



ADVANCER GLOBAL LIMITED

(Company Registration No. 201602681W)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN RELATION TO ANNOUNCEMENT DATED 30 JUNE 2020

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the announcement dated 30 June 2020 in relation to the Company's subscription of 15% shares in 浙江智物慧云技术有限公司 (ZHE JIANG ZHI WU HUI YUN TECHNOLOGY CO.LTD.) ("Announcement").

The Board of Directors (the "Board" or "Director") of Advancer Global Limited (the "Company", and together with its subsidiaries and associate companies, collectively the "Group") has received the following queries on 1 July 2020 from the SGX-ST on the Announcement.

SGX Query

It was stated that 'The Consideration was arrived at arm's length negotiations between AST and the Target Shareholders having considered the Target Company's latest valuation report issued by 北京海峡资产评估有限公司 (the "Valuer") (the "Valuation Report") on 18 October 2019'. We noted that the Valuation Report was issued on 18 October 2019.

- 1) Can the Company confirm the effective date at which the valuation of the Target Company stated in the Valuation Report was valid?
- 2) Who commissioned the Valuer to conduct the valuation and derive the Valuation Report?
- 3) What are the Board and Sponsor's views on the validity and reliability of the Valuation Report, considering the amount of time that has lapsed between the issue date and now?

Company's Response

- 1) Based on the Valuation Report dated 18 October 2019, the Company had confirmed with the Valuer that the valuation of the Target Company is valid for the period from 30 June 2019 to 29 June 2020 ("Valuation Period"), prior to negotiating the terms and Consideration of the Proposed Investment. A declaration from the Valuer was included in the Valuation Report stating that the valuation is in accordance to the valuation standard in China.
- 2) The Target Company had commissioned the Valuer to conduct the valuation and produce the Valuation Report, which was reviewed by the Company for its validity and reliability. Please see our response in paragraph 3 below for the Board's basis.
- 3) The Board is of the view that the Valuation Report is valid and reliably on the following basis:
 - (a) the Valuation was conducted by valuers certified under the China Appraisal Society. The China Appraisal Society is the national, non-profit organisation which is formed from valuation firms and qualified valuation professionals in China. It is overseen by the Ministry of Civil Affairs and Ministry of Finance of the People's Republic of China;

- (b) As stated in paragraph 3.1 of the Announcement, the valuation methodology is based primarily on the income method for intangible assets and the asset-based method for balance sheet assets. In view of the nature of the Target Company's business, the Board is of the view that the income method, which considers forward-looking information covering the Valuation Period to appraise the intangible assets is relevant. The Valuer had only formally issued the Valuation Report on 29 June 2020, after ensuring that the judgements and assumptions used in the Valuation Report remain valid until 29 June 2020;
- (c) The amount of time lapsed between the date of the Valuation Report and the date of the Agreement arose as the Company spent a considerable amount of time to comprehensively understand the legal, tax and other regulatory requirements in the People's Republic of China, to negotiate and finalise the terms and conditions of the Agreement with the Target Shareholders.

SGX Query

It was stated that 'Following the completion of the Proposed Investment, the Target Company will become an investment in financial assets held by AST and the Company'.

- 4) Why is the Company recognizing the investment in Zhe Jiang Zhi Wu Hui Yun Technology Co Ltd as an investment in financial assets, and not an investment in associates?
- 5) Will there be a difference in the NTA & EPS financial effects if they had recognised it as an investment in associates?

Company's Response

- 4) Pursuant to Singapore Financial Reporting Standards (International) ("SFRS(I)") 28 Investments in Associates and Joint Ventures, an associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or of joint control of these policies, and generally accompanying a shareholding of 20% or more of the voting power.

Following the completion of the Proposed Investment, the Group and AST will hold effectively 15% of the total equity interest in registered capital of the Target Company, which is less than 20% and is presumed the Group and AST does not have significant influence pursuant to SFRS(I) 28 unless such influence can be clearly demonstrated. Despite the Group being entitled to nominate up to 1 out of 3 directors on the board of the Target Company, the Group will not be able to exercise significant influence on the Target Company's business nor will the Group be actively involved in the running of the Target Company's business after the completion of the Proposed Investment.

