
**IMPENDING INVESTMENT BY AN INVESTOR (AS HEREINAFTER DEFINED)
BY WAY OF SUBSCRIPTION OF EXCHANGEABLE BONDS
IN A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**

This announcement shall be read in conjunction with the news release made by the Company on 20 December 2016 (Reference: SG1612200THRU7NT titled: "Addvalue Inter-Satellite Data Relay Terminal Completes One-year of In-Orbit Testing") (the "News Release").

Unless otherwise defined, all capitalised terms stated herein shall have the same meaning as ascribed to them in the News Release.

As part of the continuing efforts of Addvalue Technologies Ltd ("**AVT**" or the "**Company**") and its subsidiaries (the "**Group**") to research and develop products, services and solutions relating to space resilient technologies, including but not limited to, the development of technologies relating to Inter-Satellite Data Relay System (the "**IDRS Technologies**") and products deploying such IDRS Technologies as well as managing the related intellectual properties ("**IP**"), the Company has from time to time been sourcing for strategic investors who are interested in supporting the Group's Inter-Satellite Relay System ("**IDRS**") initiatives.

The board of directors (the "**Board**") of the Company is pleased to inform shareholders of the Company (the "**Shareholders**") that it has reached an in-principle understanding with an established venture investment firm (the "**Investor**"), pursuant to which the Investor will invest S\$2 million by way of a subscription of 2,000,000 exchangeable bonds of S\$1.00 each to be issued by Addvalue Innovation Pte Ltd ("**AVI**"), a wholly-owned subsidiary of the Company, and, in the event that AVI's wholly-owned subsidiary, Addvalue Solutions Pte Ltd ("**AVS**"), procures a listing and quotation of its shares on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), such bonds shall be exchanged into a certain number of new shares of AVS, with AVS being retained as an associated company of AVT (the "**Proposed Spin-Off and Listing**").

Regardless of the outcome of the Proposed Spin-Off and Listing, AVS has been and will continue to carry out IDRS-related business and commercial activities. For the purposes of meeting part of the funding requirements of the capability development program of the Group for space, AVI and the Investor have entered into a non-binding term sheet (the "**Term Sheet**") providing, among other provisions, the following key terms and conditions for the impending investment by the Investor:

1. Subscription : 2,000,000 exchangeable bonds of S\$1.00 each ("**Bonds**") and each, a "**Bond**") on terms and conditions to be set out in a definitive subscription agreement and other ancillary

agreements governing the Bonds (collectively, the “**Definitive Agreements**”).

2. Issue Price : S\$1.00 per Bond.
3. Coupon : 5% per annum, compounded annually and payable in full on the Maturity Date, except that in the event an in-principle approval for the Proposed Spin-Off and Listing has been procured by AVS from the SGX-ST, all accrued interest of the Bonds shall then be deemed to have been waived by the Investor.
4. Maturity Date : Unless mutually agreed to be extended, the date falling on the fifth (5th) anniversary of the date of issue of the Bonds (the “**Maturity Date**”). Except where the Bond Exchange (as hereinafter defined) takes place pursuant to paragraph 6 below, the Bonds shall on the Maturity Date be redeemed by AVI in cash and in Singapore dollars for an amount equal to the principal amount of the Bonds plus any and all interest accrued and remaining unpaid.
5. Use of Proceeds : The entire proceeds from the issuance of the Bonds shall be channeled to AVS to facilitate payment for licensing and engagement fees associated with the capability development program of the Group for space (the “**Leo 2 Project**”). No part of the proceeds is to be used to pay or settle any existing loans of the Group.
6. Exchangeability : The principal amount of the Bonds shall, in the event that AVS procured an in-principle approval from the SGX-ST for the Proposed Spin-Off and Listing, be exchangeable for a certain number of new ordinary shares to be issued out of the capital of AVS (the “**Bond Exchange**”). In this regard, the Company is required to use its best endeavours to procure that the Proposed Spin-Off and Listing occurs before the Maturity Date.

The total number of new ordinary shares of AVS to be issued to the Investor upon the Bond Exchange would equal to the higher of:

- (a) 8% of the enlarged share capital of AVS immediately prior to the Proposed Spin-Off and Listing; and
- (b) the Exchanged Shares (as hereinafter defined)

Exchanged Shares = Principal of Bonds / Exchange Price,

where:

Exchange Price = (1 – 30%) * IPO price per share of AVS,

where:

IPO price per share of AVS = [(IPO Valuation – Gross proceeds to be raised from the issue of new shares of AVS pursuant to the Proposed Spin-Off and Listing – Securities raised prior to the Proposed Spin-Off and Listing on a fully diluted basis – Principal of Bonds / (1 - 30%)] / Existing number of shares of AVS prior to the Bond Exchange and the Proposed Spin-Off and Listing,

where:

IPO Valuation = The valuation of AVS immediately after the Proposed Spin-Off and Listing, taking into account of the Bond Exchange and the gross proceeds from the issuance of new shares of AVS pursuant to the Proposed Spin-Off and Listing

7. Guarantee : The Company is required to issue a corporate guarantee in favour of Investor as security for payments under the Bonds.
8. Observer Status : Prior to the Proposed Spin-Off and Listing, the Investor shall be entitled to appoint an observer to be present at the meetings of the board of directors of AVI.
9. Ranking : The Bonds shall rank above the ordinary shares of AVI in liquidation preference in a liquidation event. The payment obligations of AVI in respect of the Bonds, save as may be provided otherwise by any mandatory provisions of applicable law, shall rank only behind the secured creditors of AVI and at least *pari passu* with all existing and future direct, senior, unsubordinated, unconditional and unsecured obligations of AVI.
10. Pre-emption : Save for any transfer to be carried out in facilitating internal restructuring of the Group without resulting in a change in control or to facilitate the Proposed Spin-Off and Listing, the Investor will have the right of first refusal to any existing shares of AVI or AVS proposed to be sold or transferred by any shareholder of AVI or AVS (as the case may be) on terms and conditions not worse off than those offered.
11. Others : (a) AVI undertakes, among others, that it shall, and/or through the procurement of the other companies within the Group, raise, be it in the form of equity or loan or quasi equity, a total sum of at least S\$4 million by 31 December 2017 to partially fund the Leo 2 Project. In this regard, the Company will shortly enter into

agreements with certain interested investors to take up equity interests in the Company.

- (b) Prior to the Maturity Date or the Proposed Spin-Off and Listing, whichever is the earlier, the Investor shall have the right to tag along on any sale of exchangeable bonds issued or to be issued by AVI by any holders of such exchangeable bonds to a third party on the same terms and at the same price on a *pro-rata* basis.
- (c) To the extent permitted by applicable laws and subject to a fair consideration to be agreed between AVI (or AVS, as the case may be) and the Investor, AVI (or AVS) shall accord the Investor and its affiliates the most favored customer status in terms of any research and development engagements.
- (d) The Investor shall be entitled to certain customary information rights in relation to AVI.

IMPORTANT NOTE:

Shareholders are to note that the transaction contemplated herein is not to be taken as a done deal or that parties will eventually come to an agreement to proceed with the investment and the subscription of the Bonds. There can be no assurance that any Definitive Agreements will be entered into, or if entered into would be on terms and conditions in line with the Term Sheet. Hence, Shareholders are advised to exercise caution when dealing in the securities of the Company. Shareholders are further advised to refrain from taking any action in relation to their securities which may be prejudicial to their interests, and to seek appropriate advice from their brokers, bankers, lawyers and other professional advisers.

BY ORDER OF THE BOARD

Dr Chan Kum Lok Colin
Chairman and Chief Executive Officer

12 April 2017