Development

Mr Low joined the Group in 2002. From 2006 to 2014 he had worked in various industries from defense, automobile to consumer electronics. He is currently in-charge of the technology development programs and also heading developmental work on baseband design. With more than 18 years of experience in designing digital wireless communications systems and satellite communications for both fixed and mobile satellite terminals. He is well versed in many aspects of technologies, including (FPGA) Field Programmable Gate Array, ASIC (Application Specific Integrated Circuit), digital signal processing, RF (Radio Frequency) and Microwave. Having been involved in many research and development projects over the years, he has been promoted since 2019, to head the technology department and is also responsible for identifying future technology trends and finding opportunities to leverage on the research and development expertise from research institutes and industries.

Mr Low graduated with a MSc in Electrical Engineering with specilisation in wireless communication from the Nanyang Technological University.

Mr. Chong Kim Ho
Head of Software Development

Mr Chong joined the group in 2005 and leads the software development team of the group. With more than 15 years of experience in embedded software design and developments, especially in the area of telecommunications, networking protocols, software defined radio and machine learning for data analytics, he has been, since 2019, involved in managing and leading the software developments for various reseach and development projects.

Mr Chong graduated from University of NEWCASTLE, Australia with a Bachelor of Engineering in Telecommunication Engineering (Honours Class 1). He also holds a diploma in Electronic & Computer Engineering and an advanced diploma in Data Communication & Networking from Ngee Ann Polytechnic, Singapore.

Mr. E.M.L. Ekanayake
Head of Product Development

Mr Ekanayake joined the Group in 1996 and specialises 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
Head of Solutions Platform

Mr Kalaivanan joined the Group in 1996 and specialises in telecommunications software development, especially in the area of wireless communications and networking protocols. He was heading the software development team of the Group from 2006 to 2016, managing the software development of various Inmarsat BGAN satellite terminal projects and Thuraya MSS terminal projects.

With more than 30 years of experience in the telecommunications industry and in product development, and project management, especially in wired and wireless communications products, Value Added Solutions, Managed Services, Machine Learning and Artificial Intelligence, etc. in the area of IOT/M2M, Maritime and Space, he has been involved in various research and development projects and end-to-end solutions involving MSS, VSAT, LTE/5G, LPWAN and other emerging technologies for the last mile wireless connectivity.

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

ADDVALUE TECHNOLOGIES LTD
(SINGAPORE)

Addvalue Communications Pte Ltd
(Singapore)
(100%)

Addvalue Innovation Pte Ltd
(Singapore)
(100%)

Addvalue Solutions Pte Ltd
(Singapore)
(100%)

Zhongxin Chuangzhi Holding Pte Ltd
(Singapore)
(100%)

Zhongxin Chuangzhi (Beijing) Technology Ltd., Co.
(People's Republic of China)
(100%)

Addvalue Global Limited
(Hong Kong)
(100%)

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

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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: Mr Tan Chee Tyan
Date of Appointment: From FY2019

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 second Sustainability Report of the Group for the financial year ended 31 March 2019 ("FY2019"). As a world recognised 'one-stop shop' communications technology products developer, we provide 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. The Group also offers customised 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.

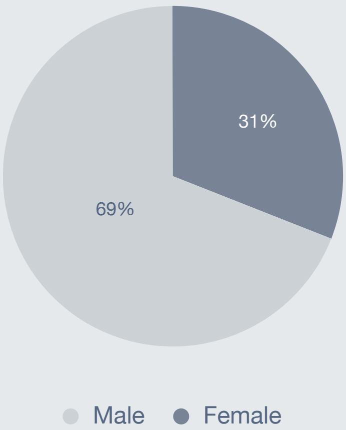
SUSTAINABILITY APPROACH

Our materiality assessment performed for FY2019 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:

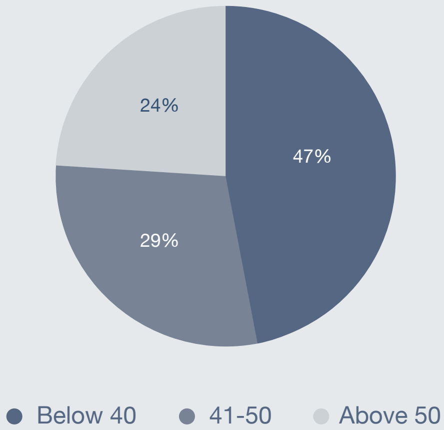
SOCIAL

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 78 (2018:88) full time employees as at 31 March 2019, of which 69 (2018:77) of them are stationed in Singapore, 9 (2018:9) in our Beijing office, one (2018:1) in Johor and one (2018:1) based in US, the diversity of the Group by gender, age and nationality are presented as follows:

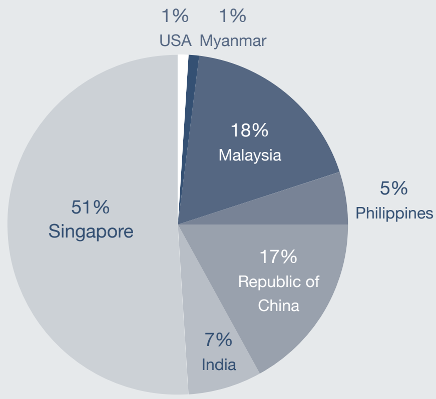
Gender Diversity 2019



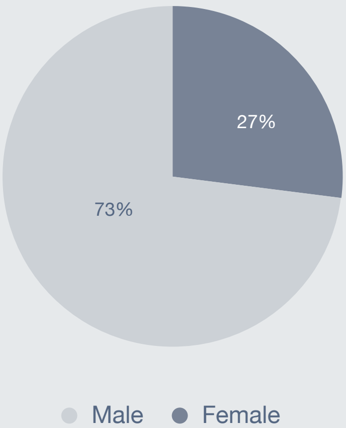
Age Diversity 2019



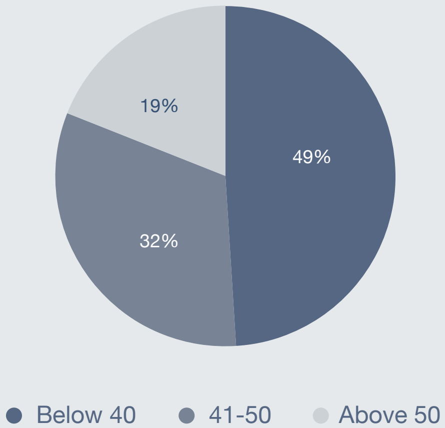
Nationality Diversity 2019



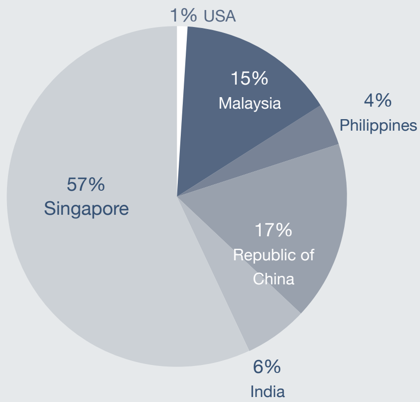
Gender Diversity 2018



Age Diversity 2018



Nationality Diversity 2018



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.

SUSTAINABILITY REPORT

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. 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 recognised 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.

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 FY2019 and FY2018.

ENVIRONMENT

Our Group recognises 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 organisation with environmental certification. With regard to improvement of environment, we commit to be as an environmental preservation organisation. In this regard, we have started to send out yearly assessment forms in FY2019 to key suppliers for such evaluation. From the feedback of such assessment, 75% of our selected key suppliers from our first round of such evaluation perform in FY2019 has met with our minimum requirements set. We will continue this process to evaluate more suppliers on an yearly basis on their environmental preservation as well as human rights and social responsibility that need to be maintained.

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.

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

Our employees are also encouraged to be environmentally conscious by promoting paperless administration as well as operational practices to reduce paper usage, minimise 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 recognises 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 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.

Customers, business partners and vendors

The Group recognises 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 the shareholders of the Company (the "**Shareholders**"). This statement outlines the Company's corporate governance processes with specific reference to the Code of Corporate Governance 2012 (the "**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
Mr Tan Khai Pang	Executive Director
Mr Lim Han Boon	Lead Independent Director
Mr Michael J Butler	Independent Director
Mr Richard J Denny	Independent Director

GUIDELINE 1.1
BOARD'S ROLE, DUTIES AND RESPONSIBILITIES

The Board is responsible for protecting and enhancing long-term Shareholders' value. It provides directions and guidance to the overall management of the Company and its subsidiaries (the "Group"). The Board comprises two executive Directors (collectively, the "**Executive Directors**", and each an "**Executive Director**") and three non-executive Independent Directors (collectively, the "**Independent Directors**", and each an "**Independent Director**".

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
- Authorising 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 second Sustainability Report for financial year ended 31 March 2019 on page 23 to 26 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.

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 16 July 2018 being the date of the last Annual Report, to the date of this Annual Report, our Company convened six Board meetings, five 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	6	5	1	1
Name of Directors	**Number of meetings attended**			
Dr Colin Chan Kum Lok	6	5	1	1
Mr Tan Khai Pang	6	5	1	1
Mr Lim Han Boon	5	5	1	1
Mr Michael J Butler	5	5	1	1
Mr Richard J Denny	6	5	1	1

CORPORATE GOVERNANCE REPORT

GUIDELINE 1.5
INTERNAL GUIDELINES ON MATTERS REQUIRING BOARD APPROVAL

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

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

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

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

Newly appointed Directors will be given an orientation program to familiarise themselves with our Group's operation. The experience and competency of each Director contribute to the overall effective management of the Group. Incoming Directors joining the Board will be given briefing by the management, the Chief Executive Officer ("CEO") and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organisation structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

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/or seminars relevant to their discharge of director's duties.

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

GUIDELINE 2.3
INDEPENDENCE OF DIRECTORS

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

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.

Presently, Mr Lim Han Boon has served the Board as an Independent Director for more than nine years. On a yearly basis, based on the views of the NC and the assessment by the Board and having regard to Guideline 2.4 of the Code, the Board is of the view that although Mr Lim Han Boon 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 an 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 has 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 his independence.

CORPORATE GOVERNANCE REPORT

GUIDELINES 2.5 & 2.6
COMPOSITION AND COMPETENCY OF THE BOARD

There are presently three Committees, namely the AC, NC and RC, commissioned by the Board. All Committees are chaired by an Independent Director, with majority of members being non-executive and independent.

The Board members, collectively, have a diverse spread of expertise covering business and management experience, industry knowledge, strategic planning skills, accounting and financial knowledge. Our Company is of the view that the Board, as a whole, provides core competencies necessary to meet the Group's requirements, taking into account the nature and scope of the Group's operations. In carrying out their obligations as Directors of our Company, access to independent professional advice, where necessary, is also available to all Directors, either individually or as a group, at the expense of our Company.

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

The Board is of the opinion that the current size of the Board is adequate, taking into account the nature and scope of the Group's operations.

GUIDELINE 2.7
ROLE OF NON-EXECUTIVE DIRECTORS

During the year, the Non-Executive Directors (comprising the Independent Director) 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 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 all if not most board papers before they are presented to the Board;
- ensuring effective communication with Shareholders; and
- promoting corporate governance

The Executive Directors are deeply involved in managing the daily operations of the Group and are expected to act in good faith and always in the interests of the Group. The working of the Board and the executive responsibility of the Group's business are interconnected. The Executive Directors, including the Chairman, who understand the business of the Company and the Group thoroughly, will provide better guidance to the decisions and workings of the Board. Hence, there is no immediate plan to create a separate dual function between the leadership of the Board and the executives responsible for managing the business of the Group.

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

GUIDELINES 3.3 AND 3.4
LEAD INDEPENDENT DIRECTOR

Mr Lim Han Boon is the Lead Independent Director. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to Shareholders where they have concerns in which contact through the normal channels of the Executive Chairman and the Executive Director 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 comprises 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.

CORPORATE GOVERNANCE REPORT

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 Executive Director or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.

- Re-election of Directors

  Article 104 of the Constitution requires one-third of the Directors to retire. Article 105 of the Constitution requires Directors to retire shall be those longest in office since their last re-election or appointment or have been in office for the three years since their last election.

