
ISSUE OF A CONVERTIBLE LOAN NOTE IN THE PRINCIPAL AMOUNT OF S\$3.45 MILLION CONVERTIBLE INTO 150,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF ADDVALUE TECHNOLOGIES LTD AT A CONVERSION PRICE OF S\$0.023 PER SHARE

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**”) of Addvalue Technologies Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has on 28 June 2019 (US Central Time) entered into a subscription agreement (the “**Subscription Agreement**”) for the issue of a convertible loan note in the principal amount of S\$3.45 million (the “**Convertible Loan Note**”) convertible into 150,000,000 new ordinary shares (“**Shares**”) in the capital of the Company (the “**Conversion Shares**”, and each, a “**Conversion Share**”) at a conversion price of S\$0.023 per Conversion Share with the following individual (the “**Subscriber**”):

| Name of the Subscriber | Current shareholding of the Subscriber (%) ⁽¹⁾ | Shareholding of the Subscriber (assuming full conversion of the Convertible Loan Note only) ⁽²⁾ | Shareholding of the Subscriber (assuming full conversion of the Convertible Loan Note and the allotment and issue of the 2017 Conversion Shares) ⁽³⁾ |
|------------------------|---|--|---|
| Paul Clark Burke | 3.38 | 10.55 | 10.32 |

Notes:-

- (1) Based on the issued and paid-up share capital of the Company as at the date of this announcement comprising 1,870,441,084 Shares.
- (2) Based on the issued and paid-up share capital of the Company as at the date of this announcement comprising 1,870,441,084 Shares, and assuming the issue and allotment of an additional 150,000,000 Conversion Shares at the Conversion Price (without adjustments) pursuant to the conversion of the Convertible Loan Note.
- (3) Based on the issued and paid-up share capital of the Company as at the date of this announcement comprising 1,870,441,084 Shares, and assuming the issue and allotment of an additional: (a) 150,000,000 Conversion Shares at the Conversion Price (without adjustments) pursuant to the conversion of the Convertible Loan Note; and (b) 45,000,000 Shares (assuming a conversion price of S\$0.055 per Share) (the “**2017 Convertible Shares**”) pursuant to the conversion of S\$2.475 million outstanding under a convertible loan note issued to Wang Yu Huei on 28 April 2017 (the “**2017 Convertible Loan Note**”).

- 1.2. The Subscriber shall have the option to convert all or any part of the amount of the loan principal that remains outstanding under the Convertible Loan Note at any time and from time to time at its discretion into Conversion Shares at a base issue price of S\$0.023 per

Conversion Share (the “**Conversion Price**”). The Conversion Price may be subject to adjustment on the occurrence of certain events as described in the Subscription Agreement

- 1.3. The Conversion Price represents a premium of approximately 4.55% to the volume weighted average price (“**VWAP**”) for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 June 2019, being the full market day on which trades were done immediately preceding the signing of the Subscription Agreement. The VWAP is S\$0.022 per Share.

2. **ALLOTMENT AND ISSUE OF THE CONVERSION SHARES**

2.1. **Authority to Issue the Conversion Shares**

The Conversion Shares are intended to be allotted and issued (upon conversion of the Convertible Loan Note) pursuant to the share issue mandate (the “**Share Issue Mandate**”) obtained at the annual general meeting of the Company held on 31 July 2018 (the “**2018 AGM**”). The Share Issue Mandate authorises the directors of the Company (the “**Directors**”) to, inter alia, make or grant offers, agreements or options that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares (collectively, “**Instruments**”), provided that the aggregate number of Shares to be issued pursuant to the Share Issue Mandate (including Shares to be issued pursuant to the Instruments made or granted pursuant to the Share Issue Mandate) shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings as at the date of the 2018 AGM, of which the aggregate number of Shares (including Shares to be issued pursuant to the Instruments made or granted pursuant to the Share Issue Mandate) to be issued other than on a pro rata basis to existing shareholders of the Company (“**Shareholders**”) shall not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings as at the date of the 2018 AGM.

