ADDVALUE

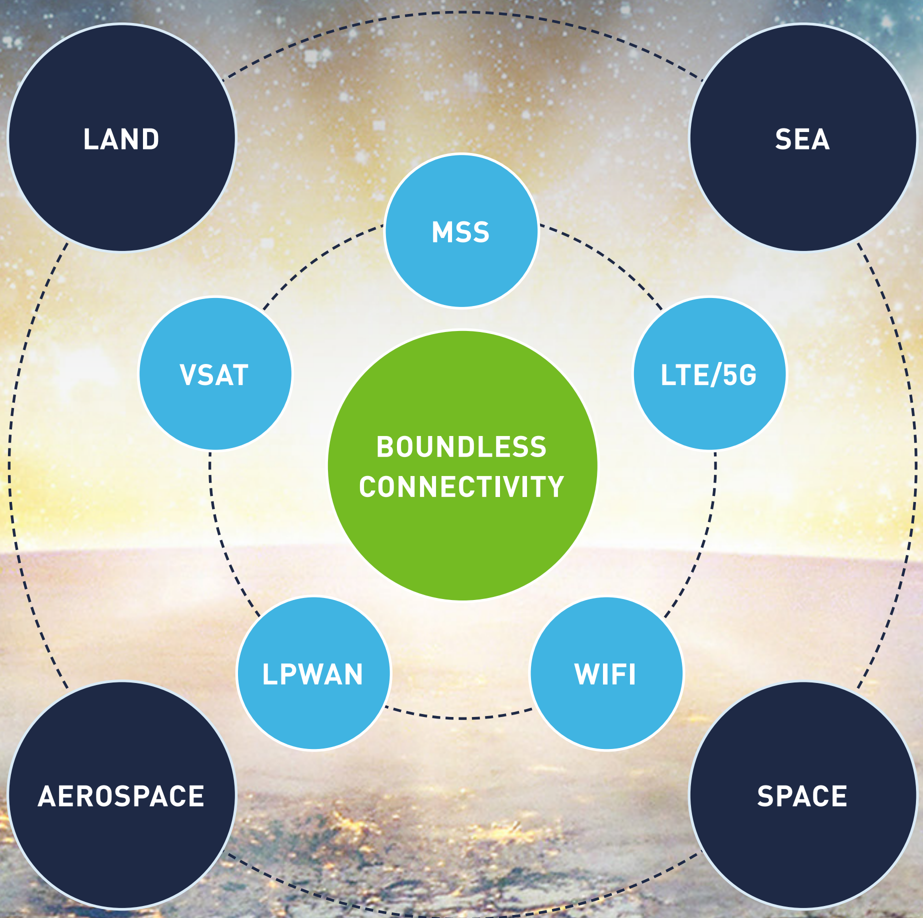
BOUNDLESS CONNECTIVITY

BOUNDLESS CONNECTIVITY READY FOR GROWTH

ANNUAL REPORT 2021

OUR PURPOSE:

LEVERAGING COMMUNICATIONS
TECHNOLOGIES TO BOUNDLESS CONNECTIVITY



WE ENABLE COMPANIES TO UNLEASH THEIR REAL BUSINESS POTENTIAL BY HARNESSING OUR PRODUCTS AND SERVICES.

CONTENTS

ONE-STOP SHOP AND TECHNICAL CAPABILITIES

Conceptualisation → Specification → Design & Development → Qualification & Market Trial → Commercialisation

RADIO DESIGN

- RF Transceiver and Front-End Design
- Antenna Design
- Digital Baseband Design
- Software Defined Radio

EMBEDDED DESIGN

- Drivers/RTOS /Middleware
- Web-based Interface
- Embedded Applications
- Network Management
- Edge Processing

PRODUCT DESIGN

- Mechanical Design
- Industrial Design
- Hardware Design
- Environmental Stress/Reliability Testing
- Regulatory Compliance

CORPORATE PROFILE

ABOUT ADDVALUE

Addvalue is a world recognised "one-stop shop" communications technology products developer that provides state-of-the-art satellite-based communication and other innovative digital broadband products and solutions for a variety of connectivity for applications at seas, on land, in sky and in space. Addvalue's technical competencies include Radio and Antenna Design, Embedded System Design, Software Defined Radio platform. Addvalue's customers include leading organizations in commercial, defence and space industries.

Addvalue's products and solutions revolve around "Connectivity". In particular, Addvalue knows best to leverage satellite communications technologies for reliable, resilient and smart connection, be it between people, between machines or between people and machines. These products and solutions, including the Internet-of-Things ("**IoT**"), are ideal choices for communications in areas around the world where terrestrial networks are non-existent or ineffective.

Addvalue also offers customised design services, tailored to the unique needs of our customers, thereby enabling our customers to unleash their real business potential. Its comprehensive and proven capabilities in high quality product development and its depth of technical knowhow in sophisticated engineering projects have been highly regarded in the industry. This not only gives Addvalue tremendous competitive advantages to attract high value projects but also expand its opportunities into new and evolving markets that require the profile of its core competence.

For example, Addvalue extends its advanced connectivity capabilities into the high growth aviation industry and the emerging and exciting industries of new space. Its embedded system design capabilities on Software Defined Radio ("**SDR**") platforms, which are ideal for edge processing, are deployed to exploit the increasingly industrial demands for AI-centric applications of every description.

Accordingly, Addvalue continues its business transformation strategies to re-build and grow its various revenue streams (comprising hardware sales, solution and airtime income as well as design fee) along the market opportunities that are driven by the new age of digital economies:

(a) The trending launches of LEO satellites for new and innovative space-based mission services in the new space industry is set to fuel our Inter-Satellite Data Relay System ("**IDRS**") Business. The Addvalue IDRS offers the world-first and only real time and on demand data communications between commercial LEO satellites and their ground controls;

(b) Tapping into the fast growing aviation industry including unmanned aircraft system ("**UAS**") for resilient communications, Addvalue is contracted for developing communication terminals. This will subsequently lead to supply and technical support service for such aviation-graded products. In the similar vein, the Addvalue's embedded system capabilities have also found business traction with the defense and enterprise's requirement for high performance agile communications and data analytics applications.

(c) The pervasive adoption of IoT/M2M technologies across all economic activities is yet another business driver for Addvalue. Addvalue's recent successes on providing integrated solutions for vessel monitoring system in response to the rising and urgent need for regulatory control for fishery sustainability is one such example. Addvalue is extending its competitive advantages in such technologies and knowhow to rural ATM banking services, remote sensing, monitoring and tracking for asset and environmental surveillance, and other bridging-the-digital-gap activities that are permeating across the emerging economies especially in the ASEAN region.

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; and

    - 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

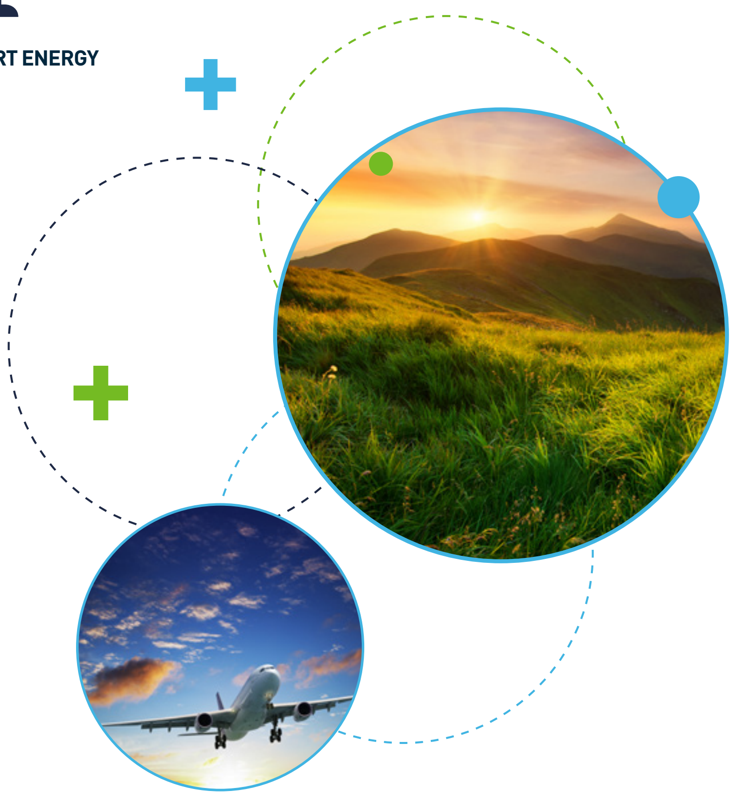
We adopt flexible business revenue model with the aim to streamline our operational efficiency and build sustainable business growth. We will adopt a variety of business arrangements as follows to enhance the resilience of our business model:

- **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.

BUSINESS MODEL



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 recognized 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

Being quite near the end of the runway to take off, we are pleased to report that our investment in the IDRS-related business thus far is ready for harvest

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**") for the financial year ended 31 March 2021 ("**FY2021**").

FINANCIAL HIGHLIGHTS

Like many other companies around the world that suffered a slowdown or even a standstill in operations as the result of the prolonged global Covid-19 pandemic crisis, which, to make matter worst, had escalated in intensity in recent months due to viral mutations, the business of the Company is not spared either from such a drawn-out outbreak.

While the Company is fortunate to have its woes very much confined to delays in the delivery of most of its projects without any significant cancellation in contracts or orders by its customers, as far as its financial performance is concerned, it managed to achieve a meager turnover of US$2.7 million against a net loss of US$6.2 million for FY2021 compared to a turnover of US$9.6 million against a net profit of US$1.8 million for the financial year ended 31 March 2020 ("**FY2020**"), which to a very large extent was attributed to a one-off licensing income of US$6.0 million earned in FY2020.

As regards its financial position, the Group maintained its net asset value at about US$8.0 million as at the end of FY2020 and FY2021 with the net asset value per ordinary share of the Company decreased from 0.42 US cents per share as at 31 March 2020 to 0.35 US cents per share as at 31 March 2021. Over the two financial years under review, the share capital of the Company increased by 378,370,891 shares from 1,870,441,084 shares as at 31 March 2020 to 2,248,811,975 shares as at 31 March 2021 and the date of this writing following the allotment and issuance of 107,373,400 new shares on 23 September 2020 pursuant to a placement carried out by the Company; the allotment and issuance of 173,697,491 new shares on 8 February 2021 pursuant to a rights issue carried out by the Company; and the allotment and issuance of 97,300,000 new shares on 19 February 2021 pursuant to the grant of shares by the Company as an incentive to retain and reward loyal Directors and employees of the Group who have made valued contributions to the Group and have had been with the Group through the thick and thin over the years in warring against the many adversities.

Please refer to the section entitled "Financial Review" for a detailed analysis of the financial performance of the Group for FY2021.

CHAIRMAN'S STATEMENT

> **More importantly, during FY2021, three of the IDRS terminals supplied by the Group were successfully launched and commissioned in space for commercial service, paving the way for the Group to begin the generation of recurring revenue from airtime usage by the end-users through their utilization of the Group's on-demand IDRS service.**

BUSINESS OVERVIEW

Functioning within the ecosystem of a satellite-related setting, the Group operates in a business environment that is characterized by the double-whammy of heavy upfront spending in research and development ("**R&D**") and a long gestation period before attractive profits may be yielded upon the attainment of certain critical mass usage of our services by the relevant end-users, this is particularly so in respect of our Inter-satellite Data Relay System ("**IDRS**")-related business which is further burdened with the added hurdle of dependent on the timely and successful launch of the satellites housing our IDRS terminals into space, a factor which is beyond the control of the Group. Since our technical exploration into space in 2013 with an eye to the fast growing emerging market in the Low Earth Orbit ("**LEO**") satellite industry, it took us over five years and huge investment to have successfully brought our IDRS-related business to our current status of commercial readiness, which includes sales of our IDRS terminals, related engineering services and air time provisioning. We have been engaging and keeping our Shareholders and investors alike informed and updated on the progress of our IDRS-related business through the provision of timely, up-to-date announcements/press releases, which many a time are deemed mandatory to be made public under the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in view of the price sensitive nature of such information. Being quite near the end of the runway to take off, we are pleased to report that our investment in the IDRS-related business thus far is ready for harvest, save for advancing its knowhow and innovations for the next generation services and applications as we strive to maintain our pole position ahead of any competitor globally. We have reached a position whereby our primary focus now is to secure as many customers as possible with as many IDRS terminals launched into space as quickly as feasible so as to accelerate the growth in the recurring airtime income. Based on the aggregate satellite constellation launching plans of our existing IDRS customers, we are on the trajectory to substantially turn our IDRS-related business into a profitable and recurring one for the Group within the foreseeable future.

As at the end of FY2021, the Group secured five IDRS customers (comprising Capella Space Inc ("**CS**"), Analytical Space Inc ("**ASI**") and two others for which we are constrained by non-disclosure obligations to reveal their identity for the time being) with an aggregate total of more than 170 satellites to be deployed in accordance with these customers' constellation plans. More importantly, during FY2021, three of the IDRS terminals supplied by the Group were successfully launched and commissioned in space for commercial service, paving the way for the Group to begin the generation of recurring revenue from airtime usage by the end-users through their utilization of the Group's on-demand IDRS service. The recurring airtime revenue is expected to grow in tandem as more and more of our IDRS terminals are being launched and commissioned by our customers for commercial service.

CHAIRMAN'S STATEMENT

As at the time of this writing, the Group's IDRS-related business made further progress (the "**Post FY2021 IDRS Business Progress**"), such that:

1. a total of six customers of the Group have committed to adopting the IDRS in their respective LEO satellite programs with plans to launch constellations for an aggregate of more than 200 satellites over the next three to four years;
2. a total of 12 IDRS terminals of the Group had been delivered, with 18 additional IDRS terminals, against confirmed orders, scheduled to be supplied during the remaining year of 2021 and in 2022;
3. two additional IDRS terminals of the Group were successfully launched to space since the end of FY2021, bringing the total IDRS terminals operational in space to five; and
4. a deal pipeline of more than 20 leads, including some premier and prominent players in the LEO satellite industry, has been built by the Group. More new IDRS customers are expected to be secured by the Group in FY2022.

Please refer to the section entitled "Operations Review" for more details about the various milestones achieved in FY2021 by the IDRS-related business pillar and other business pillars of the Group.

WORKING CAPITAL

Subsequent to 31 March 2021, the Company's wholly-owned subsidiary, Addvalue Innovation Pte Ltd ("**AVI**"), had on 13 September 2021 entered into a one-year loan agreement with a third-party investor (the "**Funder**") for S$8.5 million (the "**Loan**"). In addition to the Loan (the proceeds from which, are expected to be received by the Company in due course), the Company continues in advanced stages of funding discussions with potential investors to further enhance the working capital position of the Group.

In consideration for extending the Loan to AVI, the Funder is given the right of first refusal to participate in the Company's such next round of funding opportunities under the same terms and conditions offered to the investors concerned.

SUSTAINABILITY REPORTING

Our sustainability report concerning our sustainability performance for FY2021 (the "**2021 Sustainability Report**") was released through our website (www.addvaluetech.com) and SGXNet on 30 August 2021. Our 2021 Sustainability Report was prepared in accordance to the Global Reporting Initiative Standards ("**GRI**"), which, being the most widely adopted international standards for sustainability reporting, provides guidance for our reporting over the relevant Economic, Environmental, Social and Governance aspects that are deemed material to the Group.

The materiality assessment performed for our 2021 Sustainability Report involved representatives of the different groups of stakeholders in identifying sustainability factors deemed material to the Group's businesses so as to allow us to channel our resources to create sustainable value for them. Such an assessment is reviewed annually to reflect changes in business operations, environment conditions, stakeholders' feedback and sustainability trends.

LOOKING FORWARD

Moving into the financial year ending 31 March 2022 ("**FY2022**"), notwithstanding the looming problems accompanying the Covid-19 pandemic, we remain confident of our business prospects.

While the world at large is still blighted by the pernicious effects of the Covid-19 pandemics, the Group recorded a near three-fold increase in turnover to US$2.0 million in the second half of FY2021 ("**2H2021**") from that of US$0.7 million in the first half of FY2021 ("**1H2021**") as some of its deferred delivery schedules were reactivated by its clients in 2H2021, a momentum which, barring any unforeseen circumstances, is expected to be sustained for at least the foreseeable future (the "**Reactivation of Schedules**"), and has managed to secure, as at this date of this writing, a sales order book in excess of US$5.4 million. This resilience is largely the outcome of the Group's unyielding business transformation initiatives instituted over the years in cultivating and enhancing the IDRS, Reconfigurable Embedded System ("**RES**") and new growth markets in the satcom segments for digital innovation. Equally encouraging is the commencement of the new revenue stream which the Group began to receive in FY2021 for a maiden sum of US$84,000 via the end-users' subscriptions for solutions and/or air time services. We would like to reiterate that the Group aims to quickly grow this new found recurring revenue stream, the key focus of its transformed business model, to a critical mass within the foreseeable future.

CHAIRMAN'S STATEMENT

Contemporaneously, the market attention to IDRS was further heightened by the recent successive successful launches of the SAR satellites by CS as these commercial launches have added much credence to the value proposition of IDRS. With five such orbiting SAR satellites now equipped with the IDRS connectivity to support its missions, CS, which had announced its intention to equip the additional satellites in its satellite-aperture radar ("**SAR**") constellation with the Group's IDRS terminals, looks set to continue to equip its new SAR satellites with IDRS for new launches over the duration of FY2022.

Another major thrust of the Group's business lies in the design and supply of its high-end RES systems which include its software defined radio ("**SDR**") modules. Such RES products are the enabling platforms for many innovative digital connectivity and data analytics applications. To date, the Group has on hand a book order of more than US$1.2 million for its RES solutions while expecting more orders to be generated from its deal pipeline due to the 'design-followed-by-supply' nature of its business models.

This resilience is largely the outcome of the Group's unyielding business transformation initiatives instituted over the years in cultivating and enhancing the IDRS, Reconfigurable Embedded System and new growth markets in the satcom segments for digital innovation.