  Mr Tan Khai Pang and Mr Lim Han Boon are due to retire at the forthcoming annual general meeting ("AGM") pursuant to Articles 104 and 105 of the Constitution.

  Mr Lim Han Boon who has served on the Board for more than nine years will not be seeking re-election so as to comply with the Code of Corporate Governance, which, unless otherwise adequately explained by the Board, deems any independent director who serves for an aggregate period of more than nine years to be not independent. Accordingly, Mr Lim Han Boon will be retiring as an Independent Director of the Company at the forthcoming AGM. Following his retirement, he will also cease to be the Chairman of the AC, the Chairman of the NC and a member of the RC, but shall instead serve as a non-board executive Finance Director of the Company.

  The NC has recommended to the Board the re-election of Mr Tan Khai Pang pursuant to Articles 104 and 105 of the Company's Constitution. Mr Tan Khai Pang did not participate in the NC's deliberations on his re-election.

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 experiences 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 NC 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.

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 to the Board 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 Singapore Institute of Directors, 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.

CORPORATE GOVERNANCE REPORT

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.

GUIDELINE 5.3
EVALUATION OF INDIVIDUAL DIRECTOR

The overall assessment of individual Directors and of the Board as a whole was good for FY2019, 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.***

GUIDELINES 7.1 AND 7.2
REMUNERATION COMMITTEE

The RC comprises 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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2019 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary* (%)	Benefits (%)
S$250,000 to S$499,999	Nil	–	–	–
Below S$250,000	Dr Colin Chan Kum Lok	–	90	10
	Mr Tan Khai Pang	–	91	9
	Mr Lim Han Boon	100	–	–
	Mr Michael J Butler	100	–	–
	Mr Richard J Denny	100	–	–

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

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

Top 5 Management Personnel (who are not Directors)
Details of the remuneration paid to the key Executives for FY2019 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	84	16
	Ms Chow Choi Fun, Jackie	Financial Controller	99	1
	Mr EML Ekanayake	Head of Product Development	94	6
	Mr K Kalaivanan	Head of Solutions Platform	91	9
	Mr Edward Fong	Senior Vice President, Products and Solutions / Managed Services	98	2

* 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.

CORPORATE GOVERNANCE REPORT

The present key management team of the Group, who are not Directors of the Company, comprised five personnel as disclosed above. The total remuneration paid to the five of them for FY2019 aggregated to US$465,745.

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

GUIDELINE 9.4
IMMEDIATE FAMILY MEMBER OF DIRECTORS OR THE CEO

During FY2019 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 FY2019.

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

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

For FY2019, 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 the work performed by the external auditors, the system of risk management and internal controls established and maintained by the Group, 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 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 AC concurs with the Board's opinion based on their reviews of the Group's risk management and internal control systems.

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.

CORPORATE GOVERNANCE REPORT

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 comprises 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.

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
- its oversight over 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 FY2019. The AC had discussed and noted, together with the external auditors and the management, on the approach and methodology applied by the external auditors in relation to the assessment of judgements and estimates on the significant matters reported in the KAM.

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

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 AUDITORS WITHOUT PRESENCE OF MANAGEMENT

During the year, the Company's external auditors were invited to attend the AC meetings and make presentations as appropriate. The AC has the discretion to meet separately with the external auditors without the presence of Management.

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, S$3,500 was 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 auditors of the Group's companies in Singapore at the forthcoming AGM at remuneration to be re-negotiated.

GUIDELINE 12.7
WHISTLE-BLOWING POLICY

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

GUIDELINES 12.8
AC TO KEEP ABREAST OF CHANGES TO ACCOUNTING STANDARDS

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

CORPORATE GOVERNANCE REPORT

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, effectiveness and independence of the Group's in-house internal audit functions, the AC meets regularly to review these functions and audit findings. The AC is generally satisfied with the independence adequacy and effectiveness of the current arrangement.

The AC will also review the audit plans and the findings of the external auditors and will ensure that the Group follows up on the external auditors' recommendations raised, if any, during the audit process. The AC is generally satisfied with the adequacy of the current arrangement and will continue to assess its effectiveness regularly.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

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

GUIDELINES 14.1
SUFFICIENT INFORMATION TO SHAREHOLDERS

The Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications.

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.

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.

CORPORATE GOVERNANCE REPORT

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 is currently not permitted until legislative changes are effected to recognise remote voting. However the Company's Constitution allows for appointment of proxies for a Shareholder 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.

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 FY2019.

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 S$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 31 October 2018, 20 November 2018 and 27 November 2018, the Company has successfully completed the placement of 100,000,000 new ordinary shares ("Placement Shares") on 27 November 2018 at a placement price of S$0.025 per Placement Share for a net proceeds of approximately S$2.5 million (US$1.8 million).

As at the date of this report, the net proceeds of approximated US$1.8 million (S$2.5 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 (%)
Redemption of Exchangeable Bonds	1,100	100
For working capital requirements:		
- Capability development program for space	600	100
- Payment of administrative expenses, including payroll and other services	100	100
Total amount utilised	**1,800**	**100**

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board confirms that for FY2019, 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 2019 and the statement of financial position of the Company as at 31 March 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the 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 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; 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 and 105 of the Constitution of the Company, Mr Tan Khai Pang and Mr Lim Han Boon will retire and are eligible for re-election. Mr Tan Khai Pang retires and being eligible, offer himself for re-election. Mr Lim Han Boon retires and has given notice to the Company that he is not seeking 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.

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 shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as disclosed below:

	Direct interests		
	At 1 April 2018	**At 31 March 2019**	**At 21 April 2019**
The Company			
Ordinary shares			
Dr Chan Kum Lok, Colin	39,190,960	39,190,960	39,190,960
Mr Tan Khai Pang	40,900,360	25,900,360	25,900,360
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, the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee:

- reviewed 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;
- reviewed 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;
- reviewed 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

- reviewed 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;
- reviewed and assessed the adequacy of the Group's risk management processes;
- reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- reviewed any interested person transactions in accordance with SGX-ST Listing Manual;
- reviewed the nomination of external auditors and gave approval of their compensation; and
- reviewed 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
15 July 2019

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 2019, and 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 from page 56 to 134.

In our opinion, the accompanying 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis for 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* (the "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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADDVALUE TECHNOLOGIES LTD

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

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 and 1 component which required a specific scope audit, either because of their size or/and their risk characteristics.

Out of the 5 components, 1 significant scope component was audited by other Mazars office as component auditors under our instructions and the remaining 4 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 judgements and estimates to be made by directors.

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 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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Matter | **Audit response**

Impairment assessment 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.

Matter

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 2019, the carrying value of development expenditure amounted to US$9,230,039 (2018: US$8,251,877), which represented 67% (2018: 58%) of the Group's total assets.

In accordance with SFRS(I) 1-36 *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$4,106,747 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:
- Internet-of-things ("IoT");
- Satellite communication ("Satcom");
- Software-defined radio ("SDR"); 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 approved financial budgets, discount rate and growth rates in revenue and cost of sales, for which the judgements applied and estimates used are subjected to significant judgement and estimates of the management.

Audit response

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;
- Assessed independence and competence of management's expert for impairment assessment of intangible assets;
- Involvement of in-house valuation expert on the assessment of value-in-use model;
- 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$4,106,747 (2018: US$12,784,898) and net operating cash outflows of US$922,684 (2018: US$3,456,123) during the financial year ended 31 March 2019 and reported a net current liabilities position of US$2,823,250 and cash and bank balances of US$136,781 (2018: US$215,635) as of 31 March 2019. 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. Notwithstanding the above conditions, management assessed and concluded that there is no material uncertainty relating to the Group's ability to continue as a going concern on the following premises: • the Group has entered into a convertible loan notes agreement with a shareholder investor to raise funds of S$3.45 million (approximately US$2.55 million), subjected to the fulfilment of certain conditions. As of the date of this report, the Group has received the full amount of funds; • The Group would be able to generate sufficient operating cash flows; • The Group would be able to fulfil its obligations towards its creditors, including the aforementioned shareholder investor, as and when such obligations fall due; and • The Group would be able to obtain continued financial support from at least one of its individual lenders. The assessment of the appropriateness of the Group's going concern assumption requires significant management judgement and estimates, including the management's projections of the future cash flows of the Group.	Our audit procedures include, but are not limited to, the following: • Obtained an understanding of and evaluated the feasibility of the management's bases to support the Group's going concern assumption; • Performed an analysis of the cash flow projections prepared by management, which included our evaluation of the reliability and relevance of the underlying data used to prepare the forecast and the appropriateness of the assumptions used; and • Considered facts and information that became available subsequent to management's assessment up till the date of this report, including 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.

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 SFRS(I)s, 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 financial year 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 Chee Tyan.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
15 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2019

	Note	2019 US$	2018 US$
Revenue	4	4,016,789	4,086,136
Cost of sales		(2,147,027)	(2,763,318)
Gross profit		1,869,762	1,322,818
Other operating income	5	185,402	179,140
Selling and distribution expenses		(641,037)	(834,635)
Administrative expenses		(2,366,499)	(2,986,408)
Other operating expenses	6	(2,431,051)	(8,370,756)
Finance expenses	7	(805,579)	(199,317)
Loss before income tax	8	(4,189,002)	(10,889,158)
Income tax credit/(expense)	9	82,255	(1,895,740)
Loss for the year		(4,106,747)	(12,784,898)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations, representing other comprehensive (loss)/income for the year, net of tax		(15,022)	28,878
Total comprehensive loss for the year, net of tax		(4,121,769)	(12,756,020)
Loss per share attributable to equity holders of the Group (cents)			
Basic and diluted	10	(0.23)	(0.73)

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 2019

	Note	Group		Company	
		2019	2018	2019	2018
		US$	US$	US$	US$
ASSETS					
Non-current assets					
Plant and equipment	12	327,643	598,711	–	–
Subsidiaries	13	–	–	12,406,144	12,406,144
Associate	14	–	–	–	–
Other equity investments	15	–	–	–	–
Intangible assets	16	9,408,581	8,555,213	–	–
		9,736,224	9,153,924	12,406,144	12,406,144
Current assets					
Inventories	17	2,767,327	3,253,603	–	–
Trade receivables	18	646,312	1,124,745	–	–
Other receivables, deposits and prepayments	19	524,838	500,407	930	10,070
Other investment	20	14,945	1,464	14,945	1,464
Due from subsidiaries (non-trade)	21	–	–	7,740,283	6,374,185
Pledged fixed deposit	22	–	39,655	–	–
Cash and bank balances	22	136,781	215,635	2,976	5,237
		4,090,203	5,135,509	7,759,134	6,390,956
TOTAL ASSETS		13,826,427	14,289,433	20,165,278	18,797,100
LIABILITIES					
Current liabilities					
Trade payables (third parties)	23	1,594,559	1,624,021	–	–
Other payables and accruals	24	1,855,160	1,300,915	236,297	76,061
Provisions	25	170,158	168,519	114,929	97,967
Borrowings	26	3,047,336	1,692,233	1,423,589	1,114,134
Advances received from customers	30	246,240	243,046	–	–
Due to subsidiaries (non-trade)	21	–	–	708,027	790,668
		6,913,453	5,028,734	2,482,842	2,078,830
Non-current liabilities					
Borrowings	26	89,122	138,824	–	–
Deferred tax liabilities	31	1,568,483	1,646,304	–	–
		1,657,605	1,785,128	–	–
TOTAL LIABILITIES		8,571,058	6,813,862	2,482,842	2,078,830
NET ASSETS		5,255,369	7,475,571	17,682,436	16,718,270
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	32	74,407,184	72,505,617	74,407,184	72,505,617
Capital reserve	33	1,566,827	1,566,827	819,945	819,945
Statutory reserve	34	7,813	7,813	-	-
Foreign currency translation reserve	35	2,973	17,995	-	-
Accumulated losses		(70,729,428)	(66,622,681)	(57,544,693)	(56,607,292)
TOTAL EQUITY		5,255,369	7,475,571	17,682,436	16,718,270

