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## ARTIVISION TECHNOLOGIES LTD.

Company Registration No. 200407031R

### UNAUDITED THIRD QUARTER AND NINE-MONTH FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER AND NINE-MONTH RESULTS.

1 (a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Consolidated Statement of Operations: (Singapore Dollars)	Three months ended 31 Dec				Nine months ended 31 Dec			
	2008 S\$	2007 S\$	Increase/(Decrease) S\$ % '000		2008 S\$	2007 S\$	Increase/(Decrease) S\$ % '000	
Revenue	84,004	196,137	(112)	(57)	279,432	265,337	14	5
Cost of sales	(73,772)	(100,327)	(27)	(26)	(196,435)	(160,974)	35	22
Gross Profit	10,232	95,810	(86)	(89)	82,997	104,363	(21)	(20)
Other income	400	-	N/M	100	27,610	-	28	100
Distribution expenses	(328,059)	(87,639)	240	274	(772,076)	(276,416)	496	179
Administrative expenses	(1,608,098)	(641,131)	967	151	(4,213,016)	(1,823,604)	2,389	131
Other operating expenses	(136,665)	(155,927)	(19)	(12)	(389,316)	(461,155)	(72)	(16)
Results from operating activities	(2,062,190)	(788,887)	1,273	161	(5,263,801)	(2,456,812)	2,807	114
Finance income	40,812	63,085	(22)	(35)	146,952	126,374	21	16
Finance expenses	(322,735)	(19,347)	303	1,568	(360,531)	(28,697)	332	1,156
Net finance (expenses)/income	(281,923)	43,738	(326)	(745)	(213,579)	97,677	(311)	(319)
Share of results of an associate, net of tax	-	(45)	N/M	(100)	-	(136)	N/M	(100)
Loss before income tax	(2,344,113)	(745,194)	1,599	215	(5,477,380)	(2,359,271)	3,118	132
Income tax expense	(14,105)	-	(14)	(100)	(36,316)	-	(36)	(100)
Loss for the period	(2,358,218)	(745,194)	1,613	216	(5,513,696)	(2,359,271)	3,154	134
Attributable to:								
Equity holders of the Company	(2,355,277)	(745,194)	1,610	216	(5,510,755)	(2,359,271)	3,151	134
Minority interests	(2,941)	-	(3)	(100)	(2,941)	-	(3)	(100)
Loss for the period	(2,358,218)	(745,194)	1,613	216	(5,513,696)	(2,359,271)	3,154	134
Notes								
Depreciation of plant and equipment	(36,195)	(23,144)	13	6	(88,022)	(70,645)	17	25
Amortisation of intangible assets	(100,470)	(128,863)	(28)	(22)	(301,450)	(386,590)	(85)	(22)
Interest income	40,812	4,774	36	755	57,981	16,724	41	247
Foreign exchange (loss)/gain	(322,468)	58,189	(381)	(654)	(233,497)	109,399	(343)	(313)
Write-off of plant and equipment	-	(3,920)	(4)	(100)	-	(3,920)	(4)	(100)
Write-back of inventories	-	-	-	-	156	-	N/M	100

N/M - not meaningful

1 (b)(i) A balance sheet for the group, together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet (Singapore Dollars)	31 Dec 2008		31 Mar 2008	
	Group S\$	Company S\$	Group S\$	Company S\$
<b>Non-current assets</b>				
Plant and equipment	309,764	202,858	210,814	193,608
Intangible assets	222,081	222,081	527,193	523,660
Investment in subsidiaries	-	751	-	1
Other investment	1,189	1,370	1,189	1,370
	<b>533,034</b>	<b>427,060</b>	<b>739,196</b>	<b>718,639</b>
<b>Current assets</b>				
Inventories	352,758	352,758	282,365	282,365
Trade and other receivables	733,626	670,904	119,704	324,694
Cash and cash equivalents	11,632,411	11,366,339	2,670,142	2,595,577
	<b>12,718,795</b>	<b>12,390,001</b>	<b>3,072,211</b>	<b>3,202,636</b>
<b>Total assets</b>	<b>13,251,829</b>	<b>12,817,061</b>	<b>3,811,407</b>	<b>3,921,275</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	24,175,777	24,175,777	5,592,970	5,592,970
Reserves	93,903	93,903	2,037,675	2,030,588
Accumulated losses	(11,765,276)	(11,865,380)	(6,236,189)	(6,116,053)
	<b>12,504,404</b>	<b>12,404,300</b>	<b>1,394,456</b>	<b>1,507,505</b>
Minority interests	(2,941)	-	-	-
<b>Total equity</b>	<b>12,501,463</b>	<b>12,404,300</b>	<b>1,394,456</b>	<b>1,507,505</b>
<b>Current liabilities</b>				
Trade and other payables	738,164	400,559	280,748	277,567
Derivative financial instrument	-	-	77,465	77,465
Convertible loan notes (unsecured)	-	-	2,058,738	2,058,738
	<b>738,164</b>	<b>400,559</b>	<b>2,416,951</b>	<b>2,413,770</b>
<b>Non-current liabilities</b>				
Trade and other payables	12,202	12,202	-	-
	<b>12,202</b>	<b>12,202</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>750,366</b>	<b>412,761</b>	<b>2,416,951</b>	<b>2,413,770</b>
<b>Total equity and liabilities</b>	<b>13,251,829</b>	<b>12,817,061</b>	<b>3,811,407</b>	<b>3,921,275</b>