Additionally, the Group believes it has found its strong anchors in the vessel monitoring system for fisheries sustainability and Internet-of-Things ("**IoT**")/Machine-to-Machine ("**M2M**") application for environmental sustainability. Although the deployment plans for such were delayed due to the wide-ranging effects of the counter-Covid-19 measures, the Group still managed to receive orders exceeding US$500,000 from equipment sales with accompanying air time service activations in recent months. With increased awareness of Environmental, Social, and Governance (ESG) on a global scale, the prevailing market conditions favor sustainability efforts availed by the new marketing initiatives promoted by the Company jointly with its business partners, including Inmarsat and Pivotel, to ratchet up the Company's business prospects in this regard in the coming months.

Barring any escalation of the Covid-19 pandemic situation and any unforeseen circumstances, in view of the above considerations coupled with the Reactivation of Schedules and the Post FY2021 IDRS Business Progress, we are confident that the Group will perform significantly better in FY2022 relative to FY2021. Further, riding on the new source of recurring airtime revenue stream which we aim to hike it to a formidable mass within the conceivable future, we expect such a recurring revenue stream to grow exponentially in FY2022 and beyond in tandem with the continual rollout of our products bundled with solution and/airtime services.

ACKNOWLEDGEMENTS

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. Special thanks are accorded to our Independent Director, Mr Michael J Butler, who will be retiring at this AGM after serving the Board relentlessly for the past 11 years.

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 FY2022 and beyond.

Dr Chan Kum Lok, Colin
Chairman & CEO

FINANCIAL REVIEW

TURNOVER

The Group recorded a turnover of US$2.7 million in FY2021 vis-à-vis that of US$9.6 million in FY2020. The decrease was principally attributed to the one-off licensing fee of US$6.0 million earned in FY2020 (the "**Licensing Fee**") and that several of the Group's projected sales deliveries were being pushed back in FY2021 as a result of the many lockdowns in the regions and travel restrictions faced amidst the prevailing global Covid-19 pandemic crisis, which reverberated a lasting and irreversible economic slowdown of an epic scale globally with no ebb in sight yet,

Notwithstanding the curtailed business activities, the Group recorded a near three-fold increase in turnover to US$2.0 million in the second half of FY2021 ("**2H2021**") from that of US$0.7 million in the first half of FY2021 ("**1H2021**") as some of its deferred delivery schedules were reactivated by its clients in 2H2021, a momentum which, barring any unforeseen circumstances, the Group expects to sustain for at least the foreseeable future (the "**Reactivation of Schedules**"). The good news is that the Group continues to receive new orders from its existing as well as new customers for its various businesses.

PROFITABILITY

The Group registered a gross profit of US$0.7 million against a gross profit margin of 27.3% for FY2021 relative to a gross profit of US$7.2 million against a gross profit margin of 74.4% for FY2020. The lower gross profit margin attained in FY2021 was principally attributed to the relatively higher yielding Licensing Fee recorded in FY2020 and the higher cost charged for design costs compared to revenue recognised for design services in FY2021.

The administrative expenses of the Group increased by US$1,535,000 or 70.6%, from US$2.2 million in FY2020 to US$3.7 million in FY2021, due principally to: (1) the full one-off share-based payment of US$1.6 million associated with the grant of 97,300,000 award shares by the Company on 19 February 2021 (which carried no vesting period) as an incentive to retain and reward loyal Directors and employees who have had been with the Group through thick and thin (the "**Award Shares**"); and (2) increased manpower costs resulted from the increase in headcount to cater for the growing needs of new business segments, albeit the offset by lower rental costs.

FINANCIAL REVIEW

Our other operating expenses decreased by US$449,000 or 21.8%, from US$2.1 million in FY2020 to US$1.6 million in FY2021, due mainly to lower impairment loss on development expenditure and inventory write-off as well as reduced laboratory expenses and travelling costs as a result of reduced business activities, albeit the foreign exchange loss incurred on revaluation of Singapore denominated outstanding borrowings and convertible loan notes.

Our other operating income for FY2021 comprised mainly grants received in connection with the Job Support Scheme initiated by the Singapore Government in providing wage support to employers to help them retain their staff during this period of economic uncertainty and a reversal of allowance for trade receivable while that of FY2020 relates mainly to foreign exchange gain in respect of the outstanding balances of the convertible loan notes and borrowings of the Group denominated in Singapore dollars.

The increase in finance expenses in FY2021 relative to FY2020 was attributed mainly to higher imputed interest charge in connection with the carrying value of the conversion feature of the outstanding balances of the convertible loan notes of the Group as well as increased borrowings.

Consequence to the above, the Group incurred a net loss of US$6.2 million in FY2021 compared to a net profit of US$1.8 million in FY2020.

FINANCIAL POSITION

The decrease in property, plant and equipment of the Group was attributed mainly to depreciation of the property, plant and equipment.

The increase in intangible assets was attributed mainly to the development expenses incurred (net of amortisation) as the Group continues to develop its proprietary technologies and products, including its space resilient technologies and new spin-off products and services.

The increase in inventories was attributed mainly to the recent production which resulted in increase in finished goods.

The increase in trade receivables was due to the recent increase in sales while the decrease in other receivables, deposits and prepayments were mainly due to collections.

The contract assets in FY2020 relate to work done in respect of contracted design services but not billed for milestones yet to be delivered, which upon billing will be transferred to trade receivables.

The decrease in trade payables and other payables and accruals were primarily due to payments made.

The decrease in contract liabilities, consisting of advanced billings from customers, was due mainly to fulfilment of deliverables during FY2021.

The increase in borrowings was attributed principally to new working capital loans being raised during FY2021 as well as the additional liabilities arising from the imputed interest charged on the convertible loan notes of the Group.

The decrease in lease liabilities, comprising office building and equipment leases recognised under the Singapore Financial Reporting Standards (International) 16 on Leases, was due to payments made during FY2021.

The increase in the share capital of the Company was due to the allotment and issuance of 107,373,400 new shares on 23 September 2020 pursuant to a placement carried out; the allotment and issuance of 173,697,491 new shares on 8 February 2021 pursuant to a rights issue carried out; and the allotment and issuance of the Award Shares on 19 February 2021.

Consequence to the above:

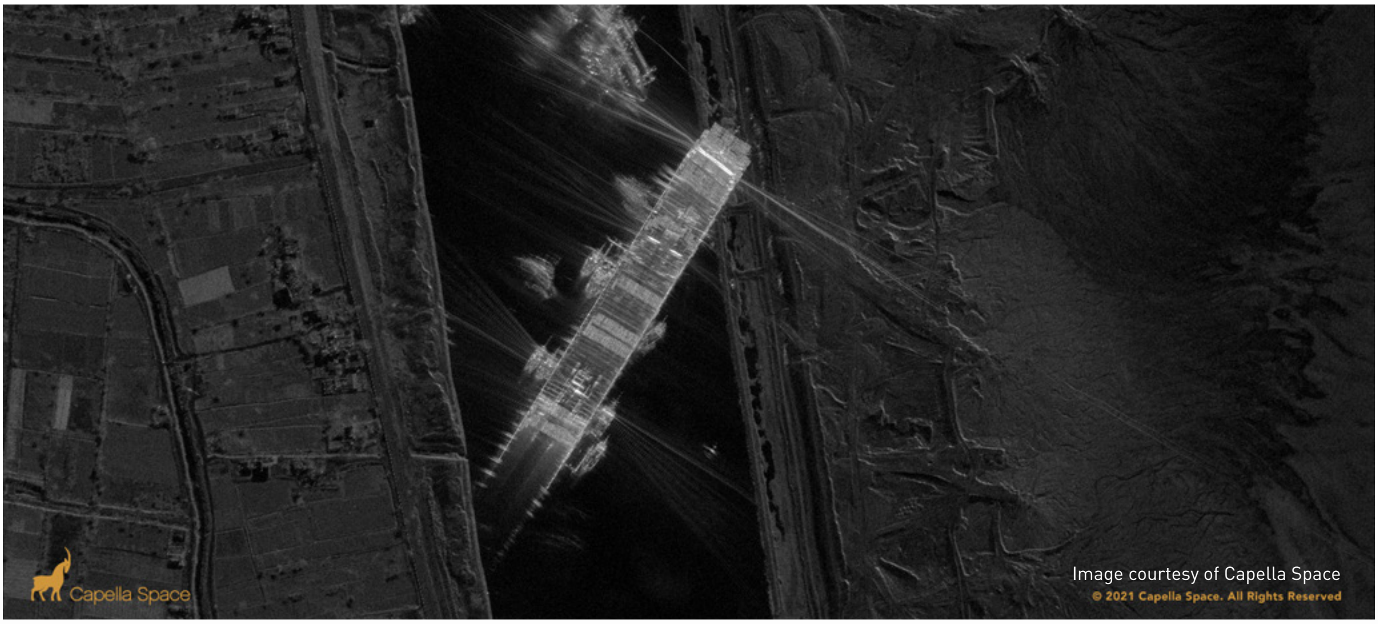
1. the gearing of the Group (defined as the ratio of all interest-bearing loans of the Group to the shareholders' fund of the Group) increased from 64.5% as at 31 March 2020 to 85.6% as at 31 March 2021;

2. the working capital position of the Group increased marginally from a negative USS$453,000 as at 31 March 2020 to a negative US$825,000 as at 31 March 2021;

3. the net cash flow of the Group used in operations increased from US$0.9 million in FY2020 to US$2.8 million in FY2021; and

4. the net asset value of the Group decreased slightly by US$0.03 million or 0.38% maintaining at US$7.9 million as at 31 March 2020 and as at 31 March 2021, while the net asset value per ordinary share decreased from 0.42 US cents per share as at 31 March 2020 to 0.35 US cents per share as at 31 March 2021.

OPERATIONS REVIEW



The Group achieved the following key operations milestones (by business segments) during FY2021:

Date	Key operations milestone attained in FY2021
In respect of the Inter-satellite Data Relay System ("IDRS") Related Business	
31 August 2020	Capella Space Inc ("**CS**") successfully launched its first satellite-aperture radar ("**SAR**") imaging satellite, embedded with the IDRS terminal of Addvalue Innovation Pte Ltd ("**AVI**"), into space for commercial service.
12 November 2020	CS commissioned the world's first commercial IDRS service on demand, jointly provided by Inmarsat plc ("**Inmarsat**") and AVI, via its Sequoia satellite. The benefits of the IDRS service go beyond the speed at which subscribers receive their data and images, satellite operators also gain significant operational efficiencies by being able to stay in constant contact and control of their constellations. The Inmarsat and AVI's IDRS service, standing in stark contrast to the current practice characterised by the demanding need to coordinate and precisely time communications with multiple ground station operators, is especially pertinent in the fast growing new space industry of large satellite constellations when it is all the more crucial that real time control and coordination of multiple satellites can be effortlessly and simultaneously accomplished.
10 December 2020	The EUREKA Project, spearheaded by SpaceChain UK Limited ("**SpaceChain**") in partnering with AVI and Alba Orbital, UK, was awarded £440,000 in funding by EUREKA Globalstars-Singapore Call, a partnership forged between Innovate UK and Enterprise Singapore, to develop a decentralised satellite infrastructure ("**DSI**") that powers a blockchain payload at its core so as to enable direct tasking of a satellite in real-time (the "**DSI Innovation**"). The DSI Innovation, which will be formed by a mesh-network of heterogeneous spacecrafts that is owned by multiple parties across jurisdictions operated in Low Earth Orbit ("**LEO**"), is set to democratise access to the nascent space sector with lower barriers to entry by individual companies and bridge the communication gap between technology and data.

OPERATIONS REVIEW

Date	Key operations milestone attained in FY2021
21 January 2021	AVI was endorsed by EO-ALERT, an European Union's Horizon 2020 funded consortium comprising leading members of the European space industry as well as academic partners, as a key enabler for a real-time global delivery service for Earth Observation ("**EO**") products. EO-ALERT primarily aims to define and develop the next-generation EO data and processing chain based on a novel flight segment architecture that moves key optimized EO data processing elements from the ground to space using on-board processing with the objective of providing the EO products to the end user within minutes of collecting the data. Within the frame of EO-ALERT, AVI's IDRS service provides a very compelling option for delivering the on-board processed products to end users globally and within seconds.
24 January 2021	CS successfully launched to orbit the second and third SAR imaging satellites, which were all equipped with AVI's IDRS terminals.
29 January 2021	Analytical Space Inc ("**ASI**") partnered Inmarsat and AVI to enable ASI, leveraging on the unique aspects of Inmarsat and Addvalue's IDRS service, to rollout its Fast Pixel Network™, being a data transport satellite network in LEO that ingests data from EO satellites, routes that ingested data from node via high speed optical inter-satellite links and downlinks that data in near real time to government and commercial consumers.
8 February 2021	AVI entered into a memorandum of understanding with Dragonfly Aerospace, a leading South African-based space engineering cum space mission company, to cross promote Dragonfly's imaging payloads and satellites as well as Inmarsat and AVI's IDRS service.
2 March 2021	The Group incorporated a new wholly-owned subsidiary, Revere Space Inc ("**Revere Space**"), in USA to address the active US space market, particularly with respect to the fast growing demand for AVI's space-based communications products and services. By having a local presence armed with the same unparalleled level of innovation and quality that is the hallmark of all the Group companies, Revere Space is expected to better serve the North American customers in this fast evolving market.
In respect of the Reconfigurable Embedded Systems ("RES") Related Business	
10 December 2020	The DSI Innovation as described above.
24 January 2021	Riding on its in-house FPGA-based re-configurable hardware development capability, AVI procured another new order with an established customer for its proprietary Software Defined Radio ("**SDR**") module for agile communications applications, bringing its total order secured for SDR modules from both the government agencies and commercial enterprises to S$1.7 million since the start of the Covid-19 pandemic in early 2020.
In respect of the Integrated Products and Services ("IPS") Related Business	
10 August 2020	Zhongxin Chuangzhi Technologies (Beijing) Ltd Corp. ("**ZXCZ**"), a wholly owned subsidiary of the Company in China, partnered with CTTIC Shanghai Co Ltd, a subsidiary under China Transportation and Telecommunications Information Center (which is an organization under the China Ministry of Transport) and an exclusive service provider of Inmarsat in China, to make a maiden foray into the controlled Regulatory Fisheries Sustainability Market of the Pacific Ocean via the rollout and sales of AVI's all-in-one Internet Protocol ("**IP**") based satellite broadband terminals, embedded with AVI's proprietary Vessel Monitoring ("**VMS**") solution which has been type-approved separately by each of the Pacific Islands Forum Fisheries Agency ("**FFA**") and Western and Central Pacific Fisheries Commission ("**WCPFC**"), to the China-registered fishing fleets which carry out deep sea fishing activities in the Pacific Ocean and thereby upon which are regulated by the FFA and WCPFC.

OPERATIONS REVIEW

Date	Key operations milestone attained in FY2021
9 October 2020	Addvalue Communications Pte Ltd ("**AVC**") entered into a Teaming Agreement with AIOT Chile SpA ("**SmartDots**"), a Chilean company specializing in smart Internet-of-Things ("**IoT**") solutions for the South America market, to provide a smart satcom-based digital IOT/M2M solution ("**Smart IoT Solution**"), using AVC's Satellite Terminal Sabre Ranger 5000 as the primary communication device based on the Inmarsat BGAN M2M Satellite Service, for the Program of Terrestrial and Aquatic Ecosystem Observation (also known as its Spanish initials POETA) in remote locations of the Chilean Patagonia so as to facilitate the carrying out of scientific research activities that will contribute to the amelioration of the local ecosystem. The said program, funded by San Ignacio del Huinay Foundation which was in turn founded by the Pontifical Catholic University of Valparaiso and Enel Generación Chile, will overcome the problems of poor or unavailable cellular connectivity in the remote areas. It will start with a field trial involving two sites initially and, if proven successful, to be followed by 60 remote sites in Chile, for environmental surveillance which includes weather, water level and animal monitoring. If well regarded, the scope of the said program is expected to be expanded to the other parts of Chile and the rest of the Latin America.
1 November 2020	AVI secured the type-approval conferred by the United States National Marine Fisheries Services ("**NMFS**")/National Oceanic and Atmospheric Administration ("**NOAA**") on its iFleetONE maritime broadband terminal for a new reporting regulation required on all vessels that are to be chartered for sport fishing in the South East Region and Gulf of Mexico (the "**Gulf For-Hire Approval**"). AVI's iFleetONE and its embedded proprietary Vessel Monitoring System ("**VMS**") solution is the first and only broadband IP data solution type-approved as an Enhanced Mobile Transceiver Unit ("**E-MTU**") by NMFS/NOAA for regulatory VMS fishing reporting in all its fisheries regions in the USA. The Gulf For-Hire Approval is a further extension to the list of approval status with NMFS/NOAA.

Image courtesy of SmartDots

OPERATIONS REVIEW

Date	Key operations milestone attained in FY2021
2 December 2020	Inmarsat partnered with Pivotel and AVI to offer owners and operators of sport fishing vessels in the USA the most complete connectivity solution in the market. The collaboration will deliver both compliance with NOAA's fisheries regulations and demand for reliable on-board satellite communications. Effective from 5 January 2021, the new reporting regulations required the owner or operator of a charter or headboat vessel with a Gulf federal for-hire permit to electronically declare a trip before leaving and to submit an electronic fishing report for each trip prior to offloading fish. For-hire vessel operators must report all species caught, regardless of location. They must also install permanent approved location tracking hardware/software with GPS capabilities that transmits data to the NMFS/NOAA. For-hire trip declarations cannot be submitted using the commercial telephone system or unapproved software.
18 March 2020	AVI partnered GateHouse SatCom AS to jointly develop the world's first 5G NB-IoT satellite communication terminal ("**5G NB-IoT Satcom Terminal**") with a view to collaborate with companies that aspire to take advantages of the fast growing 5G satellite systems. Standardization in the satellite IoT market will be a key factor in achieving a sustainable business in the satellite communication market. The 5G NB-IoT Satcom Terminal, based on the 3rd Generation Partnership Project (3GPP) standards, will be fully functional with all 5G satellite networks worldwide. The standardization will drive scalability and globalization of satellite communication in the future, thereby allowing operators to move their focus from technical challenges towards their core business and in providing improved services to their customers. The availability of standardized solutions, apart from supporting the scalability of business, will, both in the short-term and the long-term, help to save cost and rid the hassle of low or no coverage.
In respect of the Design Services Related Business	
29 January 2021	AVI secured a design contract with Cloud Constellation Corporation ("**Cloud Constellation**"), a USA based company established to provide a portfolio of cloud services via its constellation of SpaceBelt LEO satellites, which interlinks with a constellation of existing commercial Geostationary satellites, to offer secure data storage services for enterprises or governmental organizations round the world. The said design contract entails AVI to lend its satellite communications expertise to Cloud Constellation for the bespoke design and development of SpaceBelt satellite communications ground terminals and space payloads capable of supporting Cloud Constellation's inter-satellite communication protocols.

