

MATERIAL AUDIT ADJUSTMENTS BY CROWE HORWATH FIRST TRUST LLP (THE “EXTERNAL AUDITORS”) IN RESPECT OF THE FINANCIAL RESULTS OF ADDVALUE TECHNOLOGIES LTD (THE “COMPANY”) AND ITS SUBSIDIARIES (THE “GROUP”) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015 (“FY2015”) AS ANNOUNCED BY THE COMPANY ON 30 MAY 2015 (THE “ANNOUNCEMENT”) (THE “AUDIT ADJUSTMENTS”)

The Board of Directors of the Company (the “Board”) would like to inform that, following the audit carried out by the External Auditors subsequent to the Announcement made in respect of the unaudited financial results of the Group for FY2015 (the “Announced Results”), the External Auditors had proposed the Audit Adjustments which had been agreed to and accepted by the Board.

The affected sections of the financial statements on the financial performance and position of the Group and the Company for FY2015, based on the Announced Results and subsequent to the Audit Adjustments, are tabulated as follows:

In respect of the Consolidated Statement of Comprehensive Income of the Group for FY2015

	Post Audit Adjustments Results US\$'000	Based on the Announced Results US\$'000	Change		Note
			US\$'000	%	
Revenue	14,725	14,725	-	-	-
Cost of sales	(10,238)	(9,895)	343	3.5	1
Gross profit	4,487	4,830	(343)	(7.1)	1
<i>Gross profit margin (%)</i>	30.5%	32.8%			1
Other operating expenses	(6,329)	(3,038)	3,291	108.3	2
Loss before tax	(5,228)	(1,602)	3,626	226.3	1,2
Taxation	(988)	(38)	950	2,500	3
Loss after tax	(6,216)	(1,640)	4,576	279.0	1-3
Total comprehensive income	(6,117)	(1,641)	4,476	272.8	1-3

In respect of the Consolidated Statement of Financial Position of the Group for FY2015

	Post Audit Adjustments Results US\$'000	Based on the Announced Results US\$'000	Change		Note
			US\$'000	%	
Intangible Assets	12,716	15,916	(3,200)	(20.1)	2(a)
Deferred tax assets	1,202	2,152	(950)	(44.1)	3
Inventories	3,516	3,623	(107)	(3.0)	1(a)
Trade receivables	3,050	3,349	(299)	(8.9)	4
Other receivables, deposits and prepayment	1,269	1,466	(197)	13.4	4
Trade payables	(4,333)	(4,637)	(304)	6.6	4
Advances received from customers	(211)	(183)	28	15.3	4
Fair value adjustment reserve	-	(101)	(101)	100.0	2(b)
Total Equity/Net assets	12,974	17,450	(4,476)	(25.7)	1-4

In respect of the Statement of Financial Position of the Company for FY2015

	Post Audit Adjustments Results US\$'000	Based on the Announced Results US\$'000	Change		Note
			US\$'000	%	
Investment in subsidiaries	5,228	18,328	(13,100)	(71.5)	5
Total Equity/Net Assets	5,852	18,952	(13,100)	(69.1)	5

Notes:

1. Attributed principally to further adjustments relating to: (a) inventory price variance; and (b) proper cut-off recognition of cost of sales as at the balance sheet date. These adjustments reduced the gross profit margin of the Group from 32.8% (based on the Announced Results) to 30.5% (based on the post Audit Adjustments results).
2. Attributed principally to: (a) the impairment of certain intangible assets of Addvalue Communications Pte Ltd ("AVC") of about US\$3.2 million (the "IA Impairment") in view of the protracted delay in the completion of the proposed disposal of AVC (as announced by the Company on 25 March 2014) (the "Pending Disposal") as the External Auditors, basing their judgment on the more than 15 months of non-fulfillment of the Sale and Purchase Agreement entered into since March 2014, deemed, in the absence of a signed supplemental sale and purchase agreement, the letter from the buyer to the Pending Disposal received by the Company in July 2015 (the "Buyer's Letter") (as mentioned in the Company's announcement of 29 July 2015) to be inadequate to support the confirmation that the parties are able to arrive at an agreement in respect of the Buyer's Letter and thereby adding assurance that the Pending Disposal is progressing; and (b) the full write-off of the impairment of an available-for-sale financial asset of about US\$100,000 as the diminution in value of such an asset is deemed permanent by the External Auditors.
3. Attributed principally to the reversal of deferred tax assets of certain subsidiaries of the Group in view of lower than previously projected future economic benefits expected to be generated by the commercial exploitation of products, applications and processes that are developed by these entities.
4. Attributed principally to the reclassification of accounts and adjustments arising from Item 1 above.
5. Attributed principally to the impairment of investment in certain subsidiaries of the Group.

Had it not been for the delay in completion of the Pending Disposal initiated since the end of FY2014, apart from the IA Impairment having then been avoided, AVC would have been classified as an asset-held-for-sale at the onset of FY2015, and had AVC been indeed classified as such, the expenses it sustained in FY2015 pursuant to the continued amortization of its intangible assets, specifically the development expenditures, throughout FY2015, aggregating approximately US\$1.7 million (despite the existence of the Pending Disposal which led the Group since April 2014 to stop actively pursuing new business activities for AVC while taking active steps to reduce the operations of AVC), would have been done away with. The consequence of the aforesaid would result in the Group registering a considerably lower post Audit Adjustments' consolidated net loss of approximately US\$1.3 million for FY2015 instead.

An appropriate announcement will be made by the Company once the terms being negotiated between the Company and the buyer pursuant to the Buyer's Letter have been mutually agreed and formalised. Albeit the protracted delays, the Company has no reason to believe that the buyer is not interested in pursuing the Pending Disposal. While both the Company and the buyer are committed to use best commercial efforts to reach agreement and in seeing the transaction through, Shareholders are to note that the Pending Disposal is not to be taken as a done deal or that the parties will eventually come to an agreement.

As the completion of the Pending Disposal is still subject to the fulfillment of many precedent conditions, there can be no assurance of its completion or, if it were to be eventually completed, as to the length of time required to do so. Hence, Shareholders are advised to exercise caution when dealing in the securities of the Company and refrain from taking any action in relation to their securities which may be prejudicial to their interests.

BY ORDER OF THE BOARD

Dr Chan Kum Lok Colin
Chairman & CEO

1 August 2015