As at the date of the 2018 AGM, the Company had a total number of 1,770,441,084 Shares in issue. As at the date of this announcement, 100,000,000 Shares have been allotted and issued pursuant to the Share Issue Mandate. Accordingly, a further 785,220,542 Shares may be allotted and issued pursuant to the Share Issue Mandate, of which the maximum number of Shares that can be allotted and issued other than on a pro rata basis is 254,088,216 Shares. Therefore, the 150,000,000 Conversion Shares that may be issued to the Subscriber pursuant to the conversion of the Convertible Loan Note fall within the limits of the Share Issue Mandate.

2.2. **Key Terms and Conditions of the Convertible Loan Note**

The key terms and conditions of the Convertible Loan Note are summarised as follows:

| | |
|---------------------------|---|
| Issue Size | : S\$3.45 million |
| Subscription Price | : 100% of the principal amount of the Convertible Loan Note |
| Closing | : Completion shall take place on the date (the “ Closing Date ”) falling three clear market days after the date on which all the conditions precedent set out in the Subscription Agreement are satisfied or otherwise waived in writing, provided that the Closing Date shall not |

be later than one month from the date of the Subscription Agreement unless otherwise agreed in writing

- Interest** : 8% per annum on each amount outstanding under the Convertible Loan Note on each anniversary of the Closing Date
- Maturity Date** : The date falling on the second anniversary of the Closing Date or such later date as may be agreed in writing
- Conversion Price** : S\$0.023 per Conversion Share
- Conversion** : The Subscriber shall have the option to convert all or any part of the outstanding loan principal at any time and from time to time at its discretion into Conversion Shares at the Conversion Price, fractional Conversion Shares (if any) resulting from such conversion to be disregarded
- Anti-Dilution Protection** : The Conversion Price will be adjusted in certain circumstances, including sub-division, consolidation and reclassification of the Shares, issuance of securities and capital distributions, other than specified excluded transactions
- Conversion Period** : At any time from the Closing Date up to and including the Maturity Date
- Status of the Conversion Shares** : The Conversion Shares shall, when issued, be free from all claims, charges, liens and other encumbrances whatsoever and shall rank pari passu in all respects with and carry all rights similar to the Shares in issue at the time of conversion except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date on which the allotment and issuance of such Conversion Shares is completed
- Redemption on Maturity Date** : Unless converted, the Convertible Loan Note will be redeemed by the Company on the Maturity Date by paying the outstanding loan principal and any and all interest that has accrued and remains outstanding
- Conditions Precedent** : (a) all necessary regulatory and governmental consents and approvals, and all other necessary approvals (including but not limited to the approval of the Shareholders, if required), authorisations, clearances,

consents and waivers having been obtained;

- (b) approval in-principle for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST being obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Subscriber;
- (c) approval by the board of directors of the Company and the issue and subscription of the Convertible Loan Note (as well as the Conversion Shares) not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company; and
- (d) there having been, as at the Closing Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any material respect any of the warranties contained in clauses 8 and/or 9 of the Subscription Agreement if they were repeated on and as of the Closing Date.

Security

: To secure the Company's obligations under the Subscription Agreement, the Company has granted and pledged to the Subscriber a security interest in certain of the Company's intellectual property rights.

2.3. No Placement Agent

No placement agent has been appointed in respect of the issue of the Convertible Loan Note and/or the allotment and issue of the Conversion Shares.

2.4. Private Placement

There will be not be any prospectus or offer information statement issued in connection with the issue of the Convertible Loan Note and/or the allotment and issue of the Conversion Shares as the issue of the Convertible Loan Note and/or the allotment and issue of the Conversion Shares will be undertaken pursuant to the exemption under Section 272B of the Securities and Futures Act (Cap. 289) of Singapore (the "SFA").