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.

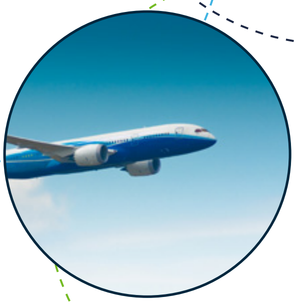
Dr Chan graduated with a Bachelor of Science Degree in Mechanical Engineering with First Class Honours from the University of Strathclyde, UK, and was conferred a PhD in Mechanical Engineering from the same university in 1984.

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 twenty years, his work was primarily focused on satellite communications product development and strategic business management. He was instrumental in re-moulding the Group's strategies and organizational competences necessary for the successful business transformation of the Group from consumer product-centric to satellite-based terminals and related application focus. His in-depth understanding of the industry and the competing forces helps the Group position its niche in the market. He oversees the business and technology development in order to ensure an integrated and cohesive overall Group strategic direction.

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



BOARD OF DIRECTORS

MR RICHARD J DENNY
Lead 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 Audit Committee and Remuneration Committee and on 1 August 2019, he was appointed Lead Independent Director of the Company. Mr Denny, an Australian national, has had over 40 years of experience in the space and satellite sector. Mr Denny joined Inmarsat in 1988 and held a range of positions spanning across the technical and operational functions of Inmarsat before he retired in 2012. From 1998 to 2008, he held the position of Vice President of Satellite and Network Operations, and was responsible for Inmarsat's fleet of satellites, network operations activities, satellite gateways, spectrum regulatory and spectrum management activities as well as satellite navigation services. In 2009, Mr Denny assumed a new role in spear heading the engineering activities across Inmarsat, ranging from new product and service development to systems engineering, of noteworthy mention were the engineering activities in connection with Inmarsat's new IsatPhone Pro hand-held satellite phone. From 2006 to 2012 and in conjunction with his operational and engineering responsibilities at Inmarsat, Mr Denny was appointed as the President Commissioner of PT ISAT, a new satellite business established by Inmarsat in Batam, Indonesia to expand the engineering and operational functions of Inmarsat in the Asia region.

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

Before his stint with AUSSAT, Mr Denny held various positions in the satellite control and satellite communications field with the Overseas Telecommunications Commission (now part of Telstra), an Australian international communications carrier. These roles primarily involved satellite launch and in-orbit support activities for Intelsat and the European Space Agency. Currently Mr Denny does not hold any other directorship. He acts as an advisor to Northstar Earth and Space Inc.

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. At present, he is the Chairman of our Nominating Committee. 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 PAUL C BURKE
Non-Executive Director

Mr Paul C Burke was appointed to the Board on 29 September 2020 and serves as a Non-Executive Director of the Company. Mr Burke, an American citizen, is a businessman and entrepreneur with over 25 years of experience in the aviation industry. He is currently the CEO and Director of Konnectronix, Inc. (f/k/a Telefonix, Inc.), a company he founded in 1989, which now focuses on product design and manufacturing for the e-mobility market following the sale of the company's aerospace assets in December 2017.

Mr Burke graduated with a Bachelor of Business Administration major degree (with Engineering as a minor degree) from University of New Haven, Connecticut, USA in 1973.

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 Revere Space Inc. and continue to hold a key management role heading the Group's IT department as well as the Project Management team. For the past 19 years, his primary focus was on project management 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 LIM HAN BOON

Finance Director

Mr Lim was an Independent Director of the Company for more than 20 years since 1996. With effect from July 2019, he serves as a non-board Finance Director of the Company.

With more than 20 years of experience in investment banking and private equity financing services, Mr Lim has been advising the Company on matters including but not limited to financial reporting, compliance with listing rules and other regulatory requirements, upholding of good practices for sound corporate governance, fund raising and corporate restructuring.

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.

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 27 years with more than 18 years working experience in Singapore listed companies. Prior to joining the Group, she was the Financial Controller of a SGX Main Board listed marine company from April 2007 to July 2010 and was the General Manager – Finance of a SGX Main Board listed electronic company from February 2006 to March 2007 and the Corporate Finance Manager of another SGX Sesdaq listed electronic company from July 2002 to January 2006. Ms Chow is a Fellow Member of the Association of Chartered Certified Accountants and an Associate member of the Institute of Singapore Chartered Accountants.

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 specialization in wireless communication from the Nanyang Technological University.

KEY MANAGEMENT

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 managed the software design team of the Group in development of the Inmarsat BGAN satellite terminal projects. Since 2016, Mr Kalaivanan focuses on developing proprietary value added solutions which enable the Group to generate recurring service income from subscriptions of these solutions and airtime services.

With more than 31 years of experience in the telecommunications industry and in product development and project management, especially in wired and wireless communications products, he has been involved in various research and development projects.

Mr Kalaivanan graduated from Annamalai University, India with a Bachelor of Engineering (Hons) Degree in Electronics and Instrumentation. He also holds 2 Masters Degrees, one in Master of Engineering (Hons) in Instrument Technology from Madras Institute of Technology, Anna University, India and another Master of Science in Communications Software Management, specialised in Data Communications and Networking Software, from the University of Essex, UK.

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 27 years of experience in the areas of analog and digital wireless communications product development, product management and project management. When he was heading the hardware development team, he led the team who designed the electronics hardware for a number of Inmarsat and Thuraya satellite communication terminals. He has been involved in the design and development of tracking, navigation and remote monitoring products using Satcom, Cellular, GNSS, LPWAN technologies.

Mr Ekanayake graduated from the University of Peradeniya (Sri Lanka) with a Bachelor of Science (Hons) Degree in Engineering and holds a Graduate Diploma in Information Communication Technology from Nanyang Technological University.

MR. 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 16 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 research 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.

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. (China) (100%)
- Addvalue Capital Pte Ltd (Singapore) (100%)
  - Revere Space Inc (USA) (100%)
- Addvalue Global Limited (Hong Kong) (100%)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Chan Kum Lok, Colin
Chairman and Chief Executive Officer

Mr Tan Khai Pang
Executive Director

Mr Richard J Denny
Lead Independent Non-Executive Director

Mr Michael J Butler
Independent Non-Executive Director

Mr Paul C Burke
Non-Executive Director

AUDIT COMMITTEE

Mr Richard J Denny *(Chairman)*
Mr Tan Khai Pang
Mr Michael J Butler

NOMINATING COMMITTEE

Mr Michael J Butler *(Chairman)*
Mr Tan Khai Pang
Mr Richard J Denny

REMUNERATION COMMITTEE

Mr Richard J Denny *(Chairman)*
Mr Tan Khai Pang
Mr Michael J Butler

COMPANY SECRETARY

Ms Foo Soon Soo

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Fax: +65 6509 5701

REGISTRAR

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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

FINANCIAL CONTENTS

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 2018 (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: The company is headed by an effective board which is collectively responsible and works with management to achieve this outcome and the management remains accountable to the board.

The Directors of the Company are:

Dr Chan Kum Lok, Colin	Chairman and Chief Executive Officer (the "**CEO**")
Mr Tan Khai Pang	Executive Director
Mr Michael J Butler	Independent Non-Executive Director
Mr Richard J Denny	Lead Independent Non-Executive Director
Mr Paul C Burke	Non-Executive and Non-Independent Director

PROVISION 1.1
BOARD'S ROLE

All Directors recognise and will objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

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

The primary role of the Board includes the following:

- Providing entrepreneurial leadership and setting and approving policies and strategic objectives of the Group
- Ensuring that the necessary resources are in place for the Group to meet its strategic objectives
- Reviewing and approving the financial performance of the Group, including its half and full year financial results' announcements
- Establishing and maintaining a sound risk management framework to effectively monitor and manage risks; to achieve an appropriate balance between risks and company performance; and to ensure transparency and accountability to key stakeholder groups
- Instilling an ethical corporate culture and ensuring that the values, standards, policies and practices of the Group are consistent with its culture

The Board recognises that, to ensure business continuity, it has to consider sustainability issues in its strategy formulation in order to strike a balance between its business needs and the need of the society and the environment in which it operates. The Company has posted its Sustainability Report for FY2021 through the SGXNET of the Singapore Exchange Securities trading Limited (the "**SGX-ST**") and its website on 30 August 2021.

PROVISION 1.2
DIRECTORS' DUTIES AND RESPONSIBILITIES

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group.

The Company has in place a process of induction, training and development for both new and existing Directors.

Newly appointed Directors will be given an orientation program to familiarize themselves with the 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 CEO and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organization structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

During the financial year reported on, the Directors had received updates on regulatory changes to the listing rules of the SGX-ST (the "**Listing Rules**"), the accounting standards and the Code. The Chairman updated 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 were also updated by the external auditor and/or the Company Secretary during Board meetings and by circulations the changes and development in accounting standards and/or regulatory changes to the Listing Rules and the Code. Information on training programmes, courses, conferences, seminars and workshops relevant to their discharge of director's duties were circulated to the Directors on a regular basis, of which some were attended or participated by the Directors during the year.

PROVISION 1.3
MATTERS REQUIRING BOARD APPROVAL

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

- Review the performance of the Group, including approval of the results announcements and annual budget 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/or disposal
- Corporate or financial restructuring
- Declaration of dividends and other returns to Shareholders
- Appointment of new Directors and re-appointment of Directors

PROVISION 1.4
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 (collectively the "**Committees**", and each a "**Committee**") function within clearly defined terms of reference which are reviewed on a regular basis. The effectiveness of each Committee is also closely monitored. The names of the Committee members, the terms of reference, any delegation of the Board's authority to make decisions and each Committee's activities, are disclosed in this report under Principles 4 to 10 thereof.

PROVISION 1.5
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 the 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. The Board ensures that Director with other listed board representations, if any, gives sufficient time and attention to the affairs of the Group.

From 29 September 2020, being the date of the last Annual Report, to the date of this Annual Report, the Company convened five Board meetings, four AC meetings, one NC meeting and one RC meeting.

Besides formal meetings, Board members also met at informal meetings or via teleconferencing or communicate via 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 Board ensures that Directors give sufficient time and attention to the affairs of the Group.

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

Director	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings held	5	4	1	1
Name of Directors		**Number of meetings attended**		
Dr Chan Kum Lok, Colin	4	4	1	1
Mr Tan Khai Pang	5	4	1	1
Mr Michael J Butler	4	4	1	1
Mr Richard J Denny	5	4	1	1
Mr Paul C Burke	4	N/A	N/A	N/A

PROVISION 1.6
BOARD'S ACCESS TO INFORMATION

The 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. Periodic financial summary reports, budgets, forecasts and other disclosure documents are provided to the Board, where appropriate, prior to Board meetings.

PROVISION 1.7
BOARD'S ACCESS TO MANAGEMENT, COMPANY SECRETARY AND EXTERNAL ADVISERS

The Board has separate and independent access to the Company Secretary and the Management. The 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. The appointment and removal of the Company Secretary is subject to the approval of the Board.

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.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

PROVISION 2.1
INDEPENDENT ELEMENT ON THE BOARD

The Board comprises five members, two of whom, namely Mr Richard J Denny and Mr Michael J Butler, are independent and non-executive.

The criterion for independence is based on the definition given in the Code and in the Listing Rules. The Code has defined an "independent" director as one who is independent in conduct, character and judgement and has no relationship with the company, its related corporations, its substantial 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. Under the Listing Rules, an independent director is not one who is or has been employed by the company or any of its related corporations for the current or any of the past three financial years; or not one who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee.

All the Independent Directors of the Company have confirmed their independence and that they do not have any relationship with the Company, its related corporation, any of its Shareholders who has an equity interest of 10% or more in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgement pursuant to the Listing Rules.

Mr Michael J Butler has reached a term of service of nine years on 1 September 2019 as an Independent Director. The Board is of the view that Mr Butler's independence has not been compromised due to his length of service in view of the following considerations:

(a) Mr Butler has demonstrated a high degree of independence from the Management of the Group during his term as an Independent Director of the Company;
(b) Mr Butler has shown significant commitment to the Group and has brought to the Board his considerable experience in satellite-related matters and businesses as an Independent Director of the Company; and
(c) Mr Butler has confirmed that he has no association with the Company, its related corporations, any of its Shareholders who has an equity interest of 10% or more in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment.

After taking into account all the above factors, the Board has determined that Mr Butler continues to be independent.

To maintain his independence, Mr Butler has abstained from the NC's and the Board's deliberation with regard to his independence.

PROVISIONS 2.2 AND 2.3
COMPOSITION OF INDEPENDENT DIRECTORS AND NON-EXECUTIVE DIRECTORS ON THE BOARD

Under the Listing Rules, the independent directors should make up one-third of the board. The composition of the Board complies with the Listing Rules.

Under Provision 2.2 of the Code, the independent directors should make up a majority of the board where the chairman is not an independent director. Under Provision 2.3 of the Code, the non-executive directors should make up a majority of the board.

The one Non-Executive and Non-Independent Director coupled with the two Independent Directors (collectively, the "**Non-Executive Directors**") make up the majority of the Board. Given the Board size of five, the two Independent Directors provide a good balance of authority and power within the Board. In addition, each of the NC, AC and RC, which assists the Board in its functions, is chaired by an Independent Director. Further, the Board has proposed the appointment of Mr Wong Ming Ghee, Bernard as an independent director of the Company at the forthcoming AGM.

PROVISION 2.4
BOARD SIZE AND DIVERSITY

The composition of the Board is reviewed on an annual basis by the NC. The NC 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.

The Board supports a board diversity policy to ensure that the Board has an appropriate level of diversity of thoughts and backgrounds to enable wider perspectives which encourage more effective discussions and better decision-making. The Board members collectively have the necessary skills and competencies, covering business and management experience, industry knowledge and strategic planning skills, for the effective functioning of the Board and informed decision-making.

Dr Colin Chan and Mr Tan Khai Pang, the co-founders of the Company, are each with more than 30 years of experience in the business. Mr Michael J Butler has over 25 years of successful commercial experience in world class, high technology businesses, including more than 13 years in senior general management roles. Mr Richard J Denny, with over 40 years of experience in the space and satellite sector, held a range of positions spanning across the technical and operational functions of Inmarsat plc ("**Inmarsat**") 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. Mr Paul C Burke is an entrepreneur with over 25 years of experience in the aviation industry and product design and manufacturing for the e-mobility market. The details of the Directors' background and experience are set out in the "Board of Directors" section of this Annual Report.

The 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 particular Mr Butler and Mr Denny and together with Mr Burke, with their backgrounds and experience, bring with them wide perspectives which encourage more effective discussions and better decision-making.

PROVISION 2.5
ROLE OF NON-EXECUTIVE DIRECTORS

During the financial year reported on, the Non-Executive Directors (with majority comprising the Independent Directors) constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress and performance in implementing such agreed business strategies are monitored by the Non-Executive Directors. The Non-Executive Directors communicate among themselves without the presence of the Management as and when the need arises. The Lead Independent Director provides feedback to the Chairman or the Board as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the board and management, and no one individual has unfettered powers of decision-making.

PROVISIONS 3.1 AND 3.2
SEPARATE ROLES OF 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 the Board. The majority of the Board currently comprises Non-Executive Directors, and the Chairman-cum-CEO of the Company is not a member of any Committee.

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;
- promoting corporate governance; and
- adherence to the Listing Rules and other regulatory requirements

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.

PROVISION 3.3
LEAD INDEPENDENT DIRECTOR

Mr Richard J Denny 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/or the Executive Director has failed to resolve or is inappropriate.

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: The board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the board.

PROVISIONS 4.1 AND 4.2
NOMINATING COMMITTEE

The NC comprises the following members, the majority of whom, including the chairman, are independent and non-executive:

Mr Michael J Butler	(Chairman/Independent and Non-Executive)
Mr Richard J Denny	(Member/Lead Independent Director and Non-Executive)
Mr Tan Khai Pang	(Member/Executive Director)

The role of the NC is to make recommendations to the Board on relevant matters relating to:

(a) the review of the succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
(b) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors, including the review of the independence of the Independent Directors;
(c) the review of training and professional development programmes for the Board and its Directors; and
(d) the appointment and re-appointment of Directors (including alternate Directors, if any).

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 the appointment, training and mentoring of successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the Executive Director or any of key management personnel, and is satisfied with the procedures in place in ensuring the transition to a full operational management team.

PROVISION 4.3
PROCESS FOR THE SELECTION, APPOINTMENT AND RE-APPOINTMENT OF 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 or her experience and contributions to the business of the Group; and the depth and breadth he or she 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, business federations or external search consultants. New Directors will be appointed by way of a resolution by the Board or the Shareholders, after the NC makes the necessary recommendation to the Board.

Pursuant to Article 107 of the Company's Constitution, Dr Colin Chan Kok Lum, in his capacity as a member of the Company, has proposed the appointment of Mr Wong Ming Ghee, Bernard as an independent director of the Company at the forthcoming AGM. The NC has reviewed Mr Wong's credentials and experience and finds him qualified for appointment as an independent director of the Company. The Board has accepted the NC's recommendation, and has submitted the appointment of Mr Wong as a director of the Company for the approval of the Shareholders at the forthcoming AGM.

Article 104 of the Company's Constitution requires one-third of the Directors to retire at each AGM. Article 105 of the Company's Constitution requires those Directors to retire to be those longest in office since their last re-election or appointment or those who have been in office for the three years since their last election. Rule 720(5) of the Listing Rules requires all directors to submit themselves for re-nomination and re-election at least once every three years.

