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- (A) LAPSE OF CONVERTIBLE LOAN AGREEMENT ENTERED INTO BETWEEN ADDVALUE TECHNOLOGIES LTD (THE "COMPANY") AND INMARSAT SERVICES LIMITED ("INMARSAT") ON 12 JUNE 2009;
- (B) LAPSE OF SUBSCRIPTION AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND SHENYANG STARARK COMMUNICATIONS CO., LTD ("STARARK") ON 12 JULY 2009; AND
- (C) LOAN AGREEMENT ENTERED INTO AMONGST ADDVALUE TECHNOLOGIES LTD (THE "COMPANY"), THE ENTERPRISE FUND II LTD (THE "FUND") AND ADDVALUE COMMUNICATIONS PTE LTD ("AVC") FOR A REVOLVING LOAN OF S\$1.0 MILLION (THE "LOAN") TO BE GRANTED BY THE FUND TO AVC AGAINST A GUARANTEE TO BE PROVIDED BY THE COMPANY (THE "GUARANTEE")
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1. **BACKGROUND**

The Board of Directors of the Company refers to:-

- (a) The announcements made by the Company on 1 June 2009 and 12 June 2009 in relation to, among others, a convertible loan agreement dated 12 June 2009 with Inmarsat (the "**Inmarsat Convertible Loan Agreement**").
- (b) The announcements made by the Company on 12 July 2009 and 9 September 2009 in relation to, among others, a subscription agreement dated 12 July 2009 with Starark (the "**Starark Subscription Agreement**").

2. **LAPSE OF THE INMARSAT CONVERTIBLE LOAN AGREEMENT**

The Board wishes to inform the shareholders of the Company (the "**Shareholders**") that as the parties to the Inmarsat Convertible Loan Agreement were unable to reach a consensus on certain conditions precedent to the completion of the Inmarsat Convertible Loan Agreement by 30 September 2009, being the long stop date provided under the Inmarsat Convertible Loan Agreement, the Inmarsat Convertible Loan Agreement has since lapsed.

3. **LAPSE OF THE STARARK SUBSCRIPTION AGREEMENT**

The Board also wishes to inform Shareholders that as the parties to the Starark Subscription Agreement were unable to reach a consensus on certain conditions precedent to the completion of the Starark Subscription Agreement by 30 September 2009, being the long stop date provided under the Starark Subscription Agreement, the Starark Subscription Agreement has also since lapsed.

4. **THE LOAN AGREEMENT**

4.1 **The Loan**

The Board of Directors of the Company wishes to announce that pursuant to a loan agreement dated 1 October 2009 entered into amongst AVC (a wholly-owned

subsidiary of the Company), the Fund and the Company (the "**Loan Agreement**"), the Fund shall grant to AVC the Loan on the terms and subject to the conditions as set out in the Loan Agreement.

4.2 Salient terms of the Loan Agreement

The salient terms of the Loan Agreement are, among others:-

- (a) the Loan shall solely be used for the purposes of meeting working capital requirements in fulfilling the confirmed customers' purchase orders of AVC (the "**Confirmed POs**");
- (b) the Loan may be drawdown in one lump sum or in tranches by AVC at any time within one year from the first draw down date (the "**Maturity Date**");
- (c) any amount disbursed under the Loan that has been repaid in full by AVC may be treated as a new amount that is capable of being re-drawn under the Loan by AVC, subject to the fulfillment of certain conditions precedent;
- (d) the Maturity Date may be extended at the request of AVC for another one year, at least one month before the Maturity Date. The Fund, may in its sole discretion depending on the sales performance of AVC, agree to this request (which approval shall not be unreasonably withheld), and in which event, the Maturity Date shall be extended for another one year (the "**Final Maturity Date**");
- (e) interest on the Loan is payable monthly in arrears, based on the outstanding drawdown amount, at the rate of 5% per annum, from the date of the first draw down;
- (f) contemporaneously with the execution of the Loan Agreement, AVC shall execute a debenture (the "**Debenture**") in favour of the Fund as security for the payment of all monies owing by AVC under the Loan Agreement (the "**Total Indebtedness**") to the Fund. Pursuant to the Debenture, AVC shall charge in favour of the Fund, by way of a floating charge, the inventories of AVC relating to the Confirmed POs (including but notwithstanding raw materials and finished products); and
- (g) the Company shall undertake to ensure payment of the Total Indebtedness that remains unpaid by AVC when due. In the event AVC fails to pay in accordance to the terms of the Loan Agreement when due, the Company, pursuant to the Guarantee, guarantees that it shall pay the Total Indebtedness due from AVC to the Fund in cash or such other mode of payment to be mutually agreed between the Company and the Fund within seven days. Thereafter, the Fund shall have the right to convert part of or the full amount of the Total Indebtedness (the "**Conversion Right**") into new ordinary shares of the Company (the "**Conversion Shares**") at a conversion price of S\$0.036 each (the "**Conversion Price**") (the "**Conversion**").

