ADDVALUE TECHNOLOGIES LTD
Company Registration No. 199603037H

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FULL FINANCIAL YEAR ENDED 31 MARCH 2017 ("FY2017")

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

	FY2017 US$'000	FY2016 US$'000	% Change
Revenue	**10,840**	9,944	9.0
Cost of sales	**(6,761)**	(6,505)	3.9
Gross profit	**4,079**	3,439	18.6
Other operating income	**240**	143	67.8
Selling & Distribution expenses	**(696)**	(913)	(23.8)
Administrative expenses	**(2,627)**	(2,579)	1.9
Other operating expenses	**(2,901)**	(3,247)	(10.7)
Loss from operations	**(1,905)**	(3,157)	(39.7)
Finance expenses	**(599)**	(1,573)	(61.9)
Loss before tax	**(2,504)**	(4,730)	(47.1)
Taxation	**(961)**	21	N/m
Loss for the year	**(3,465)**	(4,709)	(26.4)
Other comprehensive income			
Exchange differences arising from translation of foreign operations	**(5)**	(6)	(16.7)
Total comprehensive loss for the year	**(3,470)**	(4,715)	(26.3)
Attributable to:			
Equity holders of the Company	**(3,470)**	(4,715)	(26.3)
Total comprehensive income loss for the year	**(3,470)**	(4,715)	(26.3)

"FY2016" denotes the financial year ended 31 March 2016 in respect of FY2016.
"% 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

	FY2017 US$'000	FY2016 US$'000	% Change
Loss before tax has been arrived at after charging/(crediting):			
Depreciation and amortization	**1,329**	2,381	(44.2)
Inventory written off	**218**	72	202.8
Foreign exchange (gain)(net)	**(101)**	(51)	98.0
Interest expense	**344**	703	(51.1)
Interest income	**(1)**	(1)	N/m
Impairment loss of development expenditure	**879**	-	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 31 Mar 2017 US$'000	As at 31 Mar 2016 US$'000	**As at 31 Mar 2017 US$'000**	As at 31 Mar 2016 US$'000
Non-current assets				
Plant and equipment	**793**	939	**-**	-
Subsidiaries	**-**	-	**16,338**	5,228
Intangible assets	**13,246**	12,607	**-**	-
Deferred tax assets	**302**	1,208	**-**	-
	14,341	14,754	**16,338**	5,228
Current assets				
Inventories	**2,859**	3,703	**-**	-
Amount due from customers for contract work	**221**	66	**-**	-
Trade receivables	**1,600**	2,137	**-**	-
Other receivables, deposits and prepayments	**644**	1,088	**44**	540
Available-for-sales financial assets	**2**	2	**2**	2
Due from subsidiaries (non-trade)	**-**	-	**827**	747
Fixed deposit	**40**	40	**-**	-
Cash and bank balances	**215**	426	**2**	1
	5,581	7,462	**875**	1,290
Total assets	**19,922**	22,216	**17,213**	6,518
Current liabilities				
Trade payables	**1,847**	3,749	**-**	-
Other payables and accruals	**2,032**	4,197	**882**	1,874
Provisions	**270**	250	**116**	128
Borrowings	**1,555**	4,852	**1,038**	1,109
Advances received from customers	**300**	830	**-**	-
Due to subsidiary (non-trade)	**-**	-	**908**	-
Deferred income	**49**	40	**-**	-
	6,053	13,918	**2,944**	3,111
Non-current liabilities				
Borrowings	**171**	41	**-**	-
Deferred tax liabilities	**39**	-	**-**	-
	210	41	**-**	-
Total liabilities	**6,263**	13,959	**2,944**	3,111
Net assets	**13,659**	8,257	**14,269**	3,407
Equity attributable to the Company's equity holders				
Share capital	**66,753**	57,881	**66,753**	57,881
Capital reserve	**747**	747	**-**	-
Statutory reserve	**8**	8	**-**	-
Foreign currency translation reserve	**(11)**	(6)	**-**	-
Accumulated losses	**(53,838)**	(50,373)	**(52,484)**	(54,474)
Total equity	**13,659**	8,257	**14,269**	3,407

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

	The Group	
	As at 31 Mar 2017 US$'000	As at 31 Mar 2016 US$'000
Amount repayable in one year or less or on demand		
Secured	**41(1)**	3,743(2)
Unsecured	**1,514**	1,109
	1,555	4,852
Amount repayable after one year		
Secured	**-**	41(1)
Unsecured	**171**	-
	171	41

