

ADVENTUS HOLDINGS LIMITED
(Company Registration No. 200301072R)

**RESPONSE TO QUERIES RECEIVED FROM SHAREHOLDERS AND THE SECURITIES
INVESTORS ASSOCIATION (SINGAPORE)**

The Board of Directors (the “**Board**”) of Adventus Holdings Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) wishes to address queries raised by shareholders and the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report (“**FY2020 AR**”) for the financial year ended 31 December 2020 (“**FY2020**”) prior to the upcoming annual general meeting for FY2020 to be held by way of electronic means on 30 April 2021 at 10.00 am

QUESTIONS FROM THE COMPANY’S SHAREHOLDERS

Question 1.

In what assumptions or basis will the Group resume planning for the opening of both hotels? Will it be when Vietnam decided to remove its travel restrictions policy?

The development of the 2 hotels remains a priority for the Group. The travel restrictions on foreigners imposed by the Vietnam Government and related official decrees or orders to suspend activities to control the spread of COVID-19 in FY2020 resulted in a stoppage of construction works and, consequently, a delay in the completion of both hotels.

Vietnam’s travel policies, in particular any restrictions on incoming foreigners, will be a consideration amongst others in the decision on the commencement of business for the 2 hotels as profitability in the tourism market in Vietnam is mainly driven by foreign tourist.

Question 2.

Will the Board convert the loans for the two completed hotels into actual shares owning and announce the increment in group assets values? Based on the current progress, will we see a completion of hotels and take over this year?

There is no change to the plan to convert the loans into equity and the conversion will take place when the developments are nearer completion. Based on the information made publicly available in Vietnam, and given the uncertainties about progress in the worldwide battle against Covid-19, the Company does not expect the 2 hotels to commence operations this year. The Company will make the necessary announcements on SGXNET if there are any updates to the developments of the 2 hotels or the Company’s plans.

Question 3.

Could you explain why is the need for a \$5 million loan from Higashi & Sons Pte Ltd as general working purposes and to restart of the operations in Northern Cardinal Commodities Pte Ltd in June 2020, even though is an interest free loan, the Group still has not been able to identify a business activity to restart the operation of the mentioned commodities business-related company?

Following the delay in the progress of the 2 hotels and taking into consideration the financial position of the Company and the importance of cash flow, the Group adopted a conservative, careful and cautious approach in seeking business opportunities. The Group secured the \$5 million loan facility primarily for the possibility of the Group engaging the commodities business. As the Group has not commenced operations in the commodities business as of date, most of the loan facility remains undrawn. The

Company will make the necessary announcements on SGXNET once there are material developments to the matter.

Question 4.

How long can the company sustain with zero revenue? I believe this is the 2nd year with zero revenue.

Given the nature of the industry and the business environment that it operates in, revenue can only be recognized after completion of the 2 hotels. The zero revenue experienced by the Group is largely contributed to by the unprecedented Covid-19 pandemic and largely unexpected. Absent Covid-19 the Group would have a number of options available to it, including but not limited to asset sales. However, to do so in the current circumstances is not advisable.

The Group continues to actively engage in searching for and exploring other business opportunities as part of its drive to secure recurring revenue streams.

The Group has also taken measures to improve cash outflows in order to conserve working capital to meet its present financial requirements, and to continue as a going concern for the next 12 months.

Question 5.

In the Chairman message, the Board believes that the Group is undervalued with strong growth potential ahead. I hope the Board can share the reasons for this optimism. There is still a long road to recovery especially in the hospitality and tourism sector.

The COVID-19 pandemic has affected the tourism and hospitality sector in Vietnam. Nonetheless the efforts of the Vietnam government, from its effective containment of the spread of COVID-19 to its encouragement of domestic travel may result in the gradual revival of the tourism and hospitality sector in Vietnam.

With increasing efforts worldwide to create travel bubbles and vaccination passports, the Group, and its local Vietnam joint venture partner, believe that tourism in the Vietnam could improve.

Question 6.

What other alternative business opportunities are the Group actively looking at to diversify the Group revenue base.

To date, many industries have been significantly affected by the COVID-19 pandemic. The Group has to balance its cashflow against the need for revenue and diversification. Any alternative business opportunity needs to be carefully assessed and considered in that light.

With this in mind the Group will continue looking at opportunities within its area of expertise and core competency, namely property development, and possibly commodities trading.

QUESTIONS FROM SIAS

Question 1.

In the Chairman's message, it was highlighted that the Group has been focusing its resources on the property and hospitality business. The Group is developing a hotel in Da Nang and a resort in Hoi An. Construction commenced in 2018 but the Group has decided to postpone the opening of both due to the COVID-19 situation. It was also mentioned that the Group is actively exploring alternative business opportunities, apart from its existing business and hospitality developments in Vietnam.

i) Can the Board help shareholders to understand if it has approved the search for new businesses?

With reference to the above responses to shareholders' query 6, the Group is currently exploring and searching for 'new businesses' only within property development as well as possibly commodities trading as and when opportunities arise, which has been previously approved by the Board and shareholders. The Company will update shareholders via SGXNET should there be any updates to this matter.

ii) Who is leading the search for new business opportunities? How is the search being carried out? As the hotels have not been completed, would management's attention and focus be drawn away from the hotel at this critical stage of the hotels' development?