Mr Tan Khai Pang and Mr Michael J Butler are due to retire at the forthcoming AGM pursuant to Article 104 of the Company's Constitution. Mr Michael J Butler does not wish to seek re-election. The NC has recommended to the Board the re-election of Mr Tan Khai Pang at the forthcoming AGM.

The information on Mr Tan Khai Pang and Mr Bernard Wong Ming Ghee as required in Appendix 7.4.1 of the Listing Manual of the SGX-ST is contained in the Notice of the AGM.

PROVISION 4.4
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 Provision 2.1.

PROVISION 4.5
DIRECTORS' MULTIPLE BOARD REPRESENTATIONS

The NC ensures that new Directors are aware of their duties and obligations. Each Director signs 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 and to procure that the Company too shall so comply.

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 Richard J Denny and Mr Paul C Burke 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 Board 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 Richard J Denny and Mr Paul C Burke would not have the ability to commit sufficient time and attention to the affairs of the Group.

Details of the Directors' principal commitments and outside directorships are set out in the "Board of Directors" section of this Annual Report.

BOARD PERFORMANCE

Principle 5: The board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

PROVISIONS 5.1 AND 5.2
CONDUCT OF BOARD PERFORMANCE

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

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

The appraisal of the Board considers the Board composition, maintenance of independence, timeliness and completeness of information provided to the Board, Board process, Board accountability, communication with the Management and standard of conduct. The results of the appraisal exercise are considered by the NC, which then makes recommendations to the Board with the aim of helping the Board to discharge its duties more effectively. The Directors are assessed on their experience in being a company director, competence and knowledge, the level and quality of involvement during the course of the year, attendance record at meetings of the Board and the Board Committees, intensity of participation at meetings, the quality of interventions and special contributions.

The Board Committees are assessed on the work they perform in accordance with their terms of reference and the objectivity and independence in their deliberations and recommendations they presented to the Board.

For FY2021, the NC has reviewed each individual Director's performance during the appraisal exercise and the overall assessment of individual Directors and of the Board as a whole was good. The NC has discussed the results with the Board and it is the Board's endeavour to, where appropriate, further improve and enhance its effectiveness over the Group's performance, financially or otherwise. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group. All NC members have abstained from the review process in connection with the assessment of his own performance.

The Company does not use any external professional facilitator for the assessments of the Board, Board Committees and individual Directors, and will consider the use of such facilitator as and when appropriate.

REMUNERATION MATTERS

Principle 6: The board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

PROVISIONS 6.1 AND 6.2
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 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 management personnel and to determine specific remuneration packages for each Executive Director as well as for the key management personnel of the Group. 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.

PROVISION 6.3
REVIEW OF REMUNERATION

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in-kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his own remuneration package. The recommendations of the RC will be submitted to the Board for endorsement.

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 or her letter of employment. 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.

PROVISION 6.4
ENGAGEMENT OF REMUNERATION CONSULTANTS

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. For FY2021, the RC did not engage any expert professional advice.

LEVEL AND STRUCTURE OF RREMUNERATION

Principle 7: The level and structure of remuneration of the board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

PROVISION 7.1
REMUNERATION OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director and key management personnel when determining their respective remuneration packages.

Executive Directors and key management personnel of the Group 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. The RC members recommend the remuneration packages of Executive Directors and key management personnel of the Group for the approval by the Board.

PROVISION 7.2
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.

PROVISION 7.3
APPROPRIATE REMUNERATION TO ATTRACT, RETAIN AND MOTIVATE KEY MANAGEMENT PERSONNEL AND DIRECTORS

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 of the Group for their fixed and variable components to be paid out in cash would continue to be adequate in incentivising performance without being over-excessive. The RC is satisfied that the remuneration for the Non-Executive Directors as described under Provision 7.2 are appropriate to retain and motivate the Directors to continue in their role as stewards of the Company.

DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

PROVISION 8.1
REMUNERATION REPORT

Details of the remuneration paid or proposed to be paid to the Directors of the Company for the FY2021 are set out below:

Remuneration Bands	Director	Director's Fees (%)	Fixed Salary[1] (%)	Benefits[1] (%)	Share Awards[3] (%)
Above S$500,000	Dr Colin Chan Kum Lok	–	48	6	46
S$250,000 to S$499,999	Tan Khai Pang	–	49	8	43
Below S$250,000	Mr Michael J Butler	55	–	–	45
	Mr Richard J Denny	55	–	–	45
	Mr Paul C Burke[2]	–	–	–	–

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

2. Mr Paul C Burke was appointed as a Non-Executive Director from 29 September 2020.

3. Share Awards refers to the share-based payment pursuant to the Award Shares granted in FY2021 under the Addvalue Technologies Performance Share Plan.

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, who are non-substantial Shareholders of the Company, 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 relative to the other key management personnel of the Group just merely because they are Directors.

While the exact remuneration of the Directors was not given, the level and mix of remuneration of the Directors in percentage terms within remuneration bands of S$250,000 were provided. The Company believes that such a disclosure, taking into account of the reasoning mentioned above, provides Shareholders with an adequate appreciation of the remuneration packages of the Directors and is consistent with the intent of Principle 8 of the Code.

Top 6 Management Personnel (who are not Directors)

Details of the remuneration paid to the Key Executives for FY2021 are set out below:

Remuneration Bands	Name of Key Executive	Designation	Fixed Salary[1] (%)	Benefits[1] (%)	Share Awards[2] (%)
S$250,000 to S$499,999	Nil				
Below S$250,000	Mr Tan Juay Hwa	Project Director	54	8	38
	Mr Lim Han Boon	Finance Director	44	3	52
	Ms Chow Choi Fun, Jackie	Financial Controller	60	3	37
	Mr EML Ekanayake	Vice President, Product Management	68	6	26
	Mr K Kalaivanan	Vice President, Solutions Platform	70	7	23
	Mr Edward Fong	Senior Vice President, Products and Solutions/ Managed Services	96	4	-

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

2. Share Awards refers to the share-based payment pursuant to the Award Shares granted in FY2021 under the Addvalue Technologies Performance Share Plan.

The present key management team of the Group, who are not Directors of the Company, comprised six personnel as disclosed above. The total remuneration paid including the share-based payment to the six of them for FY2021 aggregated US$835,345.

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

PROVISION 8.2
REMUNERATION OF IMMEDIATE FAMILY MEMBER OF DIRECTORS, CEO OR SUBSTANTIAL SHAREHOLDERS

During FY2021 and as at the date of this Annual Report, none of the employees of the Group are family members of any of the Directors, CEO or substantial Shareholders.

PROVISION 8.3
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. 97,300,000 awards or shares were issued for FY2021 under the aforesaid share plan.

ACCOUNTABILITY AND AUDIT

RISK MANGEMENT AND INTERNAL CONTROLS

Principle 9: The board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

PROVISION 9.1
RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for ensuring that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of Ardent Business Advisory Pte Ltd ("**Ardent**"), a third party which the Company has appointed as its internal auditors since November 2019. Having considered the Group's business operations, the existing internal control and risk management systems of the Group and the appointment of Ardent as it internal auditors, the Board is of the view that a separate risk committee is not required for the time being.

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

The main risks arising from the Group's business and financial instruments are operational and financial risks. Operational risk is inherent in all business activities. To minimize such risk, the Group has put in place an Enterprise Risk Management Programme ("**ERM**"). The purpose of this programme was to actively engage senior management on a "hands-on" and proactive approach in managing and supervising the Group's business, with focus on operational and compliance risks. The Group has also engaged Ardent since November 2019 as its consultant to assist in this area.

PROVISION 9.2
ASSURANCES FROM THE CEO AND FINANCIAL CONTROLLER

For FY2021, the Board has received assurance from the CEO and Financial Controller of the Company 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 of the Group have been properly maintained; the financial statements give a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are adequate and effective.

BOARD'S COMMENT ON ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS

Based on the work performed by the external and internal auditors, the system of risk management and internal controls established and maintained by the Group, the assurances from the CEO and Financial Controller of the Company, the reviews performed by the Management, the various Board Committees and the Board, pursuant to Rule 1207 (10) of the Listing Rules, the Board is of the opinion that the Group's internal controls, including operation, financial, compliance, information technology controls and risk management system, are 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.

AUDIT COMMITTEE

Principle 10: The board has an audit committee which discharges its duties objectively.

PROVISIONS 10.1 AND 10.2
AC MEMBERSHIP & COMPOSITION

The AC 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 Michael J Butler	(Member/Independent and Non-Executive)
Mr Tan Khai Pang	(Member/Executive)

All the AC members have had many years of senior management experience, and were responsible and accountable for the financial performance of operations under their charge and had developed strong accounting or financial related management expertise. 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 AC is able to discharge its 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.

The AC carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Rules the Best Practices Guide issued by the SGX-ST and the provisions of the Code. In performing those functions, the AC shall review, amongst others:

- the scope, adequacy, effectiveness, independence and the results of internal audit functions and audit procedures with the Company's internal auditors;
- the adequacy, effectiveness, independence and scope of 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 Management to the internal and external auditors;
- the adequacy and effectiveness of the Company's internal control and risk management systems at least on an annual basis;
- the assurance from the CEO and the Financial Controller on the proper upkeep of financial records and financial statements;
- the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and the disclosures thereof in relation to 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;
- recommendations to the Board on the appointment, re-appointment or removal of the external auditors and the remuneration and terms of engagement of the external auditors;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- oversight over the administration of the framework for whistleblowing.

The AC has full access to the 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 of the Group (the "**Executive Officer**") to attend its meetings.

The AC also reviewed the key audit matters ("**KAM**") set out in the auditor's report for FY2021. 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 Rules 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 subsidiary incorporated in Hong Kong, and Beijing An Zheng CPA Co., Ltd as the external auditors of the Company's subsidiary incorporated in the People's Republic of China, 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 Rules has been complied with.

Independence of external auditors

The AC reviews the independence of the external auditors annually. It 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 FY2021, 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 re-appointment as the external auditors of the Group's companies in Singapore at the forthcoming AGM at remuneration to be re-negotiated

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.

All whistler-blower complaints will be investigated independently by the AC and the findings will be reported to the Board. There were no reports of whistle blowing received in FY2021.

PROVISION 10.3
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.

PROVISION 10.4
INTERNAL AUDIT

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, the Group had since FY2020 engaged Ardent as its independent internal auditors to review the internal controls and compliance systems of the Group under the Internal Audit Charter and Audit Plans approved by the AC. Ardent, a member firm of Kreston International, carries out its internal audit functions according to the standards of the Professional Practice of Internal Auditing of the Institute of Internal Audit (IIA), and reports the findings thereof and makes recommendation to the Management and the AC. The AC is generally satisfied with the independence, adequacy and e ectiveness of the current internal audit arrangement, and will continue to access its effectiveness regularly.

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.

PROVISION 10.5
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 or outside of the meeting without the presence of the Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

PROVISION 11.1
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 AGM, Shareholders are given the opportunities to express their views and ask the Board and the Management questions regarding the operations of the Company. All resolutions at general meetings are required to be voted by poll under the Listing Rules. Shareholders will be briefed by the Company on the poll voting procedures at general meetings.

Results of the general meetings are released as an announcement in the SGXNET of the SGX-ST.

Due to the COVID-19 situation, the AGM in 2020 was held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders could not attend the meeting in person and alternative arrangement was made for them to attend virtually via live audio-visual webcast or live audio only stream. Shareholders were allowed to vote by submitting proxy forms appointing Chairman of the meeting as their proxy. Shareholders were requested to submit their questions ahead of the meetings. Questions raised by the shareholders were addressed ahead of the meetings and published on the Company's corporate website and on the SGXNET of the SGX-ST. In view of the continuing COVID-19 situation, the Company will be conducting the forthcoming AGM in a similar manner.

PROVISION 11.2
SEPARATE RESOLUTIONS AT GENERAL MEETINGS

The Company will have separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed separate resolution relating to the said item. For resolutions on the election or re-election of Directors, information on the Directors as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST are given on the Notice of Annual General Meeting.

PROVISION 11.3
ATTENDANCE OF DIRECTORS AND AUDITORS AT GENERAL MEETINGS

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

PROVISION 11.4
ABSENTIA VOTING

The Company's Constitution allows appointment of proxies by a Shareholder who is absent from a general meeting to exercise his or her vote in absence through his or her proxy or proxies. The Company's Constitution allows all Shareholders (who are not relevant intermediaries as set out under the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries such as the CPF agent bank nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

PROVISION 11.5
MINUTES OF GENERAL MEETINGS

The Company prepares minutes of general meetings detailing the proceedings and questions raised by Shareholders and answers given by the Board and the Management. The minutes will be taken and published in the Company's corporate website at www.addvaluetech.com.

PROVISION 11.6
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.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

PROVISION 12.1
AVENUES FOR COMMUNICATION BETWEEN THE BOARD AND SHAREHOLDERS

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 Rules. Price sensitive and trade-sensitive information are publicly announced before it is communicated to any other interested person.

The Company does not practice selective disclosure, and price sensitive information is publicly released on an immediate basis where required under the Listing Rules. 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 the SGXNET of the SGX-ST. 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 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. However, in view of the ongoing COVID-19 pandemic, against the concession jointly granted by the SGX-ST, Accounting and Corporate Regulatory Authority of Singapore and the Monetary Authority of Singapore pursuant to their joint statement issued on 1 October 2020, the FY2021 Annual Reports will not be distributed to the Shareholders but will be made available for viewing at the Company's corporate website (at www.addvaluetech.com) and via the SGXNET of the SGX-ST at least 14 days before the coming AGM.

PROVISIONS 12.2 AND 12.3
INVESTOR RELATIONS

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

The Company investor relations policy is to communicate with its Shareholders and the investment community through the timely and equal dissemination of information and news via announcements to the SGX-ST via its SGXNET. The Company does not practice selective disclosure.

The Company strives to reach out to Shareholders and investors via its online investor relations site within its corporate website (at www.addvaluetech.com), where it updates Shareholders and investors on the latest news and business developments of the Group.

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

PROVISIONS 13.1 AND 13.2
ENGAGE WITH ITS MATERIAL STAKEHOLDER GROUPS

The Group's material stakeholders are its Shareholders, customers, employees, business partners and the community, and the Company engages with them through its sustainability initiatives and corporate social responsibility programmes as set out in the Sustainability Report for FY2021 which has been posted on the SGXNET of the SGX-ST and the Company's corporate website (at www.addvaluetech.com) on 30 August 2021.

PROVISION 13.3
CORPORATE WEBSITE TO COMMUNICATE AND ENGAGE WITH STAKEHOLDERS

The Group maintains a corporate website at www.addvaluetech.com which stakeholders and investors can access information on the Group. The website provides, inter alia, corporate announcements, press releases and profiles of the Group. Stakeholders and investors are provided with an investor relations contact at investor@addvalue.com.sg, where they can send their queries to and the Company will endeavour to respond thereafter.

The Company has posted the contact of the Lead Independent Director on its corporate website to facilitate stakeholders and investors who wish to communicate with the Lead Independent Director.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTION

The Group has adopted an internal policy in respect of any transactions with interested persons, and requires all such transactions to be at arm's length and reviewed by the AC. The Company does not have any general mandate pursuant to Rule 920 of the Listing Rules.

There were no interested person transactions for FY2021.

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 full-year results and two weeks before the announcement of the Group's half yearly 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.

The Company has complied with the best practices pursuant to Rule 1204(19)(c) of the Listing Rules in not dealing in its own securities during the restricted trading periods.

MATERIAL CONTRACTS

There were no material contracts involving the Company (or any of its subsidiaries) and the interest of the CEO, any Director or controlling Shareholder, which were still subsisting at the end of FY2021, except for the following two material contracts (namely, "**Material Contract 1**" and "**Material Contract 2**"):

	Material Contract 1	**Material Contract 2**
Borrower	The Company	The Company
Lender	Mr Paul C Burke	Mr Paul C Burke
Relationship	Mr Paul C Burke was appointed as a Director of the Company on 29 September 2020	Mr Paul C Burke was appointed as a Director of the Company on 29 September 2020
Date of Contract	6 August 2019	17 February 2020
Nature of Contract	Convertible Loan Note	Loan Agreement
Loan Amount	S$3,450,000	US$400,000
Interest Rate	8% per annum	16% per annum
Tenure	Due on 30 September 2021	Due on 15 June 2021
Other Key Terms	Convertible into 150 million new ordinary shares in the Company at a conversion price of S$0.023 per conversion shares at any time on or before the maturity date on 30 September 2021	Nil
Securities Provided	Certain intellectual properties of the Group	Nil

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS FROM THE ISSUANCE OF THE PLACEMENT SHARES (PURSUANT TO RULE 1207(20) OF THE LISTING MANUAL OF THE SGX-ST)

Pursuant to the Company's announcements on 5 August 2020, 14 August 2020, 17 September 2020 and 23 September 2020 concerning a fund raising exercise to be carried out through a placement (the "**Placement**"), the Company had successfully completed it via the placement of 107,373,400 new ordinary shares of the Company (the "**Placement Shares**") on 23 September 2020 at a placement price of S$0.02394 per Placement Share for a gross proceed of approximately US$1.88 million (S$2.57 million).

As at the date of this report, the entire net proceeds of approximately US$1.80 million (S$2.46 million) raised from the Placement had been fully utilized for the intended use as follows:

Use of the Placement proceeds	US$ million	Percentage utilized of allocated amount (%)
Repayment of existing loans	0.35	100
Capability development program for space	0.84	100
General working capital purposes:		
• Payments to suppliers for materials and services	0.11	100
• Payment of administrative expenses, including payroll and other services	0.50	100
Total amount utilized	1.80	

USE OF PROCEEDS FROM THE ISSUANCE OF THE RIGHTS SHARES (PURSUANT TO RULE 1207(20) OF THE LISTING MANUAL OF THE SGX-ST)

Pursuant to the Company's announcements on 29 November 2020, 8 January 2021, 11 January 2021, 22 January 2021, 4 February 2021 and 8 February 2021 concerning a fund raising exercise to be carried out through a rights issue (the "**Rights Issue**"), the Company had successfully completed it via the issuance and allotment of 173,697,491 new ordinary shares of the Company (the "**Rights Shares**") on 8 February 2021 at a rights price of S$0.0225 per Rights Share for a gross proceed of approximately US$2.93 million (S$3.91 million).

