
RESPONSES TO QUESTIONS FROM SHAREHOLDERS ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Board of Directors (the “**Board**”) of Addvalue Technologies Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to respond to the questions received from certain shareholders of the Company in relation to the Company's Annual Report for the financial year ended 31 March 2020 (“**FY2020**”) released on 7 September 2020.

The Company's corresponding responses to the questions are set out below:

Question 1

The Company has issued several times of private placements. Each time the issue price is lower than the market price. Why the Company has never considered to give a rights issue with the same discount price to shareholders? If the Company has the proper planning in advance, shareholders will be very happy to apply the rights issue shares with discount.

Response from the Company

Amidst the prevailing challenging capital market conditions aggravated by the Covid-19 pandemic in raising funds, fund raising by the Company through a private placement is deemed a preferred route by the Board to a rights issue in ensuring a success as the latter may take up to 6 months or longer to complete compared to the former which normally takes less than 2 months to conclude. Besides, unlike the uncertainty posed by a rights issue (if it is not underwritten as will most probably be the case with the Company since underwriters for such an issue by the Company are hard to secure unless at a hefty price), a private placement is more likely to be concluded with certainty of the amount targeted to be raised. Notwithstanding which, the Company notes the subscription interest of the shareholders of the Company (the “**Shareholders**”) for a rights issue, and will look into such a fund raising exercise when speed to completion can be tolerated and market conditions are conducive to do so.

Question 2

Are the shares issued for payment of US\$6 million licensing income received? Will Addvalue be selling them immediately, if not, why?

Response from the Company

Subsequent to 31 March 2020, the relevant shares of Cloud Constellation Corporation Inc ("**CCC**"), pursuant to the licensing of certain intellectual properties ("**IP**") by the Company to CCC for US\$6 million, have been earmarked to be issued to the Company via a trust deed. These shares of CCC, which are under a moratorium of 2 years, are intended to be held as a long-term investment as the Company believes in the high growth prospects of CCC over a considerable time horizon. Kindly refer to the following 2 press releases:

1. one made by CCC on 17 September 2020 and entitled "*Cloud Constellation Corporation & World Food Chain Pte Ltd Aim to Offer Disruptive Space-Based Data Security Service*":

<https://www.ktvn.com/story/42641420/cloud-constellation-corporation-world-food-chain-ptc-aim-to-offer-disruptive-space-based-data-security-service>

2. another made by PR News Wire, a distributor of press releases headquartered in New York City, on 23 September 2020 and entitled "*Big Data Exchange (BDx) and SpaceBelt Deliver Data Security-as-a-Service to Asia*":

<https://markets.businessinsider.com/amp/news/big-data-exchange-bdx-and-spacebelt-deliver-data-security-as-a-service-to-asia-1029613226>

which collectively provides a glimpse on some of the many possible potentials of CCC going forward.

Question 3

When will airtime revenue of IDRS terminal used by Capella Space be charged? Can you disclose the name of other player who ordered IDRS terminal besides Capella Space?

Response from the Company

The generation of airtime revenue through the Company's IDRS terminals deployed by Capella Space Inc ("**Capella Space**") will commence after the initial installation of Capella Space's constellation of satellites in space and thereafter the commissioning of the embedded IDRS terminals therewith by all parties concerned comprising Capella Space, Inmarsat and the Company. Kindly refer to the following link of C4ISRNET, a digital magazine of Sightline Media Group, home to one of the world's largest government news organizations, entitled "*Capella Space's first SAR imagery satellite launches*":

<https://www.c4isrnet.com/battlefield-tech/space/2020/08/31/capella-spaces-first-sar-satellite-finally-launched-into-orbit/>

which announced that the first satellite in Capella Space's planned constellation was successfully deployed to orbit on 31 August 2020, bringing Capella Space one step closer to its vision of offering global on-demand synthetic aperture radar imagery — a capability in which the US government has expressed increasing interest. The Company's IDRS terminal embedded within Capella Space's successfully launched satellite is currently undergoing various testing of its applications for commissioning. The Company will make the appropriate announcement concerning the testing outcome in due course.

Beside Capella Space, the Company had to date been contracted by 2 other customers to design and supply customized IDRS terminals for deployment in space and, upon the commercialization of which respectively, generation of airtime revenue will follow suit. Due to commercial obligations, the Company, for the time being, is unable to disclose the name of these customers. Rest assured, appropriate disclosure, including the identities of these customers, will be made by the Company as soon as it is able and practicable to do so.

Question 4

If Rain Asia doesn't proceed with the placement, will Addvalue raise money through rights issue using the Enhanced Share issue limit? Will Addvalue be using funds raised to pay off the high interest loans?

