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

ENTRY INTO CONVERTIBLE LOAN AGREEMENT

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1. INTRODUCTION

The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that it has on 20 November 2017, entered into a Convertible Loan Agreement with Song Ji Yong ("**SJY**" or the "**Lender**") and Ang Nam Wah Albert, Ang Nam Heng James and Ang Ghee Ann (collectively, the "**Guarantors**") pursuant to which SJY has agreed to extend a loan of S$1,000,000 to the Company (the "**Convertible Loan**").

Following this, the SJY has been granted the right to convert at the Conversion Price (as defined below) all (but not part of) the Convertible Loan (including any interest accrued and unpaid thereon) into fully paid Shares of the Company during the period commencing one (1) month before the Maturity Date (as defined below) (the "**Conversion Period**").

2. INFORMATION ON THE LENDER

Song Ji Yong

SJY is a citizen of China as well as a shareholder of the Company's associated company, AGV Holdings Pte Ltd. SJY holds 341 shares representing 34.1% of the issued and paid up existing share capital of AGV Holdings Pte Ltd. SJY is the owner of Yanggu Haoquan Rock Tools Co. Ltd. which is a professional manufacturer and exporter of road milling tools, foundation drilling tools, coal miner tools, rotary cutter bits and other tungsten carbide brazed products. The products are mainly used for road milling, surface mining, tunneling, trenching and rock drilling as well as for recycling. It also supplies other matched tungsten carbides products. It has many years of production and export experience in the industry.

The Company is acquainted with SJY as he is a shareholder of the Company's associated company, AGV Holdings Pte Ltd.

3. MANDATE FOR THE ISSUE OF CONVERSION SHARES

Under the terms of the Convertible Loan, SJY may elect to either receive repayment of the Convertible Loan in cash or to exercise his right of conversion to convert the Convertible Loan into fully paid Shares of the Company. As the Company has not fixed a conversion price for the Conversion Shares under the Convertible Loan Agreement, the Company is currently unable to determine the maximum number of shares to be issued upon conversion and in the event SJY elects to exercise his right of conversion to convert the Convertible Loan into fully paid Shares of the Company, the Company will seek shareholders' approval if required.

4. TERMS AND CONDITIONS

The terms and conditions of the Convertible Loan were negotiated and agreed upon by the parties on an arm's length basis.

The salient terms and conditions of the Convertible Loan are set out below:

Principal Amount: S$1,000,000.

Interest: The interest on the principal amount payable shall be fixed at a rate of 15% per annum and shall be paid by the Company in arrears to the Lender on

	the last day of the Interest Period (the "**Interest Payment Date**") and such Interest Period shall be a period of three (3) months
Maturity Date:	The business day falling 12 months from the fifth business day after the last of the condition precedent to the utilisation of the Loan is fulfilled (or waived in accordance with the Convertible Loan Agreement).
Conditions Precedent:	The rights and obligations of the Lender and the Company under the Convertible Loan Agreement is conditional upon the satisfaction of the following conditions: (a) the approval of the board of Directors of the Company for entry into the Convertible Loan Agreement and the transactions under the Convertible Loan Agreement and any related transactions in relation thereto; (b) a valid share issue mandate from the shareholders being available and sufficient for the issue of the Conversion Shares; (c) that there is no material adverse change in the financial condition of the Company that would materially or adversely affect the ability of the Company to perform its obligations under the Convertible Loan Agreement; and (d) that no event of default has occurred and no event has occurred which, with the giving of notice and/or lapse of time might constitute an event of default.
Conversion Right:	In lieu of receiving repayment of the convertible loan in cash and subject to the listing and quotation notice being obtained from SGX-ST, the Lender shall have the right to convert all (but not part of) the convertible loan (including any interest accrued and unpaid thereon) into fully paid Shares.
Conversion Price:	95% of the average of the volume weighted average price per Share quoted by the SGX-ST for fourteen (14) consecutive trading days ending on the trading day immediately preceding the date the Conversion Notice is given to the Company (the "**Conversion Date**") and such price shall be rounded upwards to the nearest 0.1 cent.
Conversion Shares:	The number of Conversion Shares to be issued and allotted to the Lender pursuant to the Convertible Loan Agreement shall be determined based on the Conversion Price. As at this juncture, as the Company is unable to fix the Conversion Price, it is unable to ascertain the maximum number of Conversion Shares which may be issued pursuant to the Convertible Loan Agreement. Solely for illustrative purposes, based on 95% of the average of the volume weighted average price of S$0.15 for each Share of the Company based on trades done on the Catalist Board of the SGX-ST for fourteen (14) trading days ending on 17 November 2017 (being the last full market day on which the Shares were traded prior to the signing of the Convertible Loan Agreement) and assuming that the maximum interest rate applies, the maximum number of Conversion Shares that may be issued is 7,666,667 representing approximately 6.09 % of the Company's existing and issued paid-up share capital as at the date of this announcement.
Prepayment of Loan:	The Company may upon giving not less than five (5) days' prior notice in writing to the Lender prepay on any Interest Payment Date the whole or any part of the convertible loan together with accrued interest thereon up to the date of prepayment.