The number of Conversion Shares to be issued upon the exercise of the Conversion Right by the Fund shall be based on the following formula:-

$$\text{Number of Conversion Shares} = \frac{\text{Total Indebtedness}}{\text{Conversion Price}}$$

For the avoidance of doubt, the number of Conversion Shares to be issued based on the above formula shall not be more than 10,000,000 Conversion Shares. After the exercise of the Conversion Right by the Fund, the Total Indebtedness (i.e. the Total Indebtedness immediately prior to the

Conversion minus the total amount settled through the Conversion) shall remain due and payable under the Loan Agreement.

4.3 Conditions precedent to the disbursement of the Loan

The disbursement of the Loan is conditional upon, among others:

- (a) due diligence undertaken by the Fund on AVC being reasonably satisfactory to the Fund as at the first drawdown date;
- (b) the business of AVC having been carried on in the ordinary manner and AVC has not disposed of any assets or assumed or incurred any liabilities including contingent liabilities (other than those in connection with its ordinary course of business) since 30 June 2009; and
- (c) the Fund shall have received, in form and substance reasonably satisfactory to it, among others, the Debenture duly executed and registered with the Accounting and Corporate Regulatory Authority of Singapore by AVC.

In addition, the Company has undertaken that so long as any Total Indebtedness remains outstanding from AVC to the Fund, the Company shall, among others:-

- (i) use its best endeavours (1) to maintain a listing for all the its issued shares on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), and (2) to obtain and maintain a listing for all the Conversion Shares on the SGX-ST; and
- (ii) it will be able to issue, free from any other pre-emptive or other similar rights, the full number of Conversion Shares to be issued on the exercise of the Conversion Right by the Fund and will ensure that all Conversion Shares will be duly and validly issued as fully-paid; and

4.4 Information required pursuant to Rule 810(2) of the SGX-ST Listing Manual

S/No	Name of the Fund	Maximum No of Conversion Shares capable of being allocated to the Fund	Details on how the places were identified	Rationale for placing to the places
1.	The Enterprise Fund II Ltd	10,000,000	Through Crest Capital Asia Pte Ltd, one of the Company's existing shareholders	Pursuant to the Fund's exercise of the Conversion Right (if so exercised in accordance with the Loan Agreement).

4.5 Authority to issue the Conversion Shares

The authority to issue the Conversion Shares was given pursuant to a general mandate from the Shareholders by way of ordinary resolution at the Annual General Meeting held on 28 July 2009.

4.6 Financial effects of the Conversion

The Conversion Price represents a discount of approximately 10.0% to the volume weighted average share price of the Company of approximately S\$0.040 for trades done on the full market day of 1 October 2009, being the full market day of the date which the Loan Agreement was signed.

The Conversion Shares, if fully allotted and issued, will increase the issued and paid-up share capital of the Company by approximately 1.1% from 903,905,813 ordinary shares to 913,905,813 ordinary shares on an enlarged basis as at the date of completion of the Fund's exercise of the Conversion Right (excluding all the prevailing 12,045,000 outstanding options issued pursuant to the Company's Employee Share Option Scheme which are capable of being exercised into the same equivalent number of shares of the Company).

4.7 The Fund

The Fund is independently managed by Crest Capital Asia Pte Ltd and targets small and medium enterprise with competent management teams and viable business models.

5. GENERAL

None of the Directors of the Company has any interest, direct or indirect, in the Loan Agreement.

The Company will be making an application to the SGX-ST for the listing and quotation of the Conversion Shares shortly.

BY ORDER OF THE BOARD

Dr. Chan Kum Lok Colin
Chairman and CEO

2 October 2009