3. INFORMATION ON THE SUBSCRIBER

The Subscriber is an accredited investor and has entered into the Subscription Agreement for the issue of the Convertible Loan Note for investment purposes. The Subscriber expressed

his interest to invest in the Company through the subscription of the Convertible Loan Note for his personal private investment and the Subscriber will not hold the Conversion Shares in trust or as nominee for other persons. The Subscriber is an American citizen, businessman and entrepreneur with over 25 years of experience in the aviation industry. He is currently the Chairman of Konnectronix, Inc. (f/k/a Telefonix, Inc.), a company that he founded in 1989, which now focuses on product design and manufacturing for the e-mobility market following the sale of the company's aerospace assets in December 2017. The Subscriber is an existing Shareholder and save for his existing shareholding, does not have any connections (including business relationships) with the Company, the Directors and/or the substantial Shareholders.

As described in Paragraph 1.1 above, the allotment and issue of 150,000,000 Conversion Shares will result in the Subscriber becoming a substantial Shareholder but, subject to confirmation from the SGX-ST, will not result in a transfer of controlling interest. Due to the fragmented shareholder base of the Company, the allotment and issue of 150,000,000 Conversion Shares (and assuming the allotment and issue of the 2017 Conversion Shares) will result in the Subscriber becoming the single largest shareholder of the Company. However, the Company wishes to note that the Subscriber is a passive investor who has no board representation in, nor any involvement with the management of, the Company.

The Subscriber has confirmed that he is not currently a person falling within the categories of persons listed in Rule 812(1) of the Listing Manual of the SGX-ST.

4. FINANCIAL EFFECTS OF THE ISSUE OF THE CONVERTIBLE LOAN NOTE

The financial effects of the issue of the Convertible Loan Note on the Group are prepared based on the latest available financial statements of the Group (i.e., the unaudited financial statements for the full financial year ended 31 March 2019 as announced on 30 May 19).

4.1. Earnings per Share ("EPS")

Assuming: (a) that the allotment and issue of the Conversion Shares (arising from full conversion of the Convertible Loan Note) had been completed on 1 April 2018; or (b) that the allotment and issue of the Conversion Shares (arising from full conversion of the Convertible Loan Note) and the allotment and issue of the 2017 Conversion Shares (arising from full conversion of the 2017 Convertible Loan Note) had been completed on 1 April 2018, the effect on the Group's EPS for the financial year ended 31 March 2019 would have been as follows:

| | Before allotment and issue of the Conversion Shares and/or the 2017 Conversion Shares | After allotment and issue of the Conversion Shares only | After allotment and issue of the Conversion Shares and the 2017 Conversion Shares |
|---|--|--|--|
| (Loss)/Profit After Taxation and Non-Controlling Interests (US\$'000) | (3,719) | (3,719) | (3,719) |
| Weighted Average Number of Shares ('000) | 1,804,688 | 1,954,688 | 1,999,688 |
| EPS (US cents) | (0.21) | (0.19) | (0.19) |

4.2. Net Tangible Assets (“NTA”)⁽⁴⁾

Assuming: (a) that the allotment and issue of the Conversion Shares (arising from full conversion of the Convertible Loan Note) had been completed on 1 April 2018; or (b) that the allotment and issue of the Conversion Shares (arising from full conversion of the Convertible Loan Note) and the allotment and issue of the 2017 Conversion Shares (arising from full conversion of the 2017 Convertible Loan Note) had been completed on 31 March 2019, the effect on the Group’s NTA per Share as at 31 March 2019 would have been as follows:

| | Before allotment and issue of the Conversion Shares and/or the 2017 Conversion Shares | After allotment and issue of the Conversion Shares only | After allotment and issue of the Conversion Shares and the 2017 Conversion Shares |
|--|---|---|---|
| NTA ⁽⁴⁾ attributable to the Shareholders (US\$'000) | (4,231) | (1,721) | 81 |
| Number of Shares ('000) | 1,870,441 | 2,020,441 | 2,065,441 |
| NTA per Share (US cents) | (0.23) | (0.09) | 0.004 |

Note:-

(4) NTA means total assets less sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).

