

**RESPONSE TO QUERIES FROM SGX PURSUANT TO THE ANNOUNCEMENT DATED 19
APRIL 2018 IN RELATION TO ENTRY INTO JOINT VENTURE AGREEMENT WITH
PANTHERA COMPANY LIMITED, MR. TRAN HOANG ANH TUAN AND MS. NGUYEN THAI
DONG HUONG**

1. INTRODUCTION

Response to queries from SGX pursuant to the announcement dated 19 April 2018 in relation to entry into joint venture agreement with Panthera Company Limited, Mr. Tran Hoang Anh Tuan and Ms. Nguyen Thai Dong Huong

2. MANAGEMENT RESPONSE

Query 1.

With reference to para 1, "Pursuant to the Joint Venture Agreement, ADV S3 shall acquire 507,150 ordinary shares in the contributed charter capital of AP NHS (the "Acquisition"), representing 45% ownership in AP NHS (the "Transferred Shares"). In conjunction with the JV, ADV S3 had on 19th April 2018 entered into an agreement (the "Loan Agreement") with Panthera and Ms. Huong, pursuant to which ADV S3 will provide an advance payment of 50.715 billion Vietnam Dong ("VND") (equivalent to approximately US\$2.233 million based on an exchange rate of US\$1.00:VND22,720 and approximately S\$2.925 million based on an exchange rate of US\$1.00: S\$1.31 as at 19th April 2018) to Panthera and Ms. Huong (the "Advance") for the Acquisition of the Transferred Shares. Upon the completion of the conditions listed in the Joint Venture Agreement, Panthera and Ms. Huong will, in accordance with the terms and conditions of the Joint Venture Agreement and Loan Agreement, transfer the Transferred Shares to ADV S3 in repayment of the Advance", please clarify:

- a. Is ADV S3 going to purchase 45% of the JV company, AP NHS, for VND 50.715bn (approx. S\$2.925m) and provide an Advance of VND 50.715bn (approx. S\$2.925m) to Panthera and Ms. Huong? What is the purpose of the Advance? Under what circumstances will the Advance be expected to be repaid to ADV S3 in cash?

Management response:

- (i) Yes. ADV S3 will be acquiring 45% equity interest in AP NHS for a consideration of approximately S\$2.925 million; and
- (ii) ADV S3 will provide an Advance of approximately S\$2.925 million. Please note that (ii) is to take place before (i).

Accordingly, the Advance will be repaid by off-setting ADV S3's obligation to pay the Transferred Shares Price.

The rationale behind the Advance is:

- (i) To ensure that AP NHS is able to acquire the Land (i.e., be the legal owner of the land use right certificate) as soon as practicable so that upon the Land Conversion, the development of the Project can commence. In Vietnam, it takes about 2-3 months to register any entity with foreign ownership. Hence, in the interest of time, the Advance allows the Project to proceed without delay while still allowing ADV S3 to have a stake in the JV by way of conversion of the debt into equity in AP NHS; and
- (ii) To transfer the risk to the JV partners should the Land Conversion is unsuccessful. Hence, ADV S3 is able to retrieve the entire amount of the convertible loan.

The Advance will be repaid to ADV S3 in cash under the following circumstances:

- (i) If the Land Conversion fails to complete on or before 1 April 2019; or
- (ii) Completion fails to occur within 360 days from the Disbursement Date of 20 April 2018; or
- (iii) If any party fails to perform any of its obligations and/or covenants under the JVA and unable to remedy such breach within 30 days as notified by the non-defaulting party, the non-defaulting party shall be entitled to terminate the JVA.

- b. When and upon completion of which conditions will the transfer of 45% of AH NHS to ADV S3 take place?

Management response:

The transfer of Transferred Shares to ADV S3 shall be subjected to the fulfilment and completion of the Conditions Precedent by Panthera, each of which must be to the satisfaction of or waived by ADV S3. Please refer to paragraph 4.3 of the announcement for the Conditions Precedent.

As at the date of this response, AP NHS has already obtained an in-principle approval for the conversion of land, following which it will take up to 12 months for the Land Conversion (being one of the more salient Conditions Precedent) to complete.

- c. Referencing to the last line "Upon the completion of the conditions listed in the Joint Venture Agreement, Panthera and Ms. Huong will, in accordance with the terms and conditions of the Joint Venture Agreement and Loan Agreement, transfer the Transferred Shares to ADV S3 in repayment of the Advance" – does this mean ADV S3 will ultimately have contributed S\$2.925m + S\$2.925m (Advance given to Panthera and Ms. Huong which will be converted to consideration for the transfer of the Transferred Shares) for the 45% shares in AP NHS? If so, should the computation in para 6(c) use a consideration amount of S\$5.85m to compute?

Management response:

The Advance of S\$2.925 million is a convertible loan provided by ADV S3 to Panthera. Upon Completion, the debt will be converted to shares in AP NHS, in which ADV S3 will be granted 507,150 ordinary shares in the contributed charter capital of AP NHS, representing 45.0% equity interest in AP NHS.

Therefore, the only capital outflow from ADV S3 is S\$2.925 million and accordingly, the computation in paragraph 6(c) is accurate.

- d. Prior to this JV agreement, AP NHS was 98% owned by Panthera, 1% owned by Tuan and 1% owned by Huong, how is the capital contribution amount affected by the original shareholding in AP NHS?

Management response:

Prior to the Joint Venture Agreement, the capital contribution amount in AP NHS is in proportion to the original shareholdings, as follows:

	% of shares in AP NHS	Number of ordinary shares in AP NHS	Capital Contribution (VND)
Panthera	98%	1,104,460	110,446,000,000
Tuan	1%	11,270	1,127,000,000
Huong	1%	11,270	1,127,000,000
Total	100%	1,127,000	112,700,000,000

Query 2.

With reference to para 4.3(a) "Land Conversion shall be completed no later than 1st April 2019. If the Land Conversion is unsuccessful within this timeline, ADV S3 has the right, by serving a written notice to Panthera, to terminate the Convertible Loan Agreement and this Agreement without making compensations or penalties to Panthera and/or AP NHS;", please clarify:

- a. What does Land Conversion refer to? What does it contingent upon?

Management response:

As defined in the Joint Venture Agreement, Land Conversion refers to "the legal and lawful change of the Land use right purpose from current registered manufacturing business use to residential use." It is contingent upon payment of a tax to the government, equivalent to that of development charge in Singapore.

- b. When is the payment of S\$2.925m consideration for 45% shareholding in AP NHS going to be made? Is the payment going to be made to an escrow account pending Land Conversion by 1 Apr 2019?

Management response:

The payment of S\$2.925 million is to be made in two tranches, as follows:

- (i) A deposit of US\$300,000 transferred to Panthera on 27 March 2018; and
- (ii) The remaining monies transferred to Panthera on 20 April 2018.

As mentioned in 1a above, the Advance is to be used for the acquisition of the Land. Hence, such escrow arrangement is not necessary.

- c. If the JV agreement and loan agreement is terminated, will the S\$2.925m Advance be returned to ADV S3 with interest?

Management response:

Yes, the Advance will be returned to ADV S3 at an applicable interest rate of 10% per annum starting from the Disbursement Date, as per Clause 3.8 of the Joint Venture Agreement.

BY ORDER OF THE BOARD

Chin Bay Ching
Chairman and Executive Director
April 25th, 2018.

This announcement has 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").

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