Details of any collateral

Notes:

(1) Attributed to hire purchase loans

(2) Secured against:

- *Floating charge on the inventories of a subsidiary of the Company*
- *Floating charge on the trade receivables of a subsidiary of the Company*
- *Escrow accounts with a bank of a subsidiary of the Company*
- *Corporate guarantee provided by the Company*

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

	Year-To-Date	
	FY2017	FY2016
	US$'000	US$'000
OPERATING ACTIVITIES		
Loss before tax	**(2,504)**	(4,730)
Adjustments for:		
Amortisation of intangible assets	**969**	2,018
Amortisation of deferred income	**(56)**	(40)
Depreciation of plant and equipment	**360**	363
Interest expense	**344**	703
Interest income	**(1)**	(1)
Provisions	**389**	29
Impairment loss on development expenditure	**879**	-
Unrealised foreign exchange (gain)/loss	**(1)**	96
Operating profit/(loss) before changes in working capital	**379**	(1,562)
Changes in working capital		
Inventories	**844**	(187)
Trade and other receivables	**980**	1,095
Amounts due from customers for contract work	**(155)**	61
Advances received from customers	**(530)**	619
Development expenditure	**(2,694)**	(3,209)
Trade and other payables	**(4,291)**	1,923
Provisions utilisation	**(370)**	(184)
CASH USED IN OPERATIONS	**(5,837)**	(1,444)
Interest income received	**1**	1
Income tax paid	**(16)**	(22)
NET CASH USED IN OPERATING ACTIVITIES	**(5,852)**	(1,465)
INVESTING ACTIVITIES		
Purchase of plant and equipment(1)	**(214)**	(180)
Proceeds from government grants	**272**	1,359
NET CASH GENERATED FROM INVESTING ACTIVITIES	***58***	*1,179*
FINANCING ACTIVITIES		
Net proceeds from issue of shares	**8,872**	-
Proceeds from borrowings	**3,006**	2,071
Repayments of borrowings	**(5,949)**	(1,103)
(Repayment to)/Advances from a shareholder	**(98)**	29
Reduction in fixed deposits	**-**	3
Interest paid	**(248)**	(581)
NET CASH GENERATED FROM FINANCING ACTIVITIES	***5,583***	*419*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(211)**	133
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**426**	293
Effects of exchange rate changes in cash and bank balances	**-**	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR(2)	**215**	426

Notes:

(1) For the purpose of the consolidated statement of cash flows, the Group's additions to plant and equipment during the year comprised:

	FY2017 US$'000	FY2016 US$'000
Plant and equipment purchased during the financial year	***214***	*256*
Less: Financed by finance lease obligations, net	***-***	*(76)*
Cash payment to acquire plant and equipment	***214***	*180*

(2) Cash and bank balances consist of the following:

Cash and bank balances	***215***	*426*
Fixed deposits	***40***	*40*
	255	*466*
Less: Fixed deposits pledged to bank	***(40)***	*(40)*
Cash and bank balances at end of financial year	***215***	*426*

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 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 year	-	-	-	(5)	(3,465)	(3,470)
Balance as at 31 March 2017	66,753	747	8	(11)	(52,838)	13,659

	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 2015	57,881	747	10	-	(45,664)	12,974
Comprehensive loss for the financial year	-	-	-	(6)	(4,709)	(4,715)
Transfer to/(from) statutory reserve fund	-	-	(2)	-	-	(2)
Balance as at 31 March 2016	57,881	747	8	(6)	(50,373)	8,257

	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 income for the financial year	-	-	1,990	1,990
Balance as at 31 March 2017	66,753	-	(52,484)	14,269

	The Company			
	Share capital	Capital reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000
Balance as at 1 April 2015	57,881	-	(52,029)	5,852
Comprehensive loss for the financial year	-	-	(2,445)	(2,445)
Balance as at 31 March 2016	57,881	-	(54,474)	3,407

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 2016	1,187,355,813	57,881
Issue of new shares pursuant to the Rights Issue (as defined below) (net of share issue expenses)	395,785,271	8,873
Balance as at 30 June 2016	1,583,141,084	66,754
Share issue expenses	-	(1)
Balance as at 30 September 2016 and 31 December 2016 and 31 March 2017	1,583,141,084	66,753

