ADDVALUE TECHNOLOGIES LTD
Company Registration No. 199603037H

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD FINANCIAL QUARTER AND THE NINE-MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (“3Q2018” AND “9M2018” RESPECTIVELY) IN RESPECT OF THE FINANCIAL YEAR ENDING 31 MARCH 2018 (“FY2018”)

PART1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1.(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediate preceding financial year

	3Q2018 US$'000	3Q2017 US$'000	% Change	**9M2018 US$'000**	9M2017 US$'000	% Change
Revenue	**599**	**2,041**	(70.7)	**2,707**	**9,357**	(71.1)
Cost of sales	**(464)**	**(1,552)**	(70.1)	**(1,858)**	**(5,407)**	(65.6)
Gross profit	**135**	**489**	(72.4)	**849**	**3,950**	(78.5)
Other operating income	**32**	**22**	45.5	**149**	**92**	62.0
Selling & Distribution expenses	**(215)**	**(171)**	25.7	**(630)**	**(548)**	15.0
Administrative expenses	**(584)**	**(558)**	4.7	**(2,204)**	**(1,920)**	14.8
Other operating expenses	**(574)**	**(790)**	(27.3)	**(1,524)**	**(2,328)**	(34.5)
Loss from operations	**(1,206)**	**(1,008)**	19.6	**(3,360)**	**(754)**	345.6
Finance expenses	**(18)**	**(2)**	800.0	**(98)**	**(422)**	(76.8)
Loss before tax	**(1,224)**	**(1,010)**	21.2	**(3,458)**	**(1,176)**	194.0
Taxation	**13**	**(16)**	N/m	**9**	**(16)**	N/m
Net loss for the period	**(1,211)**	**(1,026)**	18.0	**(3,449)**	**(1,192)**	189.3
Other comprehensive income/ (loss)- Exchange differences arising from translation of foreign operations	**15**	**(6)**	N/m	**14**	**(6)**	N/m
Total comprehensive income/(loss) for the period	**(1,196)**	**(1,032)**	15.9	**(3,435)**	**(1,198)**	186.7
Attributable to:						
Equity holders of the Company	**(1,196)**	**(1,032)**	15.9	**(3,435)**	**(1,198)**	186.7
Total comprehensive income/ (loss) for the period	**(1,196)**	**(1,032)**	15.9	**(3,435)**	**(1,198)**	186.7

“3Q2017” denotes the third financial quarter ended 31 December 2016 in respect of the financial year ended 31 March 2017 (“FY2017”).
“9M2017” denotes the first nine-month financial period ended 31 December 2016 in respect of FY2017.
“% Change” denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.
“N/m” denotes not meaningful

1.(a)(ii) The accompanying notes to the statements of comprehensive income form an integral part of the statements of comprehensive income

	The Group					
	3Q2018 US$'000	3Q2017 US$'000	% Change	**9M2018 US$'000**	9M2017 US$'000	% Change
Profit before tax has been arrived at after charging/(crediting):						
Depreciation and amortization	**395**	620	(36.2)	**1,174**	1,835	(36.0)
Inventory written off	**5**	7	(28.6)	**5**	69	(92.8)
Foreign exchange loss/(gain) (net)	**119**	(15)	N/m	**49**	35	40.0
Interest expense	**18**	2	800.0	**98**	422	(76.8)

1.(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	As at 31 Dec 2017 US$'000	As at 31 Mar 2017 US$'000	**As at 31 Dec 2017 US$'000**	As at 31 Mar 2017 US$'000
Non-current assets				
Plant and equipment	**632**	793	**-**	-
Subsidiaries	**-**	-	**16,338**	16,338
Intangible assets	**14,324**	13,246	**-**	-
Deferred tax assets	**260**	263	**-**	-
	15,216	14,302	**16,338**	16,338
Current assets				
Inventories	**4,050**	2,859	**-**	-
Amount due from customers for contract work	**312**	221	**-**	-
Trade receivables	**608**	1,600	**-**	-
Other receivables, deposits and prepayments	**459**	644	**7**	44
Available-for-sales financial assets	**2**	2	**2**	2
Due from subsidiaries (non-trade)	**-**	-	**5,559**	-
Fixed deposit	**40**	40	**-**	-
Cash and bank balances	**312**	215	**20**	2
	5,783	5,581	**5,588**	48
Total assets	**20,999**	19,883	**21,926**	16,386
Current liabilities				
Trade payables	**1,291**	1,847	**-**	-
Other payables and accruals	**1,020**	2,032	**41**	882
Provisions	**229**	270	**66**	116
Borrowings	**2,083**	1,555	**1,851**	1,038
Advances received from customers	**260**	300	**-**	-
Due to subsidiaries (non-trade)	**-**	-	**-**	81
Deferred income	**-**	49	**-**	-
	4,883	6,053	**1,958**	2,117
Non-current liabilities				
Borrowings	**139**	171	-	-
Total liabilities	**5,022**	6,224	**1,958**	2,117
Net assets	**15,977**	13,659	**19,968**	14,269
Equity attributable to the Company's equity holders				
Share capital	**72,506**	66,753	**72,506**	66,753
Capital reserve	**747**	747	**-**	-
Statutory reserve	**8**	8	**-**	-
Foreign currency translation reserve	**3**	(11)	**-**	-
Accumulated losses	**(57,287)**	(53,838)	**(52,538)**	(52,484)
Total equity	**15,977**	13,659	**19,968**	14,269

