
INVESTMENT ARRANGEMENTS AND A TERM SHEET ENTERED INTO BY ADDVALUE TECHNOLOGIES LTD (THE “COMPANY”) IN PROCURING CASH FUNDING AGGREGATING S\$8 MILLION, REPRESENTING AN AGGREGATE EQUITY INTEREST OF UP TO 16.5% OF THE COMPANY ON AN ENLARGED AND FULLY DILUTED BASIS

1. Background

Reference is made to the announcement made by the Company on 3 November 2008 in relation to the investment agreement entered into between the Company and Pytheas (Cyprus) Ltd (“**Pytheas**”) on 29 September 2008 (the “**Pytheas Investment Agreement**”).

Endeavour efforts have been made over the past few months to bring the investment by Pytheas to fruition. However, due to Pytheas’ failure to fulfill certain of the pre-completion conditions to the investment despite the Company’s many grace extensions, the Company has notified Pytheas that the Pytheas Investment Agreement is terminated in accordance with the terms of the said agreement in order that the Company may pursue investments with other interested parties on such terms and conditions as may be mutually agreed.

2. The Subscription Agreement, Convertible Loan Agreement and Term Sheet

Accordingly, the Company has separately entered into the following investment arrangements to procure an aggregate cash funding of S\$5 million:-

- (a) S\$2 million via a subscription agreement dated 30 May 2009 (the “**Subscription Agreement**”) with four high net worth individuals, namely Messrs Tan Sze Seng, Jonathan Lim Keng Hock, Lim Chye Huat @ Bobby Lim Chye Huat and Soh Eng Bee (collectively, the “**Investment 1 Investors**”), through the collective issuance of 40,000,000 new shares of the Company (the “**Investment 1 Shares**”) at S\$0.05 each (“**Investment Price 1**”) (“**Investment 1**”); and
- (b) S\$3 million via a convertible loan agreement dated 30 May 2009 (the “**Convertible Loan Agreement**”) with Grande Pacific Ltd., a company incorporated in the British Virgin Islands and wholly-owned by Mdm Marilyn Ting Hong Lean, the spouse of Mr Jonathan Lim Keng Hock (“**Investment 2 Investor**”), through the grant of a convertible loan (the “**Loan**”), convertible, in whole or in part, at the option of the Investment 2 Investor into a maximum of 60,000,000 new shares of the Company (the “**Investment 2 Shares**”) at S\$0.05 each (“**Conversion Price 2**”) (“**Investment 2**”). Under the Convertible Loan Agreement, interest is payable monthly in arrears at the rate of 12% per annum, until the Loan is converted or redeemed in accordance with the terms thereof.

The Company has also entered into a term sheet with a third party (the "**Investment 3 Investor**") on 29 May 2009 (the "**Term Sheet**"), and is presently negotiating and finalising the terms of the agreement to be signed with the Investment 3 Investor (the "**Investment 3 Agreement**"). In essence, the Term Sheet provides for the grant of a funding of S\$3 million (or the US\$ equivalent) in cash by the Investment 3 Investor to the Company, through a convertible loan, convertible, in whole or in part, at the option of the Investment 3 Investor into a maximum of 60,000,000 new shares of the Company (the "**Investment 3 Shares**") at a conversion price of S\$0.05 each (the "**Conversion Price 3**") ("**Investment 3**"). Further details about the Investment 3 Agreement will be announced when the Company enters into the Investment 3 Agreement.

3. Conditions precedent

3.1 The Completion of the Subscription Agreement is conditional, among other things, upon:-

- the Company entering into a term sheet with the Investment 3 Investor for the Investment 3;
- approval in-principle for the listing and quotation of the Investment 1 Shares on the Official List of the Singapore Exchange Securities Trading Limited (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 Investment 1 Investors; and
- there having been, as at the completion of the Subscription Agreement, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the warranties contained in the Subscription Agreement.

In addition, the Company has undertaken to the Investment 1 Investors that it will use all commercial endeavours to enter into the Investment 3 Agreement.

3.2 Completion of the Convertible Loan Agreement is conditional upon, among other things:-

- the Company entering into the Investment 3 Agreement;
- there not existing at or prior to the advance of the Loan an event of default or any condition, event or act which, with the giving of notice or lapse of time, or both, would constitute an event of default under the terms of the Convertible Loan Agreement;
- all representations, warranties and statements contained in the Convertible Loan Agreement or otherwise made in writing in connection herewith or therewith or in any certificate or statement furnished pursuant to any provisions hereof or thereof or in any document or instrument referred to in the Convertible Loan Agreement or therein shall be true and correct with the same effect as though made on the date on which the advance of the Loan was made;
- the Investment 2 Investor being satisfied that:-

