artivision technologies

# Seeing Right Through

## Annual Report 2011


This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Collins Stewart Pte. Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Alex Tan Tiong Huat, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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## Financial Statements

# Corporate Information

## Board of Directors

**Soh Sai Kiang Philip**
*Non-Executive Chairman*

**Dr Ofer Miller**
*Executive Director and Chief Technology Officer*

**Goh Tzu Seoh Kenneth**
*Executive Director and Chief Operating Officer*

**Ng Weng Sui Harry**
*Independent Director*

**Dr Tan Khee Giap**
*Independent Director*

**Wong Chee Meng Lawrence**
*Independent Director*

**Goh Hoon Nee Emily**
*Non-Executive Director*

## Company Secretary

**Wee Chiu-Yen Marjorie,** LL. B. (Hons)

## Audit Committee

**Ng Weng Sui Harry**
*Chairman*

**Soh Sai Kiang Philip**

**Dr Tan Khee Giap**

**Wong Chee Meng Lawrence**

## Remuneration Committee

**Dr Tan Khee Giap**
*Chairman*

**Soh Sai Kiang Philip**

**Ng Weng Sui Harry**

**Wong Chee Meng Lawrence**

## Nominating Committee

**Wong Chee Meng Lawrence**
*Chairman*

**Soh Sai Kiang Philip**

**Ng Weng Sui Harry**

**Dr Tan Khee Giap**

## Company Registration No

200407031R

## Registered Office

31 International Business Park
Creative Resource #03-04
Singapore 609921
Telephone: (65) 6535 1233
Facsimile: (65) 6534 5031

## Share Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00
PWC Building
Singapore 048424

## Sponsor

Collins Stewart Pte. Limited
77 Robinson Road #21-02
Singapore 068896

## Auditors

KPMG LLP
*Public Accountants and Certified Public Accountants*

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-charge – Jeremy Hoon
(with effect from the financial year ended 31 March 2010)

## Principal Bankers

Standard Chartered Bank
United Overseas Bank Limited

# Chairman's Statements

Dear Shareholders

On behalf of the Board of Directors, I would like to present the Annual Report for the financial year ended 31 March 2011.

## Overview

Economic conditions in 2011 remain robust in the first half and we foresee a continued cautious outlook in the near term. Demand for our products and solutions is expected to improve as the long term trend for security surveillance still remains positive.

Recent combined efforts of governments, especially in Asia and Middle East, to boost public spending on infrastructure projects have been encouraging. These include several safe city surveillance initiatives, law enforcement and immigration check point upgrades, as well as homeland defence related security projects.

For the online media business, we are seeing more revenue stream coming in from our media division. We have more than 10 advertisement networks working with us in countries in Asia such as China and India, as well as in Europe and the United States. With the launch of Advision, we are now poised to enter into social networking sites like Facebook. We now have business models of both Business-to-Business and Business-to-Customer for the online video advertisement business.

*"We have integrated our face recognition solution with the some of the largest security surveillance contractors in the world like Cassidian who in turn have large presence in Middle East."*

## New Developments

We first released our face recognition solution in early 2009. We currently have an updated and improved version of our face recognition solution, which we believe will be highly marketable as we are creating a data base of faces from the various video images we capture from the security cameras. We have integrated our face recognition solution with some of the largest security surveillance contractors in the world which have strong presence in Middle East.

## New Media Markets

In May 2011, the Company uploaded the Advision application into Facebook. With the Advision application, we are now able to monetize online videos in social networking sites like Facebook. We hope to move into China and Russia which also have their own social networking sites, which might be interested in our Advision application to enable their members to monetize their online assets, thus keeping their members engaged.

We believe that this application combined with our ad selection, placement and behavioural optimization tools will play a significant role in the future of online video advertising and change the paradigm of video online advertisement.

## Our Focus

We remain cautiously optimistic about the surveillance industry, in particular the future demand for face recognition technology and applications.

Face recognition will play a central role in pervasive identity tracking – in both real-time and offline scenarios and this will also form the platform for future search-related applications beyond surveillance.

Our Media business will play a significant role in our parallel yet diversified investment in the online advertising and video streaming domain. We still believe Internet TV will present a serious alternative to traditional broadcast as video streaming technologies gain popularity and gain increased acceptance among our younger, mobile generation.

Our Advision application has validated our position as one of the leading technology providers for online advertisement video monetization on the Internet.

## In Appreciation

Once again, I would like to deeply express my appreciation on behalf of the Board for the loyal support.

# Chief Technology Officer's Statements

### The Media Division

Artivision's Media division, formerly ArtiMedia, is operating in the field of online video advertising. The market is growing rapidly, currently exceeding over 3 billion video views a day, and demonstrating a Compound Annual Growth Rate ("CAGR") of 25% (Source: eMarketer). Yet, the most frequent monetization techniques are being borrowed from the television age (pre/mid/post-rolls), or using blunt overlays that obscure content, alienate viewers and hamper engagement and profitability.

Artivision's Media division helps online video publishers and advertisers deliver integrated in-video ad experiences that drive higher engagement and performance, reduce viewer churn and increase profitability.

Our innovative advertising technology utilizes advanced video content analysis and facial recognition to automatically identify and map standard Interactive Advertising Bureau ("IAB") ad units that seamlessly integrate into video, without obscuring content. Our solution uniquely leverages the simplicity of display ads and the inherent engaging element of video to drive higher click-through rate while optimizing viewing experience. It easily integrates with a publisher's video player and effortlessly adds new ad inventory to existing video assets.

*"Our innovative advertising technology utilizes advanced video content analysis and facial recognition to automatically identify and map standard Interactive Advertising Bureau ("IAB") ad units..."*

### How the Target-Ad™ service platform works

Target-Ad™ processes video using advanced automated content analysis technology to identify and map potential ad units that can be displayed without obscuring content. Furthermore, each video is segmented and analyzed for contents, face recognition, context, characteristics, and other elements, creating a wealth of targeting information which is used for ongoing optimization.

Target-Ad™ constantly measures traffic, engagement, duration, relevance, behaviour, click-through rate, and other parameters, for adapting actual ad placements. This drives the best set of impressions that yield the optimal click-through rate for any given video, across multiple campaigns. Furthermore, this methodology enables the capability for viral videos to be identified in time to adapt ad placement for optimal monetization.

The Target-Ad™ service operates in the cloud and is fully managed by Artivision, thus enabling maximum flexibility and scalability for any scale of video-views. Target-Ad™ interacts with the Publisher's platform – receiving videos for processing and generating ad placements, while constantly measuring results and adapting for improved performance for every video view.

### Go to market and current successes

Artivision's Media division pursues a compound go to market approach and addresses:

- Online video publishers – such as CNBC Asia, CNN India and others
- Advertising groups such as Ogilvy and groupM, which can drive demand for the solution
- Intermediaries, and most prominently ad networks, which can generate a steady flow of advertising campaigns through their ad agency partners

Artivision's Media division has focused on Asia and Europe in establishing a large network of partners and customers, with successes such as in India, Vietnam, Netherlands and Portugal where the majority of online video in the territory is being processed by Artivision.

# Chief Technology Officer's Statements

## Advision Platform

This year, we have fully productized our dedicated social networking video and photo monetization platform – Advision – which is used by the Media division to deliver integrated in-video ad experiences that drives higher engagement and performance, reduces viewer churn and increases profitability.

The core AVision™ analytics engine consists of a hierarchy of related algorithms, including object detection and tracking, change detection between images, still image segmentation, moving object segmentation and MPEG block segmentation. These algorithms form the core technology of many advanced multimedia applications for understanding and recognizing the contents of images and video sequences.

We have extended AVision™ with a set of 8 new proprietary algorithms for effectively separating any video stream to foreground and background elements. This enables it to generate ad spots only in the background of the video/still photograph in a reliable and commercially viable way.

This enables Target-Ad (utilizing AVision™) to automatically and in real time identify and map IAB standard ad units within any given video or still photograph, in a way that does not interfere with the user's viewing experience. Target-Ad constantly measures traffic, engagement, duration, relevance, behavior, CTR, and other parameters, for adapting actual ad placements. These frequent measurements are intended to drive the best set of impressions that yield the optimal CTR for any given video, across multiple campaigns. With well-over 4,000,000 processed videos and still photographs, the platform effectively generates a range of ad units, and optimizes their usage according to actual video or still photograph content, user consumption and engagement.

## The Surveillance Division

Throughout our years of operation, Artivision's unique computer vision approach enabled us to articulate and recognize concise and robust scenarios of interest.

Our recent developments take this approach even further, expanding Artivision's video analytics capabilities with the ability to effectively recognize objects.

Utilizing breakthrough approaches in computer-vision, and leveraging our experience with high-performance face-recognition applications, we have developed an object recognition technology, which enables it to train the recognition system with any object, without relying on any prior information about shape, geometry or features, in an easy and intuitive visual learning process and reliably identify this object across images and video.

Our grounds-breaking object recognition technology indexes each object of interest with a complete "feature description" map, in a way that is invariant to the object's scale, illumination, image noise and other distorters. This enables the system to robustly recognize any object, requiring a minimum set of parameters for a successful match.

Our new object recognition technology opens a broad set of new applications in a range of industries - from security, to defense, to entertainment and more. We foresee this new and intuitive visual search to supplement or even replace the conventional text-based search, enabling the identification and matching of objects of interest within images and video.

### Face Recognition on Recorded Video ("Face Search")

In the past year, we have successfully launched our state-of-the-art pervasive face recognition engine, employing recent algorithmic breakthroughs in computer-vision research. Contrary to conventional face recognition technologies, Artivision's engine leverages the full spectrum of surveillance video to operate non-intrusively (without requiring cooperation of the recognized individuals) with extreme accuracy while guaranteeing near-zero false positives. As more cameras are deployed, the probability of identifying specific people-of-interest increases, and respectively improves the geo-spatial location of their current whereabouts. Artivision's unique pervasive face recognition technology is seamlessly embedded in a range of edge and central devices, connected to standard IP or analog surveillance cameras. This architecture makes it cost effective to carry out mass deployments of strategically placed face-recognition-enabled video cameras across large scale facilities such as airports, campuses and public areas.

Most of the applications for our state-of-the-art pervasive face recognition technology have been focused on real-time recognition and tracking of people of interest, corresponding to the way security and surveillance forces operate today. The process seeks to identify, recognize and track a set of specific individuals, kept in "black" or "white" lists. Once the face recognition engine successfully matches an individual from the people-of-interest list in one of the surveillance feeds, it immediately issued an alert to the command center operators.

In 2010, we have expanded our recognition capabilities to cover also the off-line domain, introducing a unique and powerful facial recognition search on recorded video.

With this new development, our face recognition system automatically indexes each and every individual face on every surveillance feed connected to the system, building a database of faces, and associating it to the recorded video information.

This enables the operators to reach new levels of investigative capabilities and look for new individuals, who were not part of the original people-of-interest list, also on recorded video. For example, a surveillance team of a retail bank is receiving a notification from the police that a new group of bank robbers has surfaced. The surveillance team can then quickly upload their pictures into the system, and rapidly ascertain whether any member of the group was spotted in any of their branches and if so, get instant access to the relevant video segment and track their behavior and movement.

We believe this new capability is highly differentiated and sought after by the market.

# Overview of Our Group

## Our History

Our Company (Registration Number 200407031R) was incorporated in the Republic of Singapore on 7 June 2004 under the Companies Act, Cap. 50 as a private company limited by shares, under the name, "Artivision Technologies Pte. Ltd.". On 18 July 2008, our Company was converted into a public limited company and we changed our name to Artivision Technologies Ltd. Subsequently we launched and successfully completed our initial public offering. Our shares commenced trading on the SGX-Catalist on 18 August 2008. The short name is "$ Artivision" and our ISIN Code is SG1X21941023. SGX code: 5NK.

## Our Business

Artivision provides diversified products and solutions for video security and online video advertising. These products, solutions and applications are based on our core proprietary computer vision technology, Avision™.

## Our Technology

We possess a proprietary Video Content Analysis ("VCA") technology for detecting predefined scenarios and events over a stream of video images. This VCA technology, Avision™, is developed in-house by our research and development team led by Dr Ofer Miller who has over a decade of experience in the fields of machine vision, pattern recognition, image processing and fast imaging algorithms. Avision™ is able to extract and analyze images and provide data output of its analysis.

Automatic computerised processing of videos has been intensively studied in view of the rapid increase in digital video capture devices worldwide. The proliferation of surveillance CCTV cameras, handheld video recorders, digital cameras and handphones with built-in cameras is staggering and still growing. The utilisation of VCA technology to analyse the video streaming from these devices allows a wide range of implementations such as human tracking, motion analysis, video indexing, video segmentation, video object recognition, face recognition, content-based deep compression and objects association.

Our proprietary VCA technology, based on an object-based algorithm platform and the Temporal Analysis concept, is scalable and robust and possesses a full technology infrastructure for processing and analyzing video images in a wide range of video analytics applications.

Avision™ comprises a hierarchy of related algorithms, including object detection and tracking, change detection between images, still image segmentation, moving object segmentation and MPEG block segmentation. These algorithms form the core technology of many advanced multimedia applications for understanding and recognizing the contents of images and video sequences. The ability to learn the background, and thus, segment the objects in the frame enables our algorithmic engines to compare between objects instead of comparing between frames. Comparison between objects is more reliable as comparison between frames is prone to false positive results.

## The Video Management Equipment and Solutions Division

Artivision's broad intelligent video platform tightly integrates cross video analytics and pervasive face recognition embedded on edge and central video devices, with a complete range of modular video capture, recording and management building blocks.

As global security needs continually heighten, Artivision delivers seamless, end-to-end enterprise video solutions to proactively secure governmental and commercial organizations' key infrastructures from potential threats.

Such solutions leverage on critical real-time video content analytical algorithms to provide ahead informational alerts independent of continual scrutiny of security operators so as to enhance situational awareness in an automated and trusted surveillance operative to reduce vulnerabilities and optimization of security resources towards enforcement.

Solutions have successfully been deployed within and around key infrastructures and installations like immigration checkpoints, military facilities, major traffic ways, high-value commercial building organizations, shopping malls etc adopting relevant security features of the solutions in accordance with individual surveillance operative needs.

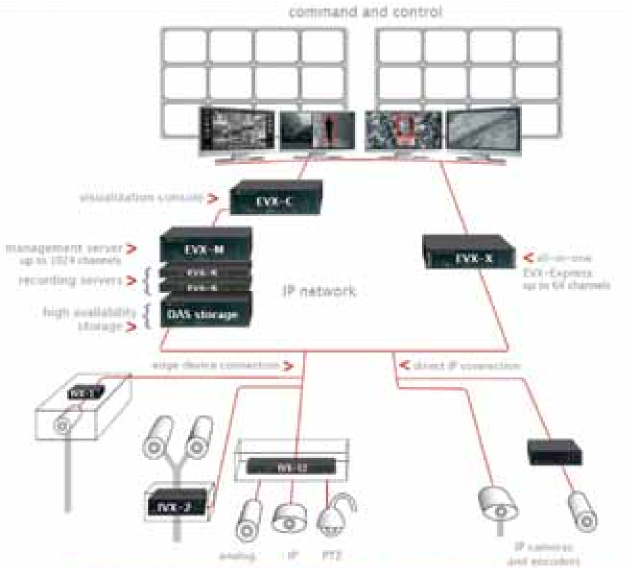
Artivision solution features are proprietary Video Content Analysis ("VCA") algorithms and applications to leverage technology as the ever reliant automotive security operator to detect and alert upon predefined scenarios rules and event breaches respectively over the streams of video images from strategically located video cameras.

Such VCA technology, Avision™ had been developed by Artivison proprietarily over decades of research and development in the fields of machine vision, pattern recognition, image processing and fast imaging algorithms resulting in a robust and reliable solution to continuously extract and analyse video streams and images against customer predefined scenario rule sets for consistent monitoring without fatigue and/or bias.

Driven by continual proliferation of surveillance video cameras and video recording devices both, fixed and mobile, compounding with quantum leaps of network and compression technologies for videos, the leverage of a robust and scalable VCA solution extending such advancements ensures consistent return on investments across various customer surveillance platforms through future proofing and reliability on security objectives.

Solution features have been deployed in accordance to the specific security needs of wide ranging customer implementations as follows:

1) Intrusion Detection
2) Perimeter Line Defence
3) Missing Object
4) Unattended Object
5) Crowd Size Detection
6) Persons Counting
7) Loitering and Tracking
8) Camera Signal Health Detection (Blocked / Partial Blocked / Loss of Signal / Loss of Focus / Misalignment or Shifted)
9) Rigorous or Irrational Behaviour (Fainting / Fighting / Sudden Build-Up / Sudden Drop-Down)
10) Traffic Classification
11) Traffic Counting
12) Pervasive Facial Recognition



EVx range of enterprise video servers, IVx range of intelligent edge and central video devices

These features commensurate to the fundamental technology of the solutions deployed by intrinsic object detection and recognizing the changes between these objects while tracking such changes over time in a video similarly for multimedia applications in understanding and recognizing image and video content sequences. The ability to learn the background of a video and segment objects within for further analytical and algorithmic comparisons between objects results in much higher reliability in security objectives as proven with the numerous deployments.

## The Media Solution Division

Artivision's Media division is operating in the field of online video advertising. It helps online video publishers and advertisers deliver integrated in-video ad experiences that drive higher engagement and performance, reduce viewer churn and increase profitability.

