

MATERIAL AUDIT ADJUSTMENTS - IN RESPECT OF THE FINANCIAL RESULTS OF ADDVALUE TECHNOLOGIES LTD (THE "COMPANY") AND ITS SUBSIDIARIES (THE "GROUP") FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 ("FY2019") AS ANNOUNCED BY THE COMPANY ON 30 MAY 2019 (THE "30 MAY 2019 ANNOUNCEMENT") (THE "AUDIT ADJUSTMENTS")

The Board of Directors of the Company (the "Board") would like to inform that, following the audit carried out by Mazars LLP, (the "Independent Auditors") subsequent to the 30 May 2019 Announcement made in respect of the unaudited financial results of the Group for FY2019 (the "Announced Results"), the Independent Auditors had proposed the Audit Adjustments which had been agreed to and accepted by the Board.

The affected sections of the financial performance and financial position of the Group for FY2019, based on the Announced Results and subsequent to the Audit Adjustments, are tabulated as follows:

In respect of the Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group for FY2019

	Post Audit Adjustments	Based on the Announced Results	Change		Note
			US\$'000	%	
	US\$'000	US\$'000	US\$'000	%	
Gross profit	1,870	1,870	-	-	
Other operating expenses	(2,431)	(1,966)	(465)	(23.6)	1
Loss before income tax	(4,188)	(3,723)	(465)	(12.5)	1
Income tax credit	82	4	78	Not meaningful	2
Loss for the year	(4,106)	(3,719)	(387)	(10.4)	1, 2
Total comprehensive loss for the year	(4,122)	(3,735)	(387)	(10.4)	1, 2
Earnings per share (US cents)	(0.23)	(0.21)	(0.02)	(9.5)	1, 2

In respect of the Consolidated Statement of Financial Position of the Group for FY2019

	Post Audit Adjustments	Based on the Announced Results	Change		Note
			US\$'000	%	
	US\$'000	US\$'000	US\$'000	%	
Intangible assets	9,408	9,873	(465)	(4.7)	1
Deferred tax liabilities	(1,568)	(1,646)	78	4.7	2
Net assets/Total equity	5,255	5,642	(387)	(6.9)	1, 2
Net Asset value per share (US cents)	0.28	0.30	(0.02)	(6.7)	1, 2

Notes:

1. Attributed to impairments made to approximately 4.8% of the carrying book value of the development expenditures of the Group incurred in connection with the building up of its certain intangible properties (and hence its intangible assets) over the past years relating to the land products markets (the "Impaired IAs"), which, in the opinion of the Independent Auditors, lack adequate evidence required under the Singapore Standards on Auditing, in backing up the underlying revenue streams (which principally tend to be of project-based in nature) anticipated to be generated by the Impaired IAs concerned over the next 10 years (the "Projected Revenue Streams").

Notwithstanding the Impairments, which are technical accounting write-downs in compliance with the relevant auditing standards not involving any cash payment, barring any unforeseen circumstances, the Company remains confident about the commercial viability of the intangible assets of the Group, including the Impaired IAs, and that these intangible assets remain capable of generating, to say the least, the Projected Revenue Streams as evidenced in part by the following in-progress projects undertaken by the Company to date:

- a. As announced by the Company on 3 July 2019 (the “3 July 2019 Announcement”), Addvalue has secured a contract worth at least US\$1 million for the next 12 months with an Indonesian partner, which specializes in providing satellite communication (“satcom”) and IT solutions to the Indonesian government and its military agency (the “Partner”), for the supply of Addvalue’s proprietary Very Small Aperture Terminal (“VSAT”) solution to the Indonesia government and its military agency. An initial order of US\$100,000 will be placed for immediate delivery to the Partner. The said agreement is renewable annually, subject to mutually agreed minimum order commitment from the Partner for the subsequent 12 months. Further, the Partner is also promoting Addvalue’s Value Added Services and Solutions (“VASS”) for Internet-of-Things (“IoT”) and Machine-to-Machine (“M2M”) markets, including one in meeting the needs for rural banking in Indonesia. There is an addressable market of more than 12,000 rural banking ATMs in Indonesia, of which 50% needs satellite connectivity in the near future. More than one technical solution may be adopted for this massive project, and Addvalue, which has a few leading international satcom operators working closely with it in this regard, is well-poised to be one of the chosen solution providers. Initial trials have been positive and the Group is embarking on business model discussions with the relevant parties.
 - b. In a bid to expand beyond the Company’s L-Band products and solutions, the Company has also forged partnerships with VSAT operators and equipment manufacturers to offer VSAT solutions to enterprises and government agencies through its network of local partners in ASEAN besides Indonesia (through the collaboration with the Partner mentioned above).
 - c. Endorsed by Inmarsat Australia, Pivotel and AST for satcom machine-to-machine applications, the Company’s Sabre Ranger 5000 has been on technical trials for power utilities projects in Australia and Indonesia since December 2018, and such trials are expected to be completed by August 2019.
 - i. For the project in Australia, it is a renewal and expansion of the markets served by the Company’s legacy product, Sabre Ranger M2M, which is now replaced by the more advanced and feature-rich Sabre Ranger 5000.
 - ii. For the Indonesia market, it will be the Company’s foray into the vast power utilities market, where machine-to-machine applications are essential. The technical trial there involves a dozen of Sabre Ranger 5000 units integrated into the national power utilities program, and the results to date have been very positive.
2. Attributed to further adjustments relating to the write-down of the assets of certain subsidiaries of the Group as well as reversal for overprovision in prior financial years.

Save as disclosed, the Audit Adjustments do not materially affect the Announced Results.

BY ORDER OF THE BOARD

Dr Colin Chan Kum Lok
Chairman & CEO

13 July 2019