1.(b)(ii) Aggregate amount of borrowings and debts securities for the Group.

	The Group	
	As at 31 Dec 2017 US$'000	As at 31 Mar 2017 US$'000
Amount repayable in one year or less or on demand		
Secured	**10[(1)]**	41[(1)]
Unsecured	**2,073[(2)]**	1,514
	2,083	1,555
Amount repayable after one year		
Unsecured	**139**	171

Details of any collateral

(1) Attributed to hire purchase loans
(2) Inclusive of the outstanding Convertible Loan Notes (as defined herein after) issued by the Company on 31 May 2017

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

	The Group	
	3Q2018 US$'000	3Q2017 US$'000
OPERATING ACTIVITIES		
Loss before tax	**(1,224)**	(1,010)
Adjustments for:		
Amortisation of intangible assets	**306**	533
Amortisation of deferred income	**(40)**	(5)
Depreciation of plant and equipment	**89**	87
Interest expense	**18**	2
Unrealised foreign exchange (gain) / loss	**27**	(32)
Provision / (Provisions utilisation)	**15**	(36)
Operating profit/(loss) before changes in working capital	**(809)**	(461)
Changes in working capital		
Inventories	**(593)**	69
Trade and other receivables	**441**	26
Amount due from customers for contract work	**(70)**	179
Trade and other payables	**742**	806
Advances received from customers	**(46)**	(368)
CASH (USED IN)/ GENERATED FROM OPERATIONS	**(335)**	251
Income tax paid	**(4)**	(16)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	***(339)***	*235*

INVESTING ACTIVITIES		
Purchase of plant and equipment	**(12)**	(25)
Additions in intangible assets	**(930)**	(558)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	***(942)***	*(583)*
FINANCING ACTIVITIES		
Repayment of borrowings – net	**(153)**	(10)
Proceeds from borrowings	**149**	512
Interest paid	**(18)**	(2)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	***(22)***	*500*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,303)**	152
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	**1,615**	108
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	**312**	260

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

	The Group					
	Share capital	**Capital reserve**	**Statutory reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance as at 1 April 2017	66,753	747	8	(11)	(53,838)	13,659
Issuance of new shares pursuant to the Placement Shares and Conversion Shares (as defined hereinafter) - net of share issue expenses	5,753	-	-	-	-	5,753
Comprehensive (income)/loss for the financial period	-		-	14	(3,449)	(3,435)
Balance as at 31 December 2017	72,506	747	8	3	(57,287)	15,977

	The Group					
	Share capital	Capital reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 April 2016	57,881	747	8	(6)	(50,373)	8,257
Issuance of new shares pursuant to the Rights Issue (as defined below) - net of share issue expenses	8,872	-	-	-	-	8,872
Comprehensive loss for the financial period	-	-	-	(6)	(1,192)	(1,198)
Balance as at 31 December 2016	66,753	747	8	(12)	(51,565)	15,931

	The Company			
	Share capital	Capital reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000
Balance as at 1 April 2017	66,753	-	(52,484)	14,269
Issuance of new shares pursuant to the Placement Shares and Conversion Shares (as defined hereinafter) – net of share issue expenses	5,753	-	-	5,753
Comprehensive loss for the financial period	-	-	(54)	(54)
Balance as at 31 December 2017	72,506	-	(52,538)	19,968

	The Company			
	Share capital	Capital reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000
Balance as at 1 April 2016	57,881	-	(54,474)	3,407
Issuance of new shares pursuant to the Rights Issue (as defined below) – net of share issue expenses	8,872	-	-	8,872
Comprehensive loss for the financial period	-	-	(230)	(230)
Balance as at 31 December 2016	66,753	-	(54,704)	12,049

1.(d)(ii) Details of any changes in company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.