Subsequent to 31 March 2017, the Company raised an aggregate of approximately S$11.1 million from the following fund raising exercises:

(a) Placement of 103,800,000 new ordinary shares (the "Placement Shares") in the capital of the Company at a placement price of S$0.039 per Placement Share for S$4.0 million as announced by the Company on 12 April 2017 (the "Share Placement"); and
(b) Issuance of convertible loan notes in the aggregate principal amount of S$7.1 million convertible into 128,500,000 new ordinary shares in the capital of the Company (the "Conversion Shares" and each, a "Conversion Share") at the conversion price of S$0.055 per Conversion Share as announced by the Company on 29 April 2017 (the "Convertible

Loan Note Placement").

The Placement Shares were listed and quoted on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 May 2017 while approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares on the Main Board of the SGX-ST was procured on 30 May 2017.

Save as disclosed, there was no movement in the share capital of the Company during 4Q2017.

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

As at the date of this announcement, US$1.8 million of the net proceeds of about US$2.7 million (S$3.8 million) raised from the Share Placement had been utilized as follows:

Use of Share Placement proceeds

	US$ million
Capability development program for space	0.8
General working capital purposes:	
Payments to suppliers for materials and services	0.6
Payment of administrative expenses, including payroll and other services	0.4
Total amount utilized	1.8

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 March 2017 and 31 March 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.

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 Mar 2017	As at 31 Mar 2016
Total number of issued ordinary shares (excluding treasury shares)	**1,583,141,084**	1,187,355,813

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 March 2017. Neither were there any sale, transfer, disposal, cancellation and/or use of treasury shares by the Company during 4Q2017.

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 presented 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 year as those of the audited financial statements for the financial year ended 31 March 2016.

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 2016 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 Mar 2017 US$'000	**As at 31 Mar 2016 US$'000**
Net loss attributable to shareholders	**(3,465)**	(4,709)
Loss per share		
Basic (US cents)	**(0.23)**	(0.40)
Diluted (US cents)	**(0.23)**	(0.40)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,500,731,000**	1,187,355,813
Effect of potentially dilutive ordinary shares – Share options (Note 1)	**-**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,500,731,000**	1,187,355,813

Note:

(1) As at 31 March 2017 and 31 March 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.

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 Mar 2017 US$'000	As at 31 Mar 2016 US$'000	**As at 31 Mar 2017 US$'000**	As at 31 Mar 2016 US$'000
Net asset value as at end of financial year	**13,659**	8,257	**14,269**	3,407
Net asset value per ordinary share as at the end of financial year (US cents)	**0.86**(1)	0.70(2)	**0.90**(1)	0.29(2)

Notes:

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

(2) Based on 1,187,355,813 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 FY2017 (relative to FY2016)</u>

Turnover

The turnover of the Group improved by 9% or US$0.8 million from US$10.0 million in FY2016 to US$11.0 million in FY2017, attributed principally to the supply of maritime terminals.

Profitability

Our Group registered a gross profit of US$4.0 million against a gross profit margin of 37.6% in FY2017 compared to a gross profit of US$3.4 million against a gross profit margin of 34.6% in FY2016. The improved performance was attributed chiefly to the sales of higher yielding terminals in FY2017 relative to FY2016.

The increase in other operating income in FY2017 relative to FY2016 was attributed mainly to an unrealized foreign exchange gain in respect of our S$ borrowings brought about as a result of strengthened US$ against S$.

In line with our ongoing cost containment efforts, our selling and distribution expenses decreased by US$217,000 or 23.8% from US$913,000 in FY2016 to US$696,000 in FY2017 with our administrative expenses maintained at about US$2.6 million over the two financial years under consideration.

The decrease in our other operating expenses by US$0.3 million or 10.7% from US$3.2 million in FY2016 to US$2.9 million in FY2017 was attributed mainly to the reversal of amortisation due to overprovision.

Our finance expenses in FY2017 relative to FY2016 decreased significantly by 61.9% mainly as a result of repayment of borrowings with proceeds from the rights issue of S$12.3 million raised in June 2016 (the "Rights Issue").

The tax expense of about US$0.9 million recorded in FY2017 was attributed principally to impairment on the deferred tax asset of certain subsidiaries of the Group in view of the lower than previously projected future economic benefits expected to be generated by the commercial exploitation of products, applications and processes that are developed by these entities.