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 2019

	Share capital US$	Capital reserve US$	Statutory reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 April 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 income, 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, net of expenses (Note 32)	2,416,342	–	–	–	–	2,416,342
- Pursuant to conversion of convertible loan notes (Note 29, 32)	3,336,451	-	–	–	–	3,336,451
Total contribution by and distribution to owners	5,752,793	819,945	–	–	–	6,572,738
Balance at 31 March 2018	72,505,617	1,566,827	7,813	17,995	(66,622,681)	7,475,571
Loss for the year	–	–	–	–	(4,106,747)	(4,106,747)
Other comprehensive loss, net of tax	–	–	–	(15,022)	–	(15,022)
Total comprehensive loss for the year	–	–	–	(15,022)	(4,106,747)	(4,121,769)
Contribution by and distribution to owners						
Issuance of new shares:						
- Pursuant to placements issue, net of expenses (Note 32)	1,901,567	–	–	–	–	1,901,567
Balance at 31 March 2019	74,407,184	1,566,827	7,813	2,973	(70,729,428)	5,255,369

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 2019

	Note	2019 US$	2018 US$
Operating activities			
Loss before income tax		(4,189,002)	(10,889,158)
Adjustments for:			
Amortisation of intangible assets	16	360,142	1,227,114
Amortisation of deferred income		–	(57,952)
Bad debts written off		3,678	–
Depreciation of plant and equipment	12	319,332	343,589
Fair value (gain)/loss arising from financial assets at fair value through profit or loss		(13,481)	671
Interest expense		654,937	171,749
Interest income	5	(456)	(1,333)
Impairment loss on development expenditure	16	465,000	5,689,175
Inventories written off	17	246,830	601,013
Loss allowance for receivables (trade)	40	198,522	–
Loss allowance for receivables (non-trade)	40	339,975	–
Provisions/(Provisions utilisation)	25	1,639	(101,282)
Unrealised foreign exchange loss		6,060	64,938
Total operating cash flows before movements in working capital		(1,606,824)	(2,951,476)
Changes in working capital:			
Inventories		239,446	(995,419)
Contract assets		–	221,385
Trade and other receivables		(88,173)	619,125
Advances received from customers		3,194	(56,941)
Trade and other payables		524,783	(307,198)
Cash used in operations		(927,574)	(3,470,524)
Interest income received		456	1,333
Income tax refund		4,434	13,068
Net cash used in operating activities		(922,684)	(3,456,123)
Investing activities			
Purchase of plant and equipment	12	(48,264)	(148,909)
Additions in intangible assets	A	(2,735,906)	(3,383,303)
Proceeds from government grants	B	1,057,396	1,166,632
Net cash used in investing activities		(1,726,774)	(2,365,580)
Financing activities			
Net proceeds from placement shares	32	1,901,567	2,054,092
Net proceeds from convertible loan notes	29	–	5,065,984
Proceeds from borrowings		3,578,652	566,420
Repayment of borrowings		(2,572,971)	(1,092,480)
Interest paid		(376,299)	(119,713)
Repayment to a shareholder		–	(651,624)
Withdrawal of pledged fixed deposit		39,655	–
Net cash generated from financing activities		2,570,604	5,822,679
Net (decrease)/increase in cash and cash equivalents		(78,854)	976
Cash and cash equivalents at beginning of the financial year		215,635	214,659
Cash and cash equivalents at end of the financial year	C	136,781	215,635

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 2019

Reconciliation of liabilities arising from financing activities:

	1 April 2018	Financing cash inflow/ (outflow)	Non-cash movements: Interest expenses	Non-cash movements: Foreign exchange movement	31 March 2019
	US$	US$	US$	US$	US$
Liabilities					
Loans and finance lease obligations	716,923	1,005,681	–	(9,735)	1,712,869
Convertible loan notes	1,114,134	(92,491)	356,551	45,395	1,423,589

	1 April 2017	Financing cash (outflow)/ inflow	Non-cash movements: Interest expenses	Non-cash movements: Conversion of shares	Non-cash movements: Equity portion of convertible loan notes	Non-cash movements: Foreign exchange movement	31 March 2018
	US$	US$	US$	US$	US$	US$	US$
Liabilities							
Loans and finance lease obligations	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:

	2019	2018
	US$	US$
Additions of intangible assets during the financial year	1,678,510	2,225,686
Grants received for intangible assets (Note B)	1,057,396	1,157,617
Cash payment	2,735,906	3,383,303

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 2019

Note B

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

	2019 US$	2018 US$
Grants received for intangible assets (Note A)	1,057,396	1,157,617
Grants received for plant and equipment	–	9,015
	1,057,396	1,166,632

Note C

	2019 US$	2018 US$
Cash and bank balances	136,781	215,635
Pledged fixed deposit[1]	–	39,655
	136,781	255,290
Less: Pledged fixed deposit	–	(39,655)
Cash and bank balances at end of the financial year	136,781	215,635

[1] In the previous financial year, fixed deposit amounting to US$39,655 (equivalent to S$55,000) was pledged for the purpose of performance bond which serve as a security deposit for 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.

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

1. GENERAL

Addvalue Technologies Ltd (the "Company") (Registration Number 199603037H) is a limited liability company incorporated and domiciled in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office and principal place of business of the Company is located at 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.

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 March 2019 were authorised for issue by the Board of Directors on 15 July 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INT") 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 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.

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 SFRS(I) in its first and subsequent SFRS(I) financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Singapore Financial Reporting Standards (International) (Continued)

In its initial adoption of this first set of SFRS(I) financial statements, the Group has applied 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.* The effects of applying SFRS(I) 1 is disclosed in Note 43.

SFRS(I) and SFRS(I) INT issued but not yet effective

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

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I)10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Various	Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
	- Amendments to SFRS(I) 3 Business Combinations: *Additional guidance for applying the acquisition method to particular types of business combinations*	
	- Amendments to SFRS(I) 11 *Joint Arrangements: Accounting for acquisition of interests in joint operations*	
	- Amendments to SFRS(I) 1-12 *Income taxes: Measurement, Recognition of current and deferred tax and borrowing costs*	
	- Amendments to SFRS(I) 1-23 *Borrowing costs: Borrowing costs eligible for capitalisation*	
	- Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
	- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

SFRS(I) and SFRS(I) INT issued but not yet effective (Continued)

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 3	Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 17	Insurance Contracts	1 January 2021

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

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

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Lease*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for lessees.

The Group plans to apply SFRS(I) 16 on 1 April 2019 and will apply the modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 April 2019. Accordingly, the comparative financial statements will not be restated.

Lessee

SFRS(I) 16 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 plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Group also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 April 2019. In the determination of the lease term as a lessee, the Group plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

Preliminarily, based on the currently known and reasonably estimable information relevant to its assessment, as at 1 April 2019, the Group does not expect any significant impact on its financial statements as a lessee in the initial adoption of SFRS(I) 16.

Lessor

The Group does not expect any significant impact on its financial statements as a lessor in the initial adoption of SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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 intragroup transactions are eliminated on consolidation.

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

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

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 accumulated profits) 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 SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BUSINESS COMBINATIONS

Business combinations from 1 January 2017

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. For each business combination, the Group determines whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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 SFRS(I) 3 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 BUSINESS COMBINATIONS (CONTINUED)

Business combinations from 1 January 2017 (continued)

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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

Business combinations before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I), 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE RECOGNITION

Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised goods or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

Sale of goods

The Group sells a range of tele-communication and satellite communication equipment to its customers. Revenue is recognised at a point in time when control of the goods is transferred to the end customers (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods.

Contract design revenue

The Group enters into contracts with customers for design and customisation of terminal system and feasibility study on integration of systems design. Revenue from the contract design revenue is recognised over time, using the output method to measure progress towards complete satisfaction of the service, as the customer simultaneously receives and consumes the benefits provided by the Group. In the application of the output method, the Group has used appraisals of results achieved method. Accordingly, in view of the nature of the contract design revenue, management considers that this output method is most appropriate in measuring the progress towards complete satisfaction of these performance obligations under SFRS(I)15.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised services.

Design service income

Design service relates to testing services on products sold and firmware upgrade to customers. Revenue is recognised at a point in time when the services are completed. A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised services.

Warranty obligations

The Group provides a two-year assurance-type warranty for the sale of goods. These warranties are accounted for under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* ("SFRS(I) 1-37") (see Note 25).

Financing components

The Group does not extend credit terms beyond one year and does not expect, at contract inception, that the period between when the Group transfers a promised goods or service to a customer and when the customer pays for that goods or service to be beyond one year. Accordingly, the Group does not adjust the promised amount of consideration for the effects of a significant financing components.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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 the 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 INCOME TAX (CONTINUED)

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 except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale.

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, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 16% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statement of financial position. The Group's export sales are not subject to VAT.

2.9 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONTINUED)

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 off.

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	6

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 PLANT AND EQUIPMENT (CONTINUED)

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. Any amount in the revaluation reserve relating to that asset is transferred to accumulated profits directly.

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

2.11 INTANGIBLE ASSETS

Acquired intangible assets

Acquired intangible assets are measured initially at cost. Subsequent to initial recognition, the intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Acquired intangible assets have either finite or indefinite useful life.

Intangible assets with finite useful life are amortised over its useful life, using its straight-line method.

The amortisation charge is recognised in profit or loss and is assessed for impairment when there is an indication that the intangible asset may be impaired. The estimated amortisation period and amortisation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Intangible assets with indefinite useful life are not amortised, but tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired. The infinite useful life of an intangible asset is reviewed at the end of each financial year and where events and circumstances do not continue to support the indefinite useful life assessment for that asset, a change from indefinite to finite useful life is accounted for as a change in accounting estimate and adjusted prospectively.

The intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal, with any gain or loss arising from the derecognition of an intangible asset, being the difference between the net disposal proceeds and the carrying amount of the asset, recognised in profit or loss.

Internally generated intangible assets

Expenditure from the research phase of an internal project to create an intangible asset is expensed in profit or loss when it is incurred. Where the research phase cannot be distinguished from the development phase of an internal project, the Group treats the expenditure on that project as if it were incurred in the research phase only.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, any only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 INTANGIBLE ASSETS (CONTINUED)

Internally generated intangible assets (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The amortisation charge is recognised in profit or loss and is assessed for impairment when there is an indication that the intangible asset may be impaired. The estimated amortisation period and amortisation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

(i) Development expenditure

Internally generated development expenditure 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 10 years.

(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 of 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.

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 SFRS(I) 5 from the date on which the investee become an associate. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

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

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

2.13 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

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

Interest income

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

Financial instruments from 1 April 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9, (i.e. 1 April 2018).

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets 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. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 in Note 2.4.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments from 1 April 2018 (Continued)

Financial assets (Continued)

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

At initial recognition, the Group may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the aforementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

Dividends from equity instruments are recognised in profit or loss only when the Group's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments from 1 April 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 40.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments from 1 April 2018 (Continued)

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.

Convertible loan notes

Convertible loan notes are treated 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

Initial recognition and measurement

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

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. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments from 1 April 2018 (Continued)

Financial liabilities and equity instruments (Continued)

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. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans 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 Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 *Revenue from Contracts with Customers* or FRS 18 *Revenue* previously.

Derecognition of financial liabilities

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

Financial assets before 1 April 2018

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale ("AFS") financial assets. The classification at initial recognition 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

A financial asset is classified as loans and receivables if the financial asset is non-derivatives with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables, bank balances and fixed deposits. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments before 1 April 2018 (Continued)

Financial liabilities and equity instruments (Continued)

AFS financial assets

Certain equity instruments and debt instruments 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 AFS 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 AFS 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.

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 AFS 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 AFS 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 financial 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 INVENTORIES

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

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

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

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits 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.

2.17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 PROVISIONS

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

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

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

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

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.

2.19 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is deducted against the carrying amount of the asset.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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

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 SFRS(I) 1-38 *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 Group incurred net losses of US$4,106,747 (2018: US$12,784,898) and net operating cash outflows of US$922,684 (2018: US$3,456,123) during the financial year ended 31 March 2019 and reported a net current liabilities position of US$2,823,250 and cash and bank balances of US$136,781 (2018: US$215,635) as of 31 March 2019. 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.