Our innovative advertising technology utilizes advanced video content analysis and facial recognition to automatically identify and map standard Interactive Advertising Bureau ("IAB") ad units that seamlessly integrate into video, without obscuring content. Our solution uniquely leverages the simplicity of display advertisements and the inherent engaging element of video to drive higher click-through rate while optimizing viewing experience. It easily integrates with a publisher's video player and effortlessly adds new ad inventory to existing video assets.

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# Overview of Our Group

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Artivision's Media division has focused on South East Asia and Europe in establishing a large network of partners and customers, with successes in India, where the majority of online video in the territory is being processed by Artivision, Vietnam, Netherlands and Portugal to name a few.

Artivision's Media division is poised for rapid growth with prominent tier-1 publishers and adverting groups lined up for operation.

### Advision Platform

In 2011, we have fully productized our dedicated social networking video and photo monetization platform – Advision – which is used by the Media division to deliver integrated in-video ad experiences that drives higher engagement and performance, reduces viewer churn and increases profitability.

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For more information, visit www.arti-vision.com

# Review of Operations

### Overview

Artivision's revenue was mainly from sale of Video Management Equipment and Solutions and Media Solution business. These products and solutions are based on our core proprietary computer vision technology Avision™.

The Group posted a net loss of S$5.7million for the financial year ended 31 March 2011 ("FY 2011") compared to a net loss of S$7.4million for the previous financial year ("FY 2010").

### Revenue and Gross Margin

Revenue for FY 2011 increased marginally by approximately 1% to S$538K from S$532K, for FY 2010. The Group faced intense competition in Video Management Equipment and Solutions industry. Revenue from Video Management Equipment and Solutions decreased to S$269K for FY 2011 from S$523K for FY 2010. The decrease in revenue from the Video Management Equipment and Solutions business was offset by an increase in revenue from our Media Solution business. Revenue from the Media Solutions business increased from S$9K for FY 2010 to S$269K for FY 2011. Gross profit margin decreased to 37% for FY 2011 from 50% for FY 2010, as revenue for FY2010 comprised mainly sales of services, which had higher margin.

### Distribution Expenses ("DE")

Distribution expenses consisted mainly of marketing and sales personnel cost and marketing expenses. Distribution expenses decreased by approximately 47% to S$1.3million for FY 2011 from S$2.3million for FY 2010 mainly due to reduction in the number of sales and marketing personnel after a major cost rationalization exercise was carried out at the beginning of the current financial year.

### Administrative Expenses ("AE")

Administrative expenses comprised mainly staff-related expenses, premise-related expenses (such as office rental and utility charges), and professional fees. Administrative expenses had remained fairly stable at about S$2.6million for FY 2010 and FY 2011. During FY 2011, share option expenses of S$814K (FY 2010: S$283K) was charged to profit & loss account. The increase on share option expenses in FY 2011 was mainly offset by:

1. Decrease in salary expenses resulting from staff resignations; and
2. Decrease in professional fees, rental expenses and out-sourcing expenses.

### Other Operating Expenses

Other operating expenses comprise mainly the following:

- Research and development ("R&D") staff-related expenses.
- Amortization expense for intangible assets related to development of our Video Content Analysis technology.
- Depreciation expenses and write-off of plant & equipment.
- Write-off and allowance of inventories.

Other operating expenses decreased to S$2.2million for FY2011 from S$2.6million for FY 2010, mainly due to the following:

1. Decrease in salary expenses resulting from staff resignations.
2. Decrease in amortization of intangible assets.

### Cash Flow

Net decrease in cash and cash equivalents of S$2.8million in FY 2011 was due to cash used in Group's operations. During FY 2011, the substantial shareholder, Algotech Holdings Ltd provided a loan of S$2million on 21 April 2010 to the Group to meet its working capital requirements pursuant to its undertaking to continue to provide or procure financial support to the Group.

### Statement of Financial Position

| | 31 March 2011 S$'million | 31 March 2010 S$'million |
|---|---|---|
| Current assets | 1.4 | 4.1 |
| Current liabilities | 0.7 | 0.6 |
| Net current assets | 0.7 | 3.5 |
| Non-current assets | 0.3 | 0.4 |
| Non-current liability | 2.0 | - |
| Net (liabilities)/assets | (1.0) | 3.9 |

Net assets for the Group amounted to S$3.9million as at 31 March 2010 compared to net liability of S$1.0million as at 31 March 2011, mainly due to funds utilized for the Group's operations.

As at 31 March 2011, the Group's trade and other receivables were S$0.4million compared with S$0.3million as at 31 March 2010. The increase was mainly due to increase in trade receivables of S$127K (for which no provision is required), increase in deposits and prepayment of S$32K and decrease in interest receivable of S$53K.

The Group had negative shareholders' equity of S$965K as at 31 March 2011 mainly due to accumulated losses.

# Profile of Directors & Key Management Personnel


Mr Soh Sai Kiang Philip


Dr Ofer Miller


Mr Goh Tzu Seoh Kenneth


Mr Ng Weng Sui Harry


Dr Tan Khee Giap


Mr Wong Chee Meng Lawrence


Ms Goh Hoon Nee Emily


Ms Choo Leng Leng Susan

**Mr Soh Sai Kiang Philip**, **a co-founder of our Group and our Non-Executive Chairman**, was appointed as our Director on 7 June 2004. From 1999 to 2001, he was the Head of Internet Trading in Lum Chang Securities Pte Ltd (subsequently known as DBS Vickers Securities Pte Ltd) where he was responsible for managing the internet trading business for the Company. In 2001, he joined UOB Kay Hian Pte Ltd as the Head of Business Development and the Director of Capital Markets (Singapore) where he now handles capital fund raising and debt financing. Mr Soh graduated with a Bachelor of Arts (Merit) degree in Economics and Political Science from the National University of Singapore in 1993.

**Dr Ofer Miller**, **a co-founder of our Group and our Executive Director and CTO**, was appointed as our Director on 7 June 2004. Dr Miller spearheads the research and development efforts of our Group. Dr Miller has extensive industrial experience in the field of machine vision with strong academic background in computer science and video content analysis. Prior to joining our Group, from 2001 to 2003, he was Vice-President Research and Development of InfoWrap Intelligence Systems Ltd. where he developed and implemented an algorithm for change detection between images based on illumination independent technology. From 1999 to 2001, he was Head of Algorithm Group of ImageID Ltd. where he developed the object recognition engine for fast image segmentation on high resolution inputs, blob extraction and colour pattern recognition. From 1996 to 1999, he was the Algorithm Team Leader at Fruitonics Ltd. where he developed the machine vision core engine for 3 dimensional geometric analysis of fruit, object detection, defect recognition and fruit classification using neural networks. Dr Miller graduated with a Bachelor degree in Computer Science from the Tel-Aviv Academic College in Israel in 1997. Thereafter, he received a Master of Science in Computer Science (cum-laude) from the Tel-Aviv University in Israel in 2000 and proceeded to complete his Ph.D. in Computer Science in 2003 (focusing on research in computer vision and image processing for video content understanding). After completing his Ph.D. studies, Dr Miller received a post doctorate scholarship from the Tel-Aviv University and was a postdoctoral Fellow at the university, focusing on research in video content analysis for surveillance systems, from 2003 to 2004.

To date, Dr Miller has 9 journal and conference publications related to computer vision and image processing algorithms and holds 7 patents related to computer vision methods and applications. In June 1999, Dr Miller received an award from Tel Aviv University for distinction in Master of Science studies. In December 2000, the Council for Higher Education for high-tech decided to award Dr Miller the Scholarship for Excellent Ph.D. students. In May 2002, he received the "Celia and Marcos Maus Annual Prizes in Computer Science" award for distinction in Ph.D. research studies. In May 2008, Dr Miller received the Most Cited Paper Award from the Image and Vision Computing Journal, published by Elsevier, for his paper entitled "Colour Image Segmentation based on Adaptive Local Thresholds".

**Mr Goh Tzu Seoh Kenneth** was appointed as Executive Director on 23 June 2011 and joined the Group as Chief Operating Officer on 9 July 2010. He is responsible for overseeing the operations of the Group. Mr Goh has over 18 years of experience in the financial industry, specifically in wealth management and private equity investments as well as in the consumer services sectors. From 2009 to 2010, he was the Co-Head of the Principal Investment Group, IFS Capital Assets Private Ltd, a subsidiary of IFS Capital Limited which is listed on the SGX mainboard. He is the founder of Lifebrandz Limited, a company he successfully guided to a listing on the SGX mainboard in 2004 and was the company's Chief Operating Officer from 2001 to 2009.

Between 1993 and 2001, Mr Goh held various positions in the banking industry including Head of Privilege and Private Banking at Bangkok Bank (Singapore Branch) and positions in Schroders International Merchant Bankers Ltd, Societe Generale and Merrill Lynch. Mr Goh graduated with a Bachelor of Business in Banking and Finance (Hons) from Nanyang Technological University in 1993.

**Mr Ng Weng Sui Harry** was appointed as our **Independent Director** on 25 June 2008. Currently, Mr Ng is the Executive Director of HLM (International) Corporate Services Pte Ltd, a company providing business consultancy, and corporate services. He was the Chief Financial Officer and Executive Director of Achieva Limited, a mainboard company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") from October 2008 to April 2010. From August 2004 to July 2008, he was the Chief Financial Officer of Sunmoon Food Company Limited, a company listed on the SGX-ST. From September 1999 to July 2004, he was the Chief Financial Officer of Eltech Electronics Limited (now known as GES Investment Pte. Ltd.) and the Head of Group Internal Audit of GES International Limited, both being companies previously listed on the SGX-ST. Mr Ng has more than 30 years of experience in accounting, audit and finance. He is a Fellow member of the Institute of Certified Public Accountants of Singapore and a Fellow member of The Association of Chartered Certified Accountants, UK. He also holds a Master of Business Administration (General Business Administration) from The University of Hull, UK and a Diploma in Marketing from the Chartered Institute of Marketing, UK.

**Dr Tan Khee Giap** was appointed as our **Independent Director** on 18 June 2008. Currently, he is an Associate Professor and Co-Director of Asia Competitiveness Institute at Lee Kuan Yew School of Public Policy, National University of Singapore. Previously, he was the Associate Dean of the Graduate Studies Office, Nanyang Technological University, Singapore. Dr Tan has consulted extensively with the various government ministries, statutory boards and government linked companies of the Singapore government including Ministry of Finance and Ministry of Trade & Industry. He has also served as a consultant to several international agencies, multinationals and financial institutions, which include the Asian Development Bank and Asian Development Bank Institute. Dr Tan holds a Ph.D. in Economics from the University of East Anglia, United Kingdom. Dr Tan has received the Overseas Development Groups Award from the University of East Anglia from 1983-1984 and the UK University Vice-Chancellor's Committee Award from 1984-1987.

**Mr Wong Chee Meng Lawrence** was appointed as our **Independent Director** on 25 February 2010. Mr Wong is currently a partner of RHT Law LLP in the Corporate and Securities Laws Department and his areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts and development, compliance and corporate governance advisory and corporate secretarial work. Mr Wong graduated from the National University of Singapore in 1991 with an honours degree in law on a scholarship from the Public Service Commission of Singapore and has more than 18 years of experience in the public and private sectors of the legal profession. He started his career in the legal service from 1992 to 1997, holding various appointments such as Senior Assistant Registrar of Companies and Businesses with the Ministry of Finance, Deputy Public Prosecutor with the Attorney General's Chambers and Assistant Director of Legal Aid with the Ministry of Law. He was called as an advocate and solicitor of the Supreme Court of Singapore in 1994.

**Ms Goh Hoon Nee Emily** was appointed as our **Non-Executive Director** on 1 September 2010. Ms Goh is currently a Director of Tembusu Partners and a key player that raised the inaugural Tembusu Growth Fund, a $100M private equity fund. She was previously on the Board of Directors for Globalroam as Audit Chairperson and also on Tongji Environment and maintains advisory roles in selected companies under the Tembusu portfolio of companies. Ms Goh has more than 12 years of field experience with regional start up and growth companies in service sectors such as foreign exchange, education and has actively engaged in business advisory activities covering strategic alliances, cross border M&A and fund raising. Ms Goh graduated from the University of Singapore with a Bachelor of Arts & Social Science in 1998. She is also a member of the Singapore Institute of Directors, the CFA Institute of Singapore and was previously Honorary Secretary of the New Zealand Chamber of Commerce for 3 consecutives terms.

**Ms Choo Leng Leng Susan** was appointed as our **Financial Controller** on 1 March 2009. She is responsible for all the financial matters of the Group. Ms Choo has more than 26 years in audit and as a financial controller in one of Singapore's largest brokerage listed on the Singapore Exchange Securities Trading Limited with regional offices in Hong Kong, Thailand, Indonesia, Philippines, United Kingdom and the United State of America. She is the member of the Institute of Certified Public Accountants in Singapore and a fellow member of the Association of Chartered Certified Accountants in United Kingdom.

# Corporate Governance Report

The Board of Directors of Artivision Technologies Ltd. (the “Company”) are committed to uphold high standards of corporate governance and adopt the corporate governance practices contained in the Code of Corporate Governance (“CCG”) so as to ensure greater transparency to protect shareholders’ interests and enhance shareholder value. This report outlines the main corporate governance practices that were in place throughout the financial year ended 31 March 2011.

## BOARD MATTERS

### 1. Board’s conduct of affairs -

*Principle 1: Effective Board to lead and control the Group*

The Board of Directors of the Company (the “Board”) is made up of seven Directors and comprise two Executive Directors, three Independent Directors and two Non-Executive Directors. The depth and diversity of their combined work experience will enable them to contribute effectively to the strategic growth and governance of the Company.

The key functions of the Board, apart from its statutory responsibilities, include:

- Reviewing and overseeing the management of the Group’s business affairs, financial controls, performance and resource allocation;
- Approving the Group’s business affairs, financial controls, performance and resource allocation;
- Approving internal controls and risk management strategies and execution;
- Approving the Group’s strategic plans, key business initiatives, acquisition and disposal of assets, significant investments and funding decisions and major corporate policies;
- Approving the release of the Group’s quarterly and full year financial results, related party transactions of material nature and the submission of the relevant checklists to the Sponsor;
- Appointing Directors and key management staff, including the review of performance and the remuneration packages;
- Provides entrepreneurial leadership; and
- Assumes responsibility of the Corporate Governance Report.

**Board Committees:**

To ensure efficient discharge of the Board’s responsibilities, certain functions of the Board have been delegated to various Board Committees namely, the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”) (collectively the “Board Committees”). Membership in the various Board Committees is carefully managed to ensure that there is equitable distribution of responsibilities amongst Board Members to maximize the effectiveness of the Board and foster active participation and contribution and each member of the Board Committee is picked based on his work experience and professional expertise. These Board Committees are made up of Independent and Non-Executive Directors. The Board Committees which operate within clearly defined terms of reference play an important role in ensuring good corporate governance in the Company and within the Group.

**Board Meetings:**

The Board meets on a regular basis, at least on a quarterly basis for the purpose of, *inter alia*, approving the release of the Group’s financial results and as and when necessary to address any specific matter. Teleconference and video – conferencing meetings and other methods of simultaneous communications via electronic or telegraphic means of the Board are allowed under the Company’s Articles of Association.

# Corporate Governance Report

The number of Board and Board Committee meetings held during the financial year ended 31 March 2011 as well as Board members' attendance thereat is set out below:

| | Audit Committee | | Nominating Committee | | Remuneration Committee | | Board Meeting | |
|---|---|---|---|---|---|---|---|---|
| Name | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended | No. of Meetings held | No. of Meetings attended |
| Soh Sai Kiang Philip[(1)] | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Dr Ofer Miller[(2)] | 4 | 2 | 4 | 2 | 4 | 2 | 5 | 4 |
| Ng Weng Sui Harry[(3)] | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Dr Tan Khee Giap[(3)] | 4 | 3 | 4 | 3 | 4 | 3 | 5 | 3 |
| Wong Chee Meng Lawrence[(3)] | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| Goh Hoon Nee Emily[(4)] | 4 | 2 | 4 | 2 | 4 | 2 | 5 | 2 |

Notes:
(1) Soh Sai Kiang Philip is a Non-Executive Director of the Company
(2) Dr Ofer Miller is an Executive Director of the Company
(3) Ng Weng Sui Harry, Dr Tan Khee Giap and Wong Chee Meng Lawrence are Independent Directors of the Company
(4) Goh Hoon Nee Emily is a Non-Executive Director of the Company and was appointed on 1 September 2010

**Orientation and Training Programs:**
The Board members are given an orientation program at the time of joining the Board and appropriate training on Continuing Directors Responsibilities and Continuing Listing Requirements as and when required to ensure that Directors are familiar with the Company's businesses and governance practices. The aim of the orientation programs is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. As part of providing continuous update on the regulatory requirements to the Directors to keep them abreast of the new laws and regulations under current scenario, some of our Directors attended seminars and conferences, conducted by the Singapore Institute of Directors ("SID"), Singapore Exchange Securities Trading Limited ("SGX-ST") and Company Secretarial Agents including seminars on the role and challenges of the Nominating and the Remuneration Committees.

A formal letter of appointment is sent to the newly appointed Directors explaining their duties and obligations upon their appointment.