Status of the: Conversion Shares	The Conversion Shares shall on allotment rank for any dividends, rights or other distributions, the record date for which is on or after the Conversion Date and (subject as aforesaid), will rank *pari passu* in all respects with the then existing shares in the capital of the Company.

5. GUARANTEE

The Guarantors are the Executive Directors of the Company namely Albert Ang Nam Wah, Ang Nam Heng James and Ang Ghee Ann. Under the Convertible Loan Agreement, they irrevocably and unconditionally guarantee that whenever the Company does not pay any amount when due under or in connection with the Convertible Loan Agreement, to immediately, on demand, pay that amount as if they were the principal obligor without set-off or counterclaim.

6. INTERESTED PERSON TRANSACTION ("IPT")

The Convertible Loan Agreement does not constitute an IPT as SJY does not fall under the definition of an Interested Person as defined in Chapter 9 of the Catalist Rules. Under Rule 909(3) of the Catalist Rules, as no interest or fee is payable by the Company to the Guarantors in connection with the guarantees, the value of the guarantees is nil and the Company is not required to disclose or to obtain the approval of the shareholders for the entry into the said guarantee.

7. CONFIRMATION FROM THE COMPANY

The Company confirms that no transfer of a controlling interest in the Company within the meaning of Rule 803 of the Catalist Rules will arise from the allotment and issuance of the Conversion Shares by the Company to SJY.

8. FINANCIAL EFFECTS OF THE CONVERTIBLE LOANS AND THE CONVERSION SHARES

8.1 Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Convertible Loan and the Conversion Shares taken as a whole are set out below. The *pro forma* financial effects have been prepared on the assumption that the Conversion Price is S$0.15 and the number of Conversion Shares to be issued is 7,666,667 and based on the audited consolidated financial statements of the Group for FY2016 and do not necessarily reflect the actual future financial position and performance of the Group in the event that the Convertible Loan is fully disbursed and fully converted.

8.2 Share Capital

In the event that the Convertible Loan is fully disbursed and fully converted, the *pro forma* financial effects on the share capital of the Company for FY2016 are as follows:

	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Number of issued Shares	125,946,440	133,613,107
Amount of share capital (S$'000)	13,453	14,603

8.3 Net Tangible Assets ("**NTA**")

Assuming that the Convertible Loan 1 is fully disbursed and fully converted on 30 September 2016 and based on the Group's audited consolidated financial statements for FY2016, the *pro forma*

financial effects of the Convertible Loan (excluding non-controlling interests) on the consolidated NTA of the Group are as follows:

	As at 30 September 2016	
	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
NTA of the Group (S$'000)	12,758	13,908
Number of Shares	125,946,440	133,613,107
NTA per share (cents)	10.13	10.41

8.4 Earnings Per Share ("**EPS**")

Assuming that the Convertible Loan is fully disbursed and fully converted on 1 January 2016 and based on the Group's audited consolidated financial statements for FY2016, the *pro forma* financial effects of the Convertible Loan on the consolidated EPS of the Group are as follows:

	For FY2016	
	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Profit/(Loss) after tax (S$'000)	623	623
Weighted Average Number of Shares	1245.946,440	133,613,107
EPS per share (cents)	0.49	0.47

8.5 Gearing

Assuming that the Convertible Loan is fully disbursed and fully converted on 30 September 2016 and based on the Group's audited consolidated financial statements for FY2016 and disregarding any interest, revenue and/or return that may arise from the Convertible Loan, the *pro forma* financial effects of the Convertible Loan on the gearing of the Group are as follows:

	As at 30 September 2016	
	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Trade and other payables (S$'000)	4,352	4,352
Borrowings (S$'000)	12,458	12,458
Finance lease payables (S$'000)	161	161

Cash and cash equivalents (S$'000)	(4,039)	(2,889)
Net debt (S$'000)	12,932	14,082
Total equity (S$'000)	12,758	13,908
Total capital (S$'000)	25,690	27,990
Gearing ratio[(1)] (times)	0.5	0.5

(1) The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables plus finance lease payables less cash and cash equivalents. Total capital is calculated as equity plus net debts.

9. RATIONALE AND USE OF PROCEEDS

The rationale for the entry into the Convertible Loan Agreement is to improve the Company's financial position and flexibility to capitalize on growth opportunities.

The estimated net proceeds from the Convertible Loan Agreement (after deducting the estimated expenses, including but not limited to the professional fees in relation to the Convertible Loan Agreement) are approximately S$997,500 ("**Net Proceeds**"). The Company intends to use 100% of the Net Proceeds for working capital purposes.

Pending the deployment of the Net Proceeds from time to time for the abovementioned intended purpose, such proceeds may be placed as deposits with banks and/or financial institutions and/or invested in short-term money markets or debt instruments or for any other purposes on a short-term basis as the Board may deem fit in the interest of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed, and provide a status report on the use of the proceeds raised in its interim and full-year financial statements issued under Rule 709 of the Catalist Rules and its annual report. The Company will also provide a breakdown with details on how the proceeds have been applied in the announcements and status reports.

10. DIRECTOR'S OPINION

The Directors are of the opinion that, after taking into consideration:

(i) the Group's present bank facilities, internal resources and operating cashflow, the working capital available to the Group is sufficient to meet its present requirements; and

(ii) the Group's present bank facilities, internal resources, operating cashflow and the net proceeds from the Conversion Shares, the working capital available to the Group will be sufficient to meet its present requirements.

11. LISTING AND QUOTATION OF THE CONVERSION SHARES

As and when SJY exercises his Conversion Right, the Sponsor, on behalf of the Company, will submit an additional listing application to the SGX-ST for the listing of and quotation for the Conversion Shares on Catalist. An announcement will be made to notify the shareholders as and when the listing and quotation notice from the SGX-ST is obtained.

12. INTERESTS OF OTHER DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the Directors (other than in his capacity as Director or shareholder of the Company) nor (as far as the Directors are aware) substantial shareholders of the Company have any interest, direct or indirect, in the Convertible Loan Agreement.

13. DOCUMENTS FOR INSPECTION

A copy of the Convertible Loan Agreement is available for inspection by shareholders during normal business hours at the registered address of the Company at 22 Benoi Road Singapore 629892 for three months from the date of this announcement.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Convertible Loan Agreement, the Company and its subsidiaries, and the Directors are not aware of any facts, the omission of which, would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

15. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares of the Company in relation to this announcement as there is no certainty that the transactions under the Convertible Loan Agreement will be completed as it is subject to the fulfillment of the terms and conditions set out in the Convertible Loan Agreement as well as shareholders' approval if required. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or other advisers.

By Order of the Board

Albert Ang Nam Wah
Executive Director and Chief Executive Officer

20 November 2017

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, #40-01A, Hong Leong Building, Singapore 048581, Telephone: (65) 6415 9886.