

Important Announcement

THE PROPOSED DISPOSAL BY ADDVALUE TECHNOLOGIES LTD (THE “COMPANY”) OF 100% OF THE ORDINARY SHARE CAPITAL OF ITS WHOLLY-OWNED SUBSIDIARY, ADDVALUE COMMUNICATIONS PTE LTD, TO AN UNRELATED THIRD PARTY BUYER FOR A CASH CONSIDERATION OF S\$330,000,000 (THE “DISPOSAL”)

1. INTRODUCTION

The Board of Directors of the Company (the “**Board**”) is pleased to announce that the Company has on 24 March 2014 entered into a conditional sale and purchase agreement (the “**S&P Agreement**”) with 天成恒盛(北京)科技有限公司 (the “**Buyer**”) in respect of the Disposal.

Unless otherwise stated, an exchange rate of US\$1 : S\$1.272 has been used in this announcement.

The Disposal entails the disposal of the entire ordinary share capital of its wholly-owned subsidiary, Addvalue Communications Pte Ltd (“**AVC**”), constituted by 1,100,000,000 ordinary shares held by the Company (the “**AVC Shares**”), to the Buyer, an unrelated third party, for a cash consideration of S\$330,000,000 (the “**Disposal Consideration**”). AVC is one of the key subsidiaries of the Company and, pursuant to the listing rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Disposal is subject to the approval of the shareholders of the Company (“**Shareholders**”).

The principal activities of the Buyer relate to data security and related product development. The Buyer is unrelated to the Company, the directors of the Company (the “**Directors**”) and, to the best of the knowledge of the Board, the substantial shareholders of the Company.

Subject to the Disposal Completion (as defined below) and barring any unforeseen circumstances, the Board will announce the proposed use of the proceeds of the Disposal as soon as practicable after the Board have had an opportunity to consider and deliberate on the options available to the Company to enhance and/or maximize returns to Shareholders, including (where appropriate) a distribution of any part of such proceeds as a special dividend (the “**Special Dividend**”). The Special Dividend (if recommended) will also be subject to Shareholders’ approval.

Notwithstanding the Disposal, it is business as usual for the Company and its other subsidiaries.

The Board will, as soon as practicable, convene an extraordinary general meeting of Shareholders to, among others, seek Shareholders’ approval for the Disposal and, if recommended, the Special Dividend (the “**EGM**”).

2. ABOUT THE DISPOSAL

2.1 Determination of the Disposal Consideration

The Disposal Consideration represents a premium of approximately 1,883% and 27,419% to the net asset value (“NAV”) and net tangible asset (“NTA”) value of AVC as at 31 December 2013 of approximately US\$12.926 million and US\$0.942 million, respectively, based on the latest available unaudited accounts of AVC for the nine months ended 31 December 2013. It was arrived at on an arm’s length basis and on normal commercial terms after taking into consideration, among other things, the following factors:

- (a) the NAV of AVC;
- (b) the fact that the Disposal Consideration is to be fully satisfied in cash;
- (c) the non-refundable nature of the initial deposit of 10% of the Disposal Consideration being S\$33,000,000 (“**Initial Deposit**”), subject to certain exceptions including but not limited to there being no breach by the Company of the S&P Agreement; and
- (d) the rationale for the Disposal as outlined below.

2.2 Rationale for the Disposal

After its debut listing on the Mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in 2000, the Company together with its subsidiaries (collectively, the “**Group**”) embarked on the challenging process of elevating its technology capabilities to be more aligned with the objective of attracting business opportunities in the arena of high-end sophisticated digital broadband communications, including mobile satellite communications. Since then, and through the concerted efforts and perseverance of the Group, AVC has been transformed into, and has successfully established itself as, a competent technology innovator and enabler in this field. These efforts have precipitated the commercial opportunity presented by the Disposal.

The Disposal is intended to: (a) unlock the value of the Group (in particular, the value attributable to the PRC business of the Group) and through the Disposal; (b) enhance the value to Shareholders; as well as (c) reward Shareholders for their loyalty and support given to the Group over the years.