Notwithstanding the above conditions, management assessed and concluded that there is no material uncertainty relating to the Group's ability to continue as a going concern on the following premises:

- the Group has entered into a convertible loan notes agreement with a shareholder investor to raise funds of S$3.45 million (approximately US$2.55 million), subjected to the fulfilment of certain conditions. As of the date of this report, the Group has received the full amount of funds;
- The Group would be able to generate sufficient operating cash flows;
- The Group would be able to fulfil its obligations towards its creditors, including the aforementioned shareholder investor, as and when such obligations fall due; and
- The Group would be able to obtain continued financial support from at least one of its individual lenders.

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

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

Going concern (Continued)

On 28 June 2019, the Group has entered into an agreement with a shareholder investor for the issuance of convertible loan notes with an aggregate principal amount of S$3.45 million (approximately US$2.55 million). These notes are convertible into 150,000,000 new ordinary shares in the capital of the Company (the "Conversion Shares") at a conversion price of at S$0.023 each. As stipulated in the Convertible Loan Agreement ("CLA"), the principal amount shall be paid in 2 tranches, namely:

1) S$1.45 million upon execution of the CLA;

2) S$2.00 million within 10 business days from the date of the execution of a security document in favour of the investor of the convertible loan notes in respect of the Group's intellectual property related to its satellite technology ("IDRS") (Note 16).

The CLA is structured such that the principal amount will be payable on the second anniversary of the closing date which is still tentative as of the date of the financial statements and bears interest of 8% per annum. The conversion option, if approved, can be exercised by the shareholder investor at any point in time during the term of the loan.

The completion of the agreement is subjected to the in-principle approval for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST being obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the investor.

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 assessment 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 2019 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$ 465,000 (2018: US$5,689,175) in respect of its development expenditure as at 31 March 2019. The carrying value of the Group's development expenditure as at 31 March 2019 is US$9,230,039 (2018: US$8,251,877). Further details of the key assumptions applied in the impairment assessment of development expenditure are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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

3.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Measurement of ECL of trade receivables.

The Group assesses its trade receivables on an individual basis for any expected credit loss by considering all reasonable and supportable information, such as past events, current conditions and forecasts of future economic conditions of each debtor. The expected loss allowance on the Group's trade receivables as at 31 March 2019 is US$198,522 (2018: US$ Nil) (Note 40).

Impairment of investments in subsidiaries and an associate

At the end of each financial year, an assessment is made on whether there are indicators that the Group's and the Company's investments are impaired. Where necessary, the Group's and Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *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 Company's carrying amount of investments in subsidiaries as at 31 March 2019 was US$12,406,144 (2018: US$12,406,144) (Note 13). The Group's and the Company's investment in an associate were fully impaired as at 31 March 2019 and 2018 (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 saleability 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 2019 was US$2,767,327 (2018: US$3,253,603) (Note 17).

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. The carrying amount of the Group's development expenditure included as intangible assets as at 31 March 2019 was US$9,230,039 (2018: US$8,251,877) (Note 16).

Depreciation of plant and equipment

The Group depreciates the plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's plant and equipment at 31 March 2019 was US$327,643 (2018: US$598,711) (Note 12).

4. REVENUE

	Group	
	2019	2018
	US$	US$
Sale of finished products and components	3,309,679	3,593,862
Contract design revenue	636,023	408,934
Design service income	71,087	83,340
	4,016,789	4,086,136

Transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations on 31 March 2019 and expected to be realised in the following financial years:

	2019
	US$
2020	2,851,597
2021	376,200
	3,227,797

4. REVENUE (CONTINUED)

The disaggregation of revenue from contracts with customers is as follows:

	Reportable segments							
	Sale of finished products and components		Contract design revenue		Design service income		Total	
	2019 US$	2018 US$	2019 US$	2018 US$	2019 US$	2018 US$	2019 US$	2018 US$
Geographical markets[a]								
EMEA	553,271	879,346	–	–	9,720	–	562,991	879,346
North America	534,859	480,317	560,900	–	8,365	–	1,104,124	480,317
Asia Pacific	2,221,549	2,234,199	75,123	408,934	53,002	83,340	2,349,674	2,726,473
	3,309,679	3,593,862	636,023	408,934	71,087	83,340	4,016,789	4,086,136
Timing of revenue recognition								
Goods transferred at a point in time	3,309,679	3,593,862	–	–	–	–	3,309,679	3,593,862
Services transferred at a point in time	–	–	–	–	71,087	83,340	71,087	83,340
Services transferred overtime	–	–	636,023	408,934	–	–	636,023	408,934
	3,309,679	3,593,862	636,023	408,934	71,087	83,340	4,016,789	4,086,136

[a] The disaggregation is based on the region of customers from which revenue was generated.

5. OTHER OPERATING INCOME

	Group	
	2019 US$	2018 US$
Government grants received	122,757	177,807
Fair value gain arising from financial assets held at FVTPL (2018: AFS)	13,481	–
Interest income	456	1,333
Others	48,708	–
	185,402	179,140

6. OTHER OPERATING EXPENSES

	Group	
	2019 US$	2018 US$
Amortisation of intangible assets (Note 16)	360,142	1,227,114
Bad debts written off	3,678	–
Bank charges	9,124	10,742
Depreciation of plant and equipment (Note 12)	319,332	343,589
Foreign exchange loss, net	84,501	137,011
Impairment loss of development expenditure (Note 16)	465,000	5,689,175
Inventories written off (Note 17)	246,830	601,013
Laboratory usage	150,215	119,474
Loss allowance for receivables (trade) (Note 40)	198,522	–
Loss allowance for receivables (non-trade) (Note 40)	339,975	–
Repairs and maintenance	102,036	112,538
Telecommunications	33,699	41,212
Transportations	4,997	9,240
Travelling	18,479	25,488
Utilities	15,647	16,352
Others	78,874	37,808
	2,431,051	8,370,756

7. FINANCE EXPENSES

	Group	
	2019 US$	2018 US$
Interest on bills payable	25,808	–
Interest on convertible loan	356,551	47,214
Interest on loans	260,096	119,713
Interest on late payment	12,331	1,648
Interest on lease obligations	151	3,174
Loan facilities fees	150,642	27,568
	805,579	199,317

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For the financial year ended 31 March 2019

8. LOSS BEFORE INCOME TAX

The following charges were included in the determination of loss before income tax:

	Note	Group 2019 US$	Group 2018 US$
Audit fees		65,774	55,203
Directors' remuneration of the Group			
- Remuneration and contribution to defined contribution plan	36	357,270	400,396
- Directors' fees	11	114,929	97,967
Employee benefits expense*	11	1,996,062	2,472,513
Inventories recognised as an expense in cost of sales	17	1,825,105	2,569,451
Operating lease expenses		397,056	423,854

* This includes the amount shown as directors' remuneration.

9. INCOME TAX (CREDIT)/EXPENSE

	Group 2019 US$	Group 2018 US$
Current tax expense:		
- Over-provision in prior financial years	(4,434)	(13,068)
Deferred tax expense:		
- Origination and reversal of temporary differences	165,666	(807,009)
- Over-provision in prior financial years	(243,487)	–
- Reversal of deferred tax assets recognised in prior year (Note 31)	–	2,715,817
	(77,821)	1,908,808
Income tax (credit)/expense	(82,255)	1,895,740

9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Reconciliation of effective tax rate is as follows:

	Group	
	2019	2018
	US$	US$
Loss before income tax	(4,189,002)	(10,889,158)
Tax at the applicable tax rate of 17%	(712,130)	(1,851,157)
Tax effects of:		
- Different tax rates in other countries	(46,158)	(18,991)
- Expenses not deductible for tax purposes	317,125	139,963
- Income not subject to tax	(33,764)	(65,848)
- Deferred tax assets not recognized	640,593	989,024
- Write-down of deferred tax assets	–	2,715,817
- Over provision in prior financial years	(247,921)	(13,068)
Income tax (credit)/expense	(82,255)	1,895,740

The Group has unutilised tax losses and accelerated tax depreciation of approximately US$68,671,000 and US$1,342,000 (2018: US$65,139,000 and US$1,104,000) respectively which can be carried forward indefinitely and used to offset against future taxable income subject to meeting certain statutory requirements. Unutilised tax losses and accelerated tax depreciation were 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. In the previous financial 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.

The Company and Singapore subsidiaries

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

Hong Kong

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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:

	2019	2018
Loss for the purpose of calculating basic and diluted loss per share (loss for the year attributable to the Company) (US$)	(4,106,747)	(12,784,898)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,804,687,659	1,743,744,646
Basic and diluted earnings per share (cents)	(0.23)	(0.73)

The basic and diluted earnings per share is the same as the instruments were potentially anti-dilutive.

There were no potential dilutive ordinary shares of convertible loan notes. Therefore, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding convertible loan notes during the year ended 31 March 2019. Accordingly, the diluted loss per share for financial year ended 31 March 2019 and 2018 was the same as the basic loss per share.

The weighted average number of ordinary shares for financial year ended 31 March 2019 was computed based on the issue and allotment of 100,000,000 new shares pursuant to placements issue on 27 November 2018.

The weighted average number of ordinary shares for FY2018 was computed based on the issue and allotment of 103,800,000 placements issue on 15 May 2017 and issue and allotment of 83,500,000 ordinary shares converted from convertible loan notes on 2 June 2017.

11. EMPLOYEE BENEFITS

	Group	
	2019	2018
	US$	US$
Employee benefits expense (including directors):		
- Salaries, bonuses and others	3,389,340	4,369,383
- Contribution to defined contribution plans	373,466	493,610
	3,762,806	4,862,993
Directors' fees	114,929	97,967
	3,877,735	4,960,960
Charged to consolidated statement of profit or loss and other comprehensive income	1,996,062	2,472,513
Capitalised in development expenditure	1,881,673	2,488,447
	3,877,735	4,960,960

12. PLANT AND EQUIPMENT

	Laboratory equipment	Furniture, fittings and office equipment	Computers and software	Toolings	Renovations	Total
	US$	US$	US$	US$	US$	US$
Group						
Cost						
At 1 April 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
Additions	40,693	–	6,571	1,000	–	48,264
At 31 March 2019	811,658	203,186	923,379	976,152	395,316	3,309,691
Accumulated depreciation						
At 1 April 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
Depreciation charge for the financial year	87,902	29,326	64,006	72,806	65,292	319,332
At 31 March 2019	676,343	194,644	845,626	912,094	353,341	2,982,048
Carrying amount						
At 31 March 2019	135,315	8,542	77,753	64,058	41,975	327,643
At 31 March 2018	182,524	37,868	135,188	135,864	107,267	598,711

Laboratory equipment and computers and software of the Group with carrying amount of US$29,040 (2018: US$61,299) were acquired under finance lease arrangements (Note 28).

In the previous financial year, leased assets were pledged as security for the related finance lease obligations (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

13. SUBSIDIARIES

	Company	
	2019	2018
	US$	US$
Unquoted equity shares, at cost		
At beginning of financial year	56,037,284	56,037,285
Disposal	–	(1)
	56,037,284	56,037,284
Less: Impairment losses	(43,631,140)	(43,631,140)
At end of financial year	12,406,144	12,406,144

In the previous financial year, the disposal was arose from the strike-off of one of its subsidiaries, Addvalue Enterprise Limited from the registrar of the British Virgin Island effective from 1 October 2017.

Movements in allowance for impairment losses are as follows:

	Company	
	2019	2018
	US$	US$
At beginning of financial year	43,631,140	39,699,280
Impairment losses recognised during the financial year	–	3,931,860
At end of financial year	43,631,140	43,631,140

An impairment assessment was conducted on the recoverable amounts of the Company's investment in subsidiaries during the financial year. Consequently, an impairment loss of US$ Nil (2018: US$3,931,860) 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 year is lower than the carrying amount of the Company's cost of investments.

13. SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group 2019 %	2018 %
Held by the Company				
Addvalue Communications Pte Ltd[(1) (#)]	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100
Addvalue Innovation Pte Ltd[(1)]	Design, development and distribution of tele-communication equipment and related products	Singapore	100	100
Zhongxin Chuangzhi Holding Pte. Ltd.[(1)]	Investment holding	Singapore	100	100
Addvalue Global Limited[(2)]	Business development, sale and marketing of satellite communication equipment	Hong Kong	100	100
Held by Zhongxin Chuangzhi Holding Pte Ltd				
Zhongxin Chuangzhi (Beijing) Technology Ltd., Co.[(2)]	Business development, sale and marketing of satellite communication equipment	People's Republic of China	100	100
Held by Addvalue Innovation Pte Ltd				
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 Mazars LLP, Singapore for the purpose of expressing an opinion on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

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 2019, the transaction remains uncompleted.

As of the reporting date, 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	
	2019 US$	2018 US$
Equity shares, at cost	137	137
Impairment losses	(137)	(137)
Carrying amount	–	–

14. ASSOCIATE (CONTINUED)

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	
			2019	2018	2019	2018
			%	%	US$	US$
Addvalue Communications Inc ("AVCI")[1]	Ceased operations	United States of America	23	23	137	137

[1] Not required to be audited by law in the country of incorporation.

The associate, AVCI has ceased operation since 2009.

15. OTHER EQUITY INVESTMENTS

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Unquoted equity investments - AFS, at cost	–	1,713,763	–	1,485,956
Impairment losses	–	(1,713,763)	–	(1,485,956)
	–	–	–	–

<u>Unquoted equity instruments</u>

In previous financial year, the investments in unquoted equity instruments classified as AFS related to investments in three private companies incorporated in United States of America and Hong Kong and had no fixed maturity date or coupon rate and were denominated in Singapore dollars. The investments were fully written off as at 1 April 2019.

As at 31 March 2018, the AFS investments were carried at cost less impairment loss, if any, as their fair value could not be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

16. INTANGIBLE ASSETS

	Development expenditure US$	Patents US$	Computer software US$	Total US$
Group				
Cost				
At 1 April 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
Additions	2,735,906	–	–	2,735,906
Government grant	(1,057,396)	–	–	(1,057,396)
At 31 March 2019	30,867,108	72,389	1,356,542	32,296,039
Accumulated amortisation				
At 1 April 2017	10,316,600	44,126	706,767	11,067,493
Amortisation charge for the financial year	852,412	-	374,702	1,227,114
At 31 March 2018	11,169,012	44,126	1,081,469	12,294,607
Amortisation charge for the financial year	235,348	-	124,794	360,142
At 31 March 2019	11,404,360	44,126	1,206,263	12,654,749
Accumulated impairment				
At 1 April 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
Impairment losses	465,000	–	–	465,000
At 31 March 2019	10,232,709	–	–	10,232,709
Carrying amount				
At 31 March 2019	9,230,039	28,263	150,279	9,408,581
At 31 March 2018	8,251,877	28,263	275,073	8,555,213

16. INTANGIBLE ASSETS (CONTINUED)

Included in the development expenditure is an amount of US$7,616,464 (2018: US$7,753,674) 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$9,230,039 (2018: US$8,251,877) 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 lifetime. The amortisation of development expenditure amounting to US$235,348 (2018: US$852,412) was charged to other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

Subsequent to the financial year, the Group's intellectual property related to its satellite technology ("IDRS") with carrying amount of US$6,009,401 was utilised as security to a shareholder investor for the issuance of convertible loan notes (Note 38).

The individual development projects of which respectively carrying amount are more than 10% of the total intangible assets in either 2019 or 2018 are as follows:

	Group			
	2019		2018	
	Carrying amount	Remaining amortisation period (years)	Carrying amount	Remaining amortisation period (years)
Project 1 (In progress)	2,453,343	–	2,453,343	–
Project 2 (In progress)	971,391	–	524,088	–
Project 3 (In progress)	2,431,743	–	1,386,913	–
Project 4	787,417	9	874,908	–
Project 5 (In progress)	846,531	–	808,635	–

Included in the development expenditure are the capitalisation of the employee benefits expense of US$1,881,673 for the current financial year (2018: US$2,488,447) (Note 11).

Development expenditure for Project 1 and Project 3 are net of government grant received during the current financial year amounting to US$ Nil (2018: US$466,467) and US$1,057,396 (2018: US$665,043) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

16. INTANGIBLE ASSETS (CONTINUED)

Impairment losses of development expenditure

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

	Group	
	2019	2018 (restated)
	US$	US$
Satellite communication ("Satcom") (f.k.a. Small vessels unit, merchant and commercial vessels unit)	1,969,441	1,968,151
Internet-of-things ("IoT") (f.k.a. Land products market unit)	463,780	922,028
Software-defined radio ("SDR")	787,417	874,908
Space resilient technologies	6,009,401	4,486,790
	9,230,039	8,251,877

During the financial year, pursuant to Group developing a new product based on the SDR technology for customers, the development costs of Software-defined radio which was included as part of Space Resilient Technologies in the previous year was reclassified as a separate CGU. Small vessels unit CGU and merchant and commercial vessels unit CGU had been combined into one CGU during the financial year due to the change in Group's strategy.

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:

	Satcom		Internet-of-things		Software-defined radio		Space resilient technologies	
	2019	2018	2019	2018	2019	2018	2019	2018
Growth rates[1]	-21% to 8%	0%	0%	0%	0% to 15%	0%	0% to 531%	0%
Discount rate[2]	21%	21%	21%	21%	21%	21%	21%	30% - 35%
Cash flow projections (years)	10	10	10	10	10	10	10	10

[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.

16. INTANGIBLE ASSETS (CONTINUED)

Impairment losses of development expenditure (Continued)

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, impairment losses amounting to US$465,000 (2018: US$5,689,175) was recognised in "Other operating expenses" (Note 6) for the financial year ended 31 March 2019. The impairment losses are included in the segment result of Asia Pacific region as the development expenditure is located in Singapore.

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	Impairment loss
	US$	US$
2019		
Satallite Communication ("Satcom")	1,969,441	–
Internet-of-things ("IoT")	463,780	231,572
Software-defined radio ("SDR")	787,417	653,760
Space resilient technologies	6,009,401	6,009,401
2018 (Restated)		
Satellite communication ("Satcom)	1,968,151	619,000
Internet-of-things ("IoT")	922,028	668,000
Software-defined radio ("SDR")	874,908	N.M.
Space resilient technologies	4,486,790	1,869,000

N.M.: Not meaningful.

17. INVENTORIES

	Group	
	2019	2018
	US$	US$
Finished goods	1,412,190	1,745,979
Raw materials	1,231,360	1,227,018
Semi-finished goods	123,777	280,606
	2,767,327	3,253,603

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US$1,825,105 (2018: US$2,569,451). Finished goods, raw materials and semi-finished goods of the Group are stated at net realisable value after the write-off of inventories of US$246,830 (2018: US$601,013), included in "Other operating expenses" (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

18. TRADE RECEIVABLES

	Group	
	2019	2018
	US$	US$
Trade receivables	844,834	1,124,745
Less: loss allowance (Note 40)	(198,522)	–
	646,312	1,124,745

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

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Deposits	111,017	108,416	110	110
Other receivables	436,237	249,690	–	9,960
Prepayments	315,453	140,477	820	–
Staff loans and advances	2,106	1,824	–	–
Less: loss allowance (Note 40)	(339,975)	–	–	–
	524,838	500,407	930	10,070

Staff loans and advances relates to an amount held in trust by an employee of the Group for future operating expenditure amounting to US$2,106 (2018: US$1,824).

20. OTHER INVESTMENT

	Group and Company	
	2019	2018
	US$	US$
Quoted equity investment - AFS, at fair value	–	1,464
Quoted equity investment - at FVTPL	14,945	–
	14,945	1,464

<u>Quoted equity instrument</u>

The quoted equity instrument classified at FVTPL (2018: AFS) and is denominated in United States dollar. The fair values of this instrument is based on closing quoted market prices on the last market day of the financial year.

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

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

22. CASH AND BANK BALANCES AND PLEDGED FIXED DEPOSIT

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Cash at bank	133,971	212,850	2,976	5,237
Cash in hand	2,810	2,785	–	–
Cash and bank balances	136,781	215,635	2,976	5,237
Pledged fixed deposit	–	39,655	–	–
	136,781	255,290	2,976	5,237

Cash at banks earns interest at floating rates based on daily bank deposit rates.

In the previous financial year, fixed deposit of the Group denominated in Singapore dollar was pledged for the purpose of performance bond which serve as a security deposit for the subsidiary's obligations given to an external customer.

23. TRADE PAYABLES (THIRD PARTIES)

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Trade payables				
- Third parties	1,594,559	1,624,021	-	-

Trade payables are non-interest bearing and the average credit period on purchases of supplies and services range from 31 to 60 days according to the terms agreed with the suppliers.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Accrued operating expenses:				
- Employee benefits	926,924	648,113	–	–
- Directors' fees[1]	91,553	–	91,553	–
- Others	183,537	173,823	38,745	42,615
Due to directors[2]	289,535	207,653	–	–
Other payables	363,611	271,326	105,999	33,446
	1,855,160	1,300,915	236,297	76,061

(1) These amounts in 2019 represent unpaid directors' fees which are unsecured, interest-free and repayable on demand.

(2) These amounts represent advances from directors which are unsecured, interest-free and repayable on demand.

25. PROVISIONS

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Directors' fees	114,929	97,967	114,929	97,967
Warranty	55,229	70,552	–	–
	170,158	168,519	114,929	97,967

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.

25. PROVISIONS (CONTINUED)

	Directors' fees US$	Warranty US$	Total US$
Group			
2019			
At beginning of financial year	97,967	70,552	168,519
Provision	114,929	–	114,929
Utilisation	(97,967)	(15,323)	(113,290)
At end of financial year	114,929	55,229	170,158
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

	Directors' fees US$
Company	
2019	
At beginning of financial year	97,967
Provision	114,929
Utilisation	(97,967)
At end of financial year	114,929
2018	
At beginning of financial year	116,159
Provision	97,967
Utilisation	(116,159)
At end of financial year	97,967

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For the financial year ended 31 March 2019

26. BORROWINGS

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Due within one year				
Loans (Note 27)	1,623,747	576,324	–	–
Finance lease obligations (Note 26)	–	1,775	–	–
Convertible loan notes (Note 29)	1,423,589	1,114,134	1,423,589	1,114,134
	3,047,336	1,692,233	1,423,589	1,114,134
Due after one year or more				
Loans (Note 27)	89,122	138,824	–	–
	89,122	138,824	–	–
	3,136,458	1,831,057	1,423,589	1,114,134
Total borrowings				
Loans (Note 27)	1,712,869	715,148	–	–
Finance lease obligations (Note 28)	–	1,775	–	–
Convertible loan notes (Note 29)	1,423,589	1,114,134	1,423,589	1,114,134
	3,136,458	1,831,057	1,423,589	1,114,134

27. LOANS

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Due within one year				
Loan 1 (unsecured)	221,580	131,694	–	–
Loan 2 (unsecured)	44,480	43,092	–	–
Loan 3 (unsecured)	–	62,258	–	–
Loan 4 (unsecured)	224,534	186,740	–	–
Loan 5 (unsecured)	–	152,540	–	–
Loan 6 (unsecured)	664,740	–	–	–
Loan 7 (unsecured)	221,580	–	–	–
Loan 8 (unsecured)	246,833	–	–	–
	1,623,747	576,324	–	–
Due after one year or more				
Loan 2 (unsecured)	89,122	138,824	–	–
Total loans	1,712,869	715,148	–	–

27. LOANS (CONTINUED)

Loan 1 (unsecured)

Loan 1 was obtained by a subsidiary of the Company from a local company and is denominated in Singapore dollar, bears a total interest of S$27,000 (approximately US$20,000) (2018: S$36,000 or approximately US$27,000) and is unsecured and repayable on a lump sum payment on maturity date (2018: over 6 monthly instalments). The loan is jointly and severally guaranteed by certain directors of the Company and a corporate guarantee by the Company.