- 5) For illustrative purposes, the differences of proforma financial effects of the Proposed Investment on the net tangible assets ("NTA") per share and earnings per share ("EPS") of the Group are set out as follows:

EPS

(Assuming that the Proposed Acquisition had been effected at the beginning of FY2019)

EPS	Before the Proposed Acquisition	Investment in financial asset at FVTPL	Investment in associate	Difference
		After the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition

Profits attributable to owners of the Company ⁽¹⁾	471,000	471,000	418,950	52,050
Weighted average number of issued shares ⁽²⁾	251,348,691	251,348,691	251,348,691	-
Basic and diluted EPS (cents)	0.19	0.19	0.17	0.02

Notes:

(1) Represents net profits after tax and minority interests.

(2) Based on the number of ordinary shares issued (excluding treasury shares and subsidiary holdings) as at 31 December 2019.

NTA per share

(Assuming that the Proposed Investment had been effected as at 31 December 2019)

NTA	Before the Proposed Acquisition	Investment in financial asset at FVTPL	Investment in associate	Difference
		After the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition
Consolidated NTA ⁽¹⁾ (S\$'000)	37,677	37,677	37,625	52
Number of issued shares ⁽²⁾	251,348,691	251,348,691	251,348,691	-
Consolidated NTA per share (cents)	14.99	14.99	14.97	0.02

Notes:

(1) Represents consolidated NTA excluding minority interests and intangible assets.

(2) Based on the number of ordinary shares issued (excluding treasury shares and subsidiary holdings) as at 31 December 2019.

SGX Query

In para 3.3, it is stated that 'Under the terms of the Agreement, JZQ and LC has committed to inject approximately RMB7.65 million and RMB0.70 million in the Target Company by 18 July 2030 ("**Committed Capital**"). In this respect, JZQ and LC shall pledge 23% and 2% of their respective equity stake in the Target Company to AST until JZQ and LC have fully paid up their portion of the Committed Capital respectively'.

6) Will this lead to a dilution of the Company's stake in the Target Company when this happens, and if so, what is the end result for the Company's shareholdings and whether it'll be captured under the Anti-Dilution Rights as mentioned in para 3.6 of the announcement?

7) Will the Company be similarly obliged to inject further capital by July 2030?

Company's Response

- 6) It will not lead to a dilution of the Company's stake in the Target Company as the pledged percentage of equity stake are currently held by JZQ and LC. If both JZQ and LC do not pay up the Committed Capital by 18 July 2030, AST will have the right to enforce the rights to acquire the shares pledged by JZQ and LC respectively. Should that situation occur and assuming no further changes to the registered capital of the Target Company till such time, AST will hold approximately 40% equity state in the Target Company.
- 7) The Company has no obligation to inject further capital by July 2030. The Company's portion of registered capital will be fully paid up following the completion of the Proposed Investment.

SGX Query

It was mentioned in footnote number 3 of para 4, that "The net profits of the Group for FY2019 amounted to approximately S\$562,000. The net loss of the Target Company for FY2019 amounted to approximately RMB1,756,000 (equivalent to S\$347,000, based on an average exchange rate of RMB1: S\$0.1974 for FY2019)".

- 8) Can the Company comment on the considerations undertaken in deciding to subscription to the shares of the Target Company, weighing against the loss it made in FY2019?

Company's Response

- 8) The Target Company is a start-up technology company focusing on developing IoT (Internet of Things) products and Smart Toilet System. The Target Company is also currently the vendor of AST's Smart Toilet System which provides products for its Smart Toilet projects. The Company has considered the Proposed Investment to be beneficial to the Group as it would allow the Group to tap on the technological knowledge and know-how of the Target Company which would in the long run complement and create a synergistic value with the Group's building management services.

By Order of the Board of Directors

Chin Mei Yang
Chief Executive Officer and Executive Director
3 July 2020

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. David Yeong (Telephone: 65-6232 3210) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.