2.3 Settlement of the Disposal Consideration

Pursuant to the S&P Agreement, the Disposal Consideration shall be fully settled in cash based on the following payment milestones:

Payment by the Buyer	Timing of remittance	% of Disposal Consideration	Amount of remittance
Initial Deposit	Within seven working days from the date of receipt of approval from the Chinese Foreign Exchange Control Bureau (“ FECB ”) for the repatriation of Disposal Consideration by the Buyer,	10.0%	S\$33,000,000

the application to FECB by the Buyer must be made within 15 working days from the date of the S&P Agreement

First Payment	Within five working days from the date of the Escrowed Shares Agreement (as defined below)	20.0%	S\$66,000,000
Second Payment	Within five working days from the submission of the relevant notification of share transfer to The Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) to have the Buyer reflected as the new holder of all the AVC Shares (the “ Transfer Notification ”), provided that the date of the notification (“ Transfer Notification Date ”) shall be no later than 50 working days from the date of the S&P Agreement	40.0%	S\$132,000,000
Third Payment	Within 10 working days from the Transfer Notification Date	30.0%	S\$99,000,000
Disposal Consideration		100%	S\$330,000,000

Other than the Initial Deposit which shall be paid to the Company’s designated account, the balance 90% of the Disposal Consideration shall be deposited into a bank account to be jointly established and controlled by the Company and the Buyer (the “**Joint Account**”).

2.4 Effective Completion of the Disposal

The effective and final completion of the Disposal (“**Disposal Completion**”) is subject, among other things, to the following conditions:

- (a) all relevant permits, approvals, authorizations and consents of the relevant government authorities of the PRC (including, for the avoidance of doubt, the approval of the FECB) or Singapore (as the case may be) or third parties necessary to perform their respective obligations under the S&P Agreement and to complete the Disposal having been obtained and not revoked;
- (b) the due execution of an escrow agreement which governs, among others, the release of the AVC Shares solely for the purpose of facilitating the transfer of the AVC Shares to the Buyer pursuant to the Disposal (“**Escrowed Shares Agreement**”);

- (c) the payment of the Initial Deposit by the Buyer into the Company's designated account and the remittance of the First Payment, the Second Payment and the Third Payment by the Buyer into the Joint Account;
- (d) the approval of the Shareholders for the Disposal at the EGM;
- (e) the Transfer Notification; and
- (f) the supervisory authority having direct or indirect jurisdiction over the Buyer ("**Buyer's Supervisory Authority**") not having raised any objection to the acquisition of the AVC Shares by the Buyer at any time during the period of 20 working days commencing from the date of the Third Payment (the "**No-Objection Period**").

In particular, Shareholders should note that if objection is raised by the Buyer's Supervisory Authority during the No-Objection Period pursuant to the condition set out in (f) above (notwithstanding the completion of the transfer of the AVC Shares to the Buyer and the Transfer Notification) and save where the Buyer reaches a separate agreement with the Company to act or provide otherwise, the agreement for the Disposal may be terminated and, if terminated, a reversal of the transfer of the AVC Shares shall take place accordingly. Under such a circumstance and provided the Buyer: (a) has no other right to terminate the S&P Agreement on the basis of any default or breach on the part of the Company; or (b) is entitled to a full refund of all monies paid to the Company and/or the Joint Account under any other provision of the S&P Agreement, all the monies (including any accrued interests) in the Joint Account shall be paid to the Buyer but the Company shall be entitled to retain the Initial Deposit for its own account.

2.5 Warranties

The S&P Agreement, which is governed by the PRC law, includes certain representations and warranties given respectively by the Company and the Buyer to and for the benefit of each other. The representations and warranties given are largely typical of the representations and warranties that are given by parties to a transaction of similar nature. Each party has also given certain undertakings and obligations pending the Disposal Completion. More details will be made available in the circular to be issued to Shareholders in connection with the EGM.

2.6 Termination

The S&P Agreement contains provisions that entitle each of the Company and the Buyer to terminate the S&P Agreement by notice under certain circumstances (including but not limited to a breach by the other party of any representation or warranty and the commission of any act that results in the inability of the Company to transfer the AVC Shares to the Buyer or the non-completion of the Disposal). Generally, in a case where the S&P Agreement is terminated on the basis of a breach or default on the part of the Company, the Buyer may, in addition to other rights, be entitled to a full refund of all monies paid in respect of the Disposal (including the Initial Deposit) and in a case where the S&P Agreement is terminated for a breach or default on the part of the Buyer, the Company may be entitled to retain the Initial Deposit for its own account and all monies standing to the credit of the Joint Account (including accrued interests) shall be paid to the Buyer.

The S&P Agreement also provides for certain penalties that a party may claim against the other party for certain breaches of contract by such other party. Further details will be

included in the circular to be issued to Shareholders in connection with the convening of the EGM.

2.7 Commission

A commission of S\$15,000,000, equivalent to approximately 4.5% of the Disposal Consideration, is payable (on a success basis) by the Company to the broker who has made the introduction to the Buyer and brokered the Disposal. The broker, a shareholder of the Company with an equity interest of less than 5%, is unrelated to the Directors as well as, to the best knowledge of the Board, the substantial shareholders of the Company.

