



AGV GROUP LIMITED

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

RESPONSE TO SGX-ST QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 14 SEPTEMBER 2021 IN RELATION TO THE CESSATION OF THE EXECUTIVE CHAIRMAN

Capitalised terms in this announcement shall have the same meanings as ascribed to them in the Company's announcement released on 14 September 2021 in relation to the cessation of the Executive Chairman of the Company (the "Announcement"), 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 15 September 2021 regarding the Company's Announcement. Please refer to the Announcement for further information on the same.

Question 1

In view of Mr Chua's cessation, the Company stated that the investigation into the allegations made against him by the whistle-blower(s) will continue and will not be affected. Did Mr Chua undertake to continue to assist in the investigation? Will he continue to provide assistance and co-operation as and when its required?

Response

During the exit interview, Mr Chua had confirmed to the Nominating Committee (the "NC") that he will continue to undertake to assist and co-operate in the investigations as and when required.

Question 2

The Company announced on 31 Aug 2021, in response to SGX's queries, that the AC will appoint its internal auditors Nexia, to assist in looking into complaints received. What is the status of the investigation and major findings to-date?

Response

The Audit Committee (the "AC") understands that Nexia is in the midst of clearing its own internal checks. In the interim, the AC and Sponsor have been working together with Nexia and is in the midst of firming up the scope of work and steps required. The Company will continue to keep shareholders updated as and when there are material developments.

Question 3

It is stated that Mr Chua will continue to provide financial support to the Company.

- (a) Please elaborate. Is the Group dependent on his financial support for continuity and going concern?**

Response

As set out in the Company's announcement on 29 August 2021, the Independent Directors are of the view that the Group is able to continue as a going concern on the following bases:

- (i) the Group's ability to generate sufficient cash flows from its operations; and
- (ii) continued financial support from the Group's controlling shareholder and institutional lenders.

In light thereof, continued financial support from Mr Chua as the Group's controlling shareholder is one of the bases for the Independent Directors' view on the Group's ability to continue as a going concern. Nevertheless, the Company is taking proactive steps to find other sources of funding as set out in the response to Question 3(d).

(b) What is the Board's assessment and opinion on the Group's ability to operate as a going concern? Please provide bases for such opinion.

Response

We refer to the response set out in Question 3(a). As Mr Chua has clearly confirmed to the Board that he would provide continued financial support notwithstanding his resignation, the Board remains of the opinion that the Group is able to operate as a going concern for the same bases as set out in our response to Question 3(a).

(c) What is the Sponsor's assessment and opinion on the Group's ability to operate as a going concern? Please provide bases for such opinion.

Response

The Sponsor noted that the Group has an on-going business which generated revenue of approximately S\$10.5 million for the nine months ended 30 June 2021, and during the exit interview, Mr Chua had also re-assured the Sponsor that he will continue to provide financial support to the Group. The Sponsor further noted that Mr Chua had also confirmed to the Board that he will continue to provide the necessary financial support to the Group. Since December 2020, the Company has also commenced the Group's Malaysia operations. To-date, 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 financial institutions of its existing loans.

Taking into account the above and the Board's assessment, the Sponsor concurs with the Board's view that the Group is able to continue as a going concern.

(d) Does the Group have other external sources of financing?

Response

The Group is constantly in talks with various potential investors including existing shareholders, for them to invest further into the Company. The Company will ensure that any corporate actions undertaken will comply with the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") and will make further announcement(s) as and when there are material developments.

Question 4

What has the Board considered in accepting Mr Chua's resignation? Please elaborate on the current Board composition and key management team, and how the Board and Nominating Committee are satisfied that the Board and key management are adequately resourced and that operations will not be affected. Are there plans to augment the Board and / or key management team?

Response

The Board has given serious consideration to the reasons as indicated by Mr Chua in his resignation and is of the view that it would be in the best interests of the Group, and that the continued uncertainty surrounding his role in the Group amidst the allegations would not be in the best interests of the Group. The Board also noted Mr Chua's concern that with the end of the financial year of the Group approaching, it is a crucial period for the Group and it would be better for management to be able to concentrate on dealing with the relevant matters during this period of time, without having to be distracted by queries relating to the status of Mr Chua's involvement with the Group. The Board also

notes that Mr Goh Jay Ree, the General Manager (the “GM”), has, during Mr Chua’s leave of absence since 29 August 2021, been up to the task. He has performed to the expectations of the Board.

The Board currently comprises one (1) Lead Independent Director (the “Lead ID”) and two (2) Independent Directors (“ID”). The AC, NC and Remuneration Committee comprise all three (3) IDs. The Board is actively looking for an Executive Director. Pending the appointment of such an Executive Director, the GM will, at all times, be reporting to the Board.

The key management team comprises the GM and the Group Finance Manager (the “Group FM”). Both the GM and the Group FM are supported by the operations team and finance team respectively. As set out in the Company’s announcement dated 18 February 2021, the Board is of the view that the finance team in the interim is understaffed due to the cessation of the Group Financial Controller (“GFC”). During this period of time however, Mr Chong Kwang Shih (“Mr Chong”), the Lead ID, and Mr Choong Yoon Fatt (“Mr Choong”), an ID, both being members of the AC with accounting expertise and experience, will take a more proactive approach in reviewing the financial matters of the Group. The Company has been actively searching for a new GFC and has made an offer to a candidate for the said position. The Company is waiting to hear back from the candidate.

Question 5

AGV had in Feb 2021 announced the cessation of its Group Financial Controller.

- (a) Has a replacement been found? Will operations of the Group be affected with the departure of its Executive Chairman and its Group FC?**

Response

Please refer to the Company’s response as set out in Question 4. The Board wishes to reassure the public that it constantly reviews the ability and adequacy of the Group’s finance and accounting function. The Group FM has in the interim been designated to oversee the Group’s finance and accounting function, and as set out in the Company’s announcement on 18 February 2021, Mr Chong, the Lead ID, and Mr Choong, the ID, who are members of the AC with accounting expertise and experience, have been taking a more proactive approach in reviewing the financial matters of the Group.

With regards to operations of the Group, with Mr Chua being on leave of absence since 29 August 2021, a proper handover had already taken place earlier between Mr Chua and the GM. Since 29 August 2021, the GM has performed to the expected standards of the Board and in light thereof, barring unforeseen circumstances, the Board is of the view that the business and operations of the Group will not be adversely affected by the departure of the Executive Chairman.

- (b) Who is currently leading the finance function?**

Response

Please refer to the Company’s response as set out in Question 5(a). The Group FM has in the interim been designated to oversee the Group’s finance and accounting function. Mr Chong, the Lead ID, and Mr Choong, the ID, who are members of the AC with accounting expertise and experience, have been taking a more proactive approach in reviewing the financial matters of the Group. The Board wishes to emphasise that the Company is actively sourcing for a new GFC and will update shareholders as and when there are material developments.

BY ORDER OF THE BOARD

Chong Kwang Shih
Lead Independent Director
AGV Group Limited

16 September 2021

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It 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 Kaeson Chui, Vice President, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.