A. Share Capital of the Company	No of shares	US$'000
Balance as at 1 Apr 2017	1,583,141,084	66,753
Issue of new shares pursuant to the Placement Shares (as defined below) (net of share issue expenses)	103,800,000	2,719
Issue of new shares pursuant to the Conversion Shares (as defined below) (net of share issue expenses)	83,500,000	3,034
Balance as at 30 Jun 2017, 30 Sept 2017 and 31 Dec 2017	1,770,441,084	72,506

Share Placement Exercise
On 15 May 2017, pursuant to a placement exercise, the Company allotted and issued 103,800,000 new ordinary shares of the Company (the "Placement Shares") in the capital of the Company at a placement price of S$0.039 per Placement Share for approximately S$4.0 million.

Convertible Loan Notes Exercise
Pursuant to the issuance of convertible loan notes (the "Convertible Loan Notes") on 31 May 2017 in the aggregate principal amount of approximately S$7.1 million convertible into 128,500,000 new ordinary shares in the capital of the Company (the "Conversion Shares") at a conversion price of S$0.055 per Conversion Share, the Company allotted and issued 83,500,000 Conversion Shares on 2 June 2017. As at 31 December 2017, there is an outstanding Convertible Loan Notes of 45,000,000 which may be converted to the 45,000,000 Conversion Shares.

Save for the allotment and issuance of the Placement Shares and the Conversion Shares in 1Q2018 mentioned above, there was no movement in the share capital of the Company during 3Q2018.

<u>Use of the proceeds from the issuance of Placement Shares pursuant to Rule 704 (30)</u>

As at the date of this announcement, the net proceeds of about US$2.8 million (S$3.8 million) raised from the Share Placement exercise had been fully utilized in accordance with the intended use of proceeds as follows:

Used of Share Placement proceeds	**US$ million**	**Percentage utilized over allocated (%)**
Capability development program for space	1.7	100
General working capital purposes:		
Payments to suppliers for materials and services	0.7	100
Payment of administrative expenses, including payroll and other services	0.4	100
Total amount utilized	2.8	100

<u>Use of the proceeds from the issuance of Convertible Loan Notes pursuant to Rule 704 (30)</u>

As at the date of this announcement, about US$3.0 million of the net proceeds of about US$4.8 million (S$6.7 million) raised from the issuance of Convertible Loan Notes had been utilized in accordance with the intended use of proceeds as follows:

Use of Convertible Loan Notes proceeds	**US$ million**	**Percentage utilized over allocated (%)**
Capability development program for space	0.9	35.2
General working capital purposes:		
Payments to suppliers for materials and services	1.3	100
Payment of administrative expenses, including payroll and other services	0.8	100
Total amount utilized	3.0	64.2

B. Share Options

The Addvalue Technologies Employees' Share Option Scheme approved and adopted by the Company on 24 October 2001 (the "ESOS Scheme") in providing an opportunity for eligible participants of the Group who have contributed to the growth and prosperity of the Group to participate in the equity of the Company had expired on 21 June 2014, with all outstanding options granted under the ESOS Scheme, if not exercised by then, lapsed.

As at 31 December 2017 and 31 December 2016, the Company has neither treasury shares nor outstanding dilutive securities (including share options) which are capable of being converted into the shares of the Company.

C. Performance Share Plan

On 28 July 2017, against the approval of the Shareholders at an Extraordinary General Meeting, the Company adopted the "Addvalue Technologies Performance Share Plan" that will enable employees of the Group (including the Executive Directors) as well as the Non-Executive Directors of the Company to participate in the equity of the Company pursuant to the grant of contingent awards of fully paid Shares of the Company under the said Plan.

1.(d)(iii) The total number of issued shares excluding treasury shares as at the end of the current

financial period and as at the end of the immediately preceding year.

	As at 31 Dec 2017	As at 31 Mar 2017
Total number of issued ordinary shares (excluding treasury shares)	**1,770,441,084**	1,583,141,084

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has had no treasury shares as at 31 December 2017. Neither were there any sale, transfer, disposal, cancellation and/or use of treasury shares by the Company during 3Q2018.

2. Whether the figures have been audited, or reviewed in accordance with which standard (eg. The Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 preparation of the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 March 2017.

The adoption of new and revised Financial Reporting Standards ("FRS") and the interpretations of FRS ("INT FRS") that are mandatory for the financial year beginning on or after 1 April 2017 is not expected to have any significant impact to the Group.