3. **FINANCIAL EFFECTS OF THE DISPOSAL**

To facilitate a better understanding of the financial effects of the Disposal, a summary of the *proforma* financial effects of the Disposal (without taking into account any Special Dividend) is provided below. The *proforma* financial effects of the Disposal set out below are, unless otherwise stated, based on the audited financial statements of the Group for the financial year ended 31 March 2013 and are intended for illustration purposes only. They do not necessarily reflect the future financial position and performance of the Group.

3.1 NTA

Assuming that the Disposal had been completed on 31 March 2013, it would have resulted in an increase in the NTA per share of the Group from US\$0.004 each to US\$0.203 each, an increase of approximately 5,108% or US\$0.199 for each share of the Group as illustrated below:

	Before the Disposal	After the Disposal
NTA (US\$'000)	4,595	239,311
Number of shares of the Company ⁽¹⁾	1,178,085,813	1,178,085,813
NTA per share of the Group (US\$)	0.004	0.203

Note:

(1) Being the number of shares of the Company in issue as at 31 March 2013

3.2 Earnings/(Loss)

Assuming that the Disposal had been completed on 1 April 2012, it would have changed the loss per share of the Group from US\$0.0001 each to earnings per share of US\$0.1991 each, as illustrated below:

	Before the Disposal	After the Disposal
Earnings/(loss) post tax & minority interests (US\$'000)	(87)	234,628
Number of shares of the Company ⁽¹⁾	1,178,267,336	1,178,267,336
Earnings/(loss) per share of the Group (US\$)	(0.0001)	0.1991

Note:

- (1) Being the weighted number of shares of the Company in issue during the financial year ended 31 March 2013

4. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL OF THE SGX-ST

For the purpose of Chapter 10 of the Listing Manual of the SGX-ST, the relative figures in respect of the Disposal that were computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are as follows:

Rule 1006(a)	The NAV of AVC compared with the NAV of the Group ⁽¹⁾	67.6%
Rule 1006(b)	Profit before income tax, minority interests and extraordinary items attributable to AVC ⁽²⁾ , compared with the Group's profit before income tax, minority interests and extraordinary items ⁽³⁾	38.9%
Rule 1006(c)	Aggregate value of the Disposal Consideration, compared with the Group's market capitalization of approximately S\$74,3933,916 as at the date of this announcement	443.6%
Rule 1006(d)	The number of equity securities issued by the Company as consideration for the Disposal, compared with the number of equity securities previously in issue	Not applicable (as no securities of the Company will be issued for the Disposal)

Notes:

- (1) Based on the latest available unaudited consolidated accounts of the Company for the nine months ended 31 December 2013.
- (2) The profit before income tax, minority interests and extraordinary items attributable to AVC for the nine months ended 31 December 2013, based on the latest available unaudited accounts of AVC for the nine months ended 31 December 2013, is US\$0.226 million. Accordingly, the gain recognized by the Company on the completion of the Disposal is approximately US\$234.7 million.
- (3) The profit before income tax, minority interests and extraordinary items of the Group for the nine months ended 31 December 2013, based on the latest available unaudited consolidated accounts of the Company for the nine months ended 31 December 2013, is US\$0.582 million.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for their respective (direct and/or deemed) interests in and through the Company, none of the Directors and, to the best knowledge of the Board, none of the substantial shareholders of the Company, have any interest, direct or indirect, in the Disposal.

6. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the S&P Agreement is available for inspection during normal business hours at the registered office of the Company for three months from the date of this announcement.

7. EGM AND SHAREHOLDERS' CIRCULAR

The Board will, as soon as practicable, convene the EGM to seek Shareholders' approval for the Disposal and, if recommended, the Special Dividend.

A circular providing details about the Disposal and, if applicable, the Special Dividend, together with the notice to call for the EGM, will be dispatched to Shareholders in due course to facilitate Shareholders' consideration and, if thought fit, passing, with or without any modifications, the resolutions relating to the Disposal and, if recommended, the Special Dividend.

In the meantime, Shareholders are advised to exercise caution when dealing in the securities of the Company and refrain from taking any action in relation to their securities which may be prejudicial to their interests. In particular, Shareholders should note that the Disposal Completion is subject to a number of conditions and there is no assurance that all such conditions will be fulfilled or complied with or that the Disposal Completion will take place under any circumstance.

Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

BY ORDER OF THE BOARD

Dr Chan Kum Lok Colin
Chairman and CEO

25 March 2014