Response from the Company

If Rain Asia Pacific Pte Ltd ("**Rain Asia**") does not proceed with the impending placement, which in any case is still subject to the approval by the Shareholders, the Company will consider all fund raising options, including rights issues, taking into account the speed and certainty factors to completion. Depending on the amount to be

raised from such a fund raising exercise, an appropriate proportion of which raised will be utilised to retire as much as possible of the high interest loans.

Question 5

What is the purpose of Addvalue Capital Pte Ltd.? What kind of investment will it be making?

Response from the Company

Addvalue Capital Pte Ltd is incorporated to hold shares for investment purposes. It aims to invest in shares of companies with good prospects that will benefit the Company financially, strategically or both.

Question 6

Have Addvalue sold any of the terminals for the fishing fleet market? If yes, is there any airtime revenue collected?

Response from the Company

To date, some small quantities of the Company's Vessel Monitoring System ("VMS") terminals had been sold in the US market. The Company had also recently started to promote and market its VMS terminals and services in China. Kindly refer to the press release made by the Company on 10 August 2020 concerning the Group's type-approved all-in-one IP-based satellite broadband terminal, embedded with its proprietary VMS solutions, making a maiden foray into the controlled regulatory fisheries sustainability market of the Pacific Ocean, through a newly forged co-operation with CTTIC Shanghai, a unit under the China Ministry of Transport, to capture a sizable share of the addressable market. The sales of VMS terminals by the Company were and will continue to be bundled with monthly subscriptions for solutions, applications and/or airtime usages with a view to attain significant recurring revenue over time (the "VMS Business").

Question 7

As cash flow is very tight, may I know why remuneration for executive directors is raised?

Response from the Company

The Executive Directors have had not received any pay increment for the past few years. In fact, they had volunteered for a pay cut (the "**Pay Cut**") in the financial year ended 31 March 2019 ("**FY2019**"). As the Pay Cut was only reinstated in FY2020, the differential between a reduced salary expense in FY2019 as a result of the Pay Cut and an increase in salary expense in FY2020 as a result of the reinstatement of the Pay Cut gives the perception of a pay increment in FY2020.

Question 8

Isn't there a cut-off date to Rain Asia for an upfront assurance of full payment of monies for the subscription shares? If so, when? If no, why not?

Response from the Company

The long-stop date for the impending placement with Rain Asia (the "**Rain Asia Placement**") is 30 September 2020 or such later date as the parties concerned may mutually agree. The Company is currently in discussion with Rain Asia in extending the Rain Asia Placement under certain revised terms and conditions, including the need to seek approval from the Shareholders at the insistence of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") should the existing pricings under the Rain Asia Placement be preserved.

Question 9

What is the NAV of each Addvalue share?

Response from the Company

Based on the audited consolidated accounts of the Company for FY2019 and FY2020, the NAV per share of the Company was US\$0.42 as at 31 March 2020, which represents an increase of about 50% over that of US\$0.28 as at 31 March 2019.

Question 10

The licensing income from one client in the IDRS business - is it once off or on a recurring basis?

Response from the Company

Licensing constitutes a part of the ordinary course of business of the Group, and when rendered by the Group to a customer, such income so derived is typically one-off in nature unless more modes of similar licensing or otherwise can be struck with other customers. Notwithstanding which, the Company will continue to pursue and explore licensing opportunities, whenever possible, to monetize the intangible asset of the Company and thereby unlocking its intrinsic value.

Question 11

How many more customers are close to signing an IDRS agreement with Addvalue other than Capella?

Response from the Company

In addition to the Company's existing 3 IDRS customers (including Capella Space) with a combined total of 120 satellites when fully deployed, the Company is at various stages of discussion with another 20 potential customers, all of whom will need the facilitation of the transfer of data from space with the support of ground station network and include some which engage in similar business as the Company (in facilitating data transfer from space as a service) because of the Company's ability to provide real-time IDRS services.

Out of the 20 potential customers, 4, with a combined total of 125 satellites when fully deployed, are at various advanced stages of commercial negotiation. Shareholders and investors of the Company are however advised to be mindful that space projects do carry many risks and uncertainties, and there can be no assurance that any planned deployment (which will be carried out in several phases and not in one go), if eventually took off, will be carried out without any change or modification in plan.

Question 12

Can we get a percentage breakdown of the 4.1 million order book breakdown for the 2 business units?

Response from the Company

Due to commercial sensitivity, the Company is not at liberty to disclose such information.

Question 13

Why has the Management continue to struggle to obtain financial institutional backing? All these announced deals just completely went into silence?

