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

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 5 MARCH 2018

The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following in response to queries raised by the Singapore Exchange Securities Trading Limited with respect to the Company's ability to continue as a going concern.

SGX Question 1

The Exchange notes from the Group's announcement of 5 March 2018 on its audited full year financial statements for the year ended 30 September 2017 ("**FY2017**") that:

(a) the Group is in a net current liabilities position of S$9.3 million, which includes:

- bank loans of S$10.2 million which are contractually due within 12 months from 30 September 2017; and

- bank loans of S$3.6 million which has been reclassified to current liabilities because of a breach of bank covenant; and

(b) the Group records a negative operating cash flow of S$2.089 million.

Having considered the above, please justify the bases stated in the Company's announcement of 5 March 2018 explaining why the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Response

The Board is of the opinion that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate on the following premises:

- Ability to generate sufficient cash flows from the operations;
- Ability to successfully raise finances through different avenues, including placements of shares; and
- Continued support from our institutional lenders.

The Board 's justification for relying on the abovementioned bases in the giving of its opinion is based on the following developments being undertaken by the Company as part of its continuous efforts to strengthen the Company's financial position:

Ability to generate sufficient cash flows from the operations

The Board wishes to reiterate that the Group has an on-going business and believes that the business outlook should recover with the pick-up in the general market such as the infrastructure construction and oil & marine industries which demand hot dip galvanizing services.

In addition, the Company will also be implementing measures to reduce its operating expenses.

The Board is of the opinion that the Company has the necessary resources (as stated below) and the ability to generate sufficient revenue from its core business and there is no concern on the continuity of business.

Ability to successfully raise funds through different avenues, including placement of shares

As previously announced by the Company on 9 October 2017, 20 October 2017 and 20 November 2017, the Company had secured an aggregate of S$2.25 million via the signing of four (4) convertible loan agreements with various investors.

The Company is currently actively sourcing for investors and as and when there are any material developments in this regard, the Company will announce the same.

Continued support from their institutional lenders

The Board would like to emphasise that as at the date of announcement, the Group has not defaulted on any of its liabilities and neither has the Group received any notice of breach of covenants from any of the banks which it has existing loans with. It has continued to fulfil its obligations by paying all interest payments on the existing loans in a timely manner.

The Group wishes to highlight that the bank loans of S$3.6 million that has been reclassified to current liabilities due to a breach of bank covenants (as highlighted by the auditor) pertains to its subsidiary, Asia Galvanizing (S) Pte Ltd ("**AGVS**"). To-date, neither the Group nor AGVS has been informed of any breach of covenants from its lender.

To-date, the Group has banking facilities granted by various banks amounting to S$7.5 million, of which S$4.4 million had not been utilized. The Group has also recently secured invoice financing facilities of up to S$1 million. The Group is currently negotiating with certain institutional lenders to secure a S$2 million short term loan and is in talks with its principal banker on a possible restructuring of its short term loans. It intends to continue to work closely with its equity partners to secure long term funding for its growth and will announce accordingly on its developments.

SGX Question 2

Please consider if the Group is able to continue as a going concern

Response

The Board is of the view that the Group is able to continue as a going concern, taking into account the more positive industry outlook for 2018, the cost cutting measures to be adopted by the Company, the Company's ability to continue and operate its ongoing business, the Company's continuous efforts in securing funding through various fundraising options and the continuous support from the Company's bankers.

SGX Question 3

Please consider if trading in the securities of the Group can continue pursuant to Catalist Rule 1303.

Response

Based on the aforementioned reasons and all material information which has been disclosed, the Board is not aware of any reason that trading should not be continued.

By Order of the Board

Albert Ang Nam Wah
Executive Director and Chief Executive Officer

23 March 2018

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.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance who can be contacted at 16 Raffles Quay, #01-05, Hong Leong Building, Singapore 048581, Telephone: (65) 6415 9886.