Loan 2 (unsecured)

Loan 2 was 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 was obtained by a subsidiary of the Company from several third-party individuals in prior year and was denominated in Singapore dollar, bears a fixed interest rate at 16% per annum and was unsecured and repayable in 12 monthly instalments. The loan was guaranteed by the Company and has been fully repaid during the financial year.

Loan 4 (unsecured)

Loan 4 was 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% (2018: 16%) per annum and is unsecured and on one-time repayment on the maturity date. The loan is guaranteed by the Company.

Loan 5 (unsecured)

Loan 5 was obtained by a subsidiary of the Company from funding institution in prior year and was denominated in Singapore dollar, bears a fixed interest rate at 10% per annum and was unsecured and repayable in 12 monthly instalments. The loan was jointly and severally guaranteed by certain directors of the Company and a corporate guarantee by the Company.

The loan has been fully repaid during the financial year.

Loan 6 (unsecured)

Loan 6 was obtained by a subsidiary of the Company from a third-party individual 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 a lump sum payment on maturity date. The loan is guaranteed by the Company.

Loan 7 (unsecured)

Loan 7 was obtained by a subsidiary of the Company from a third-party individual during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 2% per month and is unsecured and repayable on a lump sum payment on maturity date. The loan is guaranteed by the Company.

Loan 8 (unsecured)

Loan 8 was obtained by a subsidiary of the Company from receivables factoring institution during the financial year and is denominated in Singapore dollar, bears interest rate ranging from 0.4% to 0.75% per week and is unsecured. The loan is jointly and severally guaranteed by certain directors of the Company.

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For the financial year ended 31 March 2019

28. FINANCE LEASE OBLIGATIONS

	Group		
	Minimum lease payments	Interest	Present value of payments
	US$	US$	US$
2019			
Within one year	–	–	–
2018			
Within one year	1,998	(223)	1,775

The finance lease terms ranges from 1 to 3 years.

The effective interest rate charged during the financial year range from 5.31% to 5.35% (2018: 5.31% to 5.46%) per annum. Interest rates are fixed at the contract dates, and thus are not exposed to interest rate risk. As at the end of the previous financial year, the fair value of the Group's finance lease obligations approximate their carrying amounts.

In the previous financial year, the Group's obligations under finance leases were 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. The finance lease obligations have been fully settled during the financial year.

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 2019, 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 2019 is calculated by applying an effective interest rate of 20.62% 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.

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 33)		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 32)		(3,336,451)
At 31 March 2018		1,114,134
Imputed interest charged		356,551
Interest paid		(92,491)
Exchange difference		45,395
At 31 March 2019		1,423,589
Equity component		
At 31 March 2018 and 31 March 2019	(b)	819,945
Proceeds from convertible loan notes (total of (a) and (b))		5,065,984

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

30. ADVANCES RECEIVED FROM CUSTOMERS

Advance consideration relates to advances received for sales of goods. Revenue for sales of goods is recognised at the point in time although the customer pays for the services at the contract inception date. A contract liability is recognised for the advances received from the customers and is derecognised as and when the performance obligation is satisfied.

Contract liabilities for the financial year ended 31 March 2019 increased due to additional advances received from customers during the financial year.

The Group's revenue recognised in the financial years that was included in the contract liabilities balance at the beginning of the respective financial years is as follows:

	Group	
	2019	2018
	US$	US$
Amounts included in contract liabilities at the beginning of the financial year		
- Sales of goods	164,653	39,950

31. DEFERRED TAX LIABILITIES

	Group	
	2019	2018
	US$	US$
At beginning of financial year	(1,646,304)	262,504
Recognised in the profit or loss		
- Relates to origination and reversal of temporary differences	77,821	807,009
- Reversal of deferred tax assets recognised in prior years (Note 9)	–	(2,715,817)
At end of financial year	(1,568,483)	(1,646,304)

31. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Unutilised capital allowances	Unutilised tax losses	Other temporary differences	Development expenditure	Accrued revenue	Total
	US$	US$	US$	US$	US$	US$
Group						
2019						
At beginning of financial year	–	–	–	(1,646,304)	–	(1,646,304)
Recognised in the profit or loss						
- Relates to origination and reversal of temporary differences	–	–	–	77,821	–	77,821
At end of financial year	–	–	–	(1,568,483)	–	(1,568,483)
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
- Reversal 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)

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For the financial year ended 31 March 2019

32. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Issued and fully paid:				
At beginning of financial year	1,770,441,084	72,505,617	1,583,141,084	66,752,824
Issuance of Placement Shares	100,000,000	1,902,290	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	–	(723)	–	(480,700)
At end of financial year	1,870,441,084	74,407,184	1,770,441,084	72,505,617

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

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 Share. 13,000,000 out of 103,800,000 new ordinary shares were converted from a 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"), an aggregate principal amount of Convertible Loan Notes amounting to approximately US$5 million, which are convertible in full into 128,500,000 new ordinary shares of the Company (the "Conversion Shares") at a conversion price of S$0.055 per Conversion shares were issued. 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 2019, there is an outstanding convertible loan note of approximately US$1.9 million which remained unconverted (Note 27).

On 27 November 2018, pursuant to a placement exercise, the Group and the Company allotted and issued 100,000,000 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$0.025 per Placement Share. S$1,500,000 (equivalent to approximately US$1,144,000) out of the issuance of Placement Share of S$2,500,000 (equivalent to US$1,902,290) was converted from exchangeable bonds issued to a third party individual on 3 July 2018.

These newly issued shares rank pari passu with the existing 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.

33. CAPITAL RESERVE

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
At beginning of financial year	1,566,827	746,882	819,945	–
Equity portion of convertible loan notes (Note 29)	–	819,945	–	819,945
At end of financial year	1,566,827	1,566,827	819,945	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 convertible loan notes	819,945	819,945	819,945	819,945

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

34. 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.

35. 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.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

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 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 Company or of a parent of the Company.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

A related party is defined as follows: (Continued)

(b) An entity is related to the Group and 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);
(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); or
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or 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.

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

The remuneration of directors and other members of key management during the financial year was as follows:

	Group	
	2019	**2018**
	US$	**US$**
Salaries, bonus and others	804,175	853,016
Contribution to defined contribution plans	47,828	50,547
	852,003	903,563
Directors' fees	114,929	97,967
Total compensation paid/payable to key management personnel	966,932	1,001,530
Comprised of amount proposed or due to:		
Directors of the Company		
- Directors' fees	114,929	97,967
- Remuneration and contribution to defined contribution plans	357,270	400,396
	472,199	498,363
Other key management personnel	494,733	503,167
	966,932	1,001,530

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of directors and key management personnel (Continued)

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 2019 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.

37. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 March 2019, the Company has given guarantees amounting to US$1,325,520 (2018: US$535,007) 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$1,332,434 (2018: US$533,232). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective financial institutions if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the facility.

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

Non-cancellable operating lease commitments

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

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

	Group	
	2019	2018
	US$	US$
Future minimum lease payments:		
- within one year	204,157	368,995
- later than one year but not later than five years	5,815	230,076
	209,972	599,071

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For the financial year ended 31 March 2019

38. SUBSEQUENT EVENT

On 28 June 2019, the Group had issued convertible loan notes in the principal amount of S$3.45 million (approximately US$2.55 million) convertible into 150,000,000 new ordinary shares in the capital of the Company (the "Conversion Shares") at a conversion price of at S$0.023 each. As stipulated in the Convertible Loan Agreement ("CLA"), the principal amount shall be paid in 2 tranches, namely:

1) S$1.45 million upon execution of the CLA;

2) S$2.00 million within 10 business days from the date of the execution of a security document in favour of the investor of the convertible loan note in respect of the Group's intellectual property related to its satellite technology ("IDRS").

The completion of the issue of convertible loan note is also subject to the approval in-principle for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST being obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the investor. Completion shall take place on the date ("the Closing Date") after the date on which all conditions precedent stipulated in the CLA are satisfied or waived and shall not be later than one month from the date of the CLA unless otherwise agreed in writing.

As of 15 July 2019, the Group had received full amount of funds relating to tranche 1 and tranche 2 from the investor. On 10 July 2019, the Group also received a confirmation from the investor that, in the event SGX-ST's approval is not obtained, the investor is committed to renegotiate the terms with the Group and will not recall the principal amount of S$3.45 million before the agreed maturity date stipulated in the CLA, i.e. 2 years from the Closing Date.

39. 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 2.21.

39. SEGMENT INFORMATION (CONTINUED)

	EMEA US$	North America US$	Asia Pacific US$	Consolidated US$
2019				
Revenue				
Total revenue from external customers	562,991	1,104,124	2,349,674	4,016,789
Gross profit	262,065	513,955	1,093,742	1,869,762
Unallocated expenses*				(5,438,587)
Other income				185,402
Finance expenses				(805,579)
Loss before income tax				(4,189,002)
Income tax expense				82,255
Loss for the year				(4,106,747)
Segment assets				
- Segment assets	180,602	18,320	13,627,505	13,826,427
Segment liabilities				
- Segment liabilities	409,485	18,168	6,574,922	7,002,575
- Deferred tax liabilities				1,568,483
Total liabilities				8,571,058
Other information				
Capital expenditure				
- Plant and equipment	–	–	48,264	48,264
- Intangible assets	–	–	2,735,906	2,735,906
Impairment loss on development expenditure	–	–	465,000	465,000
Depreciation and amortisation**	95,235	186,772	397,467	679,474

* 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.

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For the financial year ended 31 March 2019

39. 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
Gross profit	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

* 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.

39. SEGMENT INFORMATION (CONTINUED)

Non-current assets of the Group are located in Singapore. Revenue from external customers are mainly derived from sales of SDR and maritime communication products. Breakdown of the revenue is as follows:

	Group	
	2019 US$	2018 US$
Land communication products	743,507	1,071,547
Maritime communication products	943,052	1,385,655
IDRS product and service	170,000	–
SDR embedded platform and services	1,082,109	134,856
Design services	601,188	357,418
Components and other sales	476,933	1,136,660
	4,016,789	4,086,136

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

	Revenue	
	2019 US$	2018 US$
Country of domicile		
- Singapore	1,248,544	398,944
Foreign countries		
- United States of America	1,096,004	259,677
- Korea	273,681	276,305
- UAE	257,750	222,150
- United Kingdom	98,122	196,213
- China	437,532	1,001,183
- Canada	95,860	216,640
- Australia	83,160	359,079
- Malaysia	185,691	405,324
- Spain	11,218	310,271
- Others*	229,227	440,350
	4,016,789	4,086,136

* Others comprise France, Indonesia, Thailand and Netherlands etc.

Major customers

In 2019, revenue of the Group was attributable to major customers based in Asia Pacific amounted to US$2,212,000.

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

40. 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 balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risks, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per SFRS(I) 9's presumption.

Due to the nature of the industry that the Group operates in where repayment periods are generally longer and the industry and Group's customary practise, the Group has rebutted the presumption included in SFRS(I) 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due. The Group has determined that there has been a significant increase in credit risk since initial recognition when financial assets are more than 90 days past due.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risks [Note 1]	12-months ECL
2	Non-significant increase in credit risks since initial recognition and financial asset is ≤ 90 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition [Note 2] or financial asset is > 90 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired [Note 3]	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount [Note 4]	Written-off

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 90 days past due) and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information (e.g. expert reports, analyst's reports etc.) and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are >90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cash flows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

With reference to Note 35, the Company provides financial guarantees to certain banks in respect of bank facilities granted to one of its subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables (Note 18)

The Group uses the practical expedient under SFRS(I) 9 where the loss allowance is equal to lifetime ECL.

The management estimates the irrecoverable amounts by reference to past events, current conditions and forecasts of future economic conditions of each debtor. The Group will make loss allowances of debts on a case-by-case basis.

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Trade receivables (Note 18) (Continued)

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there are no reasonable expectations for recovering the outstanding balances.