As a result of the above, our Group reversed its EBITDA from a negative US$0.7 million in FY2016 to a positive US$0.3 million in FY2017 while significantly narrowed its net loss by US$1.3 million or 26.3% from US$4.7 million in FY2016 to US$3.4 million in FY2017.

Notwithstanding the loss incurred by the Group, the principal wholly-owned subsidiary of the Group, Addvalue Innovation Pte Ltd, remained profitable for FY2017. The loss of the Group for FY2017 was attributed mainly to the continued amortisation of the intangible assets of the Company's wholly-owned subsidiary, Addvalue Communications Pte Ltd ("AVC"), which, pursuant to its proposed disposal by the Company (as first announced by the Company on 25 March 2014 and periodically thereafter on its progress, the latest being on 4 November 2016) (the "Disposal"), had led the Group since March 2014 to stop actively pursuing new business activities for AVC while taking active steps to reduce the operations of AVC.

<u>(b) Review of financial position of the Group as at 31 March 2017 (relative to that as at 31 March 2016)</u>

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, during FY2017.

The decrease in inventories was attributed mainly to the deliveries of certain finished products while the decrease in trade receivables was due mainly to payments received from customers.

The higher amount due from customers for contract work as at 31 March 2017 relative to that as at 31 March 2016 was due mainly to further work done for certain contracts which had yet to be billed.

The decrease in other receivables, deposits and prepayments were due mainly to the release of a security deposit in settlement of an account payable in FY2017.

The decrease in our trade payables and other payables and accruals were mainly attributed to payments made in FY2017.

The decrease in borrowings was attributed to repayments made in FY2017.

The increase in share capital was attributed to the Rights Issue.

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) significantly reduced from 59.3% as at 31 March 2016 to 12.6% as at 31 March 2017;

2. the negative working capital position of the Group improved from US$6.5 million as at 31 March 2016 to US$0.4 million as at 31 March 2017 ;

3. the net cash flow of the Group used in operations increased from US$1.4 million in FY2016 to US$5.8 million in FY2017; and

4. the net asset value of the Group significantly improved by US$5.3 million or 63.9% from US$8.3 million as at 31 March 2016 to US$13.6 million as at 31 March 2017, with the net asset value per ordinary share improved markedly from 0.70 US cents per share as at 31 March 2016 to 0.86 US cents per share as at 31 March 2017.

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

The Group significantly narrowed its net loss by US$1.3 million or 26.3% from US$4.7 million in FY2016 to US$3.4 million in FY2017, the attainment of which was in line with the expectation mentioned in paragraph 10 of the results announcement of the Company for 3Q2017 dated 10 February 2017, wherein in was stated that "barring any unforeseen circumstances, the Group remains optimistic that its performance in FY2017 will outdo that of FY2016".

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

With effect from the financial year ending 31 March 2018 ("FY2018"), the present and the foreseeable future business activities of the Group shall be broadly categorized as follows:

(a) business and commercial activities involving the Inter-Satellite Data Relay System ("IDRS") – i.e., all communication businesses and commercial activities, consisting of the supply of terminals and/or the provision of services (including but not limited to the supply of airtime, design, solutions and applications), involving IDRS (the "IDRS Business"); and

(a) all of the other business and commercial activities not involving IDRS – i.e., all communication businesses and commercial activities, consisting of the supply of terminals and/or the provision of services (including but not limited to the supply of airtime, design, solutions and applications), not involving IDRS (the "Non-IDRS Business").

In short, the IDRS Business pertains to all business and commercial activities of the Group conducted via an IDRS terminal installed on a LEO satellite while the Non-IDRS Business pertains to all business and commercial activities of the Group conducted via a satellite terminal installed on any apparatus on or near earth (be it on land, at sea or in the air) other than on a LEO satellite.

<u>In respect of the Group's IDRS Business</u>

On the technical front, from 2014 to 2016, the Group had received a grant of a significant sum from the Office for Space Technology and Industry ("OSTIn") of the Economic Development Board of Singapore ("EDB") under its Capability Development Program for Space to help defray the Group's R&D costs incurred in developing engineering capabilities for space applications, including the Group's innovative IDRS technology. After the successful completion of a one-year in-orbit testing and validation of the IDRS innovation in end 2016, the Group has had in February 2017 received a further grant commitment of a much larger sum from OSTIn, to be drawn down over four years, to support its further development of the capabilities and the commercialization of the IDRS innovation. Coupled with the fresh funds of approximately S$11.0 million raised by the Company recently, the Group is expected to have adequate funding to cover its ongoing R&D expenditure for at least the new four-year grant period.

