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

UPDATES ON IMPACT OF COVID-19 PANDEMIC ON THE GROUP'S BUSINESSES AND CLOSURE OF WORKPLACE PREMISES

1.1 The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the global outbreak of the COVID-19 pandemic the directives from the Singapore Government and the Malaysia Government which requires the closure of all non-essential businesses nationwide to curb the spread of the COVID-19. In particular:

(i) on 3 April, the Singapore Government announced Circuit Breaker measures applicable until 4 May 2020 (the "**Initial Circuit Breaker Period**"), and had on 21 April 2020 further announced that the Initial Circuit Breaker Period would be extended to 1 June 2020 (the "**Circuit Breaker Period**"), with tighter measures such as, among others, further tightening of the list of companies permitted to operate during the Circuit Breaker Period, save for those that remain as essential services and their related supply chains, which are exempted from the suspension; and

(ii) the Malaysian Government had announced a Movement Control Order ("**MCO**"), which came into effect on 18 March 2020, and on 23 April 2020, announced a further extension to the MCO from 29 April 2020 until 12 May 2020 (the "**MCO Period**" and together with the Circuit Breaker Period, the "**Closure Period**"),

to further reduce the transmission of COVID-19 (the "**Control Measures**").

1.2 The operations of the Group affected by the Control Measures are as follows:

(i) The Company had earlier on 7 April 2020 obtained approval for an exemption from the suspension of workplace activities during the Initial Circuit Breaker Period, from the Ministry of Trade and Industry Singapore ("**MTI**"), to continue its operations which were restricted to serving the Group's customers who provide essential services, and only to be carried out in compliance with relevant governmental safety measures.

Subsequently, the Ministry of Manpower ("**MOM**") and the Building and Construction Authority ("**BCA**") had on 18 April 2020, announced that all foreign employees with work permits and S Pass under the construction sector, and their dependents, must be served with a Stay-Home-Notice ("**SHN**"), effective from 20 April 2020. The Group's foreign workers (the "**Foreign Worker Employees**") have therefore since then remained at the Group's factory-converted dormitory at 22 Benoi Road (the "**Dormitory**"). The Group's Foreign Worker Employees are not allowed to leave the Dormitory. The Company's subsequent application to BCA on 19 April 2020 for the Foreign Worker Employees who are staying on-site at the Dormitory to be allowed to continue on operations to service the Group's customers who provide essential services had been rejected on 20 April 2020.

(ii) The Company's subsidiary in Malaysia, AGV Galvanizing (M) Sdn Bhd ("**AGVM**"), had been undergoing refurbishment and upgrading of its plant. Pursuant to the MCO, AGVM was required to stop such refurbishment and upgrading works. However, the Group is

pleased to announce that AGVM has on 5 May 2020 received a notice from the Ministry of International Trade and Industry that it is able to continue its refurbishment and upgrading works, within the conditions set by the Malaysian government.

(iii) All of the Group's other employees in Singapore and Malaysia are working from home.

1.3 The Control Measures has had, among others, the following impacts:

(i) Slow-down in order enquiries, order intakes and order deliveries;

(ii) Disrupted the supply chain for zinc; and

(iii) Stopping of production since 18 April 2020.

1.4 The Group has undertaken several measures, including but not limited to the following:

(i) Re-arrangement of goods delivery with customers affected by the Control Measures and other operational constraints;

(ii) Production re-scheduling and planning to meet re-scheduled goods delivery timeline; and

(iii) Ensuring the molten zinc in the zinc kettle will remain useable after the Circuit Breaker Period.

1.5 The Group has also put in place various measures to combat COVID-19, in line with the advisories regularly issued by the Ministry of Health and other relevant authorities. These include temperature screening, distribution of reusable masks to all employees, working from home where possible and safe distancing within the workplace.

1.6 In line with the precautionary measures and advice from MOM, the Group has arranged for catered food and the provision of daily essentials for its Foreign Worker Employees who are not able to leave the Dormitory. As at the date of this announcement, there are no positive cases of COVID-19 amongst the Foreign Worker Employees. To mitigate the impact from COVID-19, the Group continues to focus on tightening cost controls.

1.7 At this stage, the Group is unable to quantify nor determine the true extent of the financial impact on revenue and earnings per share of the Group for the financial year ending 30 September 2020 ("**FY2020**").

1.8 While the extent of the impact on the temporary closure cannot be determined at this stage, as a guidance, the Group wishes to set out the financial impacts on the near-future of the Group, based on the unaudited management accounts and financial estimates as follows:

(i) Revenue for the months of April and May 2020 are expected to be minimal, leading to an expectation of revenue for the third quarter ending 30 June 