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

	The Group	
	As at 31 Dec 2017 US$'000	**As at 31 Dec 2016 US$'000**
Net loss attributable to shareholders	**(3,449)**	(1,192)
Loss per share		
Basic (US cents)	**(0.20)**	(0.08)
Diluted (US cents)	**(0.20)**	(0.08)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,735,007,629**	1,187,355,813
Weighted average number of ordinary shares for the purpose of computing the diluted earnings per share	**1,735,007,629**	1,187,355,813

Note:

(1) As at 31 December 2017 and 31 December 2016, the Company has neither treasury shares nor outstanding dilutive securities (including share options) which are capable of being converted into the shares of the Company. While the outstanding Convertible Loan Notes constitute a dilutive security, with its conversion price being greater than the average market price of the Shares of the Company for the year, the outstanding Convertible Loan Notes are considered to be anti-dilutive and not to be included in the calculation of diluted earnings per share.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	The Group		The Company	
	As at 31 Dec 2017 US$'000	As at 31 Mar 2017 US$'000	**As at 31 Dec 2017 US$'000**	As at 31 Mar 2017 US$'000
Net asset value as at end of financial period/year	**15,977**	13,659	**19,968**	14,269
Net asset value per ordinary share as at the end of financial period/year (US cents)	**0.90[1)]**	0.86[(2)]	**1.13[(1)]**	0.90[(2)]

Notes:

(1) Based on 1,770,441,084 issued shares.

(2) Based on 1,583,141,084 issued shares.

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 earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

Overview

The Company (and together with its subsidiaries, the "Group" or "Addvalue") is a world renowned one-stop digital, wireless and broadband communications technology products innovator, which provides state-of-the-art satellite-based communication terminals and solutions for a variety of voice and IP-based data applications. The Group has established itself as a key partner to many major players in the satellite communication industry, counting amongst its customer base internationally renowned leaders such as Inmarsat, Thuraya, Singtel, Marlink, Satlink, Intellian, Applied Satellite Technology Ltd and Satcom Global.

Addvalue is presently a leading global developer and supplier of mobile satellite terminals supporting coverage provided by premier mobile satellite communication operators such as Inmarsat and Thuraya. These terminals are ideal choices for communications in areas around the world where terrestrial networks are non-existent or ineffective. This is particularly so for maritime communications, which rely almost entirely on satellite communications, and Addvalue's products are well suited to address these needs.

Addvalue also offers customised design services, tailored to the unique needs of each of its existing and potential customers, with its total satellite communication solutions derived from its proven technologies, established capabilities as well as strong and tested working relationships with the world leading premier mobile satellite operators.

(a) <u>Review of financial performance of the Group for 3Q2018 (relative to 3Q2017)</u>

Turnover

Our Group registered a lower turnover of US$0.6 million in 3Q2018 compared to that of US$2.0 million in 3Q2017 due to:

(1) the continued depressed economic conditions in the merchant shipping and energy sectors which our products primarily target;
(2) the phasing out of certain ranges of our products which are reaching their end of lives. While new and improved version of such products with enhanced features were gradually being introduced by the Group into the markets, certain adjustment time is needed to cultivate these products in gaining market acceptance; and
(3) the gradual shifting in market demand for narrowband satellite communications ("satcom") products to broadband satcom products with more data centric features. Our Group is now at an advanced stage of developing certain data centric features demanded by end users and to have them incorporated into our nascent range of broadband satcom products to be debuted in the second of FY2018 ("2H2018").

Profitability

Our Group registered a gross profit of US$0.1 million against a gross profit margin of 22.5% for 3Q2018 relative to a gross profit of US$0.5 million against a gross profit margin of 24.0% for 3Q2017. The decrease in gross profit margin for 3Q2018 relative to 3Q2017 was attributable mainly to increased sales of lower yielding products.

Our selling and distribution expenses increased by US$44,000 or 25.7% from US$171,000 in 3Q2017 to US$215,000 in 3Q2018 due to increase in marketing staff cost and travelling expense incurred for our continued efforts to break into the Small Vessel Markets and promote solutions products in the ASEAN and Asia Pacific regions.

Administrative expenses increased slightly by US$26,000 or 4.7% from US$558,000 in 3Q2017 to US$584,000 in 3Q2018 due mainly to professional services incurred for corporate exercises and investor relations.

Other operating expenses decreased by US$216,000 or 27.3% from US$790,000 in 3Q2017 to US$574,000 in 3Q2018 due mainly to reduced amortisation of intangible assets brought about as a result of impairments made in prior years.