**2. Board composition and guidance –**
*Principle 2: Strong and Independent element on the Board:*

As at the date of this report, the Board comprises the following Directors:

**Non-Executive Director/Chairman**
Soh Sai Kiang Philip

**Executive Directors**
Dr Ofer Miller
Goh Tzu Seoh Kenneth

**Independent Directors**
Ng Weng Sui Harry
Dr Tan Khee Giap
Wong Chee Meng Lawrence

**Non-Executive Director**
Goh Hoon Nee Emily

The criterion of independence is based on the definition given by the CCG, that is, an independent Director is one who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Directors' independent judgment in the conduct of the Company's affairs.

At present, three of the Board's members are Independent Directors and there are only two Executive Directors of the Board. The Board takes into account the scope and nature of the Company's operations and is of the opinion that the size is ideal to facilitate for effective deliberations and decision making of the Board.

The Nominating Committee (the "NC") determines the independence of each Director. Annually, each Director is required to declare their state of independence by duly completing and submitting a confirmation of independence form, which is based on the guideline provided in the CCG and the Audit Committee Guidance Committee ("ACGC") Guidebook.

The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise. Together the Directors provide core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters.

**Role of Independent and Non-Executive Directors:**
As the role of the Independent non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, there is active participation by the Independent and Non-Executive Directors who help to develop proposals on strategies and also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

## 3. Chairman and Chief Executive Officer

*Principle 3: Clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO")*

Currently, the Non-Executive Chairman, Soh Sai Kiang Philip has taken on active role in developing the business of the Group and provides the Group with strong leadership and vision since the CEO stepped down in 15 September 2009. The role of the CEO will be re-established once a successful candidate is found. All major decisions made by the Non-Executive Chairman are reviewed by the Board. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

**Role of the Chairman:**

The Chairman of the Board is responsible for, *inter alia*, the proper functioning of our Board, the facilitation of effective contribution by Independent / Non-Executive Directors, the encouragement of constructive relations amongst the Directors and the effective and timely flow of information from the management to our Board, as well as the promotion of high standards of corporate governance.

**Role of the CEO:**

As the highest ranking executive officer of the Group, the CEO is primarily responsible for the effective management and supervision of daily business operations of the Group in accordance with the strategies, policies, budget and business plans as approved by the Board, although as mentioned earlier the position is now vacant.

## 4. Board Membership

*Principle 4: Formal and transparent process for the appointment of new Directors*

The Company has a formal and transparent process for the appointment and reappointment of Directors through the recommendations of NC.

The NC comprises the following Non-Executive and Independent Directors:-

- Wong Chee Meng Lawrence (Chairman) (Independent Director)
- Soh Sai Kiang Philip (Non-Executive Director)
- Ng Weng Sui Harry (Independent Director)
- Dr Tan Khee Giap (Independent Director)

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The NC is governed by its written terms of reference. The principal duties of the NC include:

- Reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors;
- Reviewing and assessing candidates for Directorships (including executive Directorships, if any) before making recommendations to our Board of Directors for appointment of Directors;
- Reviewing and recommending to our Board of Directors the re-election of Directors who are retiring pursuant to Articles 91 and 97 of the Articles of Association at the Annual General Meeting ("AGM") having regard to the Director's contribution and performance;
- Determining annually whether or not a Director is independent; and
- Deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Appointments to the Boards are made objectively, on the basis of merit, track records, experience, age, capabilities and other pertinent criterion. The NC determines the independence of each Director. Annually, each Director is required to submit a confirmation of independence form which is based on the guidelines provided in the CCG and in the ACGC Guidebook. The NC also assesses and where there is sufficient merit, recommends to the Board whether retiring Directors are suitable for re-election and also whether a Director's performance of his duties to the Company had or would be impeded by multiple board representations held concurrently by that Director.

The Board reviews its composition to ensure that the Company has the appropriate mix of expertise and experience.

| NAME / AGE / DATE OF APPOINTMENT | NATURE OF BOARD MEMBERSHIP | COMMITTEE MEMBERSHIP | | |
|---|---|---|---|---|
| | | AC | NC | RC |
| Soh Sai Kiang Philip / (43) / 07-06-2004 | Chairman, Non-Executive Director | Member | Member | Member |
| Dr Ofer Miller / (41) / 07-06-2004 | Executive Director | – | – | – |
| Goh Tzu Seoh Kenneth / (42) / 23-06-2011 | Executive Director | – | – | – |
| Ng Weng Sui Harry / (55) / 25-06-2008 | Independent Director | Chairman | Member | Member |
| Dr Tan Khee Giap / (53) / 18-06-2008 | Independent Director | Member | Member | Chairman |
| Wong Chee Meng Lawrence / (44) / 25-02-2010 | Independent Director | Member | Chairman | Member |
| Goh Hoon Nee Emily / (34) / 01-09-2010 | Non-Executive Director | – | – | – |

According to the Articles of Association of the Company, at each Annual General Meeting one-third of the Directors are required to retire but are eligible for re-election. For the time being, in accordance with Article 91 of the Articles of Association ("AA"), Dr Tan Khee Giap shall retire from the office as a Director by rotation, being one-third and longest in office and submit himself to re-election at the Company's upcoming Annual General Meeting ("AGM"), to be held on 27 July 2011. However, under Article 97 of the AA any Director appointed during the year shall hold office until the AGM and shall then be eligible for re-election. In this regard Mr Goh Tzu Seoh Kenneth has submitted himself to re-election at the forthcoming AGM of the Company. Ms Goh Hoon Nee Emily will not be submitting herself for re-election at the forthcoming AGM of the Company

Besides the key information regarding Directors set out below, there are other information pertaining to the Directors' interest in shares as set out in the Directors' Report on pages 27 to 32 of the Annual Report ("AR") and information contained under the Directors' profile on pages 10 and 12 of the AR.

| Name of Director | Date of First Appointment | Date of Last Re-election | Directorship and Chairmanship in Other Listed Companies and Major Appointments (Present and held over preceding 3 years) |
|---|---|---|---|
| Soh Sai Kiang Philip | 7 June 2004 | Not Applicable | **Non-Listed Company**<br>DBPS Capital |
| Dr Ofer Miller | 7 June 2004 | 27 July 2009 | Nil |
| Goh Tzu Seoh Kenneth | 23 June 2011 | Not Applicable | **Non-Listed Companies**<br>1. AMAC Asian Strategy Pte Ltd<br>2. AMAC Capital Partners (Pte) Ltd<br>3. AMAC Investment Fund Pte Ltd<br>4. AMAC Media Productions Pte Ltd<br>5. AMAC Property Investment Pte Ltd<br>6. Flyervision Entertainment Pte Ltd<br>7. Imagine TV Network Pte Ltd<br>8. Brandzplus Inc.<br>9. Orienstar Group Ltd<br>10. LB Investments Limited (resigned with effect from 9 November 2009)<br>11. Brandz+ Pte Ltd (resigned with effect from 2 June 2009)<br>12. Luminox Pte Ltd (resigned with effect from 2 June 2009)<br>13. Balcony Pte Ltd (resigned with effect from 2 June 2009)<br>14. The Cannery Pte Ltd (resigned with effect from 2 June 2009) |

| Name of Director | Date of First Appointment | Date of Last Re-election | Directorship and Chairmanship in Other Listed Companies and Major Appointments (Present and held over preceding 3 years) |
|---|---|---|---|
| | | | 15. Cannery Holding Pte Ltd (resigned with effect from 2 June 2009)<br>16. Cannery Leisure Pte Ltd (resigned with effect from 2 June 2009)<br>17. Palms Development Pte Ltd (resigned with effect from 2 June 2009)<br>18. Mercier Group Pte Ltd (resigned with effect from 2 June 2009)<br>19. Tribeca Leisure Pte Ltd (resigned with effect from 2 June 2009)<br>20. The Nest Factory (Singapore) Pte Ltd (resigned with effect from 3 January 2011)<br><br>**Listed Company**<br>Lifebranz Ltd |
| Ng Weng Sui Harry | 25 June 2008 | 27 July 2009 | **Non-Listed Company**<br>HLM (International) Corporate Services Pte Ltd<br><br>**Listed Companies**<br>1. Q&M Dental Group (Singapore) Limited<br>2. Qxley Holdings Limited<br>3. KTL Global Limited (resigned with effect from 5 March 2010)<br>4. Achieva Limited (resigned with effect from 30 April 2010) |
| Dr Tan Khee Giap | 18 June 2008 | 27 July 2009 | **Listed Companies**<br>1. Breadtalk Group Limited<br>2. Hi-P International Limited (resigned with effect from 25 April 2011) |
| Wong Chee Meng Lawrence | 25 February 2010 | Not Applicable | **Listed Companies**<br>1. Westech Electronics Limited<br>2. Juken Technology Limited<br>3. Harry's Holdings Ltd<br>4. Ziwo Holdings Limited |
| Goh Hoon Nee Emily | 1 September 2010 | Not Applicable | **Non-Listed Companies**<br>1. Blue Ocean Capital Partners Pte Ltd<br>2. Tembusu Partners Pte Ltd<br><br>**Listed Company**<br>Hongwei Technologies Limited |

## 5. Board performance

*Principle 5: Formal assessment of the effectiveness of the Board and contribution*

With the approval of the Board, the NC had established various performance criteria and evaluation procedures for the assessment of the effectiveness and performance of the Board as a whole. The performance criteria include financial targets, contributions by the Board, its expertise, sense of independence and industry knowledge. This encourages feedback from the Board and we believe that it leads to an enhancement of the Board's performance over time. On recommendation of the NC, the Board has adopted a formal evaluation process to assess the effectiveness of the Board as whole. The NC has decided unanimously, that the Directors will not be evaluated individually as each member of the Board contributes in different areas to the success of the Company, it would be more appropriate to assess the Board as a whole.

Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors for the current year include the contribution of such Directors to the effectiveness of the Board, the Directors participation and involvement in Board meetings and Board Committee meetings and the qualification and experience of such Directors.

Although some of the Directors have other Board representations, the NC is satisfied that these Directors able to and have adequately carried out their duties as Directors of the Company. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled way in advance of meeting dales. In fact, the NC has noted that members of the Board have contributed significantly in terms of time, effort and commitment during FY2010.

The NC, in considering the re-appointment of any Director, had considered but not limited to the attendance record at meetings of the Board and Board Committees, the intensity of participation in the proceedings at meetings and quality of contribution.

## 6. Access to information

*Principle 6: Board members have complete, adequate and timely information*

Board members are provided with complete, accurate and adequate management information. Management furnishes the Board with timely operational and financial reports of the Group's performance and prospects including disclosure documents on a quarterly basis. The agendas for the Board and Board Committee Meetings are sent to the Directors / Committee members in advance to prepare for effective discussions. Information based on periodic financial reports, budgets, forecasts, and latest developments in the Group and the business plans are provided in the Board meetings to help them carry out their responsibilities effectively. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise.

**Access to Senior Management & Company Secretary:**

The Board members have separate and independent access to the Company's senior management and the Company Secretary.

The role of Company Secretary is clearly defined. The Company Secretary is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations, including the requirements of the Companies Act, are complied with. The Company Secretary assists with the provision of professional development programs to the Directors to keep them abreast of the recent developments in the regulatory environment. The Company Secretary or his representative administers, attends all Board's meetings and Board Committee meetings and prepares the minutes of the meetings. The appointment and removal of the Company Secretary are subject to approval of the Board.

The Board members are aware that they can take independent professional advice, if necessary, at the Company's expense.

## 7. REMUNERATION MATTERS: Procedures for developing Remuneration Policies

*Principle 7: Formal and transparent procedures for fixing remuneration package of Directors*

**Remuneration Committee ("RC")**

The aim of RC is to motivate and retain Directors and Executives with best talent in the market to ensure business growth and thereby maximize the long-term shareholder value.

No member of the RC or any other Director will be involved in the deliberations in respect of any remuneration or any form of benefits or fees to be granted to him.

The RC comprises 4 Non-Executive Directors, majority of whom are independent:-

- Dr Tan Khee Giap (Chairman) (Independent Director)
- Soh Sai Kiang Philip (Non-Executive Director)
- Ng Weng Sui Harry (Independent Director)
- Wong Chee Meng Lawrence (Independent Director)

The RC is governed by its written terms of reference. The principal duties of the RC include:

- Recommending to the Board of Directors a comprehensive remuneration policy and framework and guidelines for remuneration of the members of the Board and Key Senior Executives, and to determine specific remuneration packages for each Executive Director and the Chief Executive Officer which is based on transparency and accountability.
- Reviewing the service contracts of its Executive Directors, to consider what compensation commitments the Directors and Executive Officers would entail in the event of early termination with a view to be fair and avoid rewarding poor performance.
- Approving the performance targets for assessing the performance of each of the key management personnel and recommending such targets for the determination of specific remuneration packages for each such key management personnel.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

The RC's recommendations are submitted to the entire Board. Each member of the RC shall abstain from voting on and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

## 8. LEVEL AND MIX OF REMUNERATION

*Principle 8: Appropriate remuneration to attract, retain and motivate the Directors*

In setting remuneration packages, the Company takes into consideration the remuneration packages and employment conditions within the industry in determining the Group's relative performance and the performance of individual Directors. All aspects of remuneration of our Directors, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind are considered by our RC.

The RC's recommendations are submitted for endorsement by the entire Board.

The RC also reviews the remuneration of the senior management (which included but not limited to our CEO and key management executives such as our Chief Technology Officer, Chief Operating Officer and Financial Controller) on an annual basis. The standard remuneration package for senior management comprises a fixed component (monthly basic salary), variable component (discretionary performance bonus) and benefits in kind (carpark coupons). The fees for Non-Executive Independent Directors take into account factors such as the effort and time spent and the responsibilities of each Director. Payment of Directors' fees is subject to shareholders' approval at the AGM.

The Company has put in place a share option scheme approved by shareholders on 21 October 2007. Under this scheme, the number of shares in respect of which options may be granted shall be determined at the discretion of the Share Option Scheme Committee who shall take into account, *inter alia*, the performance of our Group, prevailing economic conditions, level of responsibility, the length of service, performance evaluation and potential development of the employee.

None of the employees of the Company or its subsidiaries is an immediate family member of any Director and whose remuneration exceeded S$150,000 during FY 2011.

## 9. DISCLOSURE ON REMUNERATION

*Principle 9: Clear disclosure on remuneration policy, level and mix*

Each member of the RC had abstained from voting on any resolutions in respect of his own remuneration package.

| **Remuneration Bands** | | **No. of Directors** |
|---|---|---|
| Below | S$250,000 | 6 |
| Between | S$250,000 and S$500,000 | 1 |

| **Remuneration Bands** | | **No. of Executives** |
|---|---|---|
| Below | S$250,000 | 4 |

The Directors' compensation for the financial year ended 31 March 2011 is as listed below (in S$):

| Name | Directors Fee % | Salary % | Variable % | Benefits-in-kind % | Total % | Remuneration Band |
|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | |
| Leong Kwek Choon(1) | 0% | 0% | 0% | 100% | 100% | Below S$250,000 |
| Dr Ofer Miller | 0% | 88% | 0% | 12% | 100% | Above S$250,000 |
| **Non-Executive Director** | | | | | | |
| Soh Sai Kiang Philip | 0% | 0% | 0% | 100% | 100% | Below S$250,000 |
| Goh Hoon Nee Emily | 0% | 0% | 0% | 100% | 100% | Below S$250,000 |
| **Independent Directors** | | | | | | |
| Ng Weng Sui Harry | 69% | 0% | 0% | 31% | 100% | Below S$250,000 |
| Dr Tan Khee Giap | 69% | 0% | 0% | 31% | 100% | Below S$250,000 |
| Wong Chee Meng Lawrence | 88% | 0% | 0% | 12% | 100% | Below S$250,000 |

Note:

(1) Leong Kwek Choon resigned on 22 April 2010. The total remuneration paid to Leong Kwek Choon was $49,784, being expenses charged in FY2011 relating to options granted to him.

The remuneration of the Company's Executive Officers (not being Directors) for the financial year ended 31 March 2011 is as listed below (in S$):

| Name | Directors Fee % | Salary % | Variable % | Benefits-in-kind % | Total % | Remuneration Band |
|---|---|---|---|---|---|---|
| **Executive Officers** | | | | | | |
| Goh Tzu Seoh Kenneth<br>Chief Operating Officer(1) | 0% | 97% | 0% | 3% | 100% | Below S$250,000 |
| Choo Leng Leng Susan<br>Financial Controller | 0% | 86% | 0% | 14% | 100% | Below S$250,000 |
| David Yim<br>Former Chief Operating Officer(2) | 0% | 54% | 0% | 46% | 100% | Below S$250,000 |
| Dvir Doron<br>Former Senior Vice President, Marketing and Strategy (3) | 0% | 85% | 0% | 15% | 100% | Below S$250,000 |

Notes:
(1) Goh Tzu Seoh Kenneth was appointed on 9 July 2010
(2) David Yim resigned on 31 May 2010
(3) Dvir Doron resigned on 12 August 2010

## ACCOUNTABILITY AND AUDIT

### 10. ACCOUNTABILITY

**Assessment of Company's performance**
*Principle 10: Board to present balanced and understandable assessment of the Company's performance*

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The Board provides, via the release of its quarterly and full year financial results, a balanced and assessable analysis of the Group's performance, position and prospects to the shareholders and investor public. The Board also provides the Company's shareholders with periodical updates and reports through announcements where necessary with regard to the Group's business.

### 11. Audit Committee ("AC")

*Principle 11: An establishment of an Audit Committee with written terms of reference*

The AC comprises the following members, all of whom are Non-Executive Directors and the majority of whom are independent.

