ADDVALUE TECHNOLOGIES LTD
Company Registration No. 199603037H

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER AND THE FIRST HALF FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 ("2Q2018" AND "1H2018" 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

	2Q2018	2Q2017	%	**1H2018**	1H2017	%
	US$'000	US$'000	Change	**US$'000**	US$'000	Change
Revenue	**1,260**	3,897	(67.7)	**2,108**	7,316	(71.2)
Cost of sales	**(882)**	(2,008)	(56.1	**(1,394)**	(3,855)	(63.8)
Gross profit	**378**	1,889	(80.0)	**714**	3,461	(79.4)
Other operating income	**61**	39	56.4	**117**	70	67.1
Selling & Distribution expenses	**(175)**	(172)	1.7	**(415)**	(377)	10.1
Administrative expenses	**(887)**	(713)	24.4	**(1,620)**	(1,362)	18.9
Other operating expenses	**(481)**	(791)	(39.2)	**(950)**	(1,538)	(38.2)
Profit/(loss) from operations	**(1,104)**	252	N/m	**(2,154)**	254	N/m
Finance expenses	**(59)**	(1)	N/m	**(80)**	(420)	(81.0)
Profit/(loss) before tax	**(1,163)**	251	N/m	**(2,234)**	(166)	N/m
Taxation	**-**	-	N/m	**(4)**	-	N/m
Net profit/(loss) for the period	**(1,163)**	251	N/m	**(2,238)**	(166)	N/m
Other comprehensive loss- Exchange differences arising from translation of foreign operations	**(3)**	-	N/m	**(1)**	(2)	N/m
Total comprehensive income/(loss) for the period	**(1,166)**	251	N/m	**(2,239)**	(168)	N/m
Attributable to:						
Equity holders of the Company	**(1,166)**	251	N/m	**(2,239)**	(168)	N/m
Total comprehensive income/(loss) for the period	**(1,166)**	251	N/m	**(2,239)**	(168)	N/m

"2Q2017" denotes the second financial quarter ended 30 September 2016 in respect of the financial year ended 31 March 2017 ("FY2017").
"1H2017" denotes the first half financial period ended 30 September 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					
	2Q2018 US$'000	2Q2017 US$'000	% Change	**1H2018 US$'000**	1H2017 US$'000	% Change
Profit before tax has been arrived at after charging/(crediting):						
Depreciation and amortization	**394**	607	(35.1)	**779**	1,215	(35.9)
Inventory written off	**-**	62	N/m	**-**	62	N/m
Foreign exchange loss/(gain) (net)	**(36)**	19	N/m	**(70)**	50	N/m
Interest expense	**59**	1	N/m	**80**	420	N/m

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 30 Sep 2017 US$'000	As at 31 Mar 2017 US$'000	**As at 30 Sep 2017 US$'000**	As at 31 Mar 2017 US$'000
Non-current assets				
Plant and equipment	**709**	793	**-**	-
Subsidiaries	**-**	-	**16,338**	16,338
Intangible assets	**13,700**	13,246	**-**	-
Deferred tax assets	**262**	263	**-**	-
	14,671	14,302	**16,338**	16,338
Current assets				
Inventories	**3,457**	2,859	**-**	-
Amount due from customers for contract work	**242**	221	**-**	-
Trade receivables	**822**	1,600	**-**	-
Other receivables, deposits and prepayments	**686**	644	**7**	44
Available-for-sales financial assets	**2**	2	**2**	2
Due from subsidiaries (non-trade)	**-**	-	**5,138**	-
Fixed deposit	**40**	40	**-**	-
Cash and bank balances	**1,615**	215	**505**	2
	6,864	5,581	**5,652**	48
Total assets	**21,535**	19,883	**21,990**	16,386
Current liabilities				
Trade payables	**763**	1,847	**-**	-
Other payables and accruals	**806**	2,032	**123**	882
Provisions	**214**	270	**58**	116
Borrowings	**2,084**	1,555	**1,730**	1,038
Advances received from customers	**306**	300	**-**	-
Deferred income	**40**	49	**-**	81
	4,213	6,053	**1,911**	2,117
Non-current liabilities				
Borrowings	**149**	171	-	-
Total liabilities	**4,362**	6,224	**1,911**	2,117
Net assets	**17,173**	13,659	**20,079**	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	**(12)**	(11)	**-**	-
Accumulated losses	**(56,076)**	(53,838)	**(52,427)**	(52,484)
Total equity	**17,173**	13,659	**20,079**	14,269