As a result of the above, our Group incurred a net loss of US$1.2 million in 3Q2018 against a net loss of US$1.0 million in 3Q2017.

(b) Review of financial position of the Group as at 31 December 2017 (relative to that as at 31 March 2017)

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

The increase in our intangible assets was attributed mainly to development expenditures as we continue to develop our proprietary products, including new spin-off products, albeit the offset by amortisation during the period.

The increase in inventories as at 31 December 2017 was attributed mainly to the build-up of materials and finished products in anticipation of our nascent range of broadband satcom products targeted to be launched in 2H2018.

The increase in amount due from customers for contract work was due to work done in progress for certain contract which had yet to be billed.

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

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

The decrease in provisions was mainly due to the reduced directors' fees provision following the resignation of one of our Independent Directors.

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

The net increase in borrowings was mainly attributed to the outstanding Convertible Loan Notes issued in May 2017.

The increase in share capital was attributed to the issuance of the Placement Shares and Conversion Shares.

Consequence to the above:

1. the gearing of the Group (defined as the ratio of all interest-bearing loans of the Group to the shareholders' fund of the Group) increase slightly from 12.6% as at 31 March 2017 to 13.9% as at 31 December 2017;

2. the working capital position of the Group reversed to a positive USS$0.9 million as at 31 December 2017 from a negative US$0.5 million as at 31 March 2017;

3. the cashflow of the Group changed from a net cash generated from operation of US$0.2 million in 3Q2017 to a net cash used in operations of US$0.3 million in 3Q2018 chiefly as a result of lower turnover and the build-up of inventories; and

4. the net asset value of the Group improved by US$2.3 million or 16.9% from US$13.7 million as at 31 March 2017 to US$16.0 million as at 31 December 2017, with the net asset value per ordinary share improved from 0.86 US cents per share as at 31 March 2017 to 0.90 US cents per share as at 31 December 2017.

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

Not applicable.

10. A commentary at the date of the announcement of the 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

For the past few consecutive financial quarters (including 4Q2018), the Group had had been delivering sub-par results chiefly as a result of the confluence of the following interlinked external and internal factors:

1. Externally, the gradual paradigm shift since as early as 2014 in the satellite ecosystem, which increasingly gravitates towards a preference for broadband transmission in supporting multi-media services (traditionally not a *forte* of Addvalue, Inmarsat or Thuraya) with the industry players grubbing protractedly to seek out viable commercial business models in exploiting the shift (the "Paradigm Shift"); and
2. Internally, the Group, in its attempts to ledge on to the Paradigm Shift, embarked on a transformation program based on its twin strategies of "Commercial Refocusing" and "Emerging Markets Focus" since 2015 (the "Transformation Program"), which necessitates certain structural changes to the Group's technical team structure and hence obliges a while for the program to fully come to fruition.

Accordingly, the Group had had in the past three years been hit by the double whammy of reduced turnover due to curtailed demands for its hardware products as a result of the Paradigm Shift and increased expenses as it strove to enhance the skill sets of its technical team through the Transformation Program in taking advantage of the opportunities avail by the Paradigm Shift.

Despite its present work-in-progress state, barring any unforeseen circumstances, the Transformation Program is expected to yield some rewarding results during the financial year ending 31 March 2019 ("FY2019") with some of its pipe-line projects being capable of reaching commercialization.

Time and again since the introduction of the Transformation Program, the Group has been asked by many shareholders and investors to explain in simple layman terms of the said program in the context of the Paradigm Shift and the expected duration for the program to be realized so that they can gain a better perspective of the Group's positioning in the complex and fast changing global satellite communications industry. It is in this regard that we hope the following could help clarify matters.

Mobile Satellite Services Versus Very Small Aperture Terminal

Before delving into the subject proper, an understanding on the prevalent commercial satellites communications services would prove helpful.

Presently, there are largely two broad categories of commercial satellite communications services which are rendered through either Mobile Satellite Services (MSS) or Very Small Aperture Terminal (VSAT).