The management team led by the Executive Chairman and the Executive Director. They lead the search for new business opportunities through external consultants and management contacts.

The existing developments remains the top priority for the Group. The Group has assigned a dedicated Project Director, who is responsible for monitoring the progress of the hotel developments together with the local Vietnam project team. There has been ample planning and monitoring over the course of the project construction. The Project Director will periodically report to the management team on the progress of the hotels' developments.

iii) What are the industries and geographies being considered?

The Group continues to adopt a conservative approach in exploring any potential opportunities that arises. As responded in Query 1(i), the Group is searching for feasible 'new businesses' in the property development and commodities trading as and when opportunities arise. As of date, the Group does not have any definite target areas or geography in this regard.

Question 2.

As can be seen from the consolidated statement of cash flows, net cash used in operating activities increased to \$(1.24) million in FY2020, up from \$(1.07) million in FY2019. Net cash used in investing activities were \$(12.8) million and \$(15.4) million respectively, At the end of the reporting period, cash and cash equivalents amounted to \$1.54 million.

i) What is the projected amount required to complete the development of the hotel and the resort in Vietnam? Does the group have the financial resources to fund the developments?

For the developments in Vietnam, the Group has secured bank loans to finance both developments respectively and the Group is of the view that it has sufficient financial facilities and/or resources to complete the remaining capital commitment for both developments. The projected amount required to complete both developments can be found in *Note 25 Commitment* of the independent auditor's report (page 99 of the FY2020 AR).

In the independent auditor's report, the independent auditor highlighted the Group's going concern as a key audit matter. Apart from the losses and the net cash outflows, it was noted that the Group has not generated revenue. It is exposed to an increased liquidity risk, in relation to the Group's ability to fulfil commitments to repay existing indebtedness to suppliers and to finance the construction of the projects in Regis Bay and Hoi An Pearl. As shown in Note 20 (page 95 – Bank borrowings), bank borrowings have increased to \$33.0 million as of 31 December 2020. The Group had no borrowings in FY2018 and obtained \$18.2 million in bank loans in FY2019 to finance the construction of the hotels. In FY2020, interest paid amounted to \$1.63 million.

ii) With the delay in the opening of the hotels, will the Group be facing difficulties in servicing the existing loans?

The Group has managed to secure financing facility, i.e., interest-free loan from its controlling shareholder, which will assist in supporting the Group as the need arises.

iii) Has the Board set a limit to the Group's gearing?

The Group's property development business is capital intensive in nature and relies on (i) financing from banks; (ii) equity; and (iii) shareholder's borrowings. The Board is aware of its existing loans and the Group's position and is actively monitoring its debt levels and evaluating its gearing ratio on a regular basis, taking into account internal and external factors including existing cash position and interest rates environment.

iv) The Company has also entered into two loan agreements in April 2020 and in June 2020 with the controlling shareholders for a sum of \$6.0 million. Would the Board be reviewing the optimal capital structure to support the Group's growth?

As mentioned above, the Company's business as a property developer is capital intensive in nature. In view of the present business climate, the Company believes its current level of capital structure helps to support and provides flexibility to its business operations. Nonetheless, the Board of Directors periodically reviews the Group's financial performance indicators and the capital structure of the Company.

Question 3.

On 8 June 2020, the Company announced the appointment of Mr Teh Chong Seng as Chairman and Executive Director of the Company. Mr Teh's profile can be found on page 4 of the Annual Report.

i) Can the Company help shareholders to understand its search and nomination process for the Executive Chairman position? Was Mr Teh Chong Seng ("Mr Teh") nominated by a controlling shareholder?

As with any appointment of any new directors, NC will review its existing Board composition, strength and capabilities of each director whilst taking into account the future needs of the Company. For details on the search and nomination process, please refer to the explanation under *Provision 4.3* of the Corporate Governance Report found in pages 17 to 18 of the FY2020 AR.

Mr Teh was nominated by a controlling shareholder to represent its interest.

The then-Board had reviewed and considered that Mr Teh possessed the requisite experience and capabilities to carry out his duties as the Chairman and Executive Director. It was also noted that Mr Teh had no prior experience as a director of a company listed on SGX.

ii) Can the Company elaborate further on the director's experience in the core business of the Group?

Mr. Teh has more than 30 years of experience in the securities and capital markets of Asia Pacific. With his specialised experience in deal structuring and investment advisory, he is able to advice and contribute positively to the governance and the Group's development.

iii) Can the Board help shareholders to understand how it reviews and assesses a director's suitability for the office?

The Board refers to its responses set out to Query 3(i).

iv) With all due respect to Mr Teh, did the Nomination Committee ("NC") consider the challenges faced by a first-time director in the Chairman role of a listed company that is in transition and having its core business in a foreign market?

Although Mr Teh is a first-time director in the capacity of a Chairman of a listed company, the NC was of the view that he would be able to provide new perspectives on investment advisory

matters, having considered Mr Teh's requisite experience and capabilities, as well as the composition of the Board. In addition, he is supported by an experienced Board that has been and is acquainted with the Company as well as management team familiar with the operations of the Company and its existing listing obligations. He has also completed the prescribed training course organized by Singapore Institute of Directors pursuant to Catalist Rule 406(3)(a).

BY ORDER OF THE BOARD

Teh Chong Seng
Executive Chairman
27 April 2021

This announcement had been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinion made or reports contained in this announcement.

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