As at the date of this report, the net proceeds of about US$2.77 million (S$3.70 million) raised from the Rights Issue had been fully utilized for its intended use as follows:

Use of the Rights Issue proceeds	US$ million	Percentage utilized of allocated amount (%)
Repayment of existing loans	0.83	100
Business expansion and growth	-	-
General working capital purposes:		
• Payments to suppliers for materials and services for its space capabilities development program	0.51	100
• Payment of administrative expenses, including payroll and other services	1.43	100
Total net proceeds utilized	2.77	
Share Issue expenses	0.16	
Total gross proceeds raised	2.93	

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 2021 and the statement of financial position of the Company as at 31 March 2021.

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 2021 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 Michael J Butler
Mr Richard J Denny
Mr Paul C Burke (Appointed on 29 September 2020)

In accordance with Article 104 of the Constitution of the Company, Mr Tan Khai Pang and Mr Michael J Butler will retire and are eligible for re-election. Mr Tan Khai Pang retires and being eligible, offer himself for re-election. Mr Michael J Butler 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 2020 or date of appointment	**At 31 March 2021**	**At 21 April 2021**
The Company			
Ordinary shares			
Dr Chan Kum Lok, Colin	39,190,960	21,640,000	21,640,000
Mr Tan Khai Pang	25,900,360	43,401,000	43,401,000
Mr Michael J Butler	2,666,666	4,166,666	4,166,666
Mr Paul C Burke	63,156,406	74,726,406	74,726,406
Mr Richard J Denny	-	1,500,000	1,500,000

Convertible loan notes (Note 28)

Mr Paul C Burke is currently the holder of a S$3.45 million (approximately US$2.55 million) convertible loan note issued by the Company on 6 August 2019 ("**CLN**"). The CLN bears a fixed interest rate of 8% per annum on each amount outstanding under CLN, which is payable on each anniversary of the Completion Date until the loan principal is fully repaid. The CLN is convertible at the option of the holder into 150,000,000 new ordinary shares in the capital of the Company (the "**conversion shares**") at a conversion price of S$0.023 per conversion shares at any time on or before the maturity date. The Company shall on the maturity date, at the option of the holder, redeem the CLN from the holder by repaying the outstanding loan principal in full and all interest that remain outstanding or made full redemption of the CLN through conversion shares. As at 31 March 2021, the CLN remained unconverted.

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 Richard J Denny	(Chairman)
Mr Michael J Butler	(Member)
Mr Tan Khai Pang	(Member)

The Audit Committee has convened five 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;
- 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.

DIRECTORS' STATEMENT

On behalf of the board of directors

Dr Chan Kum Lok, Colin
Director

Mr Tan Khai Pang
Director

Singapore
13 September 2021

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 2021, 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 pages 55 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 2021 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements. As of 31 March 2021, the Group reported net current liabilities of S$825,282. The Group also reported net loss of US$6,175,227 and net operating cash outflows of US$2,790,305 during the financial year ended. As stated in Note 2.1, 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.

The ability of the Group to continue as a going concern is based on the following premises:

- Timely receipt of sufficient funds from the third party investor for the loan as disclosed in Note 43 to the financial statements; and
- The Group would be able to generate sufficient operating cash flows to fulfil its obligations towards its creditors as and when such obligations fall due.

Our opinion is not modified in respect of this matter.

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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Materiality

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

Scope of audit

For the audit of the current financial year's financial statements, we identified 2 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 3 components, 2 significant components were audited by us and 1 specific scope component was audited by other Mazars office as component auditors under our instructions. 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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter | **Audit response**

Impairment assessment of development expenditure

Refer to Note 3.2 for the relevant key sources of estimation uncertainty and Note 15 (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 2021, the carrying value of development expenditure amounted to US$9,612,566 (2020: US$9,095,278), which represented 48% (2020: 47%) 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.

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**");
- Reconfigurable embedded system ("**RES**"); 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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Matter	Audit response
Valuation of trade receivables *Refer to Note 3.2 for the relevant key sources of estimation uncertainty relating to valuation of trade receivables.*	
Included in trade receivables past due is an amount owing from a third party customer amounting to US$6,000,000. During the previous financial year, the Group had entered into Intellectual Property Licensing agreement with the said customer on a non-exclusive, perpetual and global basis, for a one-time licensing fee of US$6,000,000. At the option of the customer, the license fee can be fully settled within 10 working days from the Fund Raising Closing Date (targeted to be closed by 15 July 2020) or the date of the third-party valuation report, whichever is the earlier, or such other date as may be mutually agreed between the Group and the customer in cash or through the issuance to the Group of such a number of new shares in the customer. On 17 August 2020, the customer issued a trust deed to the Group stating that they had earmarked to issue a minimum of 2,000,000 shares valued at US$3 each for the settlement. As 29 September 2020, management had entered into an addendum to the previous agreement with the customer to further extend the deadline for the transfer of shares to 31 December 2021 and agreed that the shares of the customer to be issued to the Group shall be worth US$6,000,000 based on the fund raising to be concluded by the customer. Given the significance of the amount to the financial statements and the nature of the arrangement, we have identified this to be a key audit matter.	Our audit procedures include, but are not limited to, the following: • Obtained an understanding of and evaluated the appropriateness of the management's bases, including our background check on the customer and the rationale behind this arrangement, to support the recoverability of the trade receivables; • Inspected supporting documents for the extension of deadline for the receipt of trade receivables; and • Considered facts and information that became available subsequent to management's assessment up till the date of this report.

INDEPENDENT AUDITORS' REPORT

To The Members of Addvalue Technologies Ltd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

Other information

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

INDEPENDENT AUDITORS' REPORT

To The Members of Addvalue Technologies Ltd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
13 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

	Note	2021 US$	2020 US$
Revenue	4	2,676,081	9,626,600
Cost of sales		(1,945,918)	(2,463,728)
Gross profit		730,163	7,162,872
Other operating income	5	727,243	449,877
Selling and distribution expenses		(474,914)	(444,271)
Administrative expenses		(3,709,256)	(2,174,511)
Other operating expenses	6	(1,605,846)	(2,054,470)
Finance expenses	7	(1,754,633)	(1,130,788)
(Loss)/Profit before income tax	8	(6,087,243)	1,808,709
Income tax (expense)/credit	9	(87,984)	22,685
(Loss)/Profit for the year		(6,175,227)	1,831,394
Other comprehensive (loss)/income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences arising from translation of foreign operations, representing other comprehensive (loss)/income for the year, net of tax		(25,366)	18,176
Total comprehensive (loss)/income for the year, net of tax		(6,200,593)	1,849,570
(Loss)/Earnings per share attributable to equity holders of the Group (cents)			
Basic and diluted	10	(0.31)	0.10

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 2021

	Note	Group		Company	
		2021	2020	2021	2020
		US$	US$	US$	US$
ASSETS					
Non-current assets					
Property, plant and equipment	12	808,340	1,110,469	–	–
Subsidiaries	13	–	–	19,549,001	19,549,001
Associate	14	–	–	–	–
Intangible assets	15	9,640,829	9,125,035	–	–
		10,449,169	10,235,504	19,549,001	19,549,001
Current assets					
Inventories	16	2,558,786	2,320,976	–	–
Trade receivables	17	6,735,737	6,414,013	–	–
Other receivables, deposits and prepayments	18	157,206	318,583	110	930
Other investment	19	14,945	14,945	14,945	14,945
Contract assets	20	–	168,979	–	–
Due from subsidiaries (non-trade)	21	–	–	8,673,144	3,415,190
Cash and bank balances	22	274,099	60,119	12,727	3,607
		9,740,773	9,297,615	8,700,926	3,434,672
TOTAL ASSETS		20,189,942	19,533,119	28,249,927	22,983,673
LIABILITIES					
Current liabilities					
Trade payables (third parties)	23	841,693	943,362	–	–
Other payables and accruals	24	2,205,548	2,837,617	662,330	607,240
Provisions	25	101,120	108,686	72,463	74,837
Borrowings	26	6,706,432	5,051,040	4,196,118	3,696,526
Lease liabilities	29	216,379	193,848	–	–
Contract liabilities	30	494,883	616,356	–	–
Due to subsidiaries (non-trade)	21	–	–	534,652	616,639
		10,566,055	9,750,909	5,465,563	4,995,242
Non-current liabilities					
Borrowings	26	20,714	38,914	–	–
Lease liabilities	29	107,433	305,695	–	–
Deferred tax liabilities	31	1,633,782	1,545,798	–	–
		1,761,929	1,890,407	–	–
TOTAL LIABILITIES		12,327,984	11,641,316	5,465,563	4,995,242
NET ASSETS		7,861,958	7,891,803	22,784,364	17,988,431
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	32	80,577,932	74,407,184	80,577,932	74,407,184
Capital reserve	33	2,353,691	2,353,691	1,606,809	1,606,809
Statutory reserve	34	7,813	7,813	-	-
Foreign currency translation reserve	35	(4,217)	21,149	-	-
Accumulated losses		(75,073,261)	(68,898,034)	(59,400,377)	(58,025,562)
TOTAL EQUITY		7,861,958	7,891,803	22,784,364	17,988,431

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 2021

	Share capital US$	Capital reserve US$	Statutory reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Total equity US$
Balance at 1 April 2019	74,407,184	1,566,827	7,813	2,973	(70,729,428)	5,255,369
Profit for the year	–	–	–	–	1,831,394	1,831,394
Other comprehensive income, net of tax	–	–	–	18,176	–	18,176
Total comprehensive income for the year	–	–	–	18,176	1,831,394	1,849,570
Contribution by and distribution to owners						
Equity portion of outstanding Conversion Shares (Note 28)	–	786,864	–	–	–	786,864
Balance at 31 March 2020	74,407,184	2,353,691	7,813	21,149	(68,898,034)	7,891,803
Profit for the year	–	–	–	-	(6,175,227)	(6,175,227)
Other comprehensive income, net of tax	–	–	–	(25,366)	-	(25,366)
Total comprehensive income for the year	–	–	–	(25,366)	(6,175,227)	(6,200,593)
Contribution by and distribution to owners						
Issuance of new shares:						
Pursuant to share placement, net of expenses (Note 32)	1,795,682	–	–	–	–	1,795,682
Pursuant to rights issue, net of expenses (Note 32)	2,769,076	–	–	–	–	2,769,076
Pursuant to performance shares, net of expenses (Note 32)	1,605,990	–	–	–	–	1,605,990
Balance at 31 March 2021	80,577,932	2,353,691	7,813	(4,217)	(75,073,261)	7,861,958

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 2021

	Note	2021 US$	2020 US$
Operating activities			
(Loss)/Profit before income tax		(6,087,243)	1,808,709
Adjustments for:			
Amortisation of intangible assets	15	501,683	448,837
Bad debts written (back)/off		(198,522)	16,545
Depreciation of property, plant and equipment	12	410,861	404,713
Interest expense		1,662,626	1,024,260
Interest income	5	(286)	(80)
Impairment loss on development expenditure	15	–	519,189
Inventories written off	16	188,382	286,415
Property, plant and equipment written off		–	2,708
(Provisions utilisation)/Provisions	25	(7,566)	(61,472)
Share-based payment		1,606,703	–
Unrealised foreign exchange loss		207,020	(304,350)
Total operating cash flows before movements in working capital		(1,716,342)	4,145,474
Changes in working capital:			
Inventories		(426,192)	159,936
Contract assets		168,979	(168,979)
Trade and other receivables		38,175	(5,577,991)
Contract liabilities		(121,473)	370,116
Trade and other payables		(733,738)	146,846
Cash used in operations		(2,790,591)	(924,598)
Interest income received		286	80
Income tax refund		–	–
Net cash used in operating activities		(2,790,305)	(924,518)
Investing activities			
Purchase of property, plant and equipment	12	(108,732)	(524,780)
Additions in intangible assets	A	(1,687,292)	(1,950,012)
Proceeds from government grants		669,815	1,265,532
Net cash used in investing activities		(1,126,209)	(1,209,260)
Financing activities			
Net proceeds from placement shares, net of share issue expenses	32	1,698,808	–
Net proceeds from rights issue, net of share issue expenses	32	2,681,108	–
Net proceeds from convertible loan notes	28	–	2,546,000
Proceeds from borrowings		3,872,680	3,482,740
Repayment of borrowings		(3,109,660)	(3,355,967)
Repayment of lease liabilities		(223,278)	(164,796)
Interest paid		(789,164)	(450,861)
Net cash generated from financing activities		4,130,494	2,057,116
Net increase/(decrease) in cash and cash equivalents		213,980	(76,662)
Cash and cash equivalents at beginning of the financial year		60,119	136,781
Cash and cash equivalents at end of the financial year	22	274,099	60,119

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 2021

Reconciliation of liabilities arising from financing activities:

	1 April 2020	Financing cash inflow/ (outflow)	Non-cash movements: Interest expenses	Non-cash movements: Equity portion of convertible loan notes	Non-cash movements: Additions	Non-cash movements: Foreign exchange movement	31 March 2021
	US$	US$	US$	US$	US$	US$	US$
Liabilities							
Loans	1,793,428	508,413	421,703	–	–	207,484	2,931,028
Convertible loan notes	3,296,526	(642,957)	1,143,683	–	–	(1,134)	3,796,118
Lease liabilities	499,543	(223,278)	21,511	–	–	26,036	323,812

	1 April 2019	Financing cash inflow/ (outflow)	Non-cash movements: Interest expenses	Non-cash movements: Equity portion of convertible loan notes	Non-cash movements: Additions	Non-cash movements: Foreign exchange movement	31 March 2020
	US$	US$	US$	US$	US$	US$	US$
Liabilities							
Loans	1,712,869	126,773	–	–	–	(46,214)	1,793,428
Convertible loan notes	1,423,589	2,326,809	610,680	(786,864)	–	(277,688)	3,296,526
Lease liabilities	-	(164,796)	19,052	–	643,910	1,377	499,543

Note A

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

	2021	2020
	US$	US$
Additions of intangible assets during the financial year (Note 15)	1,687,292	1,950,012
Less: Grants received for intangible assets	(669,815)	(1,265,532)
Net cash payment	1,017,477	684,480

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 202 Bedok South Avenue 1 #01-11 Singapore 469332.

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 2021 were authorised for issue by the Board of Directors on 13 September 2021.

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.

As of 31 March 2021, the Group reported net current liabilities of S$825,282. The Group also reported net loss of US$6,175,227 and net operating cash outflows of US$2,790,305 during the financial year ended. As stated in Note 2.1, 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.

The ability of the Group to continue as a going concern is based on the following premises:
- Timely receipt of sufficient funds from the third party investor for the loan as disclosed in Note 43 to the financial statements; and
- The Group would be able to generate sufficient operating cash flows to fulfil its obligations towards its creditors as and when such obligations fall due.

Should the Group be unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of these new or revised SFRS(I)s and SFRS(I) INT did not result in changes to the Group's and Company's accounting policies, and has no material effect on the current or prior year's financial statement and is not expected to have a material effect on future periods.

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) 1-1	Amendment to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 1-16	Amendment to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37	Amendment to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
SFRS(I) 3	Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
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	Amendment to SFRS(I) 16: *Covid-19 Related Rent Concessions*	1 June 2020
Various	Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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.

2.3 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition (Continued)

Licensing income

The Group grants right-of-use (on a non-exclusive, perpetual and global basis) of the Group's in-house developed intellectual properties ("**IPs**") to customers in facilitating the customer to integrate the IPs into its own telecommunication products to be developed and manufactured in conjunction with its space-based global managed network. Revenue is recognised at a point in time when the right to use the Group's intellectual properties is granted. 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Employee leave entitlement

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

2.8 Share-based payments

Employee performance share plan allows Group employees to acquire shares of the Company. The fair value of shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured based on the market value at grant date and spread over the vesting period during which the employees become unconditionally entitled to the shares. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

2.9 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Income tax (Continued)

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.

2.10 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currency transactions and translation (Continued)

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.

2.11 Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are shown at cost less any subsequent accumulated depreciation, and where applicable, accumulated impairment losses.

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 property, 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 of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Useful lives (Years)
Leasehold buildings (over the lease term)	3
Laboratory equipment	5
Furniture, fittings and office equipment	3 - 10
Computers and software	2 - 5
Toolings	3
Renovations	6

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 29.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment (Continued)

The carrying values of property, 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.

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 property, 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 property, plant and equipment are retained in the financial statements until they are no longer in use.

2.12 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 indefinite 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

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.

2.14 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of tangible and intangible assets excluding goodwill (Continued)

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

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

2.15 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

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.

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 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 Cash and cash equivalents

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

2.18 Leases

At inception of a contract, the Group assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16. For these leases, the Group recognizes the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. For right-of-use assets relates to property, plant and equipment to which the Group applies the revaluation model, the Group elected not to apply the revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

Right-of-use assets are presented within "property, plant and equipment".

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

Finance Leases

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

Operating Leases (Continued)

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.

The Group as a lessor

Where a contract contains more than one lease and/or non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component.

At the lease commencement date, the Group assess and classify each lease as either an operating lease or a finance lease. 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.

Operating Leases

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.19 Provisions

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

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 Contingencies

A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(ii) a present obligation that arises from past events but is not recognised because:

  (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (b) the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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.

Revenue recognition

During the previous financial year, the Group recognised revenue in relation to licensing fees to a customer where the customer is given the right to use certain proprietary information relating to the Group's intangible asset. In their assessment of the appropriateness of the accounting of this transaction, management considered various factors, including the contractual arrangement, the nature of the transaction and the probability of receipt of its entitled consideration.

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.

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 prepared by the management and approved by the Board of Directors 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 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 also considered the expected and estimated impact of COVID-19 on the key inputs and assumptions.

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

3.2 Key sources of estimation uncertainty (continued)

Impairment assessment of development expenditure (continued)

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$Nil (2020: US$519,189) in respect of its development expenditure as at 31 March 2021. The carrying value of the Group's development expenditure as at 31 March 2021 is US$9,612,566 (2020: US$9,095,278). Further details of the key assumptions applied in the impairment assessment of development expenditure are disclosed in Note 15.