The comparison between MSS and VSAT can be understood in the following table:

	MSS	**VSAT**
Operating frequencies	Mostly UHF, L, S	Mostly C, Ku, Ka
Data rates supported	Typically below 1 Mb/s with single terminal support	At least tens of Mb/s
Terminal characteristics	Compared to VSAT terminals, MSS terminals are usually much smaller, more portable, less costly to own and install (Do-it Yourself or DIY in most cases)	VSAT terminals are more bulky (at least 60cm in diameter for the antenna unit), less portable, several times more expensive than MSS terminals and require professional services for installation and commissioning of services
Mobility	More suitable for mobile or portable applications because of the small size of MSS terminal and its less demanding antenna pointing techniques	Bulky VSAT terminals, especially the size of the antenna unit (ranging from 60cm to 2m in diameter), and much more accuracy is needed in antenna pointing which limits mobility and portability usages
Service schemes	Usually through managed services, "Pay As You Use"	Usually through leased capabilities with huge upfront commitment
Type of applications	For personal and enterprises , voice, data, low resolution video, digital radio, mission critical services, such as industrial Machine-to-Machine (M2M)/Internet-of-Things (IoT), safety and security applications	Support large data usage on board of huge maritime vessels, Corporate backhaul, direct TV etc.
Satcom Operators	Inmarsat, Thuraya, Iridium, GlobalStar	Intelsat, SES, ViaSat, Eutelsat, Telesat, O3b

UHF, L or S-bands are in the lower portion of the frequency spectrum as compared to C, Ku and Ka-bands. The higher the frequency, the more bandwidth is available and hence the higher the transmission rate. If we equate cost and availability of these frequency spectrums with real estate as an analogy, we can say that L-band is prime city center real estate, C-band is the suburbs, and moving further outward will be Ku-band and lastly Ka-band. There are pros and cons in using different frequency spectrums, for example, L-band will be more reliable in transmission under all weather conditions but has lower transmission rate whereas Ka-band will have a much higher transmission rate but transmission can be affected by poor weather conditions.

The two emerging trends

In recent years, operators in the satellite industry, be it in Low-Earth-Orbit (LEO), Medium-Earth-Orbit (MEO) or Geosynchronous-Earth-Orbit (GEO), all spoke of an optimistic future as they seek to gain new revenue streams and be relevant in meeting the growing needs of the following two trends:

1. **Higher bandwidth connectivity in supporting multi-media services**: For bigger data pipes to support multi-media services comparable to terrestrial network quality, resulting in the growing demand for broadband connectivity, there has been a significant shift in demand from L-band to Ku-band, and continue into higher frequencies in the Ka-band; and
2. **Better efficiency in data transmission in supporting IoT/M2M or mission critical applications**: For better efficiency in lower data usage applications, such as in the new world of industrial IoT/M2M and mission-critical applications as well as for safety and security services at sea, on land or in airplanes, L-band continues to be a more prevalent frequency as the resilient nature of the frequency band against very rough weather conditions plays the deciding factor for such usages.

Where Addvalue stands

Since 2004, Addvalue has always operated itself within the arena of MSS through L-band, and has over time built itself to be a leading global developer and supplier of mobile satellite terminals supporting coverage provided by premier mobile satellite communication operators, such as Inmarsat and Thuraya. As a matter of fact, the Group has to date proved itself to be a very successful and reliable design house dedicated to supporting and serving Inmarsat and Thuraya.

Taking cognizant of the abovementioned two emerging trends of the market's preference, competition faced from VSATs and with Inmarsat and Thuraya too being caught by the bane posed by the Paradigm Shift, the Group has had in 2015 embarked on the Program, specifically through the pursuit of the twin-strategies of "Commercial Refocusing" and "Emerging Market Focus".

Through "Commercial Refocusing", instead of continuing with our present mode of placing a significant reliance on hardware sales, we aim to rebalance our revenue receipts by upping our:

1. air-time incomes; and
2. solution/application-based subscription incomes.

In this regard, we seek to scale up our capabilities through a more holistic approach so as to offer better value to our customers by bundling solutions/applications and hardware as a variety of solution packages. It should be noted that the solutions/applications which the Group currently develops under the Transformation Program, once commercially available, can be operated on any bandwidth, including the Ku-band and Ka-band, and can be used on any satellite terminal, including the VSAT terminal, and thereby bridging the prospective gap conferred by VSATs.

Through "Emerging Markets Focus", instead of continuing with our present mode of pursuing design opportunities as and when they present themselves, we will be more proactive in courting design services demanded by the following three broad market segments (which are expected to yield follow-on air-time as well as solution/application-based subscription incomes):

1. New geographical markets comprising: (a) the ASEAN countries; and (b) the regions conferred by China's "Belt and Road Initiative (一带一路倡议)";
2. New product markets comprising: (a) the Machine-to-Machine (M2M) market driven by the confluence of satellite communications and IoT technologies; (b) the small vessels market, particularly the small fishing boats market, which are presently underserved in satellite communications; and (c) the LEO satellite market which ensues the Inter-Satellite Data Relay System (IDRS) services and related applications; and
3. New partnerships with satellite operators, be it an existing satellite operator or otherwise, beyond Inmarsat and Thuraya.

