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

FINDINGS OF THE INDEPENDENT REVIEWER

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

1. INTRODUCTION

The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcements dated 1 April 2019 and 27 June 2019 (the "**Announcements**") in relation to the commissioning of an independent reviewer in relation to the Disposal (the "**Independent Review**").

2. SUMMARY OF THE INDEPENDENT REVIEW

2.1 Baker Tilly Consultancy (Singapore) Pte Ltd (the "**Independent Reviewer**") has completed its independent review of the Disposal to understand the facts and circumstances surrounding the Disposal, and the adequacy of controls of the Company moving forward, and has issued its report (the "**Independent Review Report**"). The Board wishes to update shareholders on the key findings of the Independent Reviewer as follows:

(i) Mr Albert Ang, the Chief Executive Officer of the Group during the relevant period (the "**CEO**") was within his authority to execute the Disposal and in compliance with the Board approval matrix (effective as at 5 March 2018) (the "**2018 Matrix**") at the time of the Disposal;

(ii) however, the 2018 Matrix at the time of the Disposal was inadequate as it did not require the Board to approve the disposal of a non-material subsidiary and did not require the Board to be informed of such disposal of a non-material subsidiary. It was subsequently revised to include the requirement for all disposals of subsidiaries, regardless of whether it is dormant or otherwise, to be approved by the Board;

(iii) there was a lack of internal expertise within the Group to advise the CEO on compliance with the Catalist Rules at the time of the Disposal. Mr Jay Ree Goh, the General Manager (Singapore) of the Group (the "**General Manager**"), has been assigned the responsibility of assisting the CEO on the Company's compliance with the Catalist Rules;

(iv) the Audit Committee (the "**AC**") had taken adequate steps to instruct for a legal opinion to be sought as to the validity and enforceability of the sale and purchase agreement (the "**SPA**") and trust deed (the "**Trust Deed**") in relation to the Disposal under China laws. The legal opinion was issued by Guangxi Wanyi Law Firm on 18 February 2019, which confirmed that the SPA and the Trust Deed are valid and enforceable under China laws; and

(v) the Policies and Procedures for Safekeeping of Share Certificates, has been established with effect from 30 June 2019 and was further updated on 30 August 2019 and it applies to the Group companies incorporated in Singapore and Malaysia, which are the countries in which the Group companies, as at 5 September 2019, are incorporated in. It requires that any instruction to release share certificates must be given by two authorised personnel, one of whom must be an independent director. The implementation of the policies and procedures enhances the control over potential unauthorised instructions by company officers for the release of share certificates of Group companies.

2.2 The following breaches of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") were identified during the Independent Review:

(i) *Rule 704(16)(c): An issuer must immediately announce any acquisition of shares resulting in a company becoming a subsidiary or any associated company of the issuer (providing the information required by Rule 1010(3) and (5)).*

Xiamen Ecotechnology was incorporated on 28 December 2017 and an announcement of the incorporation of Xiamen Ecotechnology was made on SGXNet on 11 January 2018. While the Company had announced the incorporation of Xiamen Ecotechnology on SGXNet with the necessary information required by Rule 1010(3) and (5), the announcement was not made on an immediate basis and thus, the Company was not in compliance with Rule 704(16)(c).

(ii) *Rule 704(17)(c): An issuer must immediately announce any sale of shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer (providing the information required by Rule 1010(3) and (5)).*

The announcement of the Disposal, in which Xiamen Ecotechnology ceased to be a subsidiary of the Company, was not made on an immediate basis as required by Rule 704(17)(c). The relevant information required by Rule 1010(3) was also not provided in the announcement of the Disposal. While it was stated in the announcement of the Disposal that the nominal consideration of S$1 was determined on a willing-buyer and willing-seller basis, there were inadequate details as to the factors taken into account in arriving at the consideration of S$1. This information was subsequently provided in the announcement on 1 April 2019. The relevant information required by Rule 1010(5) was also not expressly set out in the announcement of the Disposal, including the value of Xiamen Ecotechnology at the time of the Disposal. This information was also subsequently provided in the announcement on 1 April 2019.

3. INTERNAL AUDIT SCOPE OF PRIOR YEARS

3.1 The Group has outsourced its internal audit function to Nexia TS Risk Advisory Pte Ltd since the financial year ended 30 September 2016. As part of the Independent Review, the Independent Reviewer focused on the internal audit scope for each year from the financial year ended 30 September 2017 until 30 June 2019 (the "**Previous Internal Audits**").

3.2 The Independent Reviewer concluded that the scope of the internal audit for each of the financial years ended 30 September 2017 and 30 September 2018 respectively were adequate in terms of coverage for the major business processes of the Group. It was observed that the internal audit scope was planned on rotational basis, on a risk-based approach, in line with industry practice.

3.3 It was also noted that the controls relating to disposal of subsidiaries, as well as the control over share certificates of Group companies were not included in the internal audit scope in 2017 and 2018. This is likely due to the fact that the Group does not frequently engage in the disposal of subsidiaries. Since its listing on the Catalist of SGX-ST in August 2016, to-date, there had only been one instance of a disposal of a subsidiary, being the disposal of Xiamen Ecotechnology.

3.4 The Independent Reviewer further noted that the internal audit review of fixed asset and inventory management has not been covered in the Previous Internal Audits. The Independent Reviewer therefore recommended that the internal audit review of fixed asset and inventory management should be covered in subsequent internal audit reviews.

4. RECOMMENDATIONS AND RESPONSE

4.1 The Independent Reviewer has made the following recommendations which the Company has accepted:

(i) The Board and Management should consider arranging for the General Manager to attend the relevant training to be familiarized with the Catalist Rules to more effectively discharge his responsibilities of assisting the CEO in ensuring compliance with the Catalist Rules.

(ii) The Board should ensure that a sufficiently experienced and qualified chief finance executive, such as a chief financial officer, is brought on board to act as a check and balance to the executive directors' actions and enhance the overall control environment of the Group.

(iii) Policies and Procedures for Safekeeping of Share Certificates (Effective 30 August 2019) should be updated to apply to share certificates of all Group companies at present and in the future, regardless of their country of incorporation.

(iv) The share certificates of the Group companies in Singapore are still in the custody of the previous company secretary's office. The share certificates of the Group companies in Singapore should be transferred from the previous company secretary's office to be kept with the current company secretary as soon as practicable.

(v) The internal audit review of fixed asset and inventory management has not been covered in the Previous Internal Audits, The AC should consider including fixed asset and inventory management in the internal audit scope of subsequent internal audit reviews.

(vi) The Board should consider formally setting up rules for the engagement of financial advisers, independent financial advisers and/or other relevant professional advisers prior to disposal of shareholdings in subsidiaries.

4.2 With regards to the recommendation set out in paragraph 4.1(ii) above, the Company wishes to highlight that it is in the midst of negotiations with a potential candidate to be appointed as the Group Financial Controller, and will update shareholders as soon as such appointment is confirmed.

4.3 The Board will continue to take all necessary actions to safeguard the interests of the shareholders and the Group.

BY ORDER OF THE BOARD

Chua Wei Kee
Executive Chairman
AGV Group Limited

23 January 2020

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.

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