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## RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

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The Board of Directors (the “**Board**”) of Addvalue Technologies Ltd (the “**Company**”) refers to the queries the Company received from the Singapore Exchange Regulation on 21 July 2023 on the unaudited interim financial statements for the financial year ended 31 March 2023 (“**FY2023**”), and append the Company’s corresponding response as follows:

### **Query 1**

*It is disclosed on page 2 of the unaudited financial statements that an amount of US\$600,000 was recognised as impairment losses on development expenditure for the year ended 31 March 2023. In this regard, please disclose the following information:*

- (i) the Board’s confirmation as to whether it is satisfied with the reasonableness of the methodologies and assumptions used to determine amount of impairment; and*
- (ii) the reasons for the impairment losses.*

### **Company’s response**

- (i) The Board concurred with the management and is satisfied with the reasonableness of the methodologies and assumptions used to determine the value of the impairment of the intangible assets. The Group determines whether there is any indication that the development expenditure may be impaired on an annual basis. This requires an estimation of the probable future economic benefits that are expected to be generated by commercial exploitation of products applications and processes that are developed by the Group. The discounted cashflows are derived from the budget prepared by the management and approved by the Board. The recoverable amount is contingent of the sales quantities forecasted for existing products and new products and the growth rate used for extrapolation purposes. Our discounted cashflows was evaluated by the same approved valuer appointed since FY2017 and the methodologies and assumptions used to determine the value of the impairment were concurred by the external auditors. The US\$600,000 impairment loss development expenditure made for the unaudited financial statements remained unchanged for the audited financial statements.

- (ii) For FY2019, the Group carried out a review of products' lifecycle and determined that certain products under small vessels units and land products market unit have reached saturation point and will be phased out in the next few years henceforth. As a result, the Group continued to make an impairment loss of US\$600,000 for FY2023 (FY2022: US\$600,000) in the Satcom business.

## **Query 2**

*Please provide information on the Group's inventory turnover for FY2022 and FY2023, and reasons for any material variance in inventory turnover days.*

### **Company's response**

| Inventory Turnover days |        |        |                       |  |
|-------------------------|--------|--------|-----------------------|--|
|                         |        |        | Variance              |  |
|                         | FY2023 | FY2022 | (Increase/<Decrease>) |  |
|                         | US\$   | US\$   | US\$                  |  |
| Opening inventory       | 2,851  | 2,559  |                       |  |
| Closing Inventory       | 4,899  | 2,851  |                       |  |
| Average Inventory       | 3,875  | 2,705  | 1,170                 |  |
|                         |        |        |                       |  |
| Cost of Goods           | 3,953  | 1,683  | 2,270                 |  |
|                         |        |        |                       |  |
| Turnover Days           | 358    | 587    | <229>                 |  |

The Inventory turnover days above were calculated based on the Average Inventory holding divided by the cost of sales over the period of 365 days.

The higher inventory holding in FY2023 was due to the current book orders of about US\$7.7 million which is expected to be fulfilled with the next 24 months. The improvement in FY2023 turnover days were due to the higher revenue in FY2023 and the higher value of inventory as at 31 Mar 2023 were due to materials holding for the certain products which has long production cycle.

## **Query 3**

*With regard to other payables of US\$890,000, please disclose the aging and nature of these other payables and whether the counterparties are related parties.*

**Company's response**

| Aging List as at<br>31 March 2023 | Total<br>(US\$'000) | 1-30 Days<br>(US\$'000) | 31-60 Days<br>(US\$'000) | 61-90 Days<br>(US\$'000) | Over 91 Days<br>(US\$'000) |
|-----------------------------------|---------------------|-------------------------|--------------------------|--------------------------|----------------------------|
| Other Payables                    | 890                 | 111                     | 78                       | 26                       | 675                        |

Other payables of the Group mainly consist of outstanding payables for the legal and corporate services, office rent, IT and media service providers, equipment vendors, listing and corporate action fees, withholding taxes payable and staff claims for business expenses incurred.

None of these other payables to the counterparties are related parties.

**BY ORDER OF THE BOARD**

Tan Khai Pang  
Chief Executive Officer  
24 July 2023