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 Dec 2008		As at 31 Mar 2008	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
-	-	-	2,136,203*

\* Convertible Loan Notes

Amount repayable after one year

As at 31 Dec 2008		As at 31 Mar 2008	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
-	-	-	-

1 (c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated cash flow statement (Singapore Dollars)	Three months ended		Nine months ended	
	31 Dec		31 Dec	
	2008	2007	2008	2007
	S\$	S\$	S\$	S\$
<b>Cash Flow from Operating Activities</b>				
Loss before income tax	(2,344,113)	(745,194)	(5,477,380)	(2,359,271)
<b>Adjustments for:</b>				
Depreciation expense	36,195	23,144	88,022	70,645
Amortization of intangible assets	100,470	128,863	301,450	386,590
Write off of plant and equipment	-	3,920	-	3,920
Negative goodwill on acquisition of subsidiary	-	-	(27,210)	-
Equity-settled commission	-	-	95,000	-
Share of loss of an associate	-	45	-	136
Net finance expenses	281,923	(43,738)	213,579	(97,677)
Value of employee services received for issue of share options	25,023	8,206	63,315	8,206
<b>Operating loss before working capital changes</b>	<b>(1,900,502)</b>	<b>(624,754)</b>	<b>(4,743,224)</b>	<b>(1,987,451)</b>
Trade and other receivables	(254,328)	(85,967)	(613,922)	(9,303)
Inventories	(1,581)	(24,706)	(70,393)	(84,207)
Trade and other payables	395,909	(18,407)	462,195	(38,135)
Interest received	248	2,790	17,417	14,740
Tax paid	(14,105)	-	(36,316)	-
<b>Cash Flow from Operating Activities</b>	<b>(1,774,359)</b>	<b>(751,044)</b>	<b>(4,984,243)</b>	<b>(2,104,356)</b>
Acquisition of subsidiary, net of cash acquired	-	-	(1)	-
Injection of capital into subsidiary	(750)	-	(750)	-
Purchase of plant and equipment	(136,947)	(11,928)	(176,877)	(187,546)
<b>Cash Flow from Investing Activities</b>	<b>(137,697)</b>	<b>(11,928)</b>	<b>(177,628)</b>	<b>(187,546)</b>
Interest paid	(267)	-	(267)	-
Non-trade amounts due to directors	-	-	-	197,244
Proceeds from issued of unsecured convertible loan notes	-	-	-	2,273,475
Proceeds from issue of shares, net of expenses	(11,961)	-	14,397,498	-
<b>Cash Flow from Financing Activities</b>	<b>(12,228)</b>	<b>-</b>	<b>14,397,231</b>	<b>2,470,719</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,924,284)</b>	<b>(762,972)</b>	<b>9,235,360</b>	<b>178,817</b>
Cash at beginning of period	13,836,354	2,486,190	2,670,142	1,544,500
Effect of exchange rates fluctuations	(279,659)	(2,782)	(273,091)	(2,881)
<b>Cash and cash equivalents at end of period</b>	<b>11,632,411</b>	<b>1,720,436</b>	<b>11,632,411</b>	<b>1,720,436</b>

