RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE ON THE UNAUDITED FULL FINANCIAL YEAR RESULTS 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**") refer to the queries the Company received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 12 August 2020 in relation to the unaudited full financial year results of the Group for the financial year ended 31 March 2020 ("**FY2020**") as announced by the Company on 30 July 2020, and append the Company's corresponding responses as follows:

Queries from the SGX-ST	**The Company's Response**
Question 1a: It is noted that the "Intangible assets" financial statement line item has decreased from US$9,408,000 as at 31 March 2019 to US$9,026,000 as at 31 March 2020. It is also stated on page 13 of announced financial results:- "The decrease in intangible assets was attributed mainly to the impairment of certain intangible assets." Please clarify the nature of the "intangible assets" financial statement line item	The intangible assets of the Group consist of the development expenditures it incurred to develop its proprietary technologies, applications, processes and products, including but not limited to our space resilient technologies and such applications and processes as embedded in our proprietary products.
Question 1b: Please clarify the following: (i) what are the intangible assets which are impaired? (ii) the value of the impairment on intangible assets; (iii) the reason(s) for the impairment of these intangible assets; and (iv) the Board's opinion on the	(i) The Intangible assets which were impaired in FY2020 relate mainly to the balance of the Group's development expenditure allocated to its cash-generating unit of internet-of-things ("**IoT**") business. (ii) The value of the impairment for such assets in FY2020 was about US$519,000. (iii) The impairment was carried out as the

reasonableness of the methodologies used to determine the value of the impairment of the intangible assets.	value in use of such assets (derived based on discounting the estimated future cash flows to be generated by such assets to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset) was lower than the higher of the recoverable amount or the fair value of such assets. Note that any of the impairments made herein is only a provision and will be reversed if the relevant impaired intangible asset were to be commercialized subsequently. (iv) The Board concurred with the management on the reasonableness of the methodologies used to determine the value of the impairment of the intangible assets.
Question 2: It is noted that the “Inventories” financial statement line item has decreased from US$2,767,000 as at 31 March 2019 to US$2,321,000 as at 31 March 2020. It is also stated on page 13 of the announced financial results:- “The decrease in inventories was attributed mainly to the impairment on slow moving stocks.” Please clarify the following: a. What are these inventories which are impaired? b. What is the value of the impairment on inventories? c. The reason(s) for the impairment in inventories; d. The reasons(s) for the impairment of these inventories; and e. The Board’s opinion on the reasonableness of the methodologies used to determine the value of the	a. The impaired inventories comprised mainly the finished products and components of the Group which are more than 3 years old. b. The total value of the impairment on inventories for FY2020 was about US$286,000. c. Inventories are impaired by the Group for reasons of obsolescence or being slowed moving. d. The impairments were carried out in accordance with the Group’s accounting policies, which provide that, inventories (be it finished products or materials) which are more than 3 years of age (as by then they are deemed to be obsolete for production purposes) are to be impaired, unless justification can be made to the management and the auditors that the inventory concerned remains saleable (with proof of sales) or usable (with proof of orders). Note that any of the impairments made herein is

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<tr>
<td>impairment on inventories.</td>
<td>only a provision and will be reversed if the relevant impaired inventory were to be sold subsequently.
e. The Board concurred with the management on the reasonableness of the methodologies used to determine the value of the impairment of the inventories.</td>
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<td>Question 3:
It is noted that the “Other payables and accruals” financial statement line item has increased from US$1,855,000 as at 31 March 2019 to US$2,722,000 as at 31 March 2020. It is also stated on page 13 of the announced financial results:- “The increase in other payables and accruals were attributed mainly to increase in other non-trade payables/accruals, staff accruals and directors’ fees payables.”

Please provide a breakdown of the “Other payables and accruals” financial statement line item.</td>
<td>A table on the breakdown of “Other payables and accruals” is provided below:
<table>
<tr><td></td><td>US$ m</td></tr>
<tr><td>Accrued operating expenses:
- Employee benefits
- Directors’ fees
- Others</td><td>
1,243
176
389</td></tr>
<tr><td>Due to directors</td><td>56</td></tr>
<tr><td>Other payables</td><td>858</td></tr>
<tr><td>Total</td><td>2,722</td></tr>
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<td>Question 4:
It is noted that the Group is in a negative working capital position and also has net cash used in operating activities of S$1,099,000 for the 12 months ended 31/03/2020. In this regard, please provide the Board’s opinion and basis for its views on the following:

a. The ability of the Company and the Group in meeting its short term debt obligations as and when they fall due?