Reconciliations of the closing loss allowance for trade receivables to the opening loss allowance

	Trade receivables
	US$
At 1 April 2018 / At 31 March 2018 based on FRS 39	–
Amount restated through opening accumulated profits	–
Opening loss allowance as at 1 April 2018 based on SFRS(I) 9	–
Increase in loss allowance recognised in profit or loss	198,522
At 31 March 2019	198,522

There was no allowance made related to debtors with significant financial difficulties in the prior financial year. The management estimated the irrecoverable amounts by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Group will make allowances or write off the debts on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Trade receivables (Note 18) (Continued)

The age analysis of trade receivables is as follows:

	Group	
	2019	2018
	US$	US$
Not past due and not impaired	234,069	569,786
Past due but not impaired		
- Past due 0 to 3 months	151,485	229,663
- Past due 3 to 6 months	260,758	325,296
	412,243	554,959
Past due and impaired	198,522	–
	844,834	1,124,745

Other receivables (Note 19)

Reconciliations of the closing loss allowance for other receivables to the opening loss allowance

	Other receivables
	US$
At 1 April 2018 / At 31 March 2018 based on FRS 39	–
Amount restated through opening accumulated profits	–
Opening loss allowance as at 1 April 2018 based on SFRS(I) 9	–
Increase in loss allowance recognised in profit or loss	339,975
At 31 March 2019	339,975

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables and other receivables is as follows:

	Trade receivables			Other receivables		
Internal credit risk grading	**Category (i) US$**	**Category 4 US$**	**Total US$**	**Category 1 US$**	**Category 4 US$**	**Total US$**
Loss allowance						
Balance at 1 April 2018	–	–	–	–	–	–
Impairment loss recognised	–	198,522	198,522	–	339,975	339,975
Balance at 31 March 2019	–	198,522	198,522	–	339,975	339,975
Gross carrying amount						
At 1 April 2018	1,124,745	–	1,124,745	359,930	–	359,930
At 31 March 2019	646,312	198,522	844,834	209,385	339,975	549,360
Net carrying amount						
At 1 April 2018	1,124,745	–	1,124,745	359,930	–	359,930
At 31 March 2019	646,312	–	646,312	209,385	–	209,385

Note (i) For trade receivables, the Group uses the practical expedient under SFRS(I) 9 where the loss allowance is equal to lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

40. 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	
	2019	2018
	US$	US$
By geographical areas		
- EMEA	180,602	253,812
- North America	3,375	64,878
- Asia Pacific	462,335	806,055
	646,312	1,124,745
By type of revenue		
- Sales of finished products and components	646,312	1,083,580
- Contract design revenue	–	41,165
	646,312	1,124,745

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.

40. 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						
2019						
Financial assets						
Trade receivables	495,573	145,641	74	5,024	–	646,312
Other receivables and deposits	77,525	124,158	–	7,702	–	209,385
Financial assets at FVTPL	14,945	–	–	–	–	14,945
Cash and bank balances	14,520	94,580	–	27,681	–	136,781
	602,563	364,379	74	40,407	–	1,007,423
Financial liabilities						
Trade payables	822,633	606,641	39,179	111,952	14,154	1,594,559
Other payables and accruals	907,919	835,922	–	111,319	–	1,855,160
Borrowings	–	3,136,458	–	–	–	3,136,458
	1,730,552	4,579,021	39,179	223,271	14,154	6,586,177
Net financial liabilities	(1,127,989)	(4,214,642)	(39,105)	(182,864)	(14,154)	(5,578,754)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	1,127,989	–	–	(27,681)	–	1,100,308
Foreign currency exposure	–	(4,214,642)	(39,105)	(210,545)	(14,154)	(4,478,446)

* Others comprise British Sterling Pound.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

40. 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						
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.

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

	United States dollar US$	Singapore dollar US$	Renminbi US$	Total US$
Company				
2019				
Financial assets				
Available-for-sale financial assets	14,945	–	–	14,945
Other receivables and deposits	110	–	–	110
Due from subsidiaries (non-trade)	7,740,283	–	–	7,740,283
Cash and bank balances	–	2,976	–	2,976
	7,755,338	2,976	–	7,758,314
Financial liabilities				
Other payables and accruals	96,787	130,300	9,210	236,297
Borrowings	–	1,423,589	–	1,423,589
Due to subsidiaries (non-trade)	708,027	–	–	708,027
	804,814	1,553,889	9,210	2,367,913
Net financial assets/(liabilities)	6,950,524	(1,550,913)	(9,210)	5,390,401
Less: Net financial liabilities denominated in the Company's functional currency	(6,950,524)	–	–	(6,950,524)
Foreign currency exposure	–	(1,550,913)	(9,210)	(1,560,123)
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 liabilities denominated in the Company's functional currency	(5,584,981)	–	–	(5,584,981)
Foreign currency exposure	–	(1,174,888)	–	(1,174,888)

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% (2018: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2018: 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% (2018: 10%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 10% (2018: 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$
2019					
Group					
Loss for the year	349,815	3,246	17,475	1,175	371,711
Company					
Loss for the year	128,726	–	764	–	129,490
2018					
Group					
Loss for the year	251,893	(9,597)	(14,849)	116	227,563
Company					
Loss for the year	97,516	–	–	–	97,516

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.

40. 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 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					
2019					
Trade payables	–	1,594,559	1,594,559	1,594,559	–
Other payables and accruals	–	1,855,160	1,855,160	1,855,160	–
Borrowings	6.75 – 39.00	3,136,458	3,826,761	3,730,792	95,969
		6,586,177	7,276,480	7,180,511	95,969
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 – 20.62	1,831,057	2,002,819	1,863,995	138,824
		4,755,993	4,927,755	4,788,931	138,824
Company					
2019					
Other payables and accruals	–	236,297	236,297	236,297	–
Borrowings	20.62	1,423,589	2,035,140	2,035,140	–
Due to subsidiaries (non-trade)	–	708,027	708,027	708,027	–
		2,367,913	2,979,464	2,979,464	–
2018					
Other payables and accruals	–	76,061	76,061	76,061	–
Borrowings	20.62	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	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial instruments by category

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

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Financial assets:				
- Loans and receivables	–	1,739,965	–	6,389,492
- Available-for-sale	–	1,464	–	1,464
- At amortised cost	992,478	–	7,743,369	–
- At fair value through profit or loss	14,945	–	14,945	–
	1,007,423	1,741,429	7,758,314	6,390,956
Financial liabilities at amortised cost	6,586,177	4,755,993	2,367,913	1,980,963

41. 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$
2019				
Recurring fair value measurements				
Financial assets:				
Financial assets at FVTPL[1]	14,945	–	–	14,945
2018				
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets[1]	1,464	–	–	1,464

[1] Fair value of financial assets at FVTPL (2018: available-for-sale financial assets) is determined directly by reference to their published market bid price at the financial year end date.

41. 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.

42. 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 32 to 35 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 2018.

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	
	2019 US$	2018 US$	2019 US$	2018 US$
Total borrowings	3,136,458	1,831,057	1,423,589	1,114,134
Less: Cash and bank balances and pledged fixed deposit	(136,781)	(255,290)	(2,976)	(5,237)
Net debt	2,999,677	1,575,767	1,420,613	1,108,897
Total equity	5,255,369	7,475,571	17,682,436	16,718,270
Total capital	8,255,046	9,051,338	19,103,049	17,827,167
Gearing ratio	0.36	0.17	0.07	0.06

The Group is in compliance with externally imposed capital requirements during the financial years ended 31 March 2019 and 2018.

A subsidiary of the Group is required by the local bank to maintain a tangible net worth of not less than S$1,000,000 at all times.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

43. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES

As a first-time adopter of SFRS(I), the Group has retrospectively applied the accounting policies based on each applicable SFRS(I) effective as at 31 March 2019, being the end of the first SFRS(I) reporting period, except for areas of mandatory exceptions and the application of certain optional exemptions (see below) as set out in SFRS(I) 1. In the adoption of SFRS(I), the Group concurrently applied the following relevant new and amended SFRS(I)s and SFRS(I) INT that are similarly mandatorily effective from 1 January 2018:

SFRS(I) 2	*Amendments to SFRS(I) 2: Classification and measurement of share-based payment transactions*
SFRS(I) 9	*Financial instruments ("SFRS(I) 9")*
SFRS(I) 15	*Revenue from contracts with customers ("SFRS(I) 15")*
SFRS(I) 1-40	*Amendments to SFRS(I) 1-40: Transfers of investment property*
SFRS(I) INT 22	*Foreign currency transactions and advance consideration*

Improvements to SFRS(I) (December 2016)
- Amendments to SFRS(I) 1-28: *Measuring an associate or joint venture at fair value*

Except as described below, the application of SFRS(I) did not have a significant impact on the Group's financial statements.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 sets out the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification of financial assets

Based on facts and circumstances existing as of 1 April 2018, the Group has classified its financial assets into financial assets subsequently measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the Group'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.

The Group has adopted SFRS(I) 9 retrospectively but did not restate the comparatives by applying the optional exemption provided in SFRS(I) 1. Accordingly, the comparative information was prepared in accordance with the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* and disclosures were made in accordance with FRS 107 *Financial Instruments: Disclosure* as applicable.

In the preceding financial year, the Group has prepared the financial statements in accordance with the Singapore Financial Reporting Standards ("FRS").

43. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES (CONTINUED)

SFRS(I) 9 *Financial Instruments (Continued)*

Classification of financial assets (Continued)

The effects of adopting SFRS(I) 9 at the date of initial application being 1 April 2018 is summarised below:

	Note	31 March 2018 FRS 39	Reclassification	1 April 2018 SFRS(I) 9
		US$	US$	US$
Available-for-sale financial assets	(i)	1,464	(1,464)	–
Financial assets - FVTPL	(i)	–	1,464	1,464

(i) The available-for-sale financial assets as of 31 March 2018 comprised investment in quoted equity instrument.

The Group made an irrevocable election to present the gains and losses on its investments in equity instrument in profit or loss as the investment was held as long-term investment and will only sell the investment to re-invest the cash on other financial asset when the opportunity arises. Under FRS 39, these quoted equity instruments were previously recognised at fair value based on closing quoted market prices on the last market day of the financial year. At the initial application of SFRS(I) 9 on 1 April 2018, the Group measured the quoted equity instruments at fair value and there is no material difference from the carrying amount measured under FRS 39.

The opening statement of financial position as at 1 April 2017 has not been presented as management is of the view that there is no impact on the Company's net equity position. Furthermore, the impact of reclassification has no material effect on the information in the statement of financial position at the beginning of the preceding period.

ANALYSIS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDINGS AS AT 28 JUNE 2019

Issued and fully paid-up capital	S$97,254,648
Total number of shares	1,870,441,084
Class of Shares	Ordinary
Treasury shares	Nil
Voting Rights (excluding treasury shares)	One Vote Per Share

DISTRIBUTION OF SHAREHOLDINGS AS AT 28 JUNE 2019

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	17	0.39	1,103	0.0001
100 - 1,000	269	6.14	236,297	0.0126
1,001 - 10,000	1,281	29.23	7,602,861	0.4065
10,001 - 1,000,000	2,639	60.22	366,928,546	19.6172
1,000,001 and above	176	4.02	1,495,672,277	79.9636
Total	**4,382**	**100**	**1,870,441,084**	**100.0000**

As at 28 June 2019, the percentage of shareholdings held in the hands of the public was 93% and Rule 723 of the Listing Manual is complied with.

20 LARGEST REGISTERED SHAREHOLDERS AS AT 28 JUNE 2019 AS SHOWN IN THE REGISTERS OF MEMBERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES(PTE) LIMITED	104,435,600	5.58%
2	PHILLIP SECURITIES PTE LTD	78,448,432	4.19%
3	DBS VICKERS SECURITIES (S) PTE LTD	72,179,499	3.86%
4	HSBC (SINGAPORE) NOMINEES PTE LTD	71,889,092	3.84%
5	CREST CAPITAL ASIA PTE LTD	68,699,017	3.67%
6	PAUL CLARK BURKE	63,156,406	3.38%
7	DBS NOMINEES PTE LTD	57,301,765	3.06%
8	CHAN KUM LOK COLIN	39,190,960	2.10%
9	UNITED OVERSEAS BANK NOMINEES P L	36,422,066	1.95%
10	YUEN WAI KHEONG	35,325,300	1.89%
11	GOH POH HENG	33,904,000	1.81%
12	LIM HAN BOON	26,654,080	1.43%
13	TAN KHAI PANG	25,900,360	1.38%
14	POH KAY HENG	25,563,000	1.37%
15	UOB KAY HIAN PTE LTD	25,209,765	1.35%
16	OCBC SECURITIES PRIVATE LTD	24,675,419	1.32%
17	CHONG GIM KOW	24,000,000	1.28%
18	MAYBANK KIM ENG SECURITIES PTE.LTD	23,731,923	1.27%
19	TAN KHAI TENG	23,281,000	1.24%
20	NG KENG SOON	23,000,000	1.23%
		882,967,684	47.20%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting (the "AGM") of Addvalue Technologies Ltd will be held at 202 Bedok South Ave 1, Singapore 469332 (Block A, Seminar room) on Wednesday, 31 July 2019 at 3.00 p.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company for the financial year ended 31 March 2019 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Tan Khai Pang, a Director retiring under Articles 104 and 105 of the Constitution of the Company.