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 and their best estimate of the impact of COVID-19, specific to the debtors. The expected loss allowance on the Group's trade receivables as at 31 March 2021 is US$Nil (2020: US$198,522) (Note 39).

Impairment of investments in subsidiaries

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. In determining the value-in-use, the Company has considered the expected and estimated impact of COVID-19 on the key inputs, including the discount rate and growth rate, as well as key assumptions applied. The Company's carrying amount of investments in subsidiaries as at 31 March 2021 was US$19,549,001 (2020: US$19,549,001) (Note 13).

Valuation of trade receivables

Trade receivables is valued at fair value. Included in trade receivables past due is an amount owing from a third party amounting to US$6,000,000. During the previous financial year, the Group had entered into Intellectual Property Licensing agreement with a third party on a non-exclusive, perpetual and global basis, for a one-time licensing fee of US$6,000,000. At the option of the third party, the license fee can be fully settled within 10 working days from the Fund Raising Closing Date (targeted to be closed by 15 July 2020) or the date of the third-party valuation report, whichever is the earlier, or such other date as may be mutually agreed between the Group and the third party in cash or through the issuance to the Group of such a number of new shares in the third party. On 17 August 2020, the third party had issued a trust deed to the Group stating that they had earmarked to issue a minimum of 2,000,000 shares valued at US$3 each for the settlement. As 29 September 2020, management had entered into an agreement with the third party to further extend the deadline for the transfer of shares to 31 December 2021 and agreed that the shares of the third party to be issued to the Group shall be worth US$6,000,000 based on the fund raising to be concluded by the third party. Changes in the arrangement may consequentially impact the valuation of the trade receivables. The Group's carrying amount of trade receivables as at 31 March 2021 was US$6,735,737 (2020: US$6,414,013) (Note 17).

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

3.2 Key sources of estimation uncertainty (Continued)

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 2021 was US$2,558,786 (2020: US$2,320,976) (Note 16).

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 2021 was US$9,612,566 (2020: US$9,095,278) (Note 15).

Depreciation of property, plant and equipment

The Group depreciates the property, 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 property, 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 property, plant and equipment at 31 March 2021 was US$808,340 (2020: US$1,110,469) (Note 12).

4. REVENUE

	Group	
	2021	2020
	US$	US$
Sale of finished products and components	2,158,988	2,699,358
Contract design revenue	376,000	752,000
Design service income	141,093	175,242
Licensing income	–	6,000,000
	2,676,081	9,626,600

Transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations on 31 March 2021 and expected to be realised in the following financial years:

	2021	2020
	US$	US$
Within one year	2,924,646	1,648,000
After one year within five years	–	493,000
	2,924,646	2,141,000

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		Licensing income		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Geographical markets[a]										
EMEA	116,738	89,917	–	–	–	–	–	–	116,738	89,917
North America	1,021,926	708,403	376,000	752,000	–	–	–	6,000,000	1,397,926	7,460,403
Asia Pacific	1,020,324	1,901,038	–	–	141,093	175,242	–	–	1,161,417	2,076,280
	2,158,988	2,699,358	376,000	752,000	141,093	175,242	–	6,000,000	2,676,081	9,626,600
Timing of revenue recognition										
Goods transferred at a point in time	2,158,988	2,699,358	–	–	–	–	–	–	2,158,988	2,699,358
Services transferred at a point in time	–	–	–	–	141,093	175,242	–	6,000,000	141,093	6,175,242
Services transferred overtime	–	–	376,000	752,000	–	–	–	–	376,000	752,000
	2,158,988	2,699,358	376,000	752,000	141,093	175,242	–	6,000,000	2,676,081	9,626,600

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

5. OTHER OPERATING INCOME

	Group	
	2021	**2020**
	US$	**US$**
Government grants received	528,429	31,841
Foreign exchange gain, net	–	413,149
Reversal of allowance for trade receivables	198,522	–
Interest income	286	80
Others	6	4,807
	727,243	449,877

Included in government grants is an amount of US$451,357 (2020: US$Nil) which was recognised during the financial year under the Jobs Support Scheme (the "**JSS**"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

6. OTHER OPERATING EXPENSES

	Group	
	2021	**2020**
	US$	**US$**
Amortisation of intangible assets (Note 15)	501,683	448,837
Bad debts written off	–	16,545
Bank charges	7,121	10,474
Depreciation of property, plant and equipment (Note 12)	410,861	404,713
Foreign exchange loss, net	291,399	–
Impairment loss of development expenditure (Note 15)	–	519,189
Inventories written off (Note 16)	188,382	286,415
Laboratory usage	72,880	130,214
Property, plant and equipment written off	–	2,708
Repairs and maintenance	46,299	95,952
Telecommunications	6,781	21,885
Transportations	3,075	4,178
Travelling	3,864	57,580
Utilities	21,116	24,689
Others	52,385	31,091
	1,605,846	2,054,470

7. FINANCE EXPENSES

	Group	
	2021	2020
	US$	US$
Interest on bills payable	56,745	65,607
Interest on convertible loan	1,143,683	610,680
Interest on loans	364,958	242,433
Interest on late payment	75,729	86,488
Interest on lease obligations	21,511	19,052
Loan facilities fees	92,007	106,528
	1,754,633	1,130,788

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

		Group	
	Note	2021	2020
		US$	US$
Audit fees		77,805	68,650
Directors' remuneration of the Group			
- Remuneration and contribution to defined contribution plan	36	422,381	446,048
- Directors' fees	36	72,463	74,837
Employee benefits expense*	11	3,625,624	1,703,063
Inventories recognised as an expense in cost of sales	16	1,046,177	1,636,988
Operating lease expenses		74,431	214,577

* This includes the amount shown as directors' remuneration.

9. INCOME TAX EXPENSE/(CREDIT)

	Group	
	2021	2020
	US$	US$
Deferred tax expense/(credit):		
- Origination and reversal of temporary differences	87,984	(22,685)
Income tax expense/(credit)	87,984	(22,685)

Reconciliation of effective tax rate is as follows:

	Group	
	2021	2020
	US$	US$
(Loss)/Profit before income tax	(6,087,243)	1,808,709
Tax at the applicable tax rate of 17%	(1,034,831)	307,481
Tax effects of:		
- Different tax rates in other countries	(3,907)	(130)
- Expenses not deductible for tax purposes	320,967	54,560
- Income not subject to tax	(29,872)	(44,704)
- Deferred tax assets not recognised	842,537	13,283
- Utilisation of deferred tax assets previously not recognised	(4,026)	(353,175)
- Tax incentives	(2,884)	–
Income tax expense/(credit)	87,984	(22,685)

9. INCOME TAX CREDIT (CONTINUED)

The Group has unutilised tax losses and accelerated tax depreciation of approximately US$60,399,000 and US$1,543,000 (2020: US$55,467,000 and US$1,543,000) 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.

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.

10. (LOSS)/EARNINGS PER SHARE

Basic and diluted loss per share is calculated by dividing the (loss)/income 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)/earnings and share data used in the computation of basic and diluted (loss)/earnings per share for the financial years ended 31 March:

	2021	2020
(Loss)/Earnings for the purpose of calculating basic and diluted (loss)/earnings per share ((loss)/income) for the year attributable to the Company) (US$)	(6,175,227)	1,831,394
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	1,962,009,620	1,870,441,084
Basic and diluted (loss)/earnings per share (US$ cents)	(0.31)	0.10

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

The basic and diluted (loss)/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 2021. Accordingly, the diluted (loss)/earnings per share for financial year ended 31 March 2021 and 2020 was the same as the basic (loss)/earnings per share.

The weighted average number of ordinary shares for financial year ended 31 March 2021 was computed based on the issue and allotment of 378,370,891 new shares pursuant to placements issue on 23 September 2020, 8 February 2021 and 19 February 2021.

11. EMPLOYEE BENEFITS EXPENSE

	Group	
	2021 US$	2020 US$
Employee benefits expense (including directors):		
- Salaries, bonuses and others	2,815,028	2,710,857
- Share-based payment	1,654,901	–
- Contribution to defined contribution plans	257,982	255,508
	4,727,911	2,966,365
Directors' fees	72,463	74,837
	4,800,374	3,041,202
Charged to consolidated statement of profit or loss and other comprehensive income	3,625,624	1,703,063
Capitalised in development expenditure	1,174,750	1,338,139
	4,800,374	3,041,202

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building US$	Laboratory equipment US$	Furniture, fittings and office equipment US$	Computers and software US$	Toolings US$	Renovations US$	Total US$
Group							
Cost							
At 1 April 2019	–	811,658	203,186	923,379	976,152	395,316	3,309,691
Recognition of right-of-use assets on initial application of SFRS(I) 16 (Note 29)	637,185	–	28,282	–	–	–	665,467
Additions	–	163,314	69,486	81,336	–	210,644	524,780
Write-off	–	(10,320)	(178,625)	–	–	(390,126)	(579,071)
At 31 March 2020	637,185	964,652	122,329	1,004,715	976,152	215,834	3,920,867
Additions	–	70,857	–	29,623	–	8,252	108,732
Write-off	–	–	(2,614)	–	–	–	(2,614)
At 31 March 2021	637,185	1,035,509	119,715	1,034,338	976,152	224,086	4,026,985
Accumulated depreciation							
At 1 April 2019	–	676,343	194,644	845,626	912,094	353,341	2,982,048
Depreciation charge for the financial year	132,905	93,529	11,684	39,901	58,390	68,304	404,713
Write-off	–	(10,320)	(178,006)	–	–	(388,037)	(576,363)
At 31 March 2020	132,905	759,552	28,322	885,527	970,484	33,608	2,810,398
Depreciation charge for the financial year	211,520	50,105	21,937	44,993	5,668	76,638	410,861
Write-off	–	–	(2,614)	–	–	–	(2,614)
At 31 March 2021	344,425	809,657	47,645	930,520	976,152	110,246	3,218,645
Carrying amount							
At 31 March 2021	292,760	225,852	72,070	103,818	–	113,840	808,340
At 31 March 2020	504,280	205,100	94,007	119,188	5,668	182,226	1,110,469

13. SUBSIDIARIES

	Company 2021 US$	Company 2020 US$
Unquoted equity shares, at cost		
At beginning of financial year	63,180,141	56,037,284
Additions	1	7,142,857
	63,180,142	63,180,141
Less: Impairment losses	(43,631,141)	(43,631,140)
At end of financial year	19,549,001	19,549,001

In the previous financial year, Addvalue Innovation Pte Ltd issued a total of 10,000,000 ordinary shares with a nominal value of S$1, for a consideration of US$7,142,857. This was satisfied by capitalising the indebtedness owing by Addvalue Innovation Pte Ltd to the Company.

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 2021 %	2020 %
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 Capital Pte. Ltd.[(1)]	Investment holding	Singapore	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
Held by Addvalue Capital Pte Ltd				
Revere Space Inc. [(3)]	Business development , sale and marketing of satellite communications products and services	United States of America	100	–

13. SUBSIDIARIES (CONTINUED)

(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.

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 2020, the transaction remains uncompleted and the expected completion date of the Disposal remains fluid and cannot be determined with certainty. The Company has terminated the CSPA on 27 August 2020.

(a) Incorporation of a subsidiary – Addvalue Capital Pte. Ltd. ("Addvalue Capital")

On 21 July 2020, the Company incorporated a wholly owned subsidiary in Singapore known as Addvalue Capital Pte. Ltd. The purpose of the incorporation is to complement the Group's penetration into the United States market.

(b) Incorporation of a subsidiary – Revere Space Inc. ("Revere Space")

On 2 March 2021, Addvalue Capital incorporated a wholly owned subsidiary in the United States of America known as Revere Space Inc. for the purpose to address the growing demand for the Group's space-based communications products and services in the active US space market.

14. ASSOCIATE

	Group and Company	
	2021	2020
	US$	US$
Equity shares, at cost	137	137
Impairment losses	(137)	(137)
Carrying amount	–	–

Details of the associate are as follows:

Name of associate	Principal activities	Country of incorporation and place of business	Percentage of equity interest held by the Group		Cost of investment to the Company	
			2021	2020	2021	2020
			%	%	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. INTANGIBLE ASSETS

	Development expenditure US$	Patents US$	Computer software US$	Total US$
Group				
Cost				
At 1 April 2019	30,867,108	72,389	1,356,542	32,296,039
Additions	1,950,012	–	–	1,950,012
Government grant	(1,265,532)	–	–	(1,265,532)
At 31 March 2020	31,551,588	72,389	1,356,542	32,980,519
Additions	1,687,292	–	–	1,687,292
Government grant	(669,815)	–	–	(669,815)
At 31 March 2021	32,569,065	72,389	1,356,542	33,997,996
Accumulated amortisation				
At 1 April 2019	11,404,360	44,126	1,206,263	12,654,749
Amortisation charge for the financial year	300,052	–	148,785	448,837
At 31 March 2020	11,704,412	44,126	1,355,048	13,103,586
Amortisation charge for the financial year	500,189	–	1,494	501,683
At 31 March 2021	12,204,601	44,126	1,356,542	13,605,269
Accumulated impairment				
At 1 April 2019	10,232,709	–	–	10,232,709
Impairment losses	519,189	–	–	519,189
At 31 March 2020	10,751,898	–	–	10,751,898
Impairment losses	–	–	–	–
At 31 March 2021	10,751,898	–	–	10,751,898
Carrying amount				
At 31 March 2021	9,612,566	28,263	–	9,640,829
At 31 March 2020	9,095,278	28,263	1,494	9,125,035

15. INTANGIBLE ASSETS (CONTINUED)

Included in the development expenditure is an amount of US$5,130,179 (2020: US$5,328,409) 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$9,612,566 (2020: US$9,095,278) 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$500,189 (2020: US$300,052) was charged to other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

The Group's intellectual property related to its satellite technology ("**IDRS**") with carrying amount of US$7,375,901 (2020: US$6,638,751) was utilised as security to a shareholder investor for the issuance of convertible loan notes (Note 28).

The individual development projects of which respectively carrying amounts are more than 10% of the total intangible assets in either 2021 or 2020 are as follows:

	Group	
	2021 Carrying amount US$	**2020 Carrying amount US$**
Project 1	2,105,787	2,351,121
Project 2 (In progress)	1,975,310	1,332,091
Project 3 (In progress)	2,479,098	2,440,541

Included in the development expenditure are the capitalisation of the employee benefits expense of US$1,174,750 for the current financial year (2020: US$1,338,139) (Note 11).

Development expenditure for Project 3 is net of government grant received during the current financial year amounting to US$669,815 (2020: US$1,265,532).

15. 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	
	2021	2020
	US$	US$
Satellite communication ("**Satcom**")	1,624,230	1,756,601
Internet-of-things ("**IoT**")	–	–
Reconfigurable embedded system ("**RES**") (f.k.a Software-defined radio ("**SDR**"))	612,435	699,926
Space resilient technologies	7,375,901	6,638,751
	9,612,566	9,095,278

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		Reconfigurable embedded System		Space resilient technologies	
	2021	2020	2021	2020	2021	2020	2021	2020
Growth rates [1]	-6% to 149%	-54% to 6%	-14% to 183%	0%	65% to 474%	0%	18% to 501%	7% to 18%
Discount rate [2]	20%	20%	20%	20%	20%	20%	20%	20%
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.

In the previous financial year, the Group had assessed products' life cycle and determined that certain products under small 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$Nil (2020: US$519,189) was recognised in "Other operating expenses" (Note 6) for the financial year ended. The impairment losses are included in the segment result of Asia Pacific region as the development expenditure is located in Singapore.

15. INTANGIBLE ASSETS (CONTINUED)

Impairment losses of development expenditure

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$**
2021		
Satellite communication (“**Satcom**”)	1,624,230	–
Reconfigurable embedded system (“**RES**”)	612,435	–
Space resilient technologies	7,375,901	–
2020		
Satellite communication (“**Satcom**”)	1,756,601	–
Reconfigurable embedded system (“**RES**”)	699,926	–
Space resilient technologies	6,638,751	–

16. INVENTORIES

	Group	
	2021	**2020**
	US$	**US$**
Finished goods	906,763	633,702
Raw materials	1,618,922	1,678,950
Semi-finished goods	33,101	8,324
	2,558,786	2,320,976

The cost of inventories recognised as an expense and included in “cost of sales” amounted to US$ 1,046,177 (2020: US$1,636,988). 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$188,382 (2020: US$286,415), included in “Other operating expenses” (Note 6).

17. TRADE RECEIVABLES

	Group	
	2021	2020
	US$	US$
Trade receivables	6,735,737	6,612,535
Less: loss allowance (Note 39)	–	(198,522)
	6,735,737	6,414,013

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.

Trade receivables include an amount of US$6 million (2020: US$6 million) pertaining to a one-off licensing income. The settlement of the consideration will be at the option of the trade debtor, either by way of cash or issuance of shares to the Group. The customer had opted to issue shares to settle the outstanding trade receivable. On 17 August 2020, 2 million shares of the customer had been earmarked to be issued to the Group via a trust deed. On 29 September 2020, the trust deed was further extended to 31 December 2021 and the number of shares to be issued will be dependent on the valuation of the customer upon completion of its fund raising activities.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Deposits	85,382	89,014	110	110
Other receivables	351,913	491,339	–	–
Prepayments	59,633	74,868	–	820
Staff loans and advances	253	3,337	–	–
Less: loss allowance (Note 39)	(339,975)	(339,975)	–	–
	157,206	318,583	110	930

Staff loans and advances relates to an amount held in trust by an employee of the Group for future operating expenditure amounting to US$253 (2020: US$3,337).

19. OTHER INVESTMENT

	Group and Company	
	2021	2020
	US$	US$
Quoted equity investment - at FVTPL	14,945	14,945

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

20. CONTRACT ASSETS

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Unbilled revenue	–	168,979	–	–

The unbilled revenue relates to the revenue recognised to date but has not been invoiced to the customer as at the financial year end and is transferred to trade receivables at the point when it is invoiced to the customers.