- Ng Weng Sui Harry (Chairman) (Independent/Non-Executive)
- Soh Sai Kiang Philip (Non-Executive)
- Dr Tan Khee Giap (Independent/Non-Executive)
- Wong Chee Meng Lawrence (Independent/Non-Executive)

The Board is of the view that the members of the AC are appropriately qualified, and that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function. The AC comprises members who are experienced in the fields of finance, legal and business.

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any Director or executive officer to attend its meeting and reasonable resources to enable it to discharge its functions properly. The AC, in addition, met with the external auditors not in the presence of management.

The AC meets at quarterly intervals, during which reports on the quarterly and full year results are reviewed by the AC before they are submitted to the Board for approval.

The AC is satisfied that the appointment of different external auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group. The amount of non-audit fees paid to the auditors in FY 2011 was S$17,142. The AC has undertaken a review of all non-audit services provided by the auditors and they would not in the AC's opinions affect the independence of the auditors.

The AC ensures that its terms of reference remain relevant and that its practices are in line with the prevailing best practices. The terms of reference of the AC has been revised to incorporate additional terms contained in the ACGC Guidebook.

The principal duties of AC include:

- To review with the external auditors the audit plan, including the nature and scope of the audit before the audit commences, results of the audit, their reports, their management letter and management's response;
- To oversee financial reporting process, review the quarterly and full year financial statements to ensure integrity of the said financial statements before submission to the Board for approval;
- To meet with the external auditors with or without the presence of management on an annual basis, to discuss any problems and concerns they may have ensuring co-ordination between the external auditors and management; monitoring timely and proper implementation of required corrective, preventive or improvement measures;
- To review annually the independence and objectivity of the external auditors;
- Where the external auditors also provide non-audit services to the Group to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the external auditors would not be compromised;
- To review the adequacy of the Company's internal controls;
- To select and appoint internal auditors, fix their remuneration, to review the scope and assess their performance, results of the internal audit procedures including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function.
- To recommend the appointment, re-appointment and removal of external auditors, fix their remuneration, to review the scope of external audit and to assess the external auditors performance. To review the Company's procedures for detecting fraud and whistle blowing matters and to ensure that arrangements are in place by which any employee, may in confidence, raise concerns about improprieties in matters of financial reporting, financial control, or any other matters. A report is presented to the AC on the quarterly basis whenever there is a whistle blowing issue. To-date there has been none; and
- To review Interested Person Transactions ("IPT") falling within the scope of the SGX-ST Listing Manual Section B of the Rules of Catalist (the "Listing Manual").

The Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore in October 2008. The Guidebook has been distributed to all members of the Audit Committee and the Board. Where appropriate, the Audit Committee will adopt relevant best practices set out in the Guidebook, which will be used as a reference to assist the Committee in the performing its functions.

The AC reviewed the performance of the incumbent external auditors. The AC had expressed satisfaction with the standard of audit, independence and objectivity of the incumbent auditors. As the external audit firm had been engaged with the Group for 4 years since 2008, in the spirit of good corporate governance, the AC with the agreement of the Board, embarked on an audit review exercise.

The proposed change of auditors is in line with the Company's on-going efforts to enhance its corporate governance process as it would enable the Company to benefit from a fresh perspective and views of another external audit firm and also further enhance the value of the audit. The AC has reviewed and deliberated on the propose change of auditors and recommended the same for approval after taking into consideration the suitability of PricewaterhouseCoopers LLP ("PWC") and the requirements under Rule 712(2)(a) of the SGX-ST Listing Manual – Section B: Rules of Catalist.

After due evaluation by the AC, the Board accepted the AC's recommendations for a change of auditors for financial year ended 31 March 2012, which will be proposed to shareholders for approval at the forthcoming AGM. The incumbent auditors confirm that they are not aware of any professional reasons why PWC should not accept appointment as auditors of the Company.

The Company confirms that there were no disagreements with the incumbent auditors on accounting treatments with the last 12 months. The Company also confirms that it is not aware of any circumstances connected with the change of auditors that should be brought to the attention of shareholders.

**12. Internal Controls**

*Principle 12: Sound system of internal controls*

The Board is responsible for the overall internal control framework, but acknowledges that no single internal control system can fully and effectively preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interest of the shareholders and the assets of the Company. The AC reviews on an annual basis the adequacy of the Group's internal financial controls, operational and compliance controls and risk management policies and systems established by the management.

Details of the Group's financial risk management measures are outlined in Note 26 to the Financial Statements.

**13. Internal Audit**

*Principle 13: Establishment of an internal audit function that is independent of the functions of its audit*

The Board has appointed PWC on 23 November 2009 and 21 October 2010 to perform the internal audit function of the Company. The scope of the internal audit was approved by the Audit Committee of the Company. The internal auditors meet the Standards of Professional Practice of Internal Audit and Code of Ethics issued by the Institute of Internal Auditors and standards set by internationally recognized professional bodies. In view of the proposed appointment of PWC as the auditors of the Company, the Board may appoint another internal audit firm to perform the internal audit function of the Company. The AC will review and approve the internal audit plans to ensure that the internal auditors have adequately perform their functions, and that the internal auditors are adequately resourced and have appropriate standing within the Group. The internal auditors will report directly to the Chairman of the AC on audit matters and to the management on administrative matters.

**14. Communication With Shareholders**

**Effective and fair communication**

*Principle 14: Regular, effective and fair communication with shareholders*

The Group is committed to regular and proactive communications with its shareholders in line with the continuous disclosure obligations under the Listing Manual of SGX-ST, Section B rules of Catalist. The Group releases its financial results and other material information to the shareholders in a timely manner through the announcements released via the SGXNET system.

The Company's website www.arti-vision.com provides corporate information, announcements, press releases and other information pertaining to the Company.

15. **Greater shareholder participation**
*Principle 15: Greater shareholder participation at AGMs*

The Annual Report and Notice of AGM are dispatched to the Company's shareholders together with explanatory notes on items of special business within the statutory period before the AGM.

The Company encourages the shareholders to participate actively in the general meetings. Shareholders present are given opportunities to clarify or pose any questions on the resolutions as proposed before the same are voted on. The Group does not practice selective disclosure. External Auditors are present and assist in addressing the queries relating to the conduct of the audit and on the Auditors' report. The Chairpersons of the AC, RC and NC are also available to address the questions at the general meetings.

**DEALING IN SECURITIES**

The Group has a policy which applies to all its Directors and officers with regard to the dealing in shares of the Company in compliance with Rule 1204(18) of the Listing Manual, Section B: Rules of Catalist. The Directors and the executives are required to observe insider-trading laws at all times. They are reminded to be mindful of the law and are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the full financial year results, ending on the date of the announcement of the relevant results.

**MATERIAL CONTRACTS**

During the financial year ended 31 March 2011, the Company had entered into a Shareholder Loan Agreement ("the Agreement") with Algotech Holdings Ltd, a controlling shareholder of the Company, for the provision of a loan amounting to S$2million to meet working capital requirements of the Company. The loan is interest-free with no fixed repayment term and the repayment is at the discretion of the Company.

Other than the above, there was no material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director or controlling shareholders during the year under review.

Subsequent to the financial year ended 31 March 2011, the Company had entered into a second Shareholder Loan Agreement ("the Agreement") with Algotech Holdings Ltd, a controlling shareholder of the Company, for the provision of additional loan amounting to S$0.75million to meet working capital requirements of the Company. The loan is interest-free with no fixed repayment term and the repayment is at the discretion of the Company.

**INTERESTED PERSON TRANSACTIONS ("IPT")**

The Company has an IPT policy which sets out procedures for review and approval of Company's Interested Persons Transactions. To ensure compliance with the relevant rules under Chapter 9 of the Listing Manual, Section B: Rules of Catalist on IPT, the Board and AC regularly reviews if the Company will be entering into any IPT and if it does, to ensure that the Company complies with the requisite rules under Chapter 9 in that, all the IPTs are conducted at arm's length and on commercial terms and ensuring that it will not be prejudicial to the interest of the Company and its shareholders.

During the financial year ended 31 March 2011, the Company had entered into a Shareholder Loan Agreement ("the Agreement") with Algotech Holdings Ltd, a controlling shareholder of the Company, for the provision of a loan amounting to S$2million to meet working capital requirements of the Company. The loan is interest-free with no fixed repayment term and the repayment is at the discretion of the Company.

Other than the above, the Group did not have any other IPT in FY2011.

# Corporate Governance Report

**UPDATE ON THE USE OF IPO PROCEEDS**

Use of Proceeds from Initial Public Offering
75,000,000 new Ordinary Shares have been issued on 18 August 2008 at S$0.20 each in the capital of the Company pursuant to the initial public offering ("IPO") of its shares on Catalist.

As at 30 May 2011, the net proceeds of S$15,000,000 from the issue of the new Ordinary Shares pursuant to the IPO have been fully utilized as follows:

| Intended Use of IPO Proceeds | S$'million |
|---|---|
| Gross Proceeds | 15.0 |
| Less: IPO Expenses | 1.5 |
| Net Proceeds | 13.5 |

| Application of IPO Proceeds | S$'million |
|---|---|
| Innovate new applications and enhance existing products and solutions | 6.0 |
| Expand our sales, marketing and distribution network | 4.0 |
| As working capital | 3.5 |

The above utilisation of the net proceeds from the placement is consistent with the disclosure on page 24 of the Company's Offer Document dated 7 August 2008.

**CATALIST SPONSOR**
In compliance to Rule 1204(20) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, Collins Stewart Pte. Limited for the year under review.

# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2011.

**Directors**

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

Soh Sai Kiang Philip
Dr Ofer Miller
Goh Tzu Seoh Kenneth (Appointed on 23 June 2011)
Ng Weng Sui Harry
Dr Tan Khee Giap
Wong Chee Meng Lawrence
Goh Hoon Nee Emily (Appointed on 1 September 2010)

**Directors' interests**

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations are as follows:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of director and corporation in which interests are held** | **Holdings at beginning of the year/ date of appointment, if later** | **Holdings at end of the year** | **Holdings at beginning of the year/ date of appointment, if later** | **Holdings at end of the year** |
| **Soh Sai Kiang Philip** | | | | |
| Artivision Technologies Ltd. | | | | |
| - ordinary shares | – | – | 175,866,000 | 175,866,000 |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.1189 between 28/11/2008 to 28/11/2012 | 3,686,268 | 3,686,268 | – | – |
| - $0.17 between 16/01/2010 to 16/01/2014 | 330,000 | 330,000 | – | – |
| **Dr Ofer Miller** | | | | |
| Artivision Technologies Ltd. | | | | |
| - ordinary shares | – | – | 175,866,000 | 175,866,000 |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.1189 between 28/11/2008 to 28/11/2012 | 3,686,268 | 3,686,268 | – | – |
| - $0.17 between 16/01/2010 to 16/01/2014 | 240,000 | 240,000 | – | – |

| Name of director and corporation in which interests are held | Direct interest: Holdings at beginning of the year/ date of appointment, if later | Direct interest: Holdings at end of the year | Deemed interest: Holdings at beginning of the year/ date of appointment, if later | Deemed interest: Holdings at end of the year |
|---|---|---|---|---|
| **Goh Tzu Seoh Kenneth** | | | | |
| Artivision Technologies Ltd. | | | | |
| - ordinary shares | 9,649,000 | 9,649,000 | 1,250,000 | 1,250,000 |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.08 between 20/07/2011 to 20/07/2015 | 200,000 | 200,000 | – | – |
| - $0.05 between 22/03/2012 to 22/03/2016 | 1,000,000 | 1,000,000 | – | – |
| **Ng Weng Sui Harry** | | | | |
| Artivision Technologies Ltd. | | | | |
| - ordinary shares | 100,000 | 100,000 | – | – |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.17 between 16/01/2010 to 16/01/2014 | 160,000 | 160,000 | – | – |
| - $0.08 between 20/07/2011 to 20/07/2015 | – | 200,000 | – | – |
| - $0.05 between 22/03/2012 to 22/03/2016 | – | 300,000 | – | – |
| **Dr Tan Khee Giap** | | | | |
| Artivision Technologies Ltd. | | | | |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.17 between 16/01/2010 to 16/01/2014 | 160,000 | 160,000 | – | – |
| - $0.08 between 20/07/2011 to 20/07/2015 | – | 200,000 | – | – |
| - $0.05 between 22/03/2012 to 22/03/2016 | – | 300,000 | – | – |
| **Wong Chee Meng Lawrence** | | | | |
| Artivision Technologies Ltd. | | | | |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.08 between 20/07/2011 to 20/07/2015 | – | 200,000 | – | – |
| - $0.05 between 22/03/2012 to 22/03/2016 | – | 300,000 | – | – |
| **Goh Hoon Nee Emily** | | | | |
| Artivision Technologies Ltd. | | | | |
| - ordinary shares | 38,000 | 38,000 | – | – |
| - options to subscribe for ordinary shares exercisable at: | | | | |
| - $0.05 between 22/03/2012 to 22/03/2016 | – | 150,000 | – | – |

By virtue of Section 7 of the Act, Soh Sai Kiang Philip and Dr Ofer Miller are deemed to have interests in the Company and all its subsidiaries at the beginning and at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 April 2011.

Except as disclosed under the “Share Options” section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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 for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 24 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

**Share options**

The Artivision Option Scheme (the “Scheme”) of Artivision Technologies Ltd. was approved and adopted by its members at an Extraordinary General Meeting on 27 October 2007. The Scheme is administered by the Company’s directors comprising, Dr Tan Khee Giap, Soh Sai Kiang Philip, Ng Weng Sui Harry and Wong Chee Meng Lawrence.

Under the Scheme, all options to be issued will have a term no longer than 10 years from the date of grant. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

The exercise price of the option will be the average of the closing prices of the Company’s ordinary shares on the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the five market days immediately preceding the date of grant.

Under the Scheme, options will vest as follows:

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;
(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
(d) four years after the date of grant for an additional 25% of the ordinary shares subject to the options.

All options are settled by physical delivery of shares.

Under the terms of the respective grants, all share options, if not exercised, will expire five (5) years from the date of grant.

For share options granted on 28/11/2007, 16/1/2009 and 2/7/2010 to employees/directors who have since ceased to be employees/directors of the Group, vested options are required to be exercised within 12 months from date of cessation of employment/office as director and non-vested options are required to be exercised within 12 months from date of the vesting of the options.

For share options granted on 20 July 2010 and 22 March 2011 to employees/directors who have since ceased to be employees/directors of the Group, vested options must be exercised prior to the last date of service and non-vested options shall lapse on the last day of service.

During the financial year, in consideration of the payment of $1 for each offer accepted, offers of options were granted pursuant to the Scheme in respect of 2,905,000 and 3,050,000 unissued ordinary shares in the Company at exercise prices of $0.08 and $0.05 per share respectively.

At the end of the financial year, details of options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

| Date of grant | Exercise price per share | Options outstanding at 1/4/2010 | Options granted | Options exercised | Options forfeited/ expired | Options outstanding at 31/3/2011 | Number of option holders at 31/3/2011 | Exercise period |
|---|---|---|---|---|---|---|---|---|
| | $ | | | | | | | |
| 28/11/2007 | 0.1189 | 18,079,272 | – | – | (970,856) | 17,108,416 | 14 | 28/11/2008 to 28/11/2012 |
| 16/01/2009 | 0.17 | 3,780,000 | – | – | (150,000) | 3,630,000 | 19 | 16/01/2010 to 16/01/2014 |
| 02/07/2009 | 0.12 | 12,900,000 | – | – | – | 12,900,000 | 6 | 02/07/2010 to 02/07/2014 |
| 20/07/2010 | 0.08 | – | 2,905,000 | – | (310,000) | 2,595,000 | 28 | 20/07/2011 to 20/07/2015 |
| 22/03/2011 | 0.05 | – | 3,050,000 | – | – | 3,050,000 | 6 | 22/03/2012 to 22/03/2016 |
| | | 34,759,272 | 5,955,000 | – | (1,430,856) | 39,283,416 | | |

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to the directors and controlling shareholders of the Company under the Scheme are as follows:

| Name of director | Options granted during financial year ended 31/3/2011 | Aggregate options granted since commencement of Scheme to 31/3/2011 | Aggregate options exercised since commencement of Scheme to 31/3/2011 | Aggregate options outstanding as at 31/3/2011 |
|---|---|---|---|---|
| Soh Sai Kiang Philip | – | 4,016,268 | – | 4,016,268 |
| Dr Ofer Miller | – | 3,926,268 | – | 3,926,268 |
| Goh Tzu Seoh Kenneth[(1)] | 1,200,000 | 1,200,000 | – | 1,200,000 |
| Ng Weng Sui Harry | 500,000 | 660,000 | – | 660,000 |
| Dr Tan Khee Giap | 500,000 | 660,000 | – | 660,000 |
| Wong Chee Meng Lawrence | 500,000 | 500,000 | – | 500,000 |
| Goh Hoon Nee Emily[(2)] | 150,000 | 150,000 | – | 150,000 |
| Total | 2,850,000 | 11,112,536 | – | 11,112,536 |

[(1)] Goh Tzu Seoh Kenneth was appointed on 23 June 2011
[(2)] Goh Hoon Nee Emily was appointed on 1 September 2010

No controlling shareholder or his associate has received more than 10% of the total number of options available under the Scheme. The total number of shares granted to the controlling shareholders and their associates has also not exceeded 25% of the total number of options available under the Scheme.