(Resolution 2)
(See Explanatory Note 2)

3. To approve the Directors' Fee of S$156,667 for the financial year ended 31 March 2019 (2018: S$133,333).

(Resolution 3)

4. 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 4)

AS SPECIAL BUSINESS

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

5. 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

(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

NOTICE OF ANNUAL GENERAL MEETING

(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 5)
(See Explanatory Note 3)

6. Proposed renewal of Share Buyback mandate

"That:

a. for the purposes of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined) during **the Relevant Period** (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) ("**Market Purchase**"), transacted on SGX-ST through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and / or

(ii) off-market purchase(s) ("**Off-Market Purchase**") effected pursuant to an equal access scheme or schemes as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual;

b. unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next annual general meeting of the Company ("AGM") or the date by which such AGM is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by ordinary resolution of the Company in general meeting;

c. in this Resolution:

"**Prescribed Limit**" means that number of issued Shares representing 10% of the issued ordinary share capital 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 6)
(See Explanatory Note 4)

7. 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 "**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 7)
(See Explanatory Note 5)

ANY OTHER BUSINESS

8. 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 2019

NOTICE OF ANNUAL GENERAL MEETING

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.

Explanatory Notes:

1. Mr Lim Han Boon will retire as Director pursuant to Articles 104 and 105 of the Company's Constitution at the conclusion of this AGM. Mr Lim who has served on the Board for more than 19 years, has indicated that he will not be seeking re-election so as to comply with the Code of Corporate Governance, which, unless otherwise adequately explained by the Board, deems any independent director who serves for an aggregate period of more than 9 years to be not independent. Following his retirement, Mr Lim Han will also cease to be the Chairman of the Audit Committee, the Chairman of the Nominating Committee and a member of the Remuneration Committee, but shall instead serve as a non-board executive Finance Director of the Company.

2. Mr Tan Khai Pang will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Date of appointment	10 March 1997
Date of last re-appointment	30 July 2015
Age	60
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to the Corporate Governance section in the Company's 2019 Annual Report
Whether appointment is executive, if so, the area of responsibility	Yes, responsible for operations and technology of the Group
Job Title	Chief Operating and Technology Officer
Professional qualifications	Please refer to the Board of Directors section in the Company's 2019 Annual Report
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company's 2019 Annual Report
Shareholding interest in the listed issuer and its subsidiaries	Direct interest of 25,900,360 shares, 1.385% based on total number of shares of 1,870,441,084
Any relationship (including immediate family relationships) with any existing director, existing executive office, the issuer and/or substantial shareholder of the listed issuer or of any of its principle subsidiaries	None
Conflict of interests (including any competing business)	None
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720((1))	Yes
Other Principal Commitments including Directorship	Past (for the last 5 years) None Present Non-Listed Company: Subsidiary companies of Addvalue Technologies Ltd • Addvalue Communications Pte Ltd • Addvalue Innovation Pte Ltd • Addvalue Global Limited • Addvalue Solutions Pte Ltd • Zhongxin Chuangzhi Holding Pte Ltd

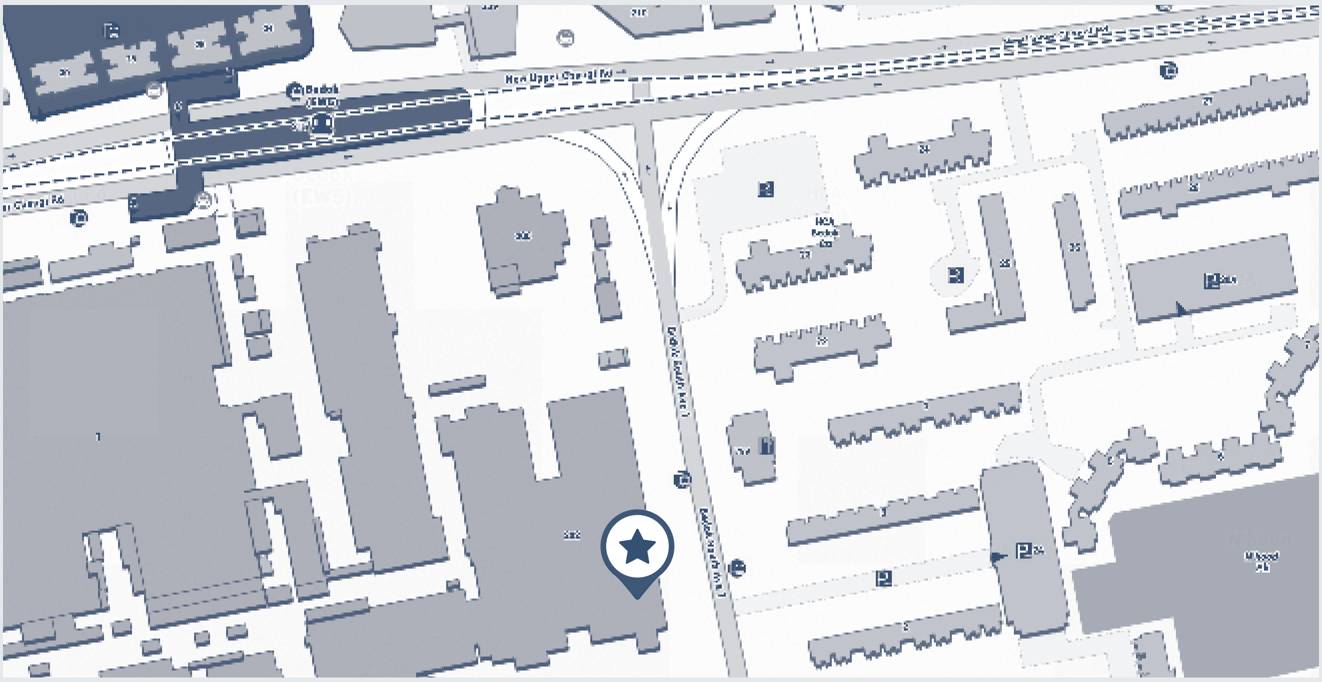
3. **Resolution 5**, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares 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 6** relates to the renewal of mandate approved by shareholders on 31 July 2018 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 2019 on the Renewal of the Share Buyback Mandate.

5. **Resolution 7**, 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 Addvalue Technologies Performance 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.

Location Map for 202 Bedok South Ave 1, Singapore 469332 (Block A, Seminar room)



(Source & credit: OneMap)

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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 202 Bedok South Ave 1, Singapore 469332 (Block A, Seminar room) on Wednesday, 31 July 2019 at 3.00 p.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 as indicated with an (x) or (√) 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.

	RESOLUTIONS RELATING TO	*For	*Against
Ordinary Business			
1	To receive and adopt the Audited Financial Statements and Directors' Statement of the Company		
2	To re-elect Mr Tan Khai Pang		
3	To approve Directors' Fees		
4	To re-appoint Auditors of the Company		
Special Business			
5	General authority to issue shares		
6	To approve the renewal of the Share Buy-Back Mandate.		
7	Authority to grant awards and issue shares under Addvalue Technologies Performance Share Plan.		

Dated this__________day of__________2019.

Total Number of Shares Held

____

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

**delete where applicable*

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.

Fold along this line

Affix Postage Stamp

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

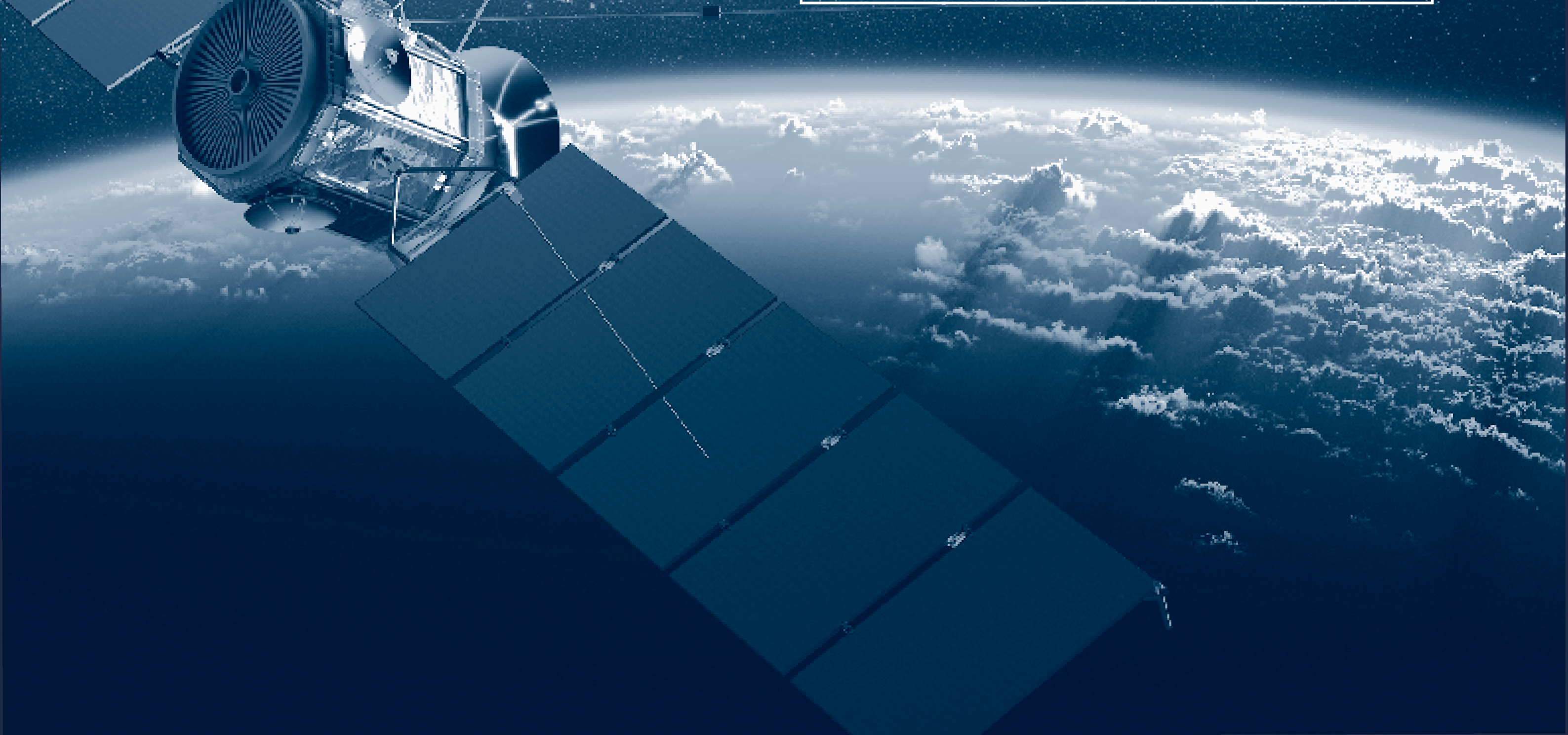
Fold along this line

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.

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.



DRIVING CONNECTIVITY

WITH DEEP TECHNOLOGY FOUNDATIONS

ANNUAL REPORT **2019**

ADDVALUE TECHNOLOGIES LTD
Company Registration No.
199603037H

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Singapore 534158
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Fax: +65 6509 5701

www.addvaluetech.com

addvalue
driving connectivity