- (a) all acts, conditions and things required to be done and performed and to have happened precedent to the execution and delivery of the Convertible Loan Agreement and to constitute the same legal, valid and binding obligations of the Company thereof enforceable in accordance with the terms, shall have been done and performed and have happened in due and strict compliance with all applicable laws;
 - (b) there is no breach of any of the terms, conditions and undertakings contained in the Convertible Loan Agreement by the Company and all the representations and warranties contained in the Convertible Loan Agreement being true and correct; and
 - (c) there being no material adverse change in the operations or financial condition of the Company;
- the approval in-principle for the listing and quotation of the Investment 2 Shares on the main board of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and where such approval is subject to conditions, such conditions being reasonably acceptable to the Investment 2 Investor and to the extent that any conditions to such approval are required to be fulfilled on or before the completion of the Convertible Loan Agreement, they are so fulfilled in all material respects;
 - the Company having entered into the Investment 3 Agreement;
 - the Company, with a view towards securing the amounts owing to the Investment 2 Investor, having entered into a charge in favour of the Investment 2 Investor in a form and on terms satisfactory to the Investment 2 Investor; and
 - the contents of the disclosure letter issued by the Company to the Investment 2 Investor, being reasonably satisfactory to the Investment 2 Investor.

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

S/No	Name of placee	Number of Shares allocated to the placee	Details on how the placees were identified	Rationale for placing to the placees
1.	Tan Sze Seng	16,000,000 (Investment 1)	Through an introducer	For funding
2.	Lim Keng Hock Jonathan	10,000,000 (Investment 1)	Through an introducer	For funding
3.	Lim Chye Huat @ Bobby Lim Chye Huat	10,000,000 (Investment 1)	Through an introducer	For funding
4.	Soh Eng Bee	4,000,000 (Investment 1)	Through an introducer	For funding
5.	Grande Pacific Ltd. ⁽¹⁾	Up to 60,000,000 (Investment 2)	Through an introducer	For funding
6.	Investment 3 Investor ⁽²⁾	Up to 60,000,000 (Investment 3)	Through business relations	For business support

Notes:-

- (1) Grande Pacific Ltd. is wholly-owned by Mdm Marilyn Ting Hong Lean, the spouse of Mr Lim Keng Hock Jonathan.
- (2) This is subject to the Company finalising and signing the Investment 3 Agreement with the Investment 3 Investor.

5. Authority to issue shares/convertible securities

The authority to issue Investment 1 Shares, Investment 2 Shares and Investment 3 Shares was given pursuant to a general mandate from the shareholders of the Company by way of ordinary resolution at the Annual General Meeting held on 31 July 2008.

6. Financial Effects

The Investment 1 Price, Conversion Price 2 and Conversion Price 3 each represents:-

- (i) a discount of approximately 9.1% over the closing share price of S\$0.055 per share of the Company on 12 January 2009, which is the market day immediately prior to 30 May 2009, 30 May 2009 and 29 May 2009, the dates on which the Subscription Agreement, Convertible Loan Agreement and Term Sheet were signed, respectively; and

- (ii) a discount of approximately 4.3% to the volume weighted average share price of the Company of approximately S\$0.05225 for trades done on the full market day of 12 January 2009.

The Investment 1 Shares, upon allotment and issuance, will increase the issued and paid-up share capital of the Company by approximately 4.7% from 807,905,813 ordinary shares to 847,905,813 ordinary shares on an enlarged basis as at the date of completion of Investment 1 (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 (the "**Outstanding Employee Share Options**")).

Assuming that the Loan granted pursuant to Investment 2 and the funding advanced pursuant to Investment 3 (following the execution of the Investment 3 Agreement) are fully converted into Investment 2 Shares and Investment 3 Shares, respectively, the Investment 1 Shares, Investment 2 Shares and Investment 3 Shares, upon allotment and issuance, will collectively comprise 160,000,000 Shares, representing approximately 16.5% of the total issued share capital of the Company on an enlarged and fully diluted basis of 967,905,813 ordinary shares (excluding the Outstanding Employee Share Options).

The net proceeds from Investment 1, Investment 2 and Investment 3 (following the execution of the Investment 3 Agreement), after deducting expenses pertaining thereto, are estimated at approximately S\$7.3 million. The net proceeds will be used for the following intended purposes:-

- (a) Approximately S\$1.0 million for project development;
- (b) Approximately S\$3.0 million for the production of products to be launched; and
- (c) The balance for general working capital.

Pending the deployment for (a) and (b) above, the net proceeds from Investment 1, Investment 2 and Investment 3 (following the execution of the Investment 3 Agreement) shall be used for general working capital.

7. General

None of the Directors of the Company has any interest, direct or indirect, in Investment 1, Investment 2 or Investment 3.

The Company will be making an application to the SGX-ST for the listing and quotation of the Investment 1 Shares, Investment 2 Shares and Investment 3 Shares (following the execution of the Investment 3 Agreement).

BY ORDER OF THE BOARD

Dr Chan Kum Lok Colin
Chairman and CEO

1 June 2009