In this regard, it is also noted on page 4 of the announced financial results that the Group has aggregate borrowings and debt securities of US$5,051,000 which are repayable in one year or less or on demand. To</td>
<td>a. Of the total debts of US$5,051,000, about US$1.4 million relates to a convertible loan note due on 31 May 2021 (“CLN1”); about US$1.9 million to another convertible loan note due on 6 August 2021 (“CLN2”); and about US$0.35 million to a short-term loan due on 26 September 2020 (the “Short-Term Loan”).

The Group is able to meet its short-term debt obligations as and when they fall due in view of the following loan restructurings (the “Loan Restructurings”):

• In relation to CLN1, as announced by the Company on 5 August 2020, about S$0.48 million of which will be repaid from part of the S$2.6 million</td>
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facilitate understanding of the issuer's borrowings, please clarify how does the Group intend to repay the amount of US$5,051,000? Where applicable, please elaborate on the matters set out in our Regulator's Column "What SGX expects of issuer's disclosures during COVID-19" dated 22 April 2020. b. The ability of the Company and the Group to operate as going concerns.	proceeds raised via the prevailing placement which the Company undertook (the "**In Progress Placement**"), with the balance of S$2.0 million replaced by a new convertible loan note ("**New CLN1**") such that, compared to CLN1, the New CLN1: o carries a lower conversion price (which, unlike the out-of-the-money CLN1, is in-the-money and thereby is much more likely to induce the holder concerned to convert the outstanding loan amount into shares of the Company; and o has an extended maturity date till 6 September 2021. • In relation to CLN2, the Company has procured the consent from the holder concerned to extend the maturity date of any amount of the CLN2 which remains unconverted as at 6 August 2021 to 30 September 2021. Being in-the-money, there is also a good chance that CLN2 may be converted into shares of the Company prior to 6 August 2021. • In relation to the Short-Term Loan, the Company has procured the consent from the lender concerned to extend the maturity date from 26 September 2020 to 26 September 2021. While the impact of the Covid-19 pandemic has caused delay in the deliveries of certain of our products and services to our customers in the first half of 2020, with the easing of the circuit breaker measures, we expect to catch up and to make good the belated deliveries within FY2021. Meanwhile, we are also

	receiving new flow of purchase orders for our products and services as highlighted below (the "**New Flow of Orders**"): • We had just in August 2020 (based on a revised schedule) resumed our delivery of 2 IDRS terminals, which are in addition to the 2 IDRS terminals already delivered in late 2019 and early 2020, to Capella Space Inc ("**Capella Space**"), one of our key IDRS customers. With more deliveries of the IDRS terminals to be made by the second half of 2020, we expect to complete the delivery of the first batch of IDRS terminals by FY2021 for Capella Space to deploy the first segment of its satellite constellation. We will continue to deliver more units into 2021 against the committed purchase order with Capella Space. • Despite the Covid-19 pandemic, we are seeing continual interests in our IDRS solutions from new inquires, one of which has already committed an initial order for an IDRS terminal for a pilot launch in the first half of 2021. We expect to clinch a couple more new accounts over the next 4 months with deliveries spread into 2021. • On our other business fronts, such as the SDR Engineering, Design Services and Satcom applications, we have not received any cancellation of customer commitments either. We have factored in the impact of the Covid-19 pandemic into our various revised delivery schedules acceptable to our customers, most of which will still be fulfilled within FY2021. Furthermore, we are witnessing an

	accelerated interest in the adoption of digital platforms for business transformation in the wake of the Covid-19 pandemic, some of which have percolated through and become new found sales for us to work into 2021 and beyond. Save as disclosed and unless the pandemic situation escalates further, the Group, for the time being, is not expected to be materially affected by the Covid-19 pandemic. b. Taking into consideration of: • the In-Progress Placement; • the Loan Restructurings; • a secured book order of about US$4.1 million as at the date of this announcement; • the New Flow of Orders; and • the ongoing fund raising exercise in relation to the proposed placement of 266,666,600 shares of the Company at an issue price of S$0.0225 per share for an aggregate consideration of S$6.0 million to Rain Asia Pacific Pte Ltd (the "**Proposed Rain Asia Placement**") (as first announced by the Company on 26 March 2020 and updated thereafter with the latest being on 5 August 2020), the Group does not expect to have any going concern issue.

BY ORDER OF THE BOARD

Dr Colin Chan Kum Lok
Chairman and CEO
14 August 2020