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

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

22. CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Cash at bank	273,080	54,206	12,727	3,607
Cash in hand	1,019	5,913	–	–
Cash and bank balances	274,099	60,119	12,727	3,607

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

23. TRADE PAYABLES (THIRD PARTIES)

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Trade payables				
- Third parties	841,693	943,362	–	–

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	
	2021	2020	2021	2020
	US$	US$	US$	US$
Accrued operating expenses:				
- Employee benefits	1,205,752	1,242,844	–	–
- Directors' fees [1]	46,248	175,560	46,248	175,560
- Others	165,329	219,951	72,472	98,365
Due to directors [2]	109,126	47,595	69,333	–
Other payables	679,093	1,151,667	474,277	333,315
	2,205,548	2,837,617	662,330	607,240

(1) These amounts 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. Included in this amount is an interest payable of US$69,333 to a director of the Company for Loan 5 (Note 27).

25. PROVISIONS

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Directors' fees	72,463	74,837	72,463	74,837
Warranty	28,657	33,849	–	–
	101,120	108,686	72,463	74,837

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

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

	Directors' fees US$	Warranty US$	Total US$
Group			
2021			
At beginning of financial year	74,837	33,849	108,686
Provision	72,463	–	72,463
Utilisation	(74,837)	(5,192)	(80,029)
At end of financial year	72,463	28,657	101,120
2020			
At beginning of financial year	114,929	55,229	170,158
Provision	74,837	12,654	87,491
Utilisation	(114,929)	(34,034)	(148,963)
At end of financial year	74,837	33,849	108,686

25. PROVISIONS (CONTINUED)

	Directors' fees
	US$
Company	
2021	
At beginning of financial year	74,837
Provision	72,463
Utilisation	(74,837)
At end of financial year	72,463
2020	
At beginning of financial year	114,929
Provision	74,837
Utilisation	(114,929)
At end of financial year	74,837

26. BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Due within one year				
Loans (Note 27)	2,910,314	1,754,514	400,000	400,000
Convertible loan notes (Note 28)	3,796,118	3,296,526	3,796,118	3,296,526
	6,706,432	5,051,040	4,196,118	3,696,526
Due after one year or more				
Loans (Note 27)	20,714	38,914	–	–
	20,714	38,914	–	–
	6,727,146	5,089,954	4,196,118	3,696,526
Total borrowings				
Loans (Note 27)	2,931,028	1,793,428	400,000	400,000
Convertible loan notes (Note 28)	3,796,118	3,296,526	3,796,118	3,296,526
	6,727,146	5,089,954	4,196,118	3,696,526

27. LOANS

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Due within one year				
Loan 1 (unsecured)	42,441	46,415	–	–
Loan 2 (unsecured)	-	42,976	–	–
Loan 3 (unsecured)	594,545	982,249	–	–
Loan 4 (unsecured)	74,623	57,871	–	–
Loan 5 (unsecured)	400,000	400,000	400,000	400,000
Loan 6 (unsecured)	–	225,003	–	–
Loan 7 (unsecured)	1,205,063	–	–	–
Loan 8 (unsecured)	222,954	–	–	–
Loan 9 (unsecured)	184,800	–	–	–
Loan 10 (unsecured)	161,115	–	–	–
Loan 11 (unsecured)	24,773	–	–	–
	2,910,314	1,754,514	400,000	400,000
Due after one year or more				
Loan 1 (unsecured)	–	38,914	–	–
Loan 4 (unsecured)	20,714	–	–	–
Total loans	2,931,028	1,793,428	400,000	400,000

Loan 1 (unsecured)

Loan 1 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 2 (unsecured)

Loan 2 was obtained by a subsidiary of the Company from several third-party individuals in the previous financial year and is denominated in Singapore dollar, bears a fixed interest rate at 18% per annum and is unsecured and repayable in 12 monthly instalments. The loan is guaranteed by the Company.

The loan has been fully repaid during the financial year.

Loan 3 (unsecured)

Loan 3 was obtained by a subsidiary of the Company from a third-party individual in the previous 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 4 (unsecured)

Loan 4 was obtained by a subsidiary of the Company from receivables factoring institution during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 1.5% (2019: 2.25%) per month and is unsecured and repayable in 18 months instalments (2020: repayable in 18 months instalments). The loan is guaranteed by the Company.

27. LOANS (CONTINUED)

Loan 5 (unsecured)

Loan 5 was obtained by the Company from a director of the Company in the previous financial year and is denominated in United States dollar, bears a fixed interest rate at 16% per annum and is unsecured and repayable on a lump sum payment on maturity date.

Loan 6 (unsecured)

Loan 6 was obtained by a subsidiary of the Company from receivables factoring institution in the previous financial year and is denominated in Singapore dollar, bears a fixed interest rate at 1.75% per month and is unsecured. The loan is guaranteed by the Company.

The loan has been fully repaid during the financial year.

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 10% per annum 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 a third-party individual during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 2.5% to 3.5% per month and is unsecured and repayable on maturity date. The loan is guaranteed by the Company.

Loan 9 (unsecured)

Loan 9 was obtained by a subsidiary of the Company from a third-party individual during the financial year and is denominated in United States dollar, bears a fixed interest rate at 16% per annum and is unsecured and repayable on a lump sum payment on maturity date.

Loan 10 (unsecured)

Loan 10 was obtained by a subsidiary of the Company from receivables factoring institution during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 1.75% to 2.0% per month and is unsecured and repayable on maturity date.

Loan 11 (unsecured)

Loan 11 was obtained by a subsidiary of the Company from receivables factoring institution during the financial year and is denominated in Singapore dollar, bears a fixed interest rate at 1.75% per month and is unsecured and repayable in six monthly instalments. The loan is guaranteed by the Company and certain directors of the Company.

28. CONVERTIBLE LOAN NOTES

	Group and Company	
	2021	2020
	US$	US$
Convertible loan notes 1	1,406,001	1,414,642
Convertible loan notes 2	2,390,117	1,881,884
	3,796,118	3,296,526

Convertible loan notes 1

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 bears a fixed interest rate of 5% per annum on each amount outstanding under convertible loan notes, which is payable 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 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 at any time on or before the 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 2020, there is an outstanding convertible loan notes of S$2.475 million (approximately US$1.9 million) which remained unconverted.

On 20 August 2020, the Company had entered into a revised convertible loan agreement with a holder of the convertible loan notes. The Company had settled with principal payments by way of cash payment and share placements amounting to S$223,630 (equivalent to US$167,096) and S$251,370 (equivalent to US$184,129) respectively and interest payments by way of cash payments amounting to S$123,750 (equivalent to US$88,840). The revised convertible loan notes are issued with principal amount of S$2 million (approximately US$1.4 million) and bears a fixed interest rate of 5% 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 holder at any time into 83,542,189 shares (the "**conversion shares**") at a conversion price of S$0.02394 per conversion shares at any time on or before the maturity date. The Company shall on the maturity date, at the option of the holder, redeem the convertible loan notes from the holder 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. As at 31 March 2021, there is an outstanding convertible loan notes of S$2 million (approximately US$1.4 million) which remained unconverted.

The interest charged for the financial year ended 31 March 2021 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 6 September 2021.

28. CONVERTIBLE LOAN NOTES (CONTINUED)

Convertible loan notes 1 (Continued)

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

	Group and Company
	US$
Nominal value of convertible loan notes issued	5,065,984
Equity component (Note 33)	819,945
Liability component	
At 1 April 2019	1,423,589
Imputed interest charged	272,846
Interest paid	(90,041)
Exchange difference	(191,752)
At 31 March 2020	1,414,642
Imputed interest charged	489,512
Principal paid	(351,225)
Interest paid	(88,840)
Exchange difference	(58,088)
At 31 March 2021	1,406,001
Equity component	
At 31 March 2020 and 31 March 2021	819,945
Proceeds from convertible loan notes	5,065,984

28. CONVERTIBLE LOAN NOTES (CONTINUED)

Convertible loan notes 2

On 6 August 2019 ("**Completion Date**"), the Company issued convertible loan notes with principal amount of S$3.45 million (approximately US$2.55 million). The loan notes bears a fixed interest rate of 8% per annum on each amount outstanding under convertible loan notes, which is payable on each anniversary of the Completion Date until the loan principal is fully repaid. The loan notes are convertible at the option of the holder into 150,000,000 new ordinary shares in the capital of the Company (the "**conversion shares**") at a conversion price of S$0.023 per conversion shares at any time on or before the maturity date. The Company shall on the maturity date, at the option of the holder, 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. As at 31 March 2021, the convertible loan notes remained unconverted.

The interest charged for the financial year ended 31 March 2021 is calculated by applying an effective interest rate of 30.30% per annum to the liability component from the issuance date of the convertible loan notes since they were issued.

On 3 September 2021, the maturity of the convertible loan notes was further extended to 30 September 2022.

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		2,546,000
Equity component (Note 33)		786,864
Liability component		
At 6 August 2019	(a)	1,759,136
Imputed interest charged		337,834
Interest paid		(129,150)
Exchange difference		(85,936)
At 31 March 2020		1,881,884
Imputed interest charged		623,344
Interest paid		(202,892)
Exchange difference		87,781
At 31 March 2021		2,390,117
Equity component		
At 31 March 2020 and 31 March 2021	(b)	786,864
Proceeds from convertible loan notes (total of (a) and (b))		2,546,000

29. THE GROUP AS A LESSEE

The Group leases industrial building and office equipment for three to five years. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

Recognition exemptions

The Group has lease of office building and office equipment with lease terms of 12 months. For such leases, the Group has elected not to recognise right-of use assets and lease liabilities.

29(A)RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets by class of underlying asset classified within property, plant and equipment as follows:

	Leasehold buildings US$	Furniture, fittings and office equipment US$	Total US$
Group			
At 1 April 2019			
Additions	637,185	28,282	665,467
Depreciation	(132,905)	(2,703)	(135,608)
At 31 March 2020	504,280	25,579	529,859
Depreciation	(211,520)	(5,643)	(217,163)
At 31 March 2021	292,760	19,936	312,696

The total cash outflow for leases during the financial year ended 31 March 2021 is US$223,278 (2020: 164,796).

29(B)LEASE LIABILITIES

	Group	
	2021 US$	2020 US$
Lease liabilities - non-current	107,433	305,695
Lease liabilities - current	216,379	193,848
	323,812	499,543

The maturity analysis of lease liabilities is disclosed in Note 39.

29(C)AMOUNTS RECOGNISED IN PROFIT OR LOSS

	Group	
	2021	2020
	US$	US$
Interest expense on lease liabilities	21,511	19,052
Expense relating to short-term leases	211,519	214,577

30. CONTRACT LIABILITIES

Contract liabilities relate 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 2021 decreased due to utilisation of 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	
	2021	2020
	US$	US$
Amounts included in contract liabilities at the beginning of the financial year		
- Sales of goods	150,000	225,482

31. DEFERRED TAX LIABILITIES

	Group	
	2021	2020
	US$	US$
At beginning of financial year	(1,545,798)	(1,568,483)
Recognised in the profit or loss		
- Relates to origination and reversal of temporary differences	(87,984)	22,685
At end of financial year	(1,633,782)	(1,545,798)

31. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Development expenditure US$
Group	
2021	
At beginning of financial year	(1,545,798)
Recognised in the profit or loss	
- Relates to origination and reversal of temporary differences	(87,984)
At end of financial year	(1,633,782)
2020	
At beginning of financial year	(1,568,483)
Recognised in the profit or loss	
- Relates to origination and reversal of temporary differences	22,685
At end of financial year	(1,545,798)

32. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of ordinary shares	US$	Number of ordinary shares	US$
Issued and fully paid:				
At beginning of financial year	1,870,441,084	74,407,184	1,870,441,084	74,407,184
Issuance of placement shares (A)	107,373,400	1,882,906	–	–
Issuance of rights issue (B)	173,697,491	2,927,540	–	–
Issuance of performance shares (C)	97,300,000	1,606,734	–	–
Share issue expense	–	(246,432)	–	–
At end of financial year	2,248,811,975	80,577,932	1,870,441,084	74,407,184

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.

32. SHARE CAPITAL (CONTINUED)

(A) On 23 September 2020, pursuant to a share placement exercise, the Group and the Company allotted and issued 107,373,400 new ordinary shares of the Group and the Company (the "**Placement Shares**") in the share capital of the Group and the Company at a placement price of S$0.02394 per Placement Share for S$2,570,519 (equivalent to US$1,882,906).

(B) On 8 February 2021, pursuant to a Rights Issue Exercise, the Group and the Company allotted and issued 173,697,491 new ordinary shares of the Group and the Company (the "**Rights Shares**") in the share capital of the Group and the Company at a rights price of S$0.0225 per Rights Share for S$3,908,194 (equivalent to US$2,927,540).

(C) 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. On 19 February 2021, pursuant to a Performance Share placement, the Group and the Company allotted and issued 97,300,000 new ordinary shares of the Group and the Company (the "**Performance share**") in the share capital of the Group and the Company at a performance share price of S$0.022 per Performance Share for S$2,140,600 (equivalent to US$1,606,734).

These newly issued shares rank pari passu with the existing shares.

33. CAPITAL RESERVE

	Group		Company	
	2021 US$	2020 US$	2021 US$	2020 US$
At beginning of financial year	2,353,691	1,566,827	1,606,809	819,945
Equity portion of convertible loan notes (Note 28)	-	786,864	-	786,864
At end of financial year	2,353,691	2,353,691	1,606,809	1,606,809
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	1,606,809	1,606,809	1,606,809	1,606,809

* 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.

(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.

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2021	**2020**
	US$	**US$**
Salaries, bonus and others	924,801	984,358
Share-based payment	637,838	–
Contribution to defined contribution plans	44,344	51,744
	1,606,983	1,036,102
Directors' fees	72,463	74,837
Total compensation paid/payable to key management personnel	1,679,446	1,110,939
Comprised of amount proposed or due to:		
Directors of the Company		
- Directors' fees	72,463	74,837
- Remuneration and contribution to defined contribution plans	771,637	446,048
	844,100	520,885
Other key management personnel	835,346	590,054
	1,679,446	1,110,939

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 2021 owing to the directors of the Company are disclosed in Note 24 and Note 25. 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 2021, the Company has given guarantees amounting to US$2,415,338 (2020: US$1,383,936) 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 are US$2,097,174 (2020: US$1,308,099). 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	
	2021	**2020**
	US$	**US$**
Future minimum lease payments:		
- within one year	10,137	9,377

38. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical areas as the Group's risks and rates of return are affected predominantly by geographical areas.

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

- Segment 1: Europe Middle East and Africa ("**EMEA**") included sales made to customers based in Spain, United Kingdom, United Arab Emirates ("**UAE**") and other countries within the region;
- Segment 2: North America included sales made to customers based in United States of America, Canada and other countries within the region;
- Segment 3: Asia Pacific included sales made to customers based in Singapore, Malaysia, Korea, China, Philippines, Australia, and other countries within the region.

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

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

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

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

38. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.22.

	EMEA US$	North America US$	Asia Pacific US$	Consolidated US$
2021				
Revenue				
Total revenue from external customers	116,738	1,397,926	1,161,417	2,676,081
Gross profit				730,163
Unallocated expenses*				(5,790,016)
Other income				727,243
Finance expenses				(1,754,633)
Loss before income tax				(6,087,243)
Income tax expense				(87,984)
Loss for the year				(6,175,227)
Segment assets				
- Segment assets	198	6,084,405	14,105,339	20,189,942
Segment liabilities				
- Segment liabilities	296,386	125,111	10,272,705	10,694,202
- Deferred tax liabilities			1,633,782	1,633,782
Total liabilities				12,327,984
Other information				
Capital expenditure				
- Property, plant and equipment	–	–	108,732	108,732
- Intangible assets	–	–	1,687,292	1,687,292
Depreciation and amortisation**	39,807	476,692	396,045	912,544

38. SEGMENT INFORMATION (CONTINUED)

	EMEA US$	North America US$	Asia Pacific US$	Consolidated US$
2020				
Revenue				
Total revenue from external customers	89,917	7,460,403	2,076,280	9,626,600
Gross profit				7,162,872
Unallocated expenses*				(4,673,252)
Other income				449,877
Finance expenses				(1,130,788)
Profit before income tax				1,808,709
Income tax credit				22,685
Profit for the year				1,831,394
Segment assets				
- Segment assets	180,602	6,018,320	13,334,197	19,533,119
Segment liabilities				
- Segment liabilities	372,741	11,748	9,711,029	10,095,518
- Deferred tax liabilities			1,545,798	1,545,798
Total liabilities				11,641,316
Other information				
Capital expenditure				
- Property, plant and equipment	–	–	524,780	524,780
- Intangible assets	–	–	1,950,012	1,950,012
Impairment loss on development expenditure	–	–	519,189	519,189
Depreciation and amortisation**	7,973	661,482	184,095	853,550

* 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.

38. SEGMENT INFORMATION (CONTINUED)

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

	Group	
	2021	2020
	US$	US$
Land communication products	257,530	444,418
Maritime communication products	291,102	816,438
IDRS product and service	1,017,949	344,000
RES embedded platform and services	386,496	797,488
Design services	376,000	752,000
Licensing income	–	6,000,000
Components and other sales	347,004	472,256
	2,676,081	9,626,600

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

	Revenue	
	2021	2020
	US$	US$
Country of domicile		
- Singapore	740,073	795,317
Foreign countries		
- United States of America	1,375,101	7,457,870
- Korea	17,673	149,383
- UAE	3,261	25,033
- United Kingdom	12,222	26,715
- China	285,006	877,009
- Canada	4,156	224
- Australia	44,983	35,613
- Malaysia	1,586	53,251
- Spain	75,395	–
- India	45,880	–
- Others*	70,745	206,185
	2,676,081	9,626,600

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

38. SEGMENT INFORMATION (CONTINUED)

Major customers

In 2021, revenue of the Group was attributable to major customers based in United States of America amounted to US$1,061,788.

In 2020, revenue of the Group was attributable to a major customer based in United States of America amounted to US$6,000,000 in relation to licensing income.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

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

Credit risks

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

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

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

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.

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.