The Transformation Program has been taking a while to come to fruition in view of both the external factors confronting the satellite industry players and the internal factors faced by the Group. The external factors relate mostly to the time consuming approaches adopted or to be adopted by industry players to conceptualize viable business concepts and pricing models to take advantage of the emerging broadband/IoT trends. The internal factors relate mainly to the gearing up of new necessary skillsets within the Group, which to a certain extent tantamount to a structural overhaul of the technical team at work at Addvalue, in meeting the arduous demands required by the emerging trends.

However, the Group has not been resting on its laurels. As a matter of fact, for the large part of the past three years, the Group had devoted a substantial amount of its time and efforts to develop IDRS terminals with the aim of supplying such terminals and providing IDRS-based bespoke solutions for commercial exploitation and use by third parties. To this end, the Group has over the said timeframe achieved the following critical milestones:

1. On 16 December 2015, pursuant to a contract with Nanyang Technological University ("NTU"), an IDRS terminal developed by the Group (the "IDRS Terminal") was successfully launched into space through its integration with a nano-size LEO satellite, VELOX-II. This launch was monumental as it was the world's first successful IDRS technical trial carried out on the BGAN infrastructure.

2. Since then, the Group has repeatedly demonstrated the technical feasibility of the IDRS Terminal in providing decent data rates on-demand for two-way Internet Protocol-based data services over Inmarsat's BGAN infrastructure for LEO satellite missions.
3. On 2 February 2017, the Group signed a memorandum of understanding with Inmarsat (the "MOU"), whereupon Inmarsat shall grant the Group the exclusive rights to distribute airtime for the IDRS Terminals it provides.
4. On 11 August 2017, with the commercialization of the IDRS business gaining more and more visibility and traction over time, the Group and Inmarsat formalized the MOU into a worldwide agreement (the "Master Service Agreement") with both parties undertake to jointly offer the world's first commercial on-demand communications service specifically designed to address certain elements of the nascent promising LEO satellite market.
5. Against the Master Service Agreement, the Group has since continued to be actively meeting with various satellite manufacturers, including but not limited to Airbus Defence and Space as well as Surrey Satellite Technologies Ltd, and looking to offer integration of IDRS Terminals with their businesses via the provision of hardware and engineering services.

Progress of Transformation Program thus far made by Addvalue

After the many months of toils and trials by the Group, the Transformation Program has not only witnessed the great strikes made by the Group in its pursuit of its IDRS business (as mentioned above), but is also beginning to reap its harvest with some of its pipe-line projects capable of being commercialized in FY2019.

As at the date of this announcement, the progress of the Transformation Program made by the Group thus far under the twin strategies is tabulated as follows:

Commercial Refocusing – the Group has to date developed and/or worked with relevant partners to develop the following solutions/applications:	
Billing platform	A billing and provisioning platform to account for recurring revenues on air-time charges and solution/application based subscriptions as well as the provisioning of service options is in place.
Vessel Monitoring System ("VMS")	The Group's iFleetONE terminal built-in with VMS service capability is currently undergoing type approval certification for the VMS service in the USA. Such a system will be required by fishing vessels to address illegal, unregulated and unreported fishing and to comply with sustainability fishing regulations imposed by the respective country's national fishery authority. iFleetONE is the first of its kind in offering both VMS service and general purpose broadband data and voice communication service; the availability of such 2-in-1 terminal can prove to be very cost effective.
Push-To-Talk ("PTT") Solution	A PTT solution (SIMPLY**TALK**) for crew communication among closed user groups between vessels and from ship to shore with global mobility stands ready for commercialization in Asia and prove of concept trials in Europe.
Fleet Tracking ("FT") Solution	A FT solution (SIMPLY**TRACK**) for the location tracking of vessels is currently undergoing proof of concept testing in Myanmar, Middle East and the Far-East countries. It should be noted that the application of a FT solution can be extended to include the location tracking of any asset other than a vessel.
Emerging Markets Focus - the Group has to date made the following key progress with respect to the various design contracts it clinched:	
New geographical market - China as a whole market for much bigger appetite for satellite communications technologies, new products and services in line with the renewed aspiration of what is called the China Dream (中国梦)	The Group has on 19 Feb 2018 entered into a collaboration agreement with Huaan Xingke Information Technology Ltd ("华安星科（北京）信息技术有限公司) ("Huaan Xingke""), a company incorporated in Beijing, China to develop, market and distribute products and services integrating the China Beiduo navigation and satellite communications technologies for a number of vertical markets. The collaboration, which, apart from product sales, also includes multi-mode broadband product development and the associated technical training to support partners in the fishing vessel industries in China and the South East Asia region, is expected to deliver products over three years starting from the second half of 2018 at an expected combined revenue of more than US$12 million, with an initial order of about US$1 million to
New geographical market - ASEAN countries and regions where economic growth are to be uplifted China's "Belt and Road Initiative (一带一路倡议)"	
New product market - Targeting Small Vessels / Fishing Fleet market	