4.3. Net Gearing

Assuming that the allotment and issue of the Convertible Loan Note and the 2017 Convertible Loan Note had been completed on 1 April 2018 and assuming no allotment and issuance of the Conversion Shares or the 2017 Conversion Shares had been effected, the illustrative financial effects on the net gearing of the Company would have been as follows:

| | 31 March 2019 |
|---|---------------|
| As reported: | |
| Net debt (US\$'000) | 3,136 |
| Shareholders' funds ⁽⁵⁾ (US\$'000) | 5,642 |
| Net Gearing ⁽⁶⁾ (%) | 55.6 |
| After completion of the issue of the Convertible Loan Note: | |
| Net debt (US\$'000) | 5,684 |
| Shareholders' funds ⁽⁵⁾ (US\$'000) | 5,642 |
| Net Gearing ⁽⁶⁾ (%) | 100.7 |
| After completion of the issue of the Convertible Loan Note and assuming full conversion of the Convertible Loan Note into Conversion Shares: | |
| Net debt (US\$'000) | 1,713 |

| | |
|---|-------|
| Shareholders' funds ⁽⁵⁾ (US\$'000) | 9,575 |
| Net Gearing ⁽⁶⁾ (%) | 17.9 |

Notes:-

- (5) Shareholders' funds include minority interests.
- (6) Defined as net debt divided by shareholders' funds.

4.4. Earnings

The interest expense in respect of the Convertible Loan Note prior to any conversion will be at the effective rate of 8% per annum, plus amortisation of the fair value of the conversion rights recorded on the date of issue. However, it is not possible to quantify the effects of the Convertible Loan Note on the earnings of the Group until the proceeds from the issue of the Convertible Loan Notes have been fully deployed.

5. RATIONALE FOR THE PROPOSED PLACEMENT AND USE OF PROCEEDS

- 5.1. The estimated proceeds from the issue of the Convertible Loan Note after deducting expenses incurred in connection with the same is expected to amount to approximately S\$3.4 million (the "**Net Proceeds**").
- 5.2. The Company intends to utilise the Net Proceeds in the following proportions:

| Use of Net Proceeds | Proportion (%) | Amount of Net Proceeds (S\$'000) |
|---|----------------|----------------------------------|
| Capability Development Program for Space (the " Space Program ") | 58.8 | 2,000 |
| Working capital of the Group (including expenses relating to relocation of office premises, suppliers for materials and services and administrative expenses including payroll) | 41.2 | 1,400 |

- 5.3. The Net Proceeds would strengthen the working capital of the Group as it seeks to expand and grow its IDRS business, which business is being cultivated as part of the Group's Space Program. The Net Proceeds would also help the Group to meet its working capital requirements, thereby enabling the Group to expedite the roll out of the Addvalue iFleetone-VMS, and the sales and provision of SDR embedded platform products and services as described in the Company's recent unaudited financial statements and dividend announcement for the full financial year ended 31 March 2019. All these are intended to work towards the success of the Group's ongoing business transformation plan.
- 5.4. The Company will make announcements as to the use of the Net Proceeds as and when such proceeds are materially disbursed and whether such a use is in accordance with the stated purpose. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements, and the Company's annual report. Where the Net Proceeds are used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and the status reports. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

- 5.5. Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may deem fit, from time to time.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 6.1. Other than through each of their respective direct and/or indirect shareholding interests in the Company, none of the Directors and substantial Shareholders has any interests, direct or indirect, in the issue of the Convertible Loan Note and/or the allotment and issue of the Conversion Shares.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Subscription Agreement is available for inspection at the Company's Singapore registered office currently located at 8 Tai Seng Link, Level 5 (Wing 2), Singapore 534158 for three (3) months from the date of this Announcement.

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the issue of the Convertible Loan Note (as well as the subsequent allotment and issue, if any, of the Conversion Shares), the Company and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

9. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities that may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board
Addvalue Technologies Ltd

Dr Chan Kum Lok Colin
Chairman and Chief Executive Officer

30 June 2019