1 (d)(i) A statement for the group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group								
(Singapore dollars)								
	Share capital	Equity payment reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total attributable to equity holders of the Company	Minority interests	Total equity
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
At 1 April 2007	5,392,970	-	-	-	(2,621,260)	2,771,710	-	2,771,710
Net loss for the period/Total recognized expense for the period	-	-	-	-	(2,359,271)	(2,359,271)	-	(2,359,271)
Value of employee services received for issue of share options	-	-	8,206	-	-	8,206	-	8,206
Issue of shares	200,000	-	-	-	-	200,000	-	200,000
At 31 December 2007	5,592,970	-	8,206	-	(4,980,531)	620,645	-	620,645
At 1 April 2008	5,592,970	2,000,000	30,588	7,087	(6,236,187)	1,394,458	-	1,394,458
Net loss for the period	-	-	-	-	(5,510,755)	(5,510,755)	(2,941)	(5,513,696)
Exchange differences on translation of financial statements of foreign operations recognized directly in equity	-	-	-	(25,421)	-	(25,421)	-	(25,421)
Total recognized expense for the period	-	-	-	(25,421)	(5,510,755)	(5,536,176)	(2,941)	(5,539,117)
Issue of shares	16,582,807	-	-	-	-	16,582,807	-	16,582,807
Transfer from equity payment reserve	2,000,000	(2,000,000)	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	63,315	-	-	63,315	-	63,315
At 31 December 2008	24,175,777	-	93,903	(18,334)	(11,746,942)	12,504,404	(2,941)	12,501,463

Company (Singapore dollars)						
	Share capital	Equity payment reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total attributable to equity holders of the Company
	S\$	S\$	S\$	S\$	S\$	S\$
At 1 April 2007	5,392,970	-	-	-	(2,621,260)	2,771,710
Net loss for the period/Total recognized expense for the period	-	-	-	-	(2,359,135)	(2,359,135)
Value of employee services received for issue of share options	-	-	8,206	-	-	8,206
Issue of shares	200,000	-	-	-	-	200,000
At 31 December 2007	5,592,970	-	8,206	-	(4,980,395)	620,781
At 1 April 2008	5,592,970	2,000,000	30,588	-	(6,116,053)	1,507,505
Net loss for the period	-	-	-	-	(5,749,327)	(5,749,327)
Exchange differences on translation of financial statements of foreign operations recognized directly in equity	-	-	-	-	-	-
Total recognized expense for the period	-	-	-	-	(5,749,327)	(5,749,327)
Issue of shares	16,582,807	-	-	-	-	16,582,807
Transfer from equity payment reserve	2,000,000	(2,000,000)	-	-	-	-
Value of employee services received for issue of share options	-	-	63,315	-	-	63,315
At 31 December 2008	24,175,777	-	93,903	-	(11,865,380)	12,404,300

1 (d)(ii) Details of any changes in the company's share capital.

- a. In the first quarter, a total of 3,389,013 shares were issued for S\$4,231,203.
- b. In the second quarter, a total of 75,000,000 IPO shares were issued for S\$15,000,000.
- c. The total number of share options outstanding as at 31 December 2008 stands at 2,537,834.

1 (d)(iii) Total number of issued shares excluding treasury shares.

As at 31 December 2008, share capital of the Company comprised 475,000,000 ordinary shares (2007:1,329,104). The number of share has been restated for comparative purposes as a result of the share subdivision on 21 October 2007 and 18 July 2008.

Share Capital	No. of shares
At 30 September 2007	1,329,104
Sub-division of shares	38,544,016
At 31 March 2008	39,873,120
Conversion of unsecured convertible loan notes	1,993,797
Transfer from equity payment reserve	1,331,886
Issue of shares	63,330
Total	43,262,133
Post-listing	
Sub-division of shares	400,000,000
Issue of shares	75,000,000
At 31 December 2008	475,000,000

1 (d)(iv) Sales, transfers, disposal, cancellation and/or use of treasury shares.

Nil.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those adopted for the financial year ended 31 March 2008.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(Singapore Dollars)	Three months ended		Nine months ended	
	2008	2007	2008	2007
Basic and diluted loss per share is based on: Net loss attributable to ordinary shareholders (cents)	(0.50)	(0.20)	(1.26)	(0.65)

In accordance with FRS 33 - *Earnings Per Share*, for the purpose of calculation of the diluted earnings/loss per ordinary share, 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.

An employee share option to convert into 2,537,834 (expiring on 27 November 2012) shares was not included in the computation of diluted earnings per share because the employee share option was anti-dilutive.