- ***Year 2014 - 天成恒盛(北京)科技有限公司 ("Tian Cheng")***
- ***Year 2019 – Bright Star Tech Pte Ltd ("Bright Star")***
- ***Year 2020 – Rain Asia***

Notwithstanding continuing to dilute existing shareholders, what are the other plans to shore up the balance sheet of the company? Expenses have also been incurred needlessly in exploring listing of IDRS on the Catalist Board (which again was scrapped very quickly). Have the company no plans to explore government schemes like Scale-Up Sg suitable for high growth enterprises? Or shore up interest by rewarding existing shareholders with dividends?

Response from the Company

The Company, essentially a human-centric (rather than an asset-based) entity with no significant tangible assets at all, operates globally in an acutely complex yet potentially high yielding satellite-related business sector. With some developmental demands still need to be met through the incursion of material development expenditures over time in order to build up its valuable satellite or space-related IP intangible assets and, to a certain extent, at the expense of its bottom-line in the short to medium-term before such in-housed developed IP assets can start to generate recurring revenue streams upon their commercialization, the Company will always face the uphill task in gaining backings (be it via loan or equity financing) from financial institutions as these establishments tend to appraise their financing/investment decisions based on the strength of the backing of tangible assets and/or sustained profits to be realised within the immediate future (collectively, the "**Funding Considerations**").

Potential investors such as Tian Cheng and Bright Star were prepared to sidestep the Funding Considerations in making possible investment in the Company. The termination/abortion of their respective proposed investments in the Company were attributed principally to certain internal complications arising within these investors

(untold to the Company) which resulted in their inability to remit the required investment proceeds to the Company in accordance with the timeframe as stipulated in the relevant governing investment agreements. The proposed investment by Rain Asia in the Company is essentially a replacement of the Bright Star's proposed investment in the Company under a new investment structure to be undertaken directly by the beneficial shareholders of Bright Star instead. Kindly refer to the Company's response to Question 8 above on the latest concerning the proposed investment by Rain Asia in the Company.

Save for the management time and efforts, limited expenses (principally legal charges) were incurred in exploring the feasibility of a separate listing of the Company's business relating to the sale of IDRS terminals bundled with the provision of IDRS-related solutions, applications and/or airtime usages (the "**IDRS Business**") on the Catalist Board of the SGX-ST in connection with the chain listing rule. Pursuant to the exploration exercise, the Company had procured a confirmation from the SGX-ST that it does not regard the separate listing of the IDRS Business of the Company on the Catalist Board of the SGX-ST as a chain listing pursuant to Rule 210(6) of the Listing Manual of the SGX-ST. The confirmation accords the Company the additional option to monetize the value of its subsidiary investment for the benefit of the Shareholders. The Company will continue to review the exploitation of this option with a view to maximise the return to the Shareholders at the most fitting time, including the possible divestment or listing of its IDRS Business on a recognised stock exchange (not limited to the Catalist Board of the SGX-ST), where investors of such a trading platform can best appreciate and understand the potentials of the Company's IDRS Business.

The Company had never rested on its laurels as far as the pursuit of any grant or scheme for funding is concerned. To date, the Company has had garnered several multi-million dollars' worth of grants in connection with its IP development works from various Singapore government agencies, including the Singapore Economic Development Board, and the Company is thankful and greatly appreciative of the financial supports extended by these various organizations. Moving forward and whenever possible, the Company will continue to tap on all possible availing government support schemes which it is eligible to apply.

Question 14

Design service contract with Avionica to jointly develop "SBB" terminals - It was mentioned in the latest results announcement that it is making marked progress. Are these for civilian airplanes? Can you confirm that there will be no cancellation of this

service contract despite the entire aviation industry coming to a standstill and downsizing of fleets?

Response from the Company

Save for the push back in the development schedule brought about as a result of the global lock down due to the Covid-19 pandemic, the Company's design contract with Avionica Inc ("**Avionica**") remains in good order as the design contract constitutes part of the long-term plan of Avionica to harness digital technologies to improve safety services and operational efficiency. The SBB terminals to be developed are intended to be deployed by Avionica on commercial passengers and logistic planes.

Question 15

It was mentioned that there are new sales order for the SDR? Can you tell us what is the amount? Which enterprises are likely to be interested in the SDRs?

Response from the Company

The SDR-related revenue is currently mainly derived from the supply of the Company's FPGA-based configurable hardware platform for SDR applications ordered by a government agency. Reorders have started with the easing off of the Covid-19 control measures. It is to be noted that a FPGA-based implementation is essential not only for SDR applications in an advanced digital communication system (as is the case above with the said government agency), but such a FPGA-based implementation is also well poised for complex data processing at the edge in a data analytic or AI application (collectively, the "**SDR-Related Business**"). In this regard, the Company has developed a customised FPGA prototype under contract for a commercial enterprise engaging in high-end signal processing instrumentation. The Company is hopeful that this will turn into a recurring supply contract. Taking cognisance of the wider applications, similar opportunities are currently being pursued to broaden the scope of the Company's SDR-Related Business in Singapore and beyond.