39. 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 27, 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. Trade receivables from 1 (2020: 1) customer accounted for approximately 89% (2020: 91%) of total trade receivables of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

<u>Trade receivables (Note 17) and contract assets (Note 20)</u>

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

The contract assets relate mainly to unbilled revenue and have substantially the same risk characteristics as trade receivables for the same type of contracts. Therefore, the Group concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the credit loss rates of the contract assets.

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.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Note 4. Write off (Continued)

Trade receivables (Note 17) and contract assets (Note 20) (Continued)

Trade receivables and contract assets 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.

The age analysis of trade receivables is as follows:

	Group	
	2021	**2020**
	US$	**US$**
Not past due and not impaired	166,865	6,200,448
Past due but not impaired		
- Past due 0 to 3 months	287,003	8,263
- Past due 3 to 6 months	281,869	205,302
- Past due more than 6 months	6,000,000	–
	6,568,872	213,565
Past due and impaired	–	198,522
	6,735,737	6,612,535

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Trade receivables (Note 17) and contract assets (Note 20) (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, other receivables and contract assets is as follows:

	Trade receivables			Other receivables			Contracts assets	
Internal credit risk grading	**Category (i)**	**Category 4**	**Total**	**Category 1**	**Category 4**	**Total**	**Category (i)**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Loss allowance								
Balance at 1 April 2020	–	198,522	198,522	–	339,975	339,975	–	–
Impairment loss reversed	–	(198,522)	(198,522)	–	–	–	–	–
Balance at 31 March 2021	–	–	–	–	339,975	339,975	–	–
Gross carrying amount								
At 1 April 2020	6,414,013	198,522	6,612,535	243,715	339,975	583,690	168,979	168,979
At 31 March 2021	6,735,737	–	6,735,737	157,206	339,975	497,181	–	–
Net carrying amount								
At 1 April 2020	6,414,013	–	6,414,013	243,715	–	243,715	168,979	168,979
At 31 March 2021	6,735,737	–	6,735,737	157,206	–	157,206	–	–

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

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

Credit risk concentration profile

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

	Group	
	2021	2020
	US$	US$
By geographical areas		
- EMEA	198	2,540
- North America	6,069,460	6,124,930
- Asia Pacific	666,079	286,543
	6,735,737	6,414,013
By type of revenue		
- Sales of finished products and components	735,737	310,428
- Contract design revenue	-	103,585
- Licensing income	6,000,000	6,000,000
	6,735,737	6,414,013

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.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

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

	United States dollar US$	Singapore dollar US$	Euro US$	Renminbi US$	Others* US$	Total US$
Group						
2021						
Financial assets						
Trade receivables	6,659,048	–	–	76,689	–	6,735,737
Other receivables and deposits	20,253	67,949	–	9,371	–	97,573
Financial assets at FVTPL	14,945	–	–	–	–	14,945
Cash and bank balances	73,320	63,458	–	137,321	–	274,099
	6,767,566	131,407	–	223,381	–	7,122,354
Financial liabilities						
Trade payables	283,813	392,940	135,502	–	29,438	841,693
Other payables and accruals	43,232	2,151,022	–	11,294	–	2,205,548
Borrowings	584,800	6,142,346	–	–	–	6,727,146
Lease liabilities	–	323,812	–	–	–	323,812
	911,845	9,010,120	135,502	11,294	29,438	10,098,199
Net financial assets/(liabilities)						
Less: Net financial liabilities denominated in the respective entities' functional currencies	(5,855,721)	–	–	(208,110)	–	(6,063,831)
Foreign currency exposure	–	(8,878,713)	(135,502)	3,977	(29,438)	(9,039,676)

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

	United States dollar US$	Singapore dollar US$	Euro US$	Renminbi US$	Others* US$	Total US$
Group						
2020						
Financial assets						
Trade receivables	6,408,518	–	–	5,495	–	6,414,013
Other receivables and deposits	39,790	187,850	–	16,075	–	243,715
Financial assets at FVTPL	14,945	–	–	–	–	14,945
Contract assets	168,979	–	–	–	–	168,979
Cash and bank balances	7,464	14,942	–	37,713	–	60,119
	6,639,696	202,792	–	59,283	–	6,901,771
Financial liabilities						
Trade payables	427,949	455,265	11,679	–	48,469	943,362
Other payables and accruals	359,149	2,251,563	196,604	30,301	–	2,837,617
Borrowings	400,000	4,689,954	–	–	–	5,089,954
Lease liabilities	–	499,543	–	–	–	499,543
	1,187,098	7,896,325	208,283	30,301	48,469	9,370,476
Net financial assets/(liabilities)	5,452,598	(7,693,533)	(208,283)	28,982	(48,469)	(2,468,705)
Less: Net financial liabilities denominated in the respective entities' functional currencies	(5,452,598)	–	–	(35,908)	–	(5,488,506)
Foreign currency exposure	–	(7,693,533)	(208,283)	(6,926)	(48,469)	(7,957,211)

* Others comprise British Sterling Pound and Malaysian Ringgit.

39. 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				
2021				
Financial assets				
Financial assets at FVTPL	14,945	–	–	14,945
Other receivables and deposits	110	–	–	110
Due from subsidiaries (non-trade)	8,673,144	–	–	8,673,144
Cash and bank balances	–	12,727	–	12,727
	8,688,199	12,727	–	8,700,926
Financial liabilities				
Other payables and accruals	–	662,330	–	662,330
Borrowings	400,000	3,796,118	–	4,196,118
Due to subsidiaries (non-trade)	534,652	–	–	534,652
	934,652	4,458,448	–	5,393,100
Net financial assets/(liabilities)	7,753,547	(4,445,721)	–	3,307,826
Less: Net financial assets denominated in the Company's functional currency	(7,753,547)	–	–	(7,753,547)
Foreign currency exposure	–	(4,445,721)	–	(4,445,721)
2020				
Financial assets				
Financial assets at FVTPL	14,945	–	–	14,945
Other receivables and deposits	110	–	–	110
Due from subsidiaries (non-trade)	3,415,190	–	–	3,415,190
Cash and bank balances	–	3,607	–	3,607
	3,430,245	3,607	–	3,433,852
Financial liabilities				
Other payables and accruals	243,199	354,831	9,210	607,240
Borrowings	400,000	3,296,526	–	3,696,526
Due to subsidiaries (non-trade)	616,639	–	–	616,639
	1,259,838	3,651,357	9,210	4,920,405
Net financial assets/(liabilities)	2,170,407	(3,647,750)	(9,210)	(1,486,553)
Less: Net financial assets denominated in the Company's functional currency	(2,170,407)	–	–	(2,170,407)
Foreign currency exposure	–	(3,647,750)	(9,210)	(3,656,960)

39. 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% (2020: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% (2020: 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% (2020: 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% (2020: 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$
2021	
Group	
Loss for the year	(736,933)
Company	
Loss for the year	(368,995)
2020	
Group	
Profit for the year	(638,563)
Company	
Loss for the year	(302,763)

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.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

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.

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 lease liabilities are disclosed in Notes 27 and 29 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.

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risk (Continued)

	Effective Interest rate %	Carrying amount US$	Total US$	One year or less US$	Two to five years US$
Group					
2021					
Trade payables		841,693	841,693	841,693	–
Other payables and accruals		2,205,548	2,205,548	2,205,548	–
Borrowings	1.25 - 30.30	6,727,146	7,374,122	7,352,783	21,339
Lease liabilities	5.25	323,812	336,553	227,228	109,325
		10,098,199	10,757,916	10,627,252	130,664
2020					
Trade payables	–	943,362	943,362	943,362	–
Other payables and accruals	–	2,837,617	2,837,617	2,837,617	–
Borrowings	6.75 - 30.30	5,089,954	6,195,731	6,154,361	41,370
Lease liabilities	5.25	499,543	532,237	214,514	317,723
		9,370,476	10,508,947	10,149,854	359,093
Company					
2021					
Other payables and accruals		662,330	662,330	662,330	–
Borrowings	16 - 30.30	4,196,118	4,772,513	4,772,513	–
Due to subsidiaries (non-trade)		534,652	534,652	534,652	–
		5,393,100	5,969,495	5,969,495	–
2020					
Other payables and accruals	–	607,240	607,240	607,240	–
Borrowings	16 - 30.30	3,696,526	4,730,620	4,730,620	–
Due to subsidiaries (non-trade)	–	616,639	616,639	616,639	–
		4,920,405	5,954,499	5,954,499	–

39. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial instruments by category

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

	Group		Company	
	2021	2020	2021	2020
	US$	US$	US$	US$
Financial assets:				
- At amortised cost	7,107,409	6,886,826	8,685,981	3,418,907
- At fair value through profit or loss	14,945	14,945	14,945	14,945
	7,122,354	6,901,771	8,700,926	3,433,852
Financial liabilities at amortised cost	10,098,199	9,370,476	5,393,100	4,920,405

40. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

(a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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

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

	Group and Company			
	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
2021				
Recurring fair value measurements				
Financial assets:				
Financial assets at FVTPL[1]	14,945	-	-	14,945
2020				
Recurring fair value measurements				
Financial assets:				
Financial assets at FVTPL[1]	14,945	-	-	14,945

1 Fair value of financial assets at FVTPL is determined directly by reference to their published market bid price at the financial year end date.

Financial instruments whose carrying amount approximates fair value

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

41. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 26 and equity attributable to owners of the Company, comprising issued capital, retained earnings and reserves as disclosed in Notes 32 to 35 and statements of changes in equity.

The Group's management reviews the capital structure on a regular 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 2020.

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.

41. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

	Group		Company	
	2021 US$	2020 US$	2021 US$	2020 US$
Total borrowings	6,727,146	5,089,954	4,196,118	3,696,526
Less: Cash and bank balances	(274,099)	(60,119)	(12,727)	(3,607)
Net debt	6,453,047	5,029,835	4,183,391	3,692,919
Total equity	7,861,958	7,891,803	22,784,364	17,988,431
Total capital	14,315,005	12,921,638	26,967,755	21,681,350
Gearing ratio	0.45	0.39	0.16	0.17

The Group is in compliance with externally imposed capital requirements during the financial years ended 31 March 2021 and 2020.

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.

42. DEVELOPMENT OF COVID-19 OUTBREAK AND ITS IMPACT ON THE GROUP

COVID-19 outbreak has brought about an unprecedented challenge for many entities, with increased uncertainty in the global economy. As the situation is still evolving, the full effect of the outbreak is still uncertain and the Group is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group continues to monitor and evaluate any possible impact on the Group´s business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation. Based on management's latest assessment, there is no indicator that the going concern assumption used by the Group in preparing the financial statement is inappropriate.

Despite of uncertainty in the economy, with an on-going roll-out of COVID-19 vaccines and balance of governments policies placed between public health and countries' economy, the Group is being optimistic towards the economy recovery.

43. SUBSEQUENT EVENT

On 13 September 2021, Addvalue Innovation Pte Ltd ("**AVI**"), a wholly-owned subsidiary of the Company entered into a loan agreement with a third-party investor for a principal amount of up to S$8,500,000 which is unsecured, bears a fixed interest of 8% per annum and guaranteed by the Company.

The loan is repayable at the earliest of:

- the Early Repayment Date which is defined as the earlier of (i) the receipt of funds arising from the Economic Development Board Grant shall be used by AVI for the partial repayment of the loan unless mutually agreed upon otherwise; (ii) the conclusion of any fund-raising exercises; or (iii) in which the total proceeds received of (i) and (ii) is equal to or is in excess of the outstanding loan;
- retirement of the loan at any time after six (6) months from the date of disbursement of the loan at the discretion of AVI; and
- 30 September 2022, the maturity date.

STATISTICS OF SHAREHOLDINGS

SHARE CAPITAL

Issued and fully paid-up capital	: S$105,873,960
Total number of shares	: 2,248,811,975
Class of Shares	: Ordinary
Treasury shares	: Nil
Voting Rights (excluding treasury shares)	: One Vote Per Share

Distribution of shareholdings as at 24 August 2021

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	27	0.61	1,612	0.0001
100 - 1,000	263	5.96	226,777	0.0101
1,001 - 10,000	1,213	27.49	7,162,092	0.3185
10,001 - 1,000,000	2,687	60.89	434,442,261	19.3187
1,000,001 and above	223	5.05	1,806,979,233	80.3526
Total	**4,413**	**100**	**2,248,811,975**	**100.0000**

As at 24 August 2021, the percentage of shareholdings held in the hands of the public was 92.05% and Rule 723 of the Listing Manual is complied with.

20 largest registered shareholders as at 24 August 2021 as shown in the Registers of Members

No.	Name	No. of Shares	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	102,809,025	4.57
2	PHILLIP SECURITIES PTE LTD	101,193,298	4.50
3	DBS NOMINEES PTE LTD	98,890,084	4.40
4	WONG KOON CHUE @ WONG KOON CHUA	76,697,000	3.41
5	PAUL CLARK BURKE	74,726,406	3.32
6	DBS VICKERS SECURITIES (S) PTE LTD	70,107,666	3.12
7	CREST CAPITAL ASIA PTE LTD	68,699,017	3.05
8	UNITED OVERSEAS BANK NOMINEES P L	55,861,117	2.48
9	TAN KHAI PANG	43,401,000	1.93
10	MAYBANK KIM ENG SECURITIES PTE.LTD	39,919,891	1.78
11	RAFFLES NOMINEES(PTE) LIMITED	39,898,299	1.77
12	UOB KAY HIAN PTE LTD	38,064,531	1.69
13	YUEN WAI KHEONG	37,525,300	1.67
14	GOH POH HENG	33,904,000	1.51
15	CHONG GIM KOW	32,000,000	1.42
16	CITIBANK NOMS SPORE PTE LTD	29,431,086	1.31
17	NG SEE CHENG	27,800,000	1.24
18	OCBC SECURITIES PRIVATE LTD	24,487,184	1.09
19	TAN KHAI TENG	24,281,000	1.08
20	YONG QIAN HUI PHILINE (YANG QIANHUI)	22,843,300	1.02
		1,042,539,204	46.36

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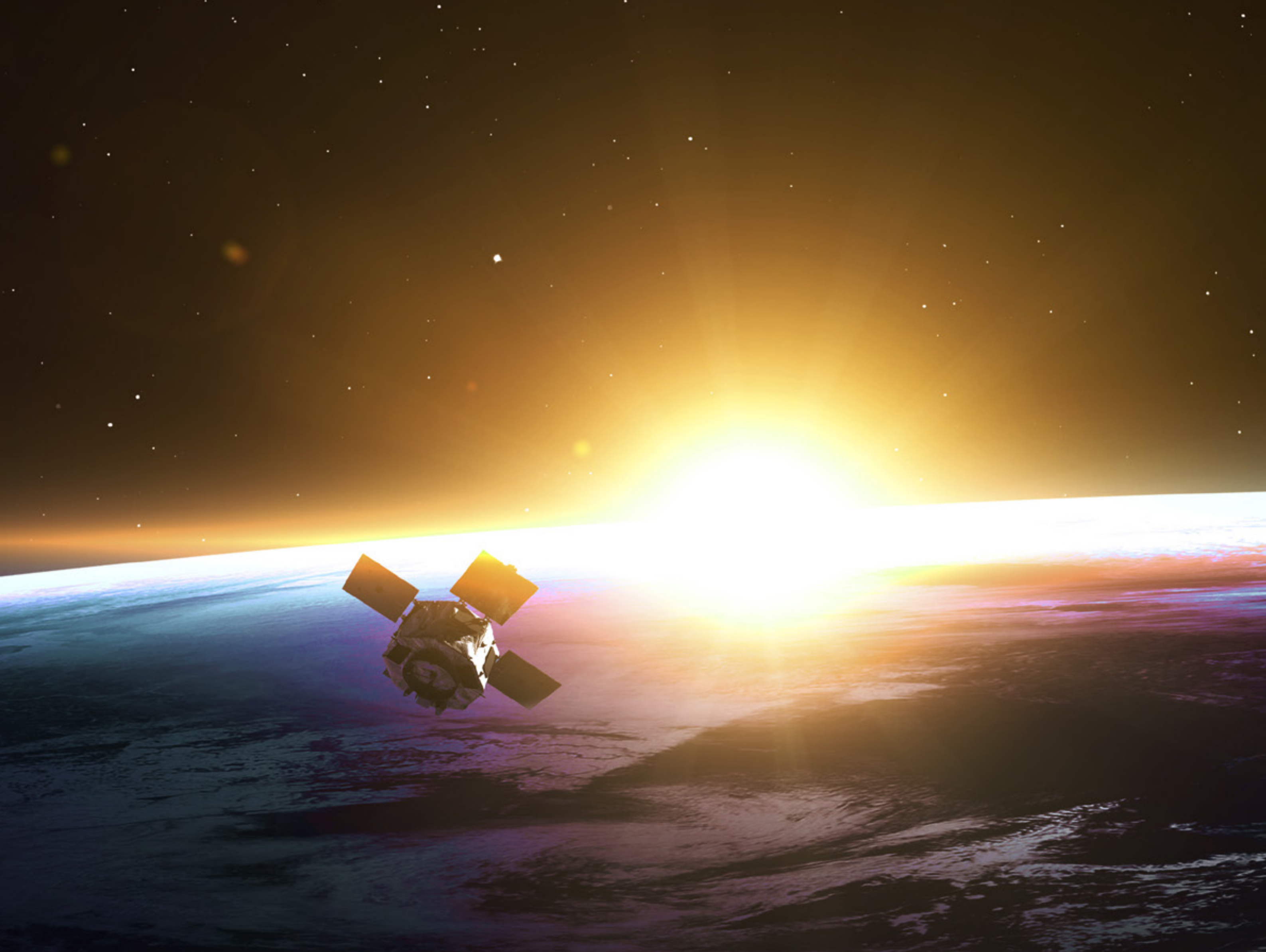

ANYWHERE
ANYTIME
ANYONE
ANYTHING

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

Our terminals connect seamlessly and effectively to anyone or anything across the world anytime, especially in places where terrestrial networks are either nonexistent 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.

BOUNDLESS CONNECTIVITY

ADDVALUE TECHNOLOGIES LTD
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ADDVALUETECH.COM