On the marketing front, Inmarsat has been working with the Group to test and operate IDRS with a view towards offering such service to satellite operators. The Group is 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 buses via the provision of hardware and engineering services. Once the new LEO satellites fitted with the Group's IDRS terminals are launched into orbit, Inmarsat will offer commercial and government customers direct access to its satellites through BGAN, which also provides communication links for trucks, ships and aircraft. Based on the Memorandum of Understanding signed with Inmarsat on 2 February 2017 (the "Inmarsat-Addvalue Airtime Sharing Arrangements"), the Group has been granted exclusive rights to distribute airtime for the IDRS terminals it provides. IDRS customers are expected to purchase communications services for their satellites the same way individuals buy data packages for mobile services. Fees for the packages vary based on the amount of data operators exchange with their satellite per month.

The indicative sources of revenue streams flowing from the IDRS Business are expected to be as follows:

(a) Hardware integration design income (the “Design Income”) via the provision of design services, which include the configuration of the IDRS equipment suite to the satellite bus interfaces of the relevant customers in meeting their respective specific requirements, and thereafter to be followed by the supply, via sales, of such bespoke IDRS terminals (the “Supply Revenue”) (collectively, the “Design-cum-Supply Revenue”). The Design Income stream, being a fixed sum income to be agreed at the outset between the Group and the relevant customer, is for the design and development of a prototype for the IDRS terminals in question, and such is to be recognized in stages based on the attainment of milestones till the final prototype is delivered, while the Supply Revenue stream, being income attributable to the supply of completed IDRS terminals, is to be recognized as and when delivery of the ordered quantity of IDRS terminals has been made;

(b) Airtime distribution revenue which is to be based on the arrangements forged or to be forged with relevant satellite operators, including but not limited to the Inmarsat-Addvalue Airtime Sharing Arrangements (the “Airtime Revenue”); and

(c) Regular subscription fees and usage-based application charges via the provision of support services, which include the centralization of telemetry, tracking and control satellite services for data collection, routing processing and analysis services to support the on-going satellite operations (the “Solutions Revenue”).

The commercialization of the IDRS Business is targeted for 2020. This is expected to the earliest date for the first customer of the Group’s IDRS Business to launch its LEO satellite as there is a need to take into account of the long list of space missions waiting to be launched from spaceports around the globe to accommodate the booking by the prospective customers of the Group for the scheduling of their respective satellite launches as well as the procurement of such necessary regulatory approvals, if any and which may be time consuming, for the conduct of the IDRS Business by the Group. Notwithstanding that the commercialization of the IDRS Business is targeted for 2020, thereby marking the commencement for the recognition of Supply Revenue and Airtime Revenue, Design Income is expected to be recognized by the Group as and when upon the attainment of key delivery milestones prior to the targeted commercialization in 2020.

<u>In respect of the Group’s Non-IDRS Business</u>

With a view to broaden the modes of revenue source and entrench recurring income, the Group has been and will continue into the foreseeable future to take steps to further enhance its commercial focus on the emerging markets, (the “Emerging Market Focus”), and to gradually reduce its dependency on terminal sales through the existing traditional distribution channels by having a better understanding of the needs of end users so as to develop and provide bespoke products and solutions, agnostic to any specific satellite infrastructure, which are to be bundled and packaged with negotiated recurring airtime revenue through collaboration with suitable partners that best tailored to the specific needs of the end users concerned (the “Commercial Refocusing”).

Specifically:

(a) the Emerging Market Focus entails the Group to aggressively pursue the Chinese and ASEAN markets, particularly in respect of the immense opportunities accorded by the “Belt and Road” initiative promulgated by the Chinese government, as well as extend its range of product and service offerings to include new and innovative applications brought about by the Internet of Things; and

(b) the Commercial Refocusing entails the Group to shift gear from a ‘terminal-centric’ to a ’solution-centric’ commercial model,

As regards the Disposal, the buyer to the Disposal (the “Buyer”) is still seeking ways to have certain conditions to the supplemental agreement fulfilled. Accordingly, the expected completion date of the Disposal remains fluid and cannot be determined with certainty.

