ADVENTUS HOLDINGS LIMITED
(Company Registration No. 200301072R)

RESPONSES TO SGX REGCO'S QUERIES

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning ascribed to them in the Company's announcements on 14 April 2020 and 15 April 2020 ("Previous Announcements").

The Board of Directors (the "**Board**") of Adventus Holdings Limited (the "**Company**"), together with its subsidiaries, the "**Group**") refers the Previous Announcements and would like to announce its responses to the queries raised by the Singapore Exchange Regulation ("**SGX RegCo**") on 7 May 2020 and 13 May 2020 as follows:

1. We note that the audited net loss for the prior year, FY2018, has increased from S$0.785m to S$1.697m (double) due to incorrect elimination of intercompany transaction between interest income and PPE.

(a) Please elaborate on how this happened and who discovered this error.

Company response: This was due to incorrect elimination of inter-company transactions within Property, Plant & Equipment (PPE), Other Payables and Other Reserves with regards to the capitalization of loan interest for the Group's investment in Vietnam. The error was inadvertently missed out by the finance team and auditors during FY2018 and the misstatement was detected by a different audit team during the course of audit in FY2019.

(b) Why did the finance team and auditors not pick up this error last year? Are there controls in place to prevent recurrence of such error?

Company response: Although there are internal controls in place to ensure that there is a maker and checker function in the finance team, the error was an inadvertent oversight by both the finance team and the then auditors and the entries were therefore incorrectly eliminated during FY2018 but were corrected subsequently in FY2019. The Management and finance team will take steps to ensure that all due care is taken in the preparation of its Group FS and to strengthen the finance team.

2. We also note the variance in Other Income and Other Expenses in FY2019's unaudited results amounting to S$783,000 and S$346,000 respectively arose from forex loss and interest income from non-controlling interest shareholder and impairment loss on its Other Receivables. Please elaborate on how this happened and whether there are any controls in place to prevent recurrence of such an error.

Company response: The variance of $783,000 in Other Income, arose from the interest income levied on loans which was recognized in full to PPE in preparation of the unaudited FS by the finance team. It was later advised by the auditors that a portion of interest income should have been recognized in P&L as it was charged to outside parties i.e. non-controlling interest, therefore, the adjustment was made in the audited financial statements for FY2019.

The variance of $346,000 in Other Expenses, arose from reclassification of Forex gain/loss and General & Admin Expenses. During the reporting of unaudited FS, approximately $234,000 & $112,000 respectively, was reported and included in General & Admin expense. It was later reclassified and presented as Other Expenses in the course of audit for FY2019.

To elaborate, for the line item General & Admin Expenses, there was an impairment loss of $164,000 on Receivables from one of Group's wholly owned subsidiaries made upon advice in the course of audit for FY2019. The due receivables amount had been in the record since before the subsidiary ceased operation and became dormant. Out of prudence, the auditors suggested an impairment as there were no plans for the subsidiary to be active in the near future. In addition, there was a reclassification of approximately $200,000 from Non-Controlling Interest to General & Admin Expense.

The Management will continue to conduct regular reviews and in addition, seek advice from external financial professionals, such as the auditors, on the accounts classification to prevent recurrence. In addition, as mentioned in the AC's responses below to query 4, the management will commence the process of recruiting a Group Financial Controller to join the team so to strengthen its finance resources.

4. Can the AC and Sponsor please provide views and basis on the adequacy of Adventus' finance team in view of the above.

AC response: The present structure, while imperfect, is perhaps adequate for the Group's existing business activities given that the projects of the Group are largely under construction at the moment. Nonetheless, the Management is seeking to hire a Group Financial Controller to strengthen the team.

Sponsor response: The Sponsor is of the view that the finance team should be strengthened, especially when the Company's operations are scaled up once the Company is able to complete its projects in Vietnam. With respect to the adequacy of Adventus' finance function, the Sponsor had followed up with the Company on various occasions to highlight the concern and in the course of review of the annual report. The Sponsor had previously advised the Company's finance team to work closely with the auditors in preparation of the results as a mitigating factor to avoid such errors to recur and the AC had also commented as much during such meetings. The Company has been aware of this concern, which has also been highlighted by its external and internal auditors. However, the Company has not been able to attract suitable candidates, despite having sought candidates for the position, due to the Company's existing financial position.

Additional questions:

1. In respect of the Company's response to qn 1(b) and 2, please elaborate on AC's views as to whether such controls are adequate and effective.

AC response: The AC believes that the structure of the internal accounting controls on the Group's financial reporting is adequate. However, during the FY2018, the AC believes that there may have been a lapse in the reviewing and checking process within the finance team in the preparation of the Group financial statements.

2. In respect of the Company's response to qn 4 where the AC responded that "The present structure, while imperfect, is perhaps adequate for the Group's existing business activities…". Given that the adequacy of the finance team would be a factor contributing to the effectiveness and adequacy of internal controls of the Group, please reconcile the above statement with the internal controls confirmation in the FY2019 annual report wherein it states that "Based on the internal controls established and maintained by the Group, work performed by the internal, external auditors and external certification firms and reviews performed by management, various Board Committees and the Board, with the concurrence of the AC, the Board is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective for FY2019."

Company response: With regards to the confirmation provided in the FY2019 annual report, the Board, with the concurrence of the AC, is of the view that the confirmation does not change as the general accounting controls of the Group are adequate. In forming the bases to the confirmation, the Board notes that there were no material findings on the existing internal controls of the Company in relation to the preparation of the Company's financial results for both FY2018 and FY2019 that was conducted by both the internal and external auditors. However, as explained in the Company's response to Query 1 above, the lapse in the reviewing and checking process within the finance team could be attributed to human error in the course of preparation of the Group's financial statements, and not the result of any lapse of internal controls that the Company currently has in place.

Although as highlighted in the query that the adequacy of the finance team would be a factor contributing to the effectiveness and adequacy of internal controls of the Group, we also refer to the responses to the queries above as highlighted, the Management is actively seeking to strengthen the finance team and will be interviewing potential candidates for the Group CFO position from 3 June 2020, after the Circuit Breaker is lifted, in anticipation of an increase in business activity and the Group’s operation as the Group’s hospitality projects in Vietnam are expected to be complete in late 2020 or early 2021.

BY ORDER OF THE BOARD

Chin Rui Xiang
Executive Director
13 May 2020

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*The 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.

The contact person for the Sponsor is Mr. Khong Choun Mun, Registered Professional, Registered Professional, RHT Capital Pte. Ltd., 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619, Telephone: 6381 6966.