	be fulfilled within 2018. Huaan Xingke is an authorised China Beiduo Navigation Service Provider, and is the **ONLY** entity authorised by the Chinese government to operate Beiduo services outside China. Over the years of relentless development of products and services, Huaan Xingke has become a leading provider of Beiduo Radio Determination Satellite Services (RDSS) services to both governmental and private sectors in China. It has also made breakthroughs in the markets outside China and is poised to further expand its oversea businesses under the China's "Belt and Road Initiatives". Separately, our existing collaborations with leading fishing fleet companies in South East Asia countries for the deployment of our various products (including iFleetONE), particular in Thailand, the Philippines and Indonesia, are expected to turn in not only hardware sales but also significant recurring revenue from the use of the related solutions and services provided by us.
New product market - Targeting M2M/IoT applications	The Group has made significant progress in penetrating the M2M/IoT markets and is currently conducting proof of concepts for water monitoring (in Sri Lanka, Malaysia and Singapore), power grid monitoring (in the Philippines and Australia) and security and surveillance applications (in China*).* As M2M/IoT applications are project based business which normally has a longer gestation period, especially during the initial proof of concept phase, we believe that successful demonstration of these proofs of concepts will accelerate our marketing effort into actual sales in the very near future.
New product market - Targeting IDRS applications	The Group has been actively pursuing commercial opportunities for the IDRS worldwide. These opportunities include a wide range of LEO satellite missions, ranging from earth observation satellites, scientific experiments missions to maritime/aero surveillance satellites. The IDRS is also very applicable to any space mission that requires continual and real time data connectivity during the operations of the Launch and Early Orbit Phase ("LEOP"). The Group is in an advanced stage of negotiating for a couple of IDRS contracts, and is expected to sign at least one such contract within the next two months.
New Design Service Revenue Stream	To diversify the revenue stream, the Group leverages its deep in-house product development capability and knowledge base for advance communications and high reliability engineering to provide bespoke radio communication products and system design services targeting the high value defense, aerospace and new space industries. Our marketing efforts in this regard are gaining traction, and we expect design service to be a key pillar of growth for the Group going forward.

Barring any unforeseen circumstance, against secured contracts on hand, the Group expects its turnover for Q42018 to outperform that attained in any of the first three financial quarters of FY2018.

Moving forward, with the foundation steadily built up over the past three years, the next 12 months are expected to mark the beginning of a new era for the Group to reap the harvest of its past efforts. Barring any unforeseen circumstances, the Group is optimistic that FY2019 will significantly outperform that of FY2018, with a significant portion of the Group's revenue to be derived from the following sectors (as a result of its budding twin strategies under the Transformation Program) to be accompanied by a noticeable reduction in its traditional hardware equipment sales:

1. Emerging IDRS business
2. Emerging small vessels market
3. Emerging IoT market
4. Emerging market from China's "Belt and Road Initiative"
5. Recurring subscription base solution package bundled with our hardware
6. Recurring air time revenue
7. Design service revenue

Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to

historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks and factors such as general economic and business conditions, including the timing or delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them or the implementation of the improved airtime package by the satellite operators; structural change in the satellite industry; relationships with customers; competition; and the ability to attract personnel. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future and any negative impacts arising from these issues will affect the performance of the Group's businesses, undue reliance must not be placed on these statements.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No.

(b) (i) Amount per share: Nil cents

(ii) Previous corresponding period: Nil cents

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared or recommended for 3Q2018.

13. If the group has obtained general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No general mandate for IPT from the shareholders of the Company has had been sought.

14. Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual.

To the best of our knowledge and belief, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for the three months ended 31 December 2017 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

For and on behalf of the Board of Directors

Dr Colin Chan Kum Lok Chairman & CEO	Tan Khai Pang Director

14 February 2018