Question 16

IDRS

Please state the total numbers of IDRS terminals that have been secured for all 3 customers. Please name the customers and share the confirmed numbers ordered by each customer.

What is the airtime revenue arrangement with Inmarsat? A rough estimation of the revenue share would be appreciated.

Response from the Company

Kindly refer to the Company's response to Question 11 above on the potential number of IDRS terminals to be deployed by the Company's existing 3 customers, one of whom is Capella Space. Due to commercial obligations, the Company is not at liberty now to disclose the name of its other 2 existing customers.

The Company had on 11 August 2017, via its subsidiary, entered into a master airtime distribution agreement with Inmarsat (the "**Airtime Distribution Agreement**"). Pursuant to the Airtime Distribution Agreement, for every dollar of the airtime revenue generated through the use of the Company's IDRS terminal (deployed on Inmarsat's BGAN network) by the end user, the Company will co-share with Inmarsat of such airtime revenue. To date, the Company is the only company in the world that has secured such an airtime arrangement with Inmarsat for space applications. Due to commercial sensitivity and obligations, the Company cannot disclose any further details about the revenue sharing arrangement under the Airtime Distribution Agreement.

Question 17

Will we continue to get licensing income in FY21 after the 6m received in FY20?

Response from the Company

Kindly refer to the Company's response to Question 10 above.

Question 18

You mention 5 business segments in the annual report p9/10. Which ones have the best potential for the company? What are the biggest segments in terms of total addressable markets (TAM)?

Response from the Company

Each business segment of the Company has its own merits in contributing to the well-being of the Company, be it in improving the profit and loss of the Company or in strengthening the balance sheet of the Company or both. The Company firmly believes that its IDRS Business will be a game changer in the high growth emerging LEO satellites market through its offering of the world's first real-time communications service for LEO

satellites and thereby absolving the inherent latent problem faced by all LEO satellites operators today. Accordingly, the Company is of the view that its IDRS Business holds the greatest potentials and prospects among its various business segments. However, the Company would like to caution Shareholders and investors of the Company that much time and resources (including but not limited to financial resources) are still needed within the medium-term to cultivate and grow the IDRS Business of the Company further in order that the said business can realize its full potentials.

Apart from the burgeoning IDRS Business, the following 2 other business segments of the Company also exhibit immense potentials and prospects moving forward:

1. The SDR-Related Business of the Company in riding on its new found wider applications mentioned in the Company's response to Question 15 above; and
2. The VMS Business of the Company, with its type-approved VMS solution being the only VMS solution that accords the end users with the convenience of 'all-in-one-terminal' and future-ready to support new regulatory features, such as electronic forms for catch reporting and on board Internet-of-Things ("IoT") applications to support advanced fisheries operations, now stands the Company favorably to benefit from the mandatory installation of approved VMS solutions in the fishing industries in the Pacific Rim and the Oceania regions.

Question 19

What are the revenues we expect from the VMS segment in FY2021?

Response from the Company

The revenue streams which the Company is expected to receive with regard to its VMS Business for the financial year ending 31 March 2021 ("FY2021") shall comprise both terminal sales as well as solution and/or airtime subscriptions to be primarily derived from customers in the US (plying the US waters and/or the oceans surrounding the States) and customers from China or otherwise (plying the Pacific Ocean). Kindly refer to the Company's response to Question 6 above for further details.

With regard to the projected revenue to be so derived from the VMS Business segment for FY2021, due to commercial sensitivity and the restrictions posed by the listing rules of the SGX-ST, the Company is not at liberty to disclose such information.

Some of the statements contained in this announcement constitute 'forward-looking statements' that do not directly or exclusively relate to historical facts. These forward-

looking statements reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of the Company and may affect the extent of the realization of the Company's prevailing indicative orders for FY2021 and beyond. 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 arising from the current ongoing trade war and stand-off between US and China; continued concerns of the scale of the possible adverse fallouts and their implications on the global scene triggered by the prevailing global Covid-19 pandemic as well as other political and economic issues confronting the world; deflationary pressures and undue currency movements; change in technology; delay in signing, commencement, implementation and performance of programs, or the delivery of products or services under them or the implementation of improved airtime package by the satellite operators. 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.

BY ORDER OF THE BOARD

Dr Colin Chan Kum Lok
Chairman & CEO

27 September 2020