While both the Company and the Buyer are committed to use best commercial efforts to reach final agreement and in seeing the transaction through, Shareholders are to note that the Disposal is not to be taken as a done deal or that parties will eventually come to an agreement to proceed with the Disposal.

As the completion of the Disposal is still subject to the fulfilment of many conditions precedent, there can be no assurance of the completion of the Disposal or, if it were to be eventually completed, as to the length of time required to do so. 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.

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 FY2017.

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.

Not applicable

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.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) By geographical segments[1]

FY2017	**EMEA[2]** US$'000	**North America** US$'000	**Asia Pacific** US$'000	**Total** US$'000
Revenue				
Total revenue from external customers	5,229	743	4,868	10,840
% Contribution	*48%*	*7%*	*45%*	*100%*
Segment result	1,531	70	(1,006)	595
Unallocated expenses				(2,740)
Other income				240
Finance expenses				(599)
Loss before income tax				(2,504)
Income tax expense				(961)
				(3,465)
Segment assets				
- Segment assets	748	21	18,852	19,620
- Deferred tax assets				302
Total assets				19,922
Segment liabilities				
- Segment liabilities	862	29	5,372	6,263
- Deferred tax liabilities				-
Total liabilities				6,263
Other information				
Capital expenditure				
- Plant and equipment	-	-	214	214
- Intangible assets	-	-	2,694	2,694
Depreciation and amortisation	161	3	1,164	1,329

FY2016	EMEA	North America	Asia Pacific	Total
	US$'000	US$'000	US$'000	US$'000
Revenue				
Total revenue from external customers	1,229	418	8,297	9,944
% Contribution	*12%*	*4%*	*84%*	*100%*
Segment result	266	(80)	(689)	(503)
Unallocated expenses				(2,746)
Other income				92
Finance expenses				(1,573)
Loss before income tax				(4,730)
Income tax expense				21
				(4,709)
Segment assets				
- Segment assets	756	481	19,771	21,008
- Deferred tax assets				1,208
Total assets				22,216
Segment liabilities				
Segment liabilities	974	1,043	11,942	13,959
- Deferred tax liabilities				-
Total liabilities				13,959
Other information				
Capital expenditure				
- Plant and equipment	-	-	256	256
- Intangible assets	-	-	3,209	3,209
Depreciation and amortisation	112	9	2,260	2,381

Notes:
(1) The geographical segments represent the respective geographical segments of origin of our customers and not the destinations for the delivery of our products or the provision of our services.
(2) Refers to Europe, Middle East and Africa

(b) By revenue streams

	The Group			
	FY2017		FY2016	
	US$'000	**% Contribution**	US$'000	% Contribution
Sales of land communication products	**1,841**	**17.0**	3,328	33.5
Sales of maritime communication products	**6,925**	**64.0**	3,913	39.3
Provision of design services	**828**	**7.6**	1,089	11.0
Others (comprising mainly sales of components)	**1,246**	**11.4**	1,614	16.2
	10,840	**100.0**	9,944	100.0

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earning by the business or geographical segments.

By geographical segments

Albeit a significant increase in contribution from EMEA (particularly Dubai) from 12% in FY2016 to 48% in FY2017, EMEA and Asia Pacific, contributed almost equally to our revenue in FY2017.

By revenue streams

Sales of maritime products continued to be the dominant contributor to our revenue for FY2017 while being improved from 39.3% in FY2016 to 64.0% in FY2017.

18. Breakdown of sales

	FY2017 US$'000	FY2016 US$'000	% change
(i) Turnover reported for:			
- First half year ended 30 September	**7,316**	3,516	108.1%
- Second half year ended 31 March	**3,524**	6,428	(45.2%)
	10,840	9,944	9.0%
(ii) Net (loss)/profit reported for:			
- First half year ended 30 September	**166**	(1,938)	N/m
- Second half year ended 31 March	**(3,631)**	(2,771)	31.0%
	(3,465)	(4,709)	(26.4%)

"N/m" denotes not meaningful.

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Nil				

For and on behalf of the Board of Directors

Dr Colin Chan Kum Lok
Chairman & CEO

Tan Khai Pang
Director

30 May 2017