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

	The Group	
	As at 30 Sep 2017 US$'000	As at 31 Mar 2017 US$'000
Amount repayable in one year or less or on demand		
Secured	**22(1)**	41(1)
Unsecured	**2,062(2)**	1,514
	2,084	1,555
Amount repayable after one year		
Secured	**-**	-
Unsecured	**149**	171
	149	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	
	2Q2018	2Q2017
	US$'000	US$'000
OPERATING ACTIVITIES		
Profit/ (Loss) before tax	**(1,163)**	251
Adjustments for:		
Amortisation of intangible assets	**307**	518
Amortisation of deferred income	**(9)**	(5)
Depreciation of plant and equipment	**87**	89
Interest expense	**59**	1
Unrealised foreign exchange (gain)/ loss	**3**	30
Provision utilisation	**(80)**	(106)
Operating profit/(loss) before changes in working capital	**(796)**	778
Changes in working capital		
Inventories	**(346)**	245
Trade and other receivables	**(103)**	1,443
Amount due from customers for contract work	**(70)**	(119)
Trade and other payables	**160**	(1,434)
Advances received from customers	**51**	(1,821)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	***(1,104)***	*(908)*
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(69)**	(12)
Additions in intangible assets	**(582)**	(693)
Proceeds from government grants	**285**	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	***(366)***	*(705)*
FINANCING ACTIVITIES		
Repayment of borrowings – net	**(98)**	(416)
Net proceeds from issue of shares /(share issue expenses)	**-**	(1)
Repayment to a shareholder	**-**	(1)
Interest paid	**(59)**	(1)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	***(157)***	*(419)*
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(1,627)**	(2,032)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	**3,242**	2,140
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	**1,615**	108

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 loss for the financial period	-	-	-	(1)	(2,238)	(2,239)
Balance as at 30 September 2017	72,506	747	8	(12)	(56,076)	17,173

	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	-		-	(2)	(166)	(168)
Balance as at 30 September 2016	66,753	747	8	(8)	(50,539)	16,961

	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 income for the financial period	-	-	57	57
Balance as at 30 September 2017	72,506	-	(52,427)	20,079

	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	-	-	(116)	(116)
Balance as at 30 September 2016	66,753	-	(54,590)	12,163

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 April 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 and 30 Sept 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 30 September 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 2Q2018.

Use of the proceeds from the issuance of Placement Shares pursuant to Rule 704 (30)

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

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

As at the date of this announcement, about US$2.6 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	0.5	18.5
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	2.6	54.2

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 30 September 2017 and 30 September 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 30 Sep 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 30 September 2017. Neither were there any sale, transfer, disposal, cancellation and/or use of treasury shares by the Company during 2Q2018.

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 30 Sep 2017 US$'000	**As at 30 Sep 2016 US$'000**
Net (loss)/profit attributable to shareholders	**(2,239)**	(168)
Earning per share		
Basic (US cents)	**(0.13)**	(0.01)
Diluted (US cents)[(1)]	**(0.13)**	(0.01)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of computing the basic earnings per share	**1,717,194,090**	1,418,771,245
Effect of potentially dilutive ordinary shares [(1)]	**-**	-
Weighted average number of ordinary shares for the purpose of computing the diluted earnings per share	**1,717,194,090**	1,418,771,245

Note:

(1) *As at 30 September 2017 and 30 September 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 30 Sep 2017 US$'000	As at 31 Mar 2017 US$'000	**As at 30 Sep 2017 US$'000**	As at 31 Mar 2017 US$'000
Net asset value as at end of financial period/year	**17,173**	13,659	**20,079**	14,269
Net asset value per ordinary share as at the end of financial period/year (US cents)	**0.97**[(1)]	0.86[(2)]	**1.13**[(1)]	0.90[(2)]

Note:

(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 2Q2017 (relative to 2Q2016)</u>

Turnover

Our Group registered a lower turnover of US$1.3 million in 2Q2018 compared to that of US$3.9 million in 2Q2017 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 have been 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$0.4 million against a gross profit margin of 30.0% for 2Q2018 relative to a gross profit of US$1.9 million against a gross profit margin of 48.5% for 2Q2017. The decrease in gross profit margin for 2Q2018 relative to 2Q2017 was attributable mainly to sales of lower yielding products.

Our selling and distribution expenses maintained at US$175,000 in 2Q2018 compared to US$172,000 in 2Q2017.

Administrative expenses increased by US$174,000 or 24.4% from US$713,000 in 2Q2017 to US$887,000 in 2Q2018 due mainly to increased headcount in beefing up our new engine of growth with regard to our solution and application competence with a view to roll out features increasingly demanded by market end users to be incorporated into new broadband satcom products and professional services incurred for corporate exercises and investor relations.

Other operating expenses decreased by US$310,000 or 39.2% from US$791,000 in 2Q2017 to US$481,000 in 2Q2018 due mainly to the reduced amortisation of intangible assets brought about as a result of the impairment provision made in prior years.

Other operating income for 2Q2018 comprised mainly foreign exchange gain.

