**AGV GROUP LIMITED**
(Company Registration No. 201536566H)
(Incorporated in the Republic of Singapore on 2 October 2015)

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**RESPONSE TO SGX-ST QUERIES**

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*Capitalised terms in this announcement shall have the same meanings as ascribed to them in the Announcement (as defined below) unless otherwise defined.*

The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") would like to respond to the queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") dated 14 March 2019 regarding the Company's announcement on 13 March 2019 in relation to its disposal of a dormant subsidiary in the People's Republic of China (the "**Announcement**"). Please refer to the Announcement for further information on the Disposal.

**Question 1: What was the latest NTA, NBV and financial performance of Xiamen Ecotechnology own any assets or licenses? What is the gain/loss on disposal?**

Response

The Company confirmed that Xiamen Ecotechnology since inception has no NTA, NBV and/or any financial performance figures. However, whilst Xiamen Ecotechnology has a registered capital of RMB500,000, this remains unpaid (the "**Unpaid Share Capital**"). Since incorporation up to 23 May 2018, the Company has confirmed that the entity has not transacted at all and there was no physical office and/or any fixed assets set up. There is no loss on disposal of this entity.

**Question 2: How did the Company come to know of the Purchaser?**

Response

Mr Lew Soy Huay, is an associate known to Mr Albert Ang, the Chief Executive Officer of the Group. He has previously also loaned S$250,000 to the Group.

**Question 3: It was announced that 'Mr Albert Ang, the Chief Executive Officer (CEO) had not informed the Board earlier on the Disposal as he was of the view that it was simply a disposal of a dormant subsidiary of the Company, and it would not have any material impact on the Group, and accordingly, would not need to be announced'.**

**(a) Regardless that the Disposal is of a dormant subsidiary, what are the current controls in place to identify changes in corporate information/ ownership of the subsidiaries of the Company?**

Response

At the relevant time, the approval matrix for matters requiring Board approval included, amongst others, the following:

(i) setting up of any subsidiary;
(ii) acquisitions and disposals of material assets (including any material subsidiary, where a material subsidiary is one which contributes 5% or more of the Group's revenue (as at the last announced results));
(iii) corporate restructuring of the Group; and
(iv) mergers and acquisitions (including all major investments).

Such approval matrix however, did not then include the disposal of any subsidiary, dormant or otherwise. Subsequent to the Board becoming aware of the disposal of Xiamen Ecotechnology, the Board has since amended its approval matrix to include the following as requiring the Board's approval:

(i) corporate restructuring of the Group;
(ii) setting up of any subsidiary;
(iii) disposal of any subsidiary, dormant or otherwise;
(iv) mergers and acquisitions (including all major investments);
(v) acquisitions and disposals of material assets (including any material subsidiary),

(the "**Approval Matrix**"). The Approval Matrix as amended took effect from 19 February 2019.

**(b) Whom in the Company has custody of the share certificates of the subsidiaries in the Group and how many signatories are required for acquisitions/ disposal of assets and/ or subsidiaries/ associates of the Company?**

Response

The share certificates of Xiamen Ecotechnology were also under the control of management at all times. In general, the Board has determined that shares certificates of the subsidiaries in the Group shall be kept by the Company Secretary going forward, with procedures in place for, amongst others, which parties are authorized to instruct the Company Secretary to release the share certificates. In this regard, this process is currently ongoing. As mentioned in the above reply, disposal of any subsidiary, dormant or otherwise and disposals of material assets (including any material subsidiary) has to be approved by the Board.

**(c) What is the AC's view of whether the Disposal at consideration of S$1 is in the interests of the Company?**

Response

The AC is of the view that since there was no loss/or gain, and NTA and NBV was zero, it is reasonable to dispose at a consideration of S$1. It is a term of the sale and purchase agreement that the Purchaser is liable for the Unpaid Share Capital.

**Question 4: What is the AC's view of the adequacy of the current internal controls environment of the Company? Will the Company consider the commissioning of an independent reviewer to review the Group's compliance to the Group's policies and procedures?**

Response

The AC is of the view that the current internal controls established and maintained by the Group, and taking into account the recent amendments to the Approval Matrix as above-mentioned, are still effective and adequate. The AC will consider strengthening the Group's policies and procedures further, since some of the department heads or managers have left and these departments have now come under the supervision of other department heads and managers. The AC has deliberated and decided to appoint an independent party to understand the facts and circumstances surrounding the disposal, and the adequacy of controls of the Company moving forward. Whilst the AC had earlier commissioned the internal auditors of the Company to undertake a similar review during its recent meeting in February 2019, it will instead now request for an independent reviewer to undertake the scope of work as follows:

(i) Facts and circumstances of the disposal of the subsidiary, and sequence of events leading to the discovery and announcement of such disposal, and parties responsible for any lapses in controls, if any;
(ii) Adequacy and compliance of controls in place at the relevant time of disposal;
(iii) Adequacy and basis for Board's ratification of the disposal;
(iv) Review of adequacy of internal audit scopes of prior years in light of the business environment, geographical segments, risk areas, and other relevant circumstances;
(v) In light of the improvements in internal controls currently put in place, what are the further recommendations to be made to the internal controls, if any (including any recommended enhancements to be made to the Board approval matrix);
(vi) Identify any possible breaches of SGX Catalist listing rules; and
(vii) Any other areas that the AC may, after taking into account any findings from the independent reviewer and in consultation with the independent reviewer, decide to add on.

The AC is currently in the midst of identifying and shortlisting suitable professional parties to be engaged as the independent reviewer and will update shareholders of the same.

The Board collectively and individually takes responsibility for the accuracy of the aforesaid replies to the queries raised by the SGX-ST.

**BY ORDER OF THE BOARD**

Albert Ang Nam Wah
Executive Director and Chief Executive Officer
AGV Group Limited

1 April 2019

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by 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.*

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