**7. Net asset value for the group per ordinary share based on the total number of issued shares excluding treasury shares at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

(Singapore Dollars)	As at 31 Mar 2008		As at 31 Dec 2008	
	Group	Company	Group	Company
Net assets per share (cents)	0.29*	0.32*	2.63	2.61

\* Share base of 475,000,000 used for comparative purposes.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

ArtiVision Technologies Ltd. is a leading video analytics player that provides visual intelligence and breakthrough video management solutions to diverse market verticals using artificial intelligence. With the current focus on the security and media, we have developed a wide range of video management products and solutions based on our core proprietary Video Content Analysis (VCA) technology, Avision™.

**Third quarter of 2008 (3Q2008) compared to third quarter of 2007 (3Q2007)**

Revenue for 3Q2008 decreased by S\$112,000 (57%) to S\$84,000 due to weak market conditions amid the global financial turmoil.

Gross profit at S\$10,000 for 3Q2008 decreased by S\$86,000 or 89% over 3Q2007. Gross margin at 12% for 3Q2008 was down from 49% for 3Q2007 due mainly to lower margins from trial units to our distributors.

Distribution, administrative and other operating expenses ("DA&OE") amounted to S\$2.1 million for 3Q2008. DA&OE increased by S\$1.2 million or 134% over 3Q2007. This increase in expenses reflects the operating costs incurred by our subsidiary in Israel, increase in additional manpower and expenses to support our future sales and marketing efforts in Asia and EMEA, and increase in R&D expenditure to further enhance and bring about new technologies and solutions.

Results from operating activities at S\$(2.1) million for 3Q2008 was 161% down on 3Q2007.

Income tax expense was S\$14,000 for 3Q2008. This expense represents corporate taxes incurred by our subsidiary in Israel.

Loss for the period increased by 216% to S\$2.4 million (includes a foreign exchange loss of S\$322,000) for 3Q2008 from S\$0.7 million for 3Q2007.

Net cash used in operating activities was S\$1.8 million for 3Q2008. Net cash used in investing activities totaled S\$138,000 for the 3Q2008.

We have implemented the wage cuts for senior employees, from managers upwards with salary reduction of between 5% to 30% effective 1 January 2009. We will continue to monitor the situation, and will implement further salary reduction and cost saving across the board when necessary.

**First nine months of 2008 (Q3 2008) compared to first nine months 2007 (Q3 2007)**

Revenue for Q3 2008 increased by S\$14,000 (5%) to S\$279,000.

Gross profit at S\$83,000 for Q3 2008 decreased by S\$21,000 or 20% over Q3 2007. Gross margin at 30% for Q3 2008 was down from 39% for Q3 2007 due mainly to lower margins from trial units to our distributors.

Distribution, administrative and other operating expenses ("DA&OE") amounted to S\$5.4 million for Q3 2008. DA&OE increased by S\$2.8 million or 110% over Q3 2007. This increase in expenses reflects the operating costs incurred by our subsidiary in Israel, increase in additional manpower and expenses to

support our future sales and marketing efforts in Asia and EMEA, and increase in R&D expenditure to further enhance and bring about new technologies and solutions.

Results from operating activities at S\$(5.3) million for Q3 2008 was 114% down on Q3 2007.

Income tax expense was S\$36,000 for Q3 2008. This expense represents corporate taxes incurred by our subsidiary in Israel.

Loss for the period increased by 134% to S\$5.5 million for Q3 2008 (includes a foreign exchange loss of S\$233,000) from S\$2.4 million for Q3 2007.

Net assets amounted to S\$12.5 million at 31 December 2008; S\$11.1 million higher than 31 March 2008 (funds raised from IPO on 7 August 2008).

Net cash used in operating activities was S\$5 million for Q3 2008. Net cash used in investing activities totaled S\$178,000 for Q3 2008.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast was made for the quarter.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The financial turmoil and the resulting recession worldwide call for a cautious and serious review of our business strategy, focus and operations. Order delays and cancellations due to reduced budgets may have an impact on some of the security projects pursued by our sales team.

Artimedia Pte Ltd, our online media monetization joint venture has commercialized and collaborated with selected online media publishers that culminated to live deployment and operations of the Target-Ad solution in late December 2009. These developments assure us of attractive prospects in our online media monetization business.

**11. Dividends.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended.

**13. Interested person transactions.**

Nil.

**14. Confirmation by the Board pursuant to Rule 705(5) of the Catalist Listing Manual.**

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the interim financial results for the period ended 31 December 2008 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

11 February 2009