Following the retirement of loans aggregating about US$4.8 million in 1Q2017 with part of the proceeds raised from the Rights Issue, our finance expenses reduced significantly in 2Q2017.

As a result of the above, our Group incurred a net loss of US$1.2 million in 2Q2018 against a net profit of US$0.3 million in 2Q2017.

(b) Review of financial position of the Group as at 30 September 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 higher amortisation during the period.

The increase in inventories as at 30 September 2017 was attributed mainly to the build-up of materials in anticipation of our nascent range of broadband satcom products to be launched in 2H2018.

The decrease in trade receivables 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 were mainly due to the payment of directors' fees.

The net increase in borrowings was mainly due to 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 while the increase in cash and bank balances were attributed mainly to the proceeds raised from the issuance of the Placement Shares and the Convertible Loan Notes.

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 13.0% as at 30 September 2017;

2. the working capital position of the Group improved to a positive USS$2.7 million as at 30 September 2017 from a negative US$0.5 million as at 31 March 2017;

3. the net cash flow of the Group used in operations increased slightly from US$0.9 million in 2Q2017 to US$1.1 million in 2Q2018; and

4. the net asset value of the Group improved by US$3.5 million or 25.4% from US$13.7 million as at 31 March 2017 to US$17.2 million as at 30 September 2017, with the net asset value per ordinary share improved from 0.86 US cents per share as at 31 March 2017 to 0.97 US cents per share as at 30 September 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

We remain affected by the merchant shipping and energy sectors, which generally are still not out of the economic doldrums. Notwithstanding which, there are signs that procurement interests are gradually returning as some companies are investing into equipment renewal and improvement of operational efficiency through adoption of digital technologies. For example, companies are replacing old Fleet Broadband terminals as these terminals have been in service for more than eight years since Inmarsat's first launch of the Fleet Broadband service in 2008. The Group has identified several replacement opportunities, and is working closely with air time distributors and value added service providers to gain such market shares.

At the same time, the Group stays focused in implementing its twin-growth-strategy, namely, the Commercial Refocusing and Emerging Market Focus, so as to transform the Group's prevailing revenue model, which relies heavily on hardware sales, to a revenue model that counts not only on hardware sales but with such sales to be further supported by recurring income derived from airtime and solution subscriptions. This transformation, which requires great determination and perseverance, takes sometimes to see to fruition. While the process may be affected with unforeseen teething issues along the way, all out endeavor efforts shall be made by the Group to overcome them all. As of now, as evident from the progress summarized below, we believe that the transition is not only picking up pace but is also starting to bear fruits:

1. <u>Small vessels market</u>

   The Group is set to roll out its solution suite bundled with the iFleetOne terminals in several markets in Asia. Such programs will kick start the recurring revenue stream, and we are on track to reach a monthly recurring revenue of at least US$100,000 within this financial year, thereby setting the stage to achieve at least US$2 million in recurring revenue for FY2019.

2. <u>Satellite based Internet of Things (Satcom IoT)</u>

   The Group has recently developed an integrated Satcom/Low Power Wide Area Network (LPWAN) solution to address the growing desire for smart connectivity. Such solutions platforms are created for weather monitoring, smart agriculture, asset tracking and environmental monitoring over a vast remote area. Technical trials are going on well, and some will turn commercial within this financial year; in which case, the revenue to be generated will comprise the sales of our suite of hardware, including Sabre Ranger 5000, our latest BGAN M2M terminal, accessories and solution suite.

3. IDRS Business

   Since the signing of the IDRS air time distribution agreement with Inmarsat as announced on 11 August 2017, the Group has been engaged in discussion with several world leading LEO satellite operators for the inclusion of the IDRS services in their new satellite launches. Most of the projects under discussions will also encompass customized design-cum-supply of terminals and hence, paving the way to grow design services revenue for the Group

4. Design Services

   Owing to our proven product development capabilities and core competence in communication system, we are able to pursue new design services opportunities brought about by new investment into the satellite communication market and new governmental projects. In respect of the design contract with a government agency to design and supply a proprietary communications module as mentioned in our 1Q2018 financial results announcement made on 14 August 2017, we are pleased to say that the design phase is progressing well and nearing completion, and hence setting the stage for the supply phase to commence as early as 4Q2018. In addition, we are in the final stage of negotiation for another significant design and supply contract with an existing customer, which if concluded will further strengthen our order book.

Despite the delay experienced during the transformation phase over the past quartered, barring any unforeseen circumstances, we are optimistic that the Group will perform better in the second half of FY2018 compared to that of the first half and, on a full year basis, outperform its performance for FY2017.

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 uncertainties of the pace of recovery of the United States of America economy, continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the current euro zone debt crisis, inflationary pressures and undue currency movements which will affect the growth in Asia, especially East Asia; change in technology; 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 2Q2018.

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 30 September 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 November 2017