Since the commencement of the Scheme, except for the directors disclosed above, the following individuals had been granted 5% or more of the total number of options available under the Scheme:

| Name of personnel | Options granted during financial year ended 31/3/2011 | Aggregate options granted since commencement of Scheme to 31/3/2011 | Aggregate options exercised since commencement of Scheme to 31/3/2011 | Aggregate options forfeited/ expired since commencement of Scheme to 31/3/2011 | Aggregate options outstanding as at 31/3/2011 |
|---|---|---|---|---|---|
| Leong Kwek Choon *(former Executive Director)* | – | 3,926,268 | – | – | 3,926,268 |
| Dr Mark Hon *(former Chief Finance Officer)* | – | 3,926,268 | (1,843,000) | (60,134) | 2,023,134 |
| Amir Segev *(former General Manager, Director and founder of Artimedia Pte Ltd)* | – | 6,650,000 | – | – | 6,650,000 |
| Sagi Gordon *(former Marketing Vice President of Artivision Video Technologies Ltd-Media Solutions division)* | 60,000 | 2,815,000 | – | (60,000) | 2,755,000 |
| Nadav Kehati *(research and development Vice President of Artivision Video Technologies Ltd)* | 60,000 | 2,815,000 | – | – | 2,815,000 |
| Total | 120,000 | 20,132,536 | (1,843,000) | (120,134) | 18,169,402 |

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other related corporations.

**Audit Committee**

The members of the Audit Committee during the year and at the date of this report are:

| | |
|---|---|
| Ng Weng Sui Harry | (Chairman and Independent Director) |
| Soh Sai Kiang Philip | (Non-executive Director) |
| Dr Tan Khee Giap | (Independent Director) |
| Wong Chee Meng Lawrence | (Independent Director) |

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

# Directors' Report

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee has reviewed the independence of the external auditors as required under Section 206(1A) of the Act and determined that the external auditors were independent in carrying out their audit of the financial statements of the Group and the Company.

The Audit Committee is satisfied with the independence and objectivity of the external auditors, KPMG LLP.

On behalf of the Board of Directors

**Soh Sai Kiang Philip**
*Director*

**Goh Tzu Seoh Kenneth**
*Director*

28 June 2011

# Statement by Directors

In our opinion:

(a) the financial statements set out on pages 36 to 82 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**Soh Sai Kiang Philip**
*Director*

**Goh Tzu Seoh Kenneth**
*Director*

28 June 2011

# Independent Auditors' Report

Members of the Company
Artivision Technologies Ltd.

**Report on the financial statements**

We have audited the accompanying financial statements of Artivision Technologies Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and the Company as at 31 March 2011, and the statements of comprehensive income, changes in equity and cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 82.

*Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report

Members of the Company
Artivision Technologies Ltd.

*Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2011 and the results, changes in equity and cash flows of the Group for the year ended on that date.

**Report on other legal and regulatory requirements**

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

**KPMG LLP**
*Public Accountants and*
*Certified Public Accountants*

**Singapore**
28 June 2011

# Statements of Financial Position

As at 31 March 2011

| | Note | Group 2011 $ | Group 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Plant and equipment | 5 | 283,893 | 432,265 | 146,747 | 290,237 |
| Intangible assets | 6 | 19,525 | 29,937 | 6,844 | 13,577 |
| Investments in subsidiaries | 7 | – | – | 946 | 946 |
| Other investment | 8 | 1 | 1,189 | 1 | 1,370 |
| Other receivables | 10 | 4,365 | 10,265 | 4,365 | 10,265 |
| | | 307,784 | 473,656 | 158,903 | 316,395 |
| **Current assets** | | | | | |
| Inventories | 9 | 123,194 | 119,138 | 123,194 | 119,138 |
| Trade and other receivables | 10 | 413,480 | 306,762 | 263,976 | 363,978 |
| Cash and cash equivalents | 11 | 872,494 | 3,685,145 | 573,956 | 3,147,887 |
| | | 1,409,168 | 4,111,045 | 961,126 | 3,631,003 |
| **Total assets** | | 1,716,952 | 4,584,701 | 1,120,029 | 3,947,398 |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 12 | 24,458,938 | 24,458,938 | 24,458,938 | 24,458,938 |
| Reserves | 13 | 1,170,647 | 372,548 | 1,110,177 | 367,765 |
| Accumulated losses | | (26,594,405) | (20,891,169) | (27,144,499) | (21,198,058) |
| **Total equity** | | (964,820) | 3,940,317 | (1,575,384) | 3,628,645 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 681,772 | 644,384 | 695,413 | 318,753 |
| **Non-current liability** | | | | | |
| Loan from shareholder | 16 | 2,000,000 | – | 2,000,000 | – |
| **Total liabilities** | | 2,681,772 | 644,384 | 2,695,413 | 318,753 |
| **Total equity and liabilities** | | 1,716,952 | 4,584,701 | 1,120,029 | 3,947,398 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 17 | 538,306 | 532,431 |
| Cost of sales | | (339,519) | (268,650) |
| **Gross profit** | | 198,787 | 263,781 |
| Other income | 18 | – | 10,338 |
| Distribution expenses | | (1,253,167) | (2,343,433) |
| Administrative expenses | | (2,567,990) | (2,538,625) |
| Other operating expenses (including research and development expenses) | | (2,168,026) | (2,616,756) |
| **Results from operating activities** | | (5,790,396) | (7,224,695) |
| Finance income | | 30,079 | 74,259 |
| Finance expenses | | (30,122) | (215,501) |
| **Net finance expenses** | 19 | (43) | (141,242) |
| **Loss before income tax** | 20 | (5,790,439) | (7,365,937) |
| Income tax expense | 21 | 87,203 | (90,257) |
| **Loss for the year** | | (5,703,236) | (7,456,194) |
| **Other comprehensive income:** | | | |
| Exchange differences on translation of foreign operations | | (16,281) | 9,976 |
| Tax on other comprehensive income | | – | – |
| **Total comprehensive income/(loss) for the year** | | (5,719,517) | (7,446,218) |
| **Loss per share** | | | |
| Basic loss per share (cents) | 22 | (1.20) | (1.57) |
| Diluted loss per share (cents) | 22 | (1.20) | (1.57) |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 March 2011

| Group | Share capital | Foreign currency translation reserve | Share option reserve | Accumulated losses | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 1 April 2009** | 24,175,776 | (5,193) | 121,711 | (13,434,975) | 10,857,319 |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | – | – | – | (7,456,194) | (7,456,194) |
| **Other comprehensive income** | | | | | |
| Exchange differences on translation of foreign operations | – | 9,976 | – | – | 9,976 |
| Total comprehensive loss for the year | – | 9,976 | – | (7,456,194) | (7,446,218) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Value of employee services received for issue of share options | – | – | 282,596 | – | 282,596 |
| Share options exercised | 283,162 | – | (36,548) | – | 246,614 |
| Proceeds from new share options granted | – | – | 6 | – | 6 |
| Total contributions by and distributions to owners | 283,162 | – | 246,054 | – | 529,216 |
| **At 31 March 2010** | 24,458,938 | 4,783 | 367,765 | (20,891,169) | 3,940,317 |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 March 2011

| Group | Share capital | Foreign currency translation reserve | Share option reserve | Accumulated losses | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 1 April 2010** | 24,458,938 | 4,783 | 367,765 | (20,891,169) | 3,940,317 |
| **Total comprehensive loss for the year** | | | | | |
| Loss for the year | – | – | – | (5,703,236) | (5,703,236) |
| **Other comprehensive loss** | | | | | |
| Exchange differences on translation of foreign operations | – | (16,281) | – | – | (16,281) |
| Total comprehensive loss for the year | – | (16,281) | – | (5,703,236) | (5,719,517) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| **Contributions by and distributions to owners** | | | | | |
| Value of employee services received for issue of share options | – | – | 814,343 | – | 814,343 |
| Proceeds from new share options granted | – | – | 37 | – | 37 |
| Total contributions by and distributions to owners | – | – | 814,380 | – | 814,380 |
| **At 31 March 2011** | 24,458,938 | (11,498) | 1,182,145 | (26,594,405) | (964,820) |

The accompanying notes form an integral part of these financial statements.

# Statement of Changes in Equity

Year ended 31 March 2011

| Company | Share capital | Share option reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **At 1 April 2009** | 24,175,776 | 121,711 | (12,547,449) | 11,750,038 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | – | – | (8,650,609) | (8,650,609) |
| **Total comprehensive loss for the year** | – | – | (8,650,609) | (8,650,609) |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions by and distributions to owners** | | | | |
| Value of employee services received for issue of share options | – | 282,596 | – | 282,596 |
| Share options exercised | 283,162 | (36,548) | – | 246,614 |
| Proceeds from new share options granted | – | 6 | – | 6 |
| Total contributions by and distributions to owners | 283,162 | 246,054 | – | 529,216 |
| **At 31 March 2010** | 24,458,938 | 367,765 | (21,198,058) | 3,628,645 |

| Company | Share capital | Share option reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **At 1 April 2010** | 24,458,938 | 367,765 | (21,198,058) | 3,628,645 |
| **Total comprehensive loss for the year** | | | | |
| Loss for the year | – | – | (5,946,441) | (5,946,441) |
| **Total comprehensive loss for the year** | – | – | (5,946,441) | (5,946,441) |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions by and distributions to owners** | | | | |
| Value of employee services received for issue of share options | – | 742,375 | – | 742,375 |
| Proceeds from new share options granted | – | 37 | – | 37 |
| Total contributions by and distributions to owners | – | 742,412 | – | 742,412 |
| **At 31 March 2011** | 24,458,938 | 1,110,177 | (27,144,499) | (1,575,384) |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 March 2011

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | **$** | **$** |
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (5,790,439) | (7,365,937) |
| | | | |
| Adjustments for: | | | |
| Amortisation of intangible assets | 6 | 15,636 | 124,562 |
| Depreciation of plant and equipment | 5 | 251,275 | 265,907 |
| Exchange differences | | 643 | 1,532 |
| Interest income | | (30,079) | (74,259) |
| Interest expense | | – | 9 |
| (Gain)/Loss on disposal of plant and equipment | | (1,574) | 7,881 |
| Plant and equipment written off | | 2,479 | 8,473 |
| Intangible assets written off | | – | 72,967 |
| Inventories written off | | – | 14,210 |
| Loss on acquisition of non-controlling interest | | – | 195 |
| Impairment loss on other investment | | 1,188 | – |
| Value of employee services received for issue of share options | | 814,343 | 282,596 |
| | | (4,736,528) | (6,661,864) |
| Changes in working capital: | | | |
| Inventories | | (4,056) | (49,551) |
| Trade and other receivables | | (157,489) | 88,486 |
| Trade and other payables | | 109,422 | (39,573) |
| **Cash used in operations** | | (4,788,651) | (6,662,502) |
| Interest received | | 82,676 | 90,884 |
| Interest paid | | – | (9) |
| Tax refund received/(paid) | | 36,310 | (90,257) |
| **Net cash used in operating activities** | | (4,669,665) | (6,661,884) |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of non-controlling interests | | – | (195) |
| Purchase of intangible assets | 6 | (5,948) | (126,346) |
| Purchase of plant and equipment | 5 | (117,905) | (195,701) |
| Proceeds from sales of plant and equipment | | 6,982 | – |
| **Net cash used in investing activities** | | (116,871) | (322,242) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from new share options granted | | 37 | 6 |
| Proceeds from exercise of share options | | – | 246,614 |
| Proceeds of loan from shareholder | | 2,000,000 | – |
| **Net cash flows from financing activities** | | 2,000,037 | 246,620 |
| | | | |
| **Net decrease in cash and cash equivalents** | | (2,786,499) | (6,737,506) |
| Cash and cash equivalents at 1 April | | 3,685,145 | 10,393,889 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (26,152) | 28,762 |
| **Cash and cash equivalents at 31 March** | 11 | 872,494 | 3,685,145 |

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 June 2011.

**1 Domicile and activities**

Artivision Technologies Ltd. (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 31 International Business Park, #03-04 Creative Resource, Singapore 609921.

The Company is primarily involved in the development and licensing of computer vision technologies; inventing, manufacturing, producing and/or marketing of various machine vision based on applications and solutions for media publishers and media content providers. The principal activities of the subsidiaries are described in note 7 to the financial statements.

The financial statements of the Company as at and for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

**2 Going concern**

The Group incurred a net comprehensive loss of $5,719,517 (31/3/2010: $7,446,218) and had negative cash flows from operating activities of $4,669,665 (31/3/2010: $6,661,884) for the financial year ended 31 March 2011. The cash and cash equivalents of the Group and the Company amounted to $872,494 (31/3/2010: $3,685,145) and $573,956 (31/3/2010: $3,147,887) respectively at 31 March 2011. As at 31 March 2011, the Group and the Company had negative shareholders' equity of $964,820 and $1,575,384 respectively.

Notwithstanding the above, the directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

(i) The Directors have carried out a review of the cash flow forecasts of the Group and the Company for the twelve months ending 31 March 2012 prepared by the management. Based on such forecasts, the directors have estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next financial year. In reviewing the cash flow forecasts, the Directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Company to generate sufficient revenue to satisfy the Group and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The Directors are of the opinion that the assumptions which are included in the cash flow forecasts are reasonable.

The cash flow forecast of the Group for the twelve months ending 31 March 2012 includes a loan of $0.75 million received from Algotech Holdings Ltd ("Algotech") in April 2011, which is interest-free, unsecured and is repayable at the discretion of the Company.

The cash flow forecast of the Group also includes the proceeds of a share placement by the Company of 14,705,882 new ordinary shares at a price of $0.17 per share.

**2 Going concern (cont'd)**

(ii) The Company has received a letter of financial support from its largest shareholder, Algotech, to continue to provide or procure financial support to the Group and the Company to enable them to continue to operate as a going concern at least for the next fifteen months from 31 March 2011, if necessary.

The Directors believe that the Group and the Company will have sufficient cash resources to satisfy their working capital requirements for at least the next financial year. Accordingly, the Directors consider it appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

**3 Basis of preparation**

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets.

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in note 27.

# Notes to the Financial Statements

**3 Basis of preparation (cont'd)**

3.5 Changes in accounting policies

Accounting for business combinations

From 1 April 2010, the Group has applied FRS 103 *Business Combinations* (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (see note 4.1).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill and is assessed for impairment annually. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition was credited to profit or loss in the period of the acquisition.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 April 2010 and has no material impact on earnings per share.

**4 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as disclosed in note 3.5, which addresses changes in accounting policies.

4.1 Basis of consolidation

***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**4 Significant accounting policies (cont'd)**

4.1 Basis of consolidation (cont'd)

***Business combinations (cont'd)***

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

***Accounting for subsidiaries***

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currencies

***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. The functional currencies of the Group entities are mainly Singapore dollar and Israeli New Shekel. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

**4 Significant accounting policies (cont'd)**

4.2 Foreign currencies (cont'd)

***Foreign operations***

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on the acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant portion of the cumulative amount is reattributed to non-controlling interests.

4.3 Financial instruments

***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding prepayments and prepayment to purchase inventory).

Cash and cash equivalents comprise bank balances and deposits.

**4 Significant accounting policies (cont'd)**

4.3 Financial instruments (cont'd)

***Non-derivative financial assets (cont'd)***

*Available-for-sale financial assets*

The Group's investments in certain equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 4.7), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Any fair value changes relating to equity securities which are considered significant or prolonged are accounted for as impairment losses in profit or loss.

Available-for-sale financial assets comprise other investment.

***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables (excluding deferred income, provisions and advance payments from customers).

***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**4 Significant accounting policies (cont'd)**

4.4 Plant and equipment

***Recognition and measurement***

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

***Subsequent costs***

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

***Disposals***

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within other income/ other expenses in profit or loss.

***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives are as follows:

| | |
|---|---|
| Furniture and fittings | 3 years |
| Office equipment | 3 years |
| Plant and equipment | 3 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**4 Significant accounting policies (cont'd)**

4.5 Intangible assets

***Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

***Other intangible assets – acquired software***

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

***Amortisation***

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful lives are 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a specific identification principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition, less any applicable allowance for obsolescence.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**4 Significant accounting policies (cont'd)**

4.7 Impairment

***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

*Loans and receivables*

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of the impairment losses to decrease, the decrease in impairment loss is reversed through profit or loss.

*Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

**4 Significant accounting policies (cont'd)**

4.7 Impairment (cont'd)

***Non-financial assets (cont'd)***

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.8 Employee benefits

***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**4 Significant accounting policies (cont'd)**

4.8 Employee benefits (cont'd)

***Share-based compensation benefits***

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

4.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

***Warranties***

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

4.10 Revenue

***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

***Sale of software licences/services***

Revenue from services rendered, which includes the sale of software licences/services and rendering of monetization services, is recognised in profit or loss when the software has been delivered or services has been rendered to the customer, there are no significant post-delivery obligations and the resulting receivable is deemed collectible by management.

**4 Significant accounting policies (cont'd)**

4.11 Jobs credit scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt and set off against staff costs in profit or loss.

4.12 Lease payments

***When entities within the Group are lessees of an operating lease***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4.13 Finance income and expenses

Finance income comprises interest income on funds invested that is recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings that is recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.14 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

**4 Significant accounting policies (cont'd)**

4.14 Income tax (cont'd)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chairman to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets.

4.17 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

## 5 Plant and equipment

| | Plant and equipment | Furniture and fittings | Office equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Group** | | | | |
| **Cost** | | | | |
| At 1 April 2009 | 299,476 | 178,071 | 276,918 | 754,465 |
| Additions | 84,223 | 14,488 | 96,990 | 195,701 |
| Transfer | (1,413) | – | 1,413 | – |
| Write-off | (25,095) | (1,740) | (6,336) | (33,171) |
| Disposals | (4,885) | – | (4,588) | (9,473) |
| Translation differences arising from consolidation | 258 | 2,662 | 3,264 | 6,184 |
| At 31 March 2010 | 352,564 | 193,481 | 367,661 | 913,706 |
| Additions | 19,732 | 33,826 | 64,347 | 117,905 |
| Write-off | (9,511) | – | (560) | (10,071) |
| Disposals | – | (22,555) | (2,618) | (25,173) |
| Translation differences arising from consolidation | – | (3,383) | (7,475) | (10,858) |
| At 31 March 2011 | 362,785 | 201,369 | 421,355 | 985,509 |
| | | | | |
| **Accumulated depreciation** | | | | |
| At 1 April 2009 | 88,424 | 45,358 | 106,136 | 239,918 |
| Depreciation charge for the year | 114,055 | 60,616 | 91,236 | 265,907 |
| Transfer | (1,413) | – | 1,413 | – |
| Write-off | (19,001) | (1,740) | (3,957) | (24,698) |
| Disposals | (642) | – | (950) | (1,592) |
| Translation differences arising from consolidation | (403) | 698 | 1,611 | 1,906 |
| At 31 March 2010 | 181,020 | 104,932 | 195,489 | 481,441 |
| Depreciation charge for the year | 105,844 | 50,362 | 95,069 | 251,275 |
| Write-off | (7,374) | – | (218) | (7,592) |
| Disposals | – | (17,925) | (1,840) | (19,765) |
| Translation differences arising from consolidation | – | (1,405) | (2,338) | (3,743) |
| At 31 March 2011 | 279,490 | 135,964 | 286,162 | 701,616 |
| | | | | |
| **Carrying amount** | | | | |
| At 1 April 2009 | 211,052 | 132,713 | 170,782 | 514,547 |
| At 31 March 2010 | 171,544 | 88,549 | 172,172 | 432,265 |
| At 31 March 2011 | 83,295 | 65,405 | 135,193 | 283,893 |

## 5 Plant and equipment (cont'd)

| | Plant and equipment | Furniture and fittings | Office equipment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Company** | | | | |
| **Cost** | | | | |
| At 1 April 2009 | 294,014 | 121,549 | 207,629 | 623,192 |
| Additions | 84,223 | 5,584 | 24,143 | 113,950 |
| Transfer | 4,307 | – | (4,307) | – |
| Write-off | (25,095) | (1,740) | (6,336) | (33,171) |
| Disposals | (4,885) | – | (4,588) | (9,473) |
| At 31 March 2010 | 352,564 | 125,393 | 216,541 | 694,498 |
| Additions | 19,732 | 6,050 | 11,226 | 37,008 |
| Write-off | (9,511) | – | (560) | (10,071) |
| Disposals | – | (10,727) | – | (10,727) |
| At 31 March 2011 | 362,785 | 120,716 | 227,207 | 710,708 |
| **Accumulated depreciation** | | | | |
| At 1 April 2009 | 86,474 | 38,503 | 95,526 | 220,503 |
| Depreciation charge for the year | 114,055 | 39,454 | 56,539 | 210,048 |
| Transfer | 134 | – | (134) | – |
| Write-off | (19,001) | (1,740) | (3,957) | (24,698) |
| Disposals | (642) | – | (950) | (1,592) |
| At 31 March 2010 | 181,020 | 76,217 | 147,024 | 404,261 |
| Depreciation charge for the year | 105,844 | 29,879 | 42,296 | 178,019 |
| Write-off | (7,374) | – | (218) | (7,592) |
| Disposals | – | (10,727) | – | (10,727) |
| At 31 March 2011 | 279,490 | 95,369 | 189,102 | 563,961 |
| **Carrying amount** | | | | |
| At 1 April 2009 | 207,540 | 83,046 | 112,103 | 402,689 |
| At 31 March 2010 | 171,544 | 49,176 | 69,517 | 290,237 |
| At 31 March 2011 | 83,295 | 25,347 | 38,105 | 146,747 |

The depreciation charge of the Group is recognised in other operating expenses.

# Notes to the Financial Statements

## 6 Intangible assets

| | Computer Software $ |
|---|---|
| **Group** | |
| **Cost** | |
| At 1 April 2009 | 1,738,961 |
| Additions | 126,346 |
| Write-off | (101,033) |
| Translation differences arising from consolidation | 810 |
| At 31 March 2010 | 1,765,084 |
| Additions | 5,948 |
| Translation differences arising from consolidation | (1,199) |
| At 31 March 2011 | 1,769,833 |
| **Accumulated amortisation** | |
| At 1 April 2009 | 1,638,393 |
| Amortisation charge for the year | 124,562 |
| Write-off | (28,066) |
| Translation differences arising from consolidation | 258 |
| At 31 March 2010 | 1,735,147 |
| Amortisation charge for the year | 15,636 |
| Translation differences arising from consolidation | (475) |
| At 31 March 2011 | 1,750,308 |
| **Carrying amount** | |
| At 1 April 2009 | 100,568 |
| At 31 March 2010 | 29,937 |
| At 31 March 2011 | 19,525 |
| **Company** | |
| **Cost** | |
| At 1 April 2009 | 1,720,277 |
| Additions | 118,278 |
| Write-off | (101,033) |
| At 31 March 2010 and 31 March 2011 | 1,737,522 |
| **Accumulated amortisation** | |
| At 1 January 2009 | 1,635,450 |
| Amortisation charge for the year | 116,561 |
| Write-off | (28,066) |
| At 31 March 2010 | 1,723,945 |
| Amortisation charge for the year | 6,733 |
| At 31 March 2011 | 1,730,678 |
| **Carrying amount** | |
| At 1 April 2009 | 84,827 |
| At 31 March 2010 | 13,577 |
| At 31 March 2011 | 6,844 |

The amortisation charge of the Group is recognised in other operating expenses.

# Notes to the Financial Statements

**7 Investments in subsidiaries – Company**

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Unquoted shares, at cost | 946 | 946 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation | Effective equity interest held by the Group | |
|---|---|---|---|---|
| | | | 2011 | 2010 |
| | | | % | % |
| Artivision Video Technologies Ltd * | Research and development activities | State of Israel | 100 | 100 |
| Artimedia Pte. Ltd.^ | Sales and marketing by providing added value monetization services | Singapore | 100 | 100# |

* *Audited by Barzily & Co., Certified Public Accountants.*

^ *Audited by KPMG LLP Singapore.*

# On 29 June 2009, the Group acquired 20.64% of the minority interests shareholding of 195 shares in a subsidiary, Artimedia Pte Ltd ("ArtiMedia") for a total consideration of $195. Upon the acquisition, ArtiMedia became a wholly-owned subsidiary of the Company.

**8 Other investment**

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Unquoted equity security, at cost | 1,189 | 1,189 | 1,370 | 1,370 |
| Less: Impairment loss | (1,188) | – | (1,369) | – |
| | 1 | 1,189 | 1 | 1,370 |

The movement in the allowance for impairment losses for the Group and the Company during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| At 1 April | – | – | – | – |
| Impairment loss recognised | 1,188 | – | 1,369 | – |
| At 31 March | 1,188 | – | 1,369 | – |

The Group and the Company's exposure to credit risk related to other investment are disclosed in note 26.

## 9 Inventories – Group and Company

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Spare parts | 59,454 | 99,103 |
| Finished goods | 63,740 | 20,035 |
| | 123,194 | 119,138 |
| Changes in spare parts and finished goods recognised as cost of sales | 70,923 | 118,612 |

The Group recognised an impairment loss on inventory of $9,178 for the financial year ended 31 March 2011. It reversed an impairment loss on inventory of $6,200 for the financial year ended 31 March 2010.

## 10 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| **Non-current** | | | | |
| Loans to a staff | 4,365 | 10,265 | 4,365 | 10,265 |
| **Current** | | | | |
| Trade receivables | 171,348 | 43,593 | 161,320 | 37,542 |
| Deposits | 181,854 | 124,967 | 57,191 | 73,648 |
| Interest receivable | – | 52,597 | – | 52,597 |
| Other receivables | – | 1,227 | – | – |
| Loans to a staff | 3,600 | 1,300 | 3,600 | 1,300 |
| | 356,802 | 223,684 | 222,111 | 165,087 |
| Amounts due from subsidiaries: | | | | |
| - trade | – | – | 188,932 | 335,341 |
| - non-trade | – | – | 185,769 | 144,402 |
| Loans to a subsidiary | – | – | 699,600 | 699,600 |
| | – | – | 1,074,301 | 1,179,343 |
| Impairment losses: | | | | |
| - Amounts due from subsidiaries (trade) | – | – | (188,932) | (188,932) |
| - Amounts due from subsidiaries (non-trade) | – | – | (185,769) | (144,402) |
| - Loans to a subsidiary | – | – | (699,600) | (699,600) |
| | – | – | (1,074,301) | (1,032,934) |
| | – | – | – | 146,409 |
| *Loans and receivables (current)* | 356,802 | 223,684 | 222,111 | 311,496 |
| Prepayment to purchase inventory | – | 1,484 | – | 1,484 |
| Prepayments | 56,678 | 81,594 | 41,865 | 50,998 |
| Trade and other receivables | 413,480 | 306,762 | 263,976 | 363,978 |
| *Loans and receivables (non-current)* | 4,365 | 10,265 | 4,365 | 10,265 |

**10 Trade and other receivables (cont'd)**

The trade and non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The short-term loans to a subsidiary are unsecured, bear an effective interest rate of 5% (2010: 5%) per annum and are repayable on demand.

The Group and the Company's primary exposure to credit risk arises through its trade and other receivables. The Group and the Company's historical experience in the collection of its receivables falls within the recorded allowances for impairment losses.

Management believes that any additional credit risk beyond the amounts provided for collection losses inherent in the Group and the Company's trade receivables is not expected to be significant.

The Group and the Company's exposure to credit and currency risks are disclosed in note 26.

***Impairment losses***

The ageing of trade receivables and related parties balances at the reporting date was:

| | Gross | Impairment losses | Gross | Impairment losses |
|---|---|---|---|---|
| | **2011** | **2011** | **2010** | **2010** |
| | **$** | **$** | **$** | **$** |
| **Group** | | | | |
| Not past due | 107,072 | – | 29,593 | – |
| Past due 0 – 90 days | 5,674 | – | 14,000 | – |
| Past due more than 90 days | 58,602 | – | – | – |
| | 171,348 | – | 43,593 | – |
| **Company** | | | | |
| Not past due | 432,333 | (335,290) | 463,874 | (293,923) |
| Past due 0 – 90 days | 5,674 | – | 14,000 | – |
| Past due more than 90 days | 797,614 | (739,011) | 739,011 | (739,011) |
| | 1,235,621 | (1,074,301) | 1,216,885 | (1,032,934) |

Based on a review, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due more than 90 days.

During the year, due to the continued operating losses and a net deficit in shareholders' equity recorded by a subsidiary, an impairment loss of $41,367 (2010: $1,032,934) was recognised in the Company's profit or loss for the year ended 31 March 2011. The entire amounts due from the subsidiary have been recognised as impaired.

## 10 Trade and other receivables (cont'd)

***Impairment losses (cont'd)***

The movement in the allowance for impairment in respect of amounts due from subsidiaries and loans to the subsidiary during the year was as follows:

| | Company | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| At 1 April | 1,032,934 | – |
| Impairment loss recognised | 41,367 | 1,032,934 |
| At 31 March | 1,074,301 | 1,032,934 |

## 11 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| ***Current*** | | | | |
| Cash at bank | 665,541 | 607,055 | 573,956 | 297,887 |
| Short term fixed deposits | 206,953 | 3,078,090 | – | 2,850,000 |
| Cash and cash equivalents | 872,494 | 3,685,145 | 573,956 | 3,147,887 |

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and the Company are 0.17% (2010: 1.30%) and Nil% (2010: 1.25%) per annum respectively. Interest rates for short term fixed deposits generally reprice at intervals of 7 days as at 31 March 2011 (2010: Interest rates reprice at intervals ranging from 1 to 7 months).

The Group and the Company's exposure to credit risk, interest rate risk and foreign currency risk, and sensitivity analysis related to cash and cash equivalents are disclosed in note 26.

## 12 Share capital – Company

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **No. of shares** | **$** | **No. of shares** | **$** |
| **Fully paid ordinary shares, with no par value:** | | | | |
| At 1 April | 477,074,124 | 24,458,938 | 475,000,000 | 24,175,776 |
| Exercise of employee share options | – | – | 2,074,124 | 283,162 |
| At 31 March | 477,074,124 | 24,458,938 | 477,074,124 | 24,458,938 |

As at 31 March 2011, there were 39,283,416 (2010: 34,759,272) unexercised share options (see note 14).

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. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

## 12 Share capital – Company (cont'd)

**Capital management**

The Board defines "Capital" to include share capital, reserves and accumulated losses.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. However, the Board recognises the nature of the Group's business and therefore operates its policy in the context of the Group's operating requirements.

The Board monitors the working capital requirements of the Group periodically to ensure that there is sufficient financial resources available to meet the needs of the business.

There were no changes in the Group's approach to capital management during the financial year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 13 Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Share option reserve | 1,182,145 | 367,765 | 1,110,177 | 367,765 |
| Foreign currency translation reserve | (11,498) | 4,783 | – | – |
| | 1,170,647 | 372,548 | 1,110,177 | 367,765 |

***Share option reserve***

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

***Foreign currency translation reserve***

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Company.

**14 Share-based incentive plans**

The Artivision Option Scheme (the "Scheme") of Artivision Technologies Ltd. was approved and adopted by its members at an Extraordinary General Meeting on 27 October 2007. The Scheme is administered by the Company's remuneration committee, comprising Dr Tan Khee Giap, Soh Sai Kiang Philip, Ng Weng Sui Harry and Wong Chee Meng Lawrence.

Information regarding the Scheme is as follows:

(a) each option entitles the holder to subscribe for one unissued ordinary share of the Company;

(b) the range of exercise price of the options outstanding at the reporting date is set at $0.05 to $0.17 per share (31/3/2010: $0.1189 to $0.17);

(c) the options can be exercised from 28 November 2008 to 22 March 2016 (31/3/2010: 28 November 2008 to 2 July 2014), subject to compliance with the terms of each grant of options; and

(d) all options are settled by physical delivery of shares.

No options were granted prior to 28 November 2007.

During the financial year, the Company granted the following share options under the existing employee share option scheme.

| Date of grant | Exercise price per share | Options granted | Options forfeited/ expired | Options outstanding at 31/3/2011 | Expiry date | Exercise period |
|---|---|---|---|---|---|---|
| | $ | | | | | |
| 20/07/2010 | 0.08 | 2,905,000 | (310,000) | 2,595,000 | 20/07/2015 | 20/07/2011 to 20/07/2015 |
| 22/03/2011 | 0.05 | 3,050,000 | – | 3,050,000 | 22/03/2016 | 22/03/2012 to 22/03/2016 |
| | | 5,955,000 | (310,000) | 5,645,000 | | |

**14 Share-based incentive plans (cont'd)**

As at 31 March 2011, details of share options outstanding are as follows:

| Date of grant | Exercise period | Exercise price $ | Options oustanding as at 1/4/2010 | Options granted | Options exercised | Options forfeited/ expired | Options outstanding as at 31/3/2011 |
|---|---|---|---|---|---|---|---|
| 28/11/2007 | 28/11/2008 to 28/11/2012 | 0.1189 | 18,079,272 | – | – | (970,856) | 17,108,416 |
| 16/01/2009 | 16/01/2010 to 16/01/2014 | 0.17 | 3,780,000 | – | – | (150,000) | 3,630,000 |
| 02/07/2009 | 02/07/2010 to 02/07/2014 | 0.12 | 12,900,000 | | – | – | 12,900,000 |
| 20/07/2010 | 20/07/2011 to 20/07/2015 | 0.08 | – | 2,905,000 | – | (310,000) | 2,595,000 |
| 22/03/2011 | 22/03/2012 to 22/03/2016 | 0.05 | – | 3,050,000 | – | – | 3,050,000 |
| | | | 34,759,272 | 5,955,000 | – | (1,430,856) | 39,283,416 |

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes Options Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**Fair value of share options and assumptions**

| Date of grant of options | 28/11/2007 | 16/1/2009 | 2/7/2009 | 20/7/2010 | 22/3/2011 |
|---|---|---|---|---|---|
| Fair value at measurement date | \$0.0140 – \$0.0348 | \$0.0511 – \$0.0668 | \$0.0470 – \$0.0570 | \$0.0166 – \$0.0424 | \$0.0092 – \$0.0255 |
| Share price | \$0.1189 | \$0.17 | \$0.12 | \$0.09 | \$0.055 |
| Exercise price | \$0.1189 | \$0.17 | \$0.12 | \$0.08 | \$0.05 |
| Expected volatility | 30.04% – 34.56% | 49.20% – 76.72% | 56.99% – 94.12% | 31.62% – 70.33% | 30.25% – 60.20% |
| Expected option life | 1 – 5 years | 1 – 5 years | 1 – 5 years | 1 – 5 years | 1 – 5 years |
| Expected dividends | – | – | – | – | – |
| Risk-free interest rate | 1.96% – 2.30% | 0.56% – 1.24% | 0.35% – 1.17% | 0.35% – 0.65% | 0.36% – 0.77% |

The Group has assumed that all options granted will be exercised upon vesting (immediate upon vesting at 1st, 2nd, 3rd and 4th anniversaries).

## 14 Share-based incentive plans (cont'd)

**Fair value of share options and assumptions (cont'd)**

The expected volatility is based on the historical volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

The Group charged $814,343 (2010: $282,596) to profit or loss (see note 20) for the financial year ended 31 March 2011, based on the fair value of the share options at the grant date.

There were no options exercised during the financial year. The weighted average share price at the date of exercise for share options exercised in 2010 was $0.1189 per option.

## 15 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Trade payables | 141,789 | 111,517 | 72,053 | 52,761 |
| Other payables | 11,022 | 32,238 | 11,022 | 32,238 |
| Accrued expenses | 350,881 | 485,961 | 226,844 | 219,086 |
| Amounts due to a subsidiary: | | | | |
| - trade | – | – | 207,414 | – |
| *Financial liabilities at amortised cost* | 503,692 | 629,716 | 517,333 | 304,085 |
| Advance payments from customer | 59,988 | – | 59,988 | – |
| Provision for warranties | 5,588 | 11,692 | 5,588 | 11,692 |
| Deferred income | 112,504 | 2,976 | 112,504 | 2,976 |
| | 681,772 | 644,384 | 695,413 | 318,753 |

The movement in the provision for warranties during the year was as follows:

| | Group and Company | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| At 1 April | 11,692 | 8,443 |
| (Write-back)/Charge to profit or loss | (6,104) | 3,249 |
| At 31 March | 5,588 | 11,692 |

The Group and the Company's exposure to liquidity and currency risk related to trade and other payables is disclosed in note 26.

## 16 Loan from shareholder

The loan from shareholder is non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of a shareholder's net investment in the entity, it is stated at cost.

## 17 Revenue – Group

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Sale of video management equipment and solutions | 268,861 | 523,533 |
| Sale of media solutions | 269,445 | 8,898 |
| | 538,306 | 532,431 |

## 18 Other income – Group

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Development income | – | 10,338 |
| | – | 10,338 |

## 19 Finance income and expenses – Group

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| **Finance income** | | |
| Interest income from banks | 30,079 | 74,259 |
| | 30,079 | 74,259 |
| **Finance expenses** | | |
| Interest expense | – | (9) |
| Net foreign exchange loss | (30,122) | (215,492) |
| | (30,122) | (215,501) |
| Net finance expense recognised in profit or loss | (43) | (141,242) |

## 20 Loss before income tax – Group

The following items have been included in arriving at loss before income tax:

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| Recognition/(Reversal) of impairment loss on inventories | 9 | 9,178 | (6,200) |
| Amortisation of intangible assets | 6 | 15,636 | 124,562 |
| Depreciation of plant and equipment | 5 | 251,275 | 265,907 |
| Inventories written off | | – | 14,210 |
| Non-audit fees paid to auditors of the Company | | 17,142 | 5,600 |
| Operating lease expenses | | 334,323 | 382,864 |
| (Gain)/Loss on disposal of plant and equipment | | (1,574) | 7,881 |
| Plant and equipment written off | | 2,479 | 8,473 |
| Intangible assets written off | | – | 72,967 |
| Impairment loss on other investment | 8 | 1,188 | – |
| Loss on acquisition of non-controlling interests | | – | 195 |
| (Write-back)/Provision for warranties | 15 | (6,104) | 3,249 |
| Staff costs | | 3,221,143 | 4,298,728 |
| Contributions to defined contribution plans, included in staff costs | | 134,986 | 144,780 |
| Value of employee services received for issue of share options | 14 | 814,343 | 282,596 |
| Directors' fees | | 61,000 | 46,000 |
| Goverment grants*, set off against staff costs | | (4,594) | (64,807) |

* Government grants represent amounts received from the Jobs Credit Scheme.

## 21 Income tax expense – Group

| | 2011 $ | 2010 $ |
|---|---|---|
| ***Current tax (credit)/expense*** | | |
| Current year | – | 90,257 |
| Over-provision in respect of prior year | (87,203) | – |
| | (87,203) | 90,257 |
| ***Reconciliation of effective tax rate*** | | |
| Loss for the year before income tax | (5,790,439) | (7,365,937) |
| Income tax using Singapore tax rate of 17% | (984,375) | (1,252,209) |
| Effect of tax rate in a foreign jurisdiction | 11,890 | 26,268 |
| Over-provision in respect of prior year | (87,203) | – |
| Expenses not deductible for tax purposes | 160,908 | 73,617 |
| Tax exempt revenue | (9,968) | – |
| Unrecognised deferred tax assets | 860,577 | 1,251,622 |
| Tax incentives | (39,032) | (10,679) |
| Others | – | 1,638 |
| | (87,203) | 90,257 |

## 21 Income tax expense – Group (cont'd)

The Group's tax refund arose due to a tax exemption granted in respect of the Law for Encouragement of Capital Investment – 1959 on its foreign subsidiary's profits for the two financial years ended 31 March 2011. There is no tax expense on the results for the financial year for the Company as it has incurred losses for tax purpose.

Deferred tax assets have not been recognised in respect of the following items:

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Deductible temporary differences | 2,302,115 | 2,151,835 |
| Tax losses | 22,767,416 | 17,591,848 |
| | 25,069,531 | 19,743,683 |

The Group's unutilised tax losses and deductible temporary differences are available for offsetting against future taxable income, subject to agreement by the relevant tax authorities and compliance with tax regulations in the respective countries in which the Company and its subsidiaries operate. Tax losses and deductible temporary differences of the Group do not expire under current tax legislations.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which certain subsidiaries of the Group and the Company can utilise the benefits.

## 22 Loss per share – Group

***Basic loss per share***

The calculation of basic loss per share at 31 March 2011 was based on the loss attributable to ordinary shareholders of $5,703,236 (2010: $7,456,194), and a weighted average number of ordinary shares outstanding of 477,074,124 (2010: 475,749,695) shares, calculated as follows:

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| Basic and diluted loss per share is based on: | | |
| Net loss attributable to ordinary shareholders | (5,703,236) | (7,456,194) |
| | **No. of shares** | **No. of shares** |
| Issued ordinary shares at beginning of the year | 477,074,124 | 475,000,000 |
| Effect of share options exercised | – | 749,695 |
| Weighted average number of ordinary shares at the end of the year | 477,074,124 | 475,749,695 |

## 22 Loss per share – Group (cont'd)

***Diluted loss per share***

The calculation of diluted loss per share at 31 March 2011 was based on the loss attributable to ordinary shareholders of $5,703,236 (2010: $7,456,194). The weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options on the weighted average number of ordinary shares in issue is as follows:

| | No. of shares | No. of shares |
|---|---|---|
| Weighted average number of ordinary shares (basic) | 477,074,124 | 475,749,695 |
| Effect of share options in issue | 17,604 | 4,834,171 |
| Weighted average number of ordinary issued and potential shares assuming full conversion (diluted) at 31 March | 477,091,728* | 480,583,866* |

At 31 March 2011, 17,108,416 (2010: Nil) share options granted on 28 November 2007, 3,630,000 (2010: 3,780,000) share options granted on 16 January 2009, 12,900,000 (2010: 9,675,000) share options granted on 2 July 2009 and 2,595,000 (2010: Nil) share options granted on 20 July 2010 were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

* In the current financial year, although the options granted were dilutive in nature, the diluted loss per share was computed based on the weighted average number of shares of 477,074,124 (2010: 475,749,695) shares as the Group was making losses.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

## 23 Commitments – Group and Company

Operating lease commitments (as lessee)

At the reporting date, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

| | 2011 $ | 2010 $ |
|---|---|---|
| Within 1 year | 324,800 | 171,809 |
| After 1 year but within 5 years | 213,475 | – |
| | 538,275 | 171,809 |

# Notes to the Financial Statements

## 24 Related party transactions – Group

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or *vice versa*, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

A party is also related to the Group if the party is an associate; a member of the key management personnel of the Group; a close member of the family of any individual referred to in the previous paragraph or a member of the key management personnel of the Group; an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above; or a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the Group.

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

**Key management personnel compensation**

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The amounts stated below for key management compensation are for all the executive directors and other key management personnel. The amounts do not include compensation of any of the key management personnel and directors of the Company who received compensation from related corporations outside the Group in their capacity as directors and or executives of those related corporations.

Key management personnel compensation, included in staff costs, is as follows:

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |
| **Directors of the Company** | | |
| Directors' fees (including under-provision of prior year $16,000) | 61,000 | 46,000 |
| Directors' remuneration (short-term employee benefits) | 332,417 | 450,835 |
| Share-based compensation benefits (unvested share options at fair value charged to profit or loss during the financial year) | 306,609 | 146,992 |
| | 700,026 | 643,827 |
| **Other key management personnel** | | |
| Short-term employee benefits | 292,455 | 497,441 |
| Share-based compensation benefits (unvested share options at fair value charged to profit or loss during the financial year) | 75,764 | 20,123 |
| | 368,219 | 517,564 |
| | 1,068,245 | 1,161,391 |

## 25 Segment reporting

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chairman (the chief operating decision maker) reviews internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

(a) *Video Management Equipment and Solutions:* includes supply of intelligent monitoring system, software licensing and maintenance.

(b) *Media Solutions:* includes rendering of monetization services.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Chairman. 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.

***Business segments***

| | Video Management Equipment and Solutions | | Media Solutions | | Total | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Segment revenue | 268,861 | 523,533 | 269,445 | 8,898 | 538,306 | 532,431 |
| Reportable segment loss before income tax | (4,008,131) | (4,487,746) | (1,325,857) | (2,252,408) | (5,333,988) | (6,740,154) |
| **Other material non-cash items:** | | | | | | |
| Depreciation of plant and equipment | 105,844 | 112,183 | – | – | 105,844 | 112,183 |
| Amortisation of intangible assets | 11,566 | 121,240 | 4,070 | 3,322 | 15,636 | 124,562 |
| **Assets and liabilities:** | | | | | | |
| Reportable segment assets | 296,817 | 355,308 | 100,545 | 10,388 | 397,362 | 365,696 |
| Reportable segment liabilities | 318,447 | 295,530 | 231,525 | 215,897 | 549,972 | 511,427 |
| **Other segment information:** | | | | | | |
| Capital expenditure of plant and equipment | 19,732 | 84,223 | – | – | 19,732 | 84,223 |
| Capital expenditure of intangible assets | 5,402 | 120,356 | 546 | 5,990 | 5,948 | 126,346 |

## 25 Segment reporting (cont'd)

***Business segments (cont'd)***

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| **Revenues** | | |
| Total revenue for reportable segments | 538,306 | 532,431 |
| Consolidated revenue | 538,306 | 532,431 |
| | | |
| **Profit or loss** | | |
| Total profit or loss for reportable segments | (5,333,988) | (6,740,154) |
| Unallocated amounts: | | |
| - Net finance expenses | (43) | (141,242) |
| - Other corporate expenses | (237,935) | (292,392) |
| - Depreciation expenses | (145,431) | (153,724) |
| - Directors' fees | (61,000) | – |
| - Other miscellaneous expenses | (12,042) | (38,230) |
| - Loss on acquisition of non-controlling interests | – | (195) |
| Consolidated loss before income tax | (5,790,439) | (7,365,937) |
| | | |
| **Assets** | | |
| Total assets for reportable segments | 397,362 | 365,696 |
| Other unallocated amounts | 1,319,590 | 4,219,005 |
| Consolidated total assets | 1,716,952 | 4,584,701 |
| | | |
| **Liabilities** | | |
| Total liabilities for reportable segments | 549,972 | 511,427 |
| Other unallocated amounts | 2,131,800 | 132,957 |
| Consolidated total liabilities | 2,681,772 | 644,384 |

| | Reportable segment totals | Adjustments | Consolidated totals |
|---|---|---|---|
| | $ | $ | $ |
| **Other material non-cash items 2011** | | | |
| Capital expenditure of plant and equipment | 19,732 | 98,173 | 117,905 |
| Depreciation of plant and equipment | 105,844 | 145,431 | 251,275 |
| | | | |
| **Other material non-cash items 2010** | | | |
| Capital expenditure of plant and equipment | 84,223 | 111,478 | 195,701 |
| Depreciation of plant and equipment | 112,183 | 153,724 | 265,907 |

**25 Segment reporting (cont'd)**

***Geographical segments***

The businesses of the Group operate primarily in three geographical areas, namely Asia and Europe, Middle East and Africa (EMEA) and Others. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

***Geographical information***

| | Asia | EMEA | Others | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **31 March 2011** | | | | |
| Segment revenue | 309,070 | 206,448 | 22,788 | 538,306 |
| Non-current assets | 158,787 | 148,997 | – | 307,784 |
| Segment assets | 1,079,977 | 630,250 | 6,725 | 1,716,952 |
| Capital expenditure of plant and equipment | 37,008 | 80,897 | – | 117,905 |
| Capital expenditure of intangible asset | – | 5,948 | – | 5,948 |
| **31 March 2010** | | | | |
| Segment revenue | 523,533 | 4,855 | 4,043 | 532,431 |
| Non-current assets | 317,206 | 156,450 | – | 473,656 |
| Segment assets | 3,815,717 | 768,836 | 148 | 4,584,701 |
| Capital expenditure of plant and equipment | 113,950 | 81,751 | – | 195,701 |
| Capital expenditure of intangible asset | 120,097 | 6,249 | – | 126,346 |

***Major customers***

Revenues from the major customers of the Group's Video Management Equipment and Solutions and Media Solutions segments represents approximately $208,499 (2010: $356,509) of the Group's total revenues.

**26 Financial risk management**

***Overview***

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are disclosed throughout these financial statements.

## 26 Financial risk management (cont'd)

***Risk management framework***

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee and Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

***Financial instruments by category***

The carrying amounts of the Group's and the Company's financial instruments, by category, are shown below:

| | Note | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Group** | | | | | |
| **2011** | | | | | |
| **Assets** | | | | | |
| Other investment | 8 | – | 1 | – | 1 |
| Trade and other receivables (non-current) | 10 | 4,365 | – | – | 4,365 |
| Trade and other receivables (current) | 10 | 356,802 | – | – | 356,802 |
| Cash and cash equivalents | 11 | 872,494 | – | – | 872,494 |
| | | 1,233,661 | 1 | – | 1,233,662 |
| **Liabilities** | | | | | |
| Trade and other payables | 15 | – | – | 503,692 | 503,692 |
| **2010** | | | | | |
| **Assets** | | | | | |
| Other investment | 8 | – | 1,189 | – | 1,189 |
| Trade and other receivables (non-current) | 10 | 10,265 | – | – | 10,265 |
| Trade and other receivables (current) | 10 | 223,684 | – | – | 223,684 |
| Cash and cash equivalents | 11 | 3,685,145 | – | – | 3,685,145 |
| | | 3,919,094 | 1,189 | – | 3,920,283 |
| **Liabilities** | | | | | |
| Trade and other payables | 15 | – | – | 629,716 | 629,716 |

## 26 Financial risk management (cont'd)

***Financial instruments by category (cont'd)***

| | Note | Loans and receivables | Available-for-sale financial assets | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Company** | | | | | |
| **2011** | | | | | |
| **Assets** | | | | | |
| Other investment | 8 | – | 1 | – | 1 |
| Trade and other receivables (non-current) | 10 | 4,365 | – | – | 4,365 |
| Trade and other receivables (current) | 10 | 222,111 | – | – | 222,111 |
| Cash and cash equivalents | 11 | 573,956 | – | – | 573,956 |
| | | 800,432 | 1 | – | 800,433 |
| **Liabilities** | | | | | |
| Trade and other payables | 15 | – | – | 517,333 | 517,333 |
| **2010** | | | | | |
| **Assets** | | | | | |
| Other investment | 8 | – | 1,370 | – | 1,370 |
| Trade and other receivables (non-current) | 10 | 10,265 | – | – | 10,265 |
| Trade and other receivables (current) | 10 | 311,496 | – | – | 311,496 |
| Cash and cash equivalents | 11 | 3,147,887 | – | – | 3,147,887 |
| | | 3,469,648 | 1,370 | – | 3,471,018 |
| **Liabilities** | | | | | |
| Trade and other payables | 15 | – | – | 304,085 | 304,085 |

***Credit risk***

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables following a review.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

## 26 Financial risk management (cont'd)

***Credit risk (cont'd)***

At the reporting date, credit risk was mainly concentrated on trade receivables (note 10). There is no other concentration of credit risks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Cash and fixed deposits are placed with banks and approved financial institutions which are regulated.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The Group's and the Company's maximum exposure to credit risk at the reporting date was:

| | | Group Carrying amount | | Company Carrying amount | |
|---|---|---|---|---|---|
| | **Note** | **2011** | **2010** | **2011** | **2010** |
| | | **$** | **$** | **$** | **$** |
| Other investment | 8 | 1 | 1,189 | 1 | 1,370 |
| Loan and receivables (non-current) | 10 | 4,365 | 10,265 | 4,365 | 10,265 |
| Loan and receivables (current) | 10 | 356,802 | 223,684 | 222,111 | 311,496 |
| Cash and cash equivalents | 11 | 872,494 | 3,685,145 | 573,956 | 3,147,887 |
| | | 1,233,662 | 3,920,283 | 800,433 | 3,471,018 |

***Liquidity risk***

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no overdraft facility as at the reporting date. The Group had an unutilised overdraft facility of $1,440,000 as at 31 March 2010.

The following are the expected contractual undiscounted cash outflow of financial liabilities, including interest payments and excluding the impact of netting agreements:

| | | Cash outflows | | |
|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **Within 1 year** | **Within 1 to 5 years** |
| **Group** | **$** | **$** | **$** | **$** |
| **2011** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables* | 503,692 | 503,692 | 503,692 | – |

## 26 Financial risk management (cont'd)

***Liquidity risk (cont'd)***

| | | Cash outflows | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Within 1 year | Within 1 to 5 years |
| **Group** | **$** | **$** | **$** | **$** |
| **2010** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables* | 629,716 | 629,716 | 629,716 | – |

The settlement of the loan from shareholder is neither planned nor likely to occur in the foreseeable future.

| | | Cash outflows | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Within 1 year | Within 1 to 5 years |
| **Company** | **$** | **$** | **$** | **$** |
| **2011** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables* | 517,333 | 517,333 | 517,333 | – |
| **2010** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables* | 304,085 | 304,085 | 304,085 | – |

* Excluding advance payment from customers, deferred income and provisions

The settlement of the loan from shareholder is neither planned nor likely to occur in the foreseeable future.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

***Interest rate risk***

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial assets. The finance income disclosed in profit or loss for the last two financial years is not significant. The Group does not use derivative financial instruments to hedge its interest rates.

**26 Financial risk management (cont'd)**

***Profile***

At the reporting date, the interest rate profile of the interest-bearing financial assets was:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| **Variable rate financial assets** | | | | |
| Short term fixed deposits | 206,953 | 3,078,090 | – | 2,850,000 |

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting dates would not affect profit or loss.

For variable rate financial assets, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

***Sensitivity analysis***

| | Group | | Company | |
|---|---|---|---|---|
| | Profit or loss | | Profit or loss | |
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| | $ | $ | $ | $ |
| **31 March 2011** | | | | |
| Short term fixed deposits | 2,070 | (2,070) | – | – |
| **31 March 2010** | | | | |
| Short term fixed deposits | 30,781 | (30,781) | 28,500 | (28,500) |

***Foreign currency risk***

The Group is exposed to foreign currency risk on transactions and balances that are denominated in a currency other than the respective functional currencies of the group entities. The currencies giving rise to this risk are United States dollar and Euro. Entities in the Group use natural hedging for cash foreign currency exposure risk in connection with the foreign currency. The Group does not enter into transactions to hedge against its foreign currency risk.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

**26 Financial risk management (cont'd)**

***Foreign currency risk (cont'd)***

The Group's exposures to foreign currency are as follows:

| | United States dollar | Euro |
|---|---|---|
| | **$** | **$** |
| **Group** | | |
| **31 March 2011** | | |
| Trade and other receivables | 91,632 | 4,449 |
| Cash and cash equivalents | 36,683 | 17,511 |
| Trade and other payables | (127,950) | – |
| **Net currency exposure** | 365 | 21,960 |
| Sensitivity analysis | (37) | (2,196) |
| **31 March 2010** | | |
| Trade and other receivables | 2,317 | – |
| Cash and cash equivalents | 21,367 | 2,588 |
| Trade and other payables | (97,962) | – |
| **Net currency exposure** | (74,278) | 2,588 |
| Sensitivity analysis | 7,428 | (259) |

The Company's exposures to foreign currency are as follows:

| | United States dollar | Euro |
|---|---|---|
| | **$** | **$** |
| **Company** | | |
| **31 March 2011** | | |
| Trade and other receivables | 91,632 | 4,449 |
| Cash and cash equivalents | 34,948 | 17,511 |
| Trade and other payables | (301,263) | – |
| **Net currency exposure** | (174,683) | 21,960 |
| Sensitivity analysis | 17,468 | (2,196) |
| **31 March 2010** | | |
| Trade and other receivables | 148,577 | – |
| Cash and cash equivalents | 19,592 | 2,588 |
| Trade and other payables | (55,965) | – |
| **Net currency exposure** | 112,204 | 2,588 |
| Sensitivity analysis | (11,220) | (259) |

## 26 Financial risk management (cont'd)

***Foreign currency risk (cont'd)***

A 10% (2010: 10%) strengthening of Singapore dollar against the United States dollar and a 10% (2010: 10%) strengthening of Singapore dollar against Euro at the reporting date would increase (decrease) equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

A 10% (2010: 10%) weakening of Singapore dollar against the United States dollar and a 10% (2010: 10%) weakening of Singapore dollar against Euro would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

***Estimation of fair values***

At 31 March 2011, the carrying amounts of financial assets and financial liabilities approximated their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

## 27 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, judgements and other uncertainties affecting the application of those policies and sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The principal policies are set forth in note 4. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

***Going concern***

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosures of contingent liabilities at the reporting date.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is set out in note 2. The directors are confident of the realisation of revenue and cash flows projections in the uncertain economic outlook. Details of key assumptions underlying these projections are set out in the note on impairment of plant and equipment and intangible assets below.

Accordingly, the directors believe that the judgements, estimates and assumptions relating to going concern and reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities in the financial statements for the year ended 31 March 2011 are appropriate.

## 27 Accounting estimates and judgements (cont'd)

***Useful life and impairment of plant and equipment and intangible assets***

*Useful life*

The carrying amounts of the Group's plant and equipment and intangible assets are amortised on a straight line basis over the remaining useful life of each plant and equipment and intangible asset. Management reviews and revises the estimates of the remaining useful life of the Group's plant and equipment and intangible assets at the end of each financial year based on their age and condition at that time. Changes in the way these assets are used and other factors (such as market or technological factors) could impact the useful lives of the assets, therefore future amortisation charges could be revised. Any changes in the useful lives of the assets would impact the amortisation charges and consequently affect the Group's results.

*Impairment*

For the purpose of impairment testing, plant and equipment and intangible assets (cash-generating unit) are allocated to video management equipment and solutions segment of the Group at which these assets are monitored for internal management purposes.

The Group reviews the carrying amount of the CGU as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the CGU's recoverable amount is estimated based on its value in use. Value in use was determined by the future cash flows (1-year cash flow forecast) generated from the continuing use of the CGU and was based on the following key assumptions:

- Projected revenue supported by secured sales orders and orders to be secured. Secured orders account for approximately 70%;
- Projected expenses based on actual historical operating results; and
- All assumptions are in line with management's understanding of the current economic conditions, and the business environment in the video management equipment and solutions industry and countries in which the Group operates.

The values assigned to the key assumptions represent management's assessment of future trends in the Group's video management equipment and solutions segment as well as its media segment. These are based on both external sources and internal sources (historical data).

At the reporting date, based on the key assumptions, management believes that the recoverable amount of the CGU exceeds its carrying amount.

The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

## 27 Accounting estimates and judgements (cont'd)

***Income taxes***

The Group is subject to income and other taxes in a few jurisdictions. Significant judgement is required in determining the capital allowance, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for anticipated tax issues based on estimates whether additional tax will be due and recognised assets for carry forward losses and capital allowances based on estimates whether future taxable profit will be available. Where the final outcome of these issues is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

## 28 Subsequent events

(a) On 21 April 2011, the Company incorporated a wholly-owned subsidiary, Artisecurity Technologies Pte Ltd ("Artisecurity"). The principal activity is the development and provision of video management equipment and solutions (the "Security Business") which is currently conducted under the Company. The incorporation of Artisecurity for the Security Business is in keeping with the Company's intention to rationalize its various businesses under separate business entities.

(b) On 25 April 2011, Algotech, the largest shareholder of the Company, has provided a loan of $0.75 million to the Company. Algotech has also provided a letter of financial support to the Group and the Company.

(c) On 7 June 2011, the Company has entered into a share placement of 14,705,882 new ordinary shares at a price of $0.17 per share. The proceeds were received on 16 June 2011.

(d) On 23 June 2011, the Company granted 12,450,000 share options pursuant to the rules of Employee Share Option Plan with an exercise price of $0.21 per share to directors and employees of the Company and a subsidiary, including 8,300,000 share options granted to directors of the Company.

(e) Subsequent to 31 March 2011 and up to the date of these financial statements, an aggregate of 2,849,500 share options were exercised at prices ranging from $0.1189 to $0.1200 per share for a total consideration of $339,559 and 2,930,234 share options expired or were forfeited under the terms on which those options were granted.

# Analysis of Shareholdings

As at 29 June 2011

| Class of equity securities | Number of equity securities | Voting Rights |
|---|---|---|
| Ordinary Shares | 494,629,506 | One vote per share (excluding treasury shares) |
| Treasury Shares | Nil | Nil |

**STATISTICS OF SHAREHOLDINGS**

| Size of Shareholding | | | Number of Shareholders | % | Number of Shares | % |
|---|---|---|---|---|---|---|
| 1 | - | 999 | 4 | 0.29 | 2,124 | 0.00 |
| 1,000 | - | 10,000 | 252 | 18.38 | 1,479,500 | 0.30 |
| 10,001 | - | 1,000,000 | 1,059 | 77.24 | 131,123,000 | 26.51 |
| 1,000,001 | and above | | 56 | 4.09 | 362,024,882 | 73.19 |
| | | | 1,371 | 100.00 | 494,629,506 | 100.00 |

**SUBSTANTIAL SHAREHOLDER**

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Algotech Holdings Ltd [1] | 175,866,000 | 35.56 | - | - |

Note: -

(1) Algotech Holdings Ltd is an investment holding company incorporated in the British Virgin Islands. The shareholders of Algotech Holdings Ltd are Soh Sai Siang Philip, Leong Kwek Choon and Dr Ofer Miller. Each of Soh Sai Kiang Philip and Dr Ofer Miller is deemed to have an interest in the Shares of the Company held by Algotech Holdings Ltd by virtue of each of them holding more than 20% of the total issued shares in Algotech Holdings Ltd.

The percentage of shareholding above is computed based on the total issued shares of 494,629,506.

**TWENTY LARGEST SHAREHOLDERS**

| No. | Name | No. of shares | % |
|---|---|---|---|
| 1 | Algotech Holdings Ltd | 175,866,000 | 35.56 |
| 2 | Tembusu Growth Fund Ltd | 24,588,000 | 4.97 |
| 3 | Quek Yiang Hang | 14,705,882 | 2.97 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 11,110,000 | 2.25 |
| 5 | Kim Eng Securities Pte. Ltd. | 10,345,000 | 2.09 |
| 6 | Tan Geu Chuan | 9,530,000 | 1.93 |
| 7 | Goh Tzu Seoh Kenneth | 8,349,000 | 1.69 |
| 8 | OCBC Securities Private Ltd | 5,866,000 | 1.19 |
| 9 | Loke Li Hoong | 5,000,000 | 1.01 |
| 10 | Toi Yong Siang | 4,310,000 | 0.87 |
| 11 | UOB Kay Hian Pte Ltd | 4,135,000 | 0.84 |
| 12 | Yap Koon Hong | 4,000,000 | 0.81 |
| 13 | Phillip Securities Pte Ltd | 3,994,000 | 0.81 |

# Analysis of Shareholdings

**As at 29 June 2011**

| No. | Name | No. of shares | % |
|---|---|---|---|
| 14 | Lai Kow @ Lai Fook Kuen | 3,750,000 | 0.76 |
| 15 | Song Hwee Tiong | 3,282,000 | 0.66 |
| 16 | Lee Tee Sen | 3,100,000 | 0.63 |
| 17 | Quahe Cheng Bok Ian | 3,000,000 | 0.61 |
| 18 | Liow Ah Ket | 2,903,000 | 0.59 |
| 19 | Jason Sim Chon Ang | 2,716,000 | 0.55 |
| 20 | Ong Kang Chim | 2,700,000 | 0.55 |
| | | 303,249,882 | 61.34 |

**PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

62.21% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist which requires at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed at all times held by the public.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ARTIVISION TECHNOLOGIES LTD ("the Company") will be held at 31 International Business Park, Creative Resource, Singapore 609921 (Level 1 Seminar Room) on Wednesday, 27 July 2011 at 10.00 a.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 31 March 2011 together with the Auditors' Report thereon.
**(Resolution 1)**

2. (i) To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the Articles of Association of the Company:

| | | |
|---|---|---|
| Dr Tan Khee Giap | (Retiring under Article 91) | **(Resolution 2)** |
| Mr Goh Tzu Seoh Kenneth | (Retiring under Article 97) | **(Resolution 3)** |

[See Explanatory Note (i)]

(ii) To note the retirement of Ms Goh Hoon Nee Emily pursuant to Article 97 of the Articles of Association of the Company and who has decided not to seek re-election.

3. To approve the payment of Directors' fees of S$45,000 for the year ended 31 March 2011.(2010:S$46,000)
**(Resolution 4)**

4. To transact any other ordinary business which may normally be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. That Messrs PricewaterhouseCoopers LLP be and are hereby appointed as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the directors of the Company.
**(Resolution 5)**

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual – Section B: Rules of Catalist**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the SGX-ST Listing Manual - Section B: Rules of Catalist, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/ or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant of any Instrument made or granted by the Directors of the Company while this Resolution was in force.

**(the "*Share Issue Mandate*")**

provided that:

(1) The aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), or such limits as may be prescribed by the SGX-ST;

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of total issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments;
(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual – Section B: Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) Unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 6)**

# Notice of Annual General Meeting

7. **Authority to issue options under the Artivision Technologies Share Option Plan**

   That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Artivision Technologies Share Option Plan ("the Plan") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Wee Chiu-Yen Marjorie
Secretary
Singapore
11 July 2011

***Notes for Singapore Incorporated Companies:**

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 31 International Business Park, Creative Resource #03-04, Singapore 609921 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**Additional Information For the Ordinary Resolution Set Out In Item 5 - Change of Auditors**

(a) Pursuant to Rule 712(2)(a) of the SGX-ST Listing Manual – Section B: Rules of Catalist KPMG LLP have confirmed that they are not aware of any professional or other reasons why PricewaterhouseCoopers LLP should not accept appointment as auditors of the Company.

(b) Pursuant to Rules 712(2)(b) & 712(2)(c) of the SGX-ST Listing Manual – Section B: Rules of Catalist , the directors have confirmed that there were no disagreements with KPMG LLP on accounting treatments within the last 12 months and they are not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of the shareholders of the Company.

(c) Pursuant to Rule 712(2)(d) of the SGX-ST Listing Manual – Section B: Rules of Catalist, the reason for the proposed change of auditors is that KPMG LLP had been engaged with the Group for 4 years since 2008. The proposed change of auditors is in line with the Company's on-going efforts to enhance its corporate governance process as it would enable the Company to benefit from fresh perspective and views of another professional firm and also further enhance the value of the audit. KPMG LLP will not be seeking re-appointment as auditors of the Company at the Meeting.

(d) The proposed change of auditors has been reviewed and recommended by the Audit Committee. The Directors have also evaluated the experience of the audit team and the resources that PricewaterhouseCoopers LLP will be committing to the audit. After taking into account, the size and complexity of the Group's business, the Directors are of the opinion that PricewaterhouseCoopers LLP would be able to meet the audit obligations of the Company. Accordingly, the Directors confirm that Rule 712 of the SGX-ST Listing Manual – Section B: Rules of Catalist has been complied with. Further, the Directors have obtained the written consent from PricewaterhouseCoopers LLP to act as auditors of the Company.

**Explanatory Notes:**

(i) Dr Tan Khee Giap will, upon re-election as Director of the Company, remain as Chairman of Remuneration Committee. He will also remain as a member of both the Audit Committee and Nominating Committee and will be considered independent.

Mr Goh Tzu Seoh Kenneth will, upon re-election as a Director of the Company, remain as an Executive Director of the Company and will be considered non-independent.

(ii) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Plan up to a number not exceeding in total (for the entire duration of the Plan) ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## ARTIVISION TECHNOLOGIES LTD

(Company Registration No. 200407031R)
(Incorporated In the Republic of Singapore)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy ARTIVISION TECHNOLOGIES LTD's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ______________________________________________

of ______________________________________________

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

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 31 International Business Park, Creative Resource, Singapore 609921 (Level 1 Seminar Room) on Wednesday, 27 July 2011 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [√ ] within the box provided.)**

| **No.** | **Resolutions relating to:** | **For** | **Against** |
|---|---|---|---|
| 1. | Directors' Report and Audited Accounts for the year ended 31 March 2011. | | |
| 2. | Re-election of Dr Tan Khee Giap as a Director. | | |
| 3. | Re-election of Mr Goh Tzu Seoh Kenneth as Director. | | |
| 4. | Approval of Directors' fees for financial year ended 31 March 2011. | | |
| 5. | To appoint Messrs PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix PricewaterhouseCoopers LLP's remuneration. | | |
| 6. | Authority to issue shares pursuant to Section 161 of the Companies Act, Chapter 50. | | |
| 7. | Authority to issue options under the Artivision Technologies Share Option Plan. | | |

Dated this ____________ day of __________________ 2011

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________________

*Signature of Shareholder(s)*
*or, Common Seal of Corporate Shareholder*
*Delete where inapplicable

**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If the proportion of shareholding is not indicated, the second proxy will be deemed as alternate.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 International Business Park, Creative Resource #03-04, Singapore 609921 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

artivision technologies

Singapore (Global HQ) | Artivision Technologies Ltd.
31 International Business Park | Creative Resource #03-04 | Singapore 609921
Tel: +65 6535 1233 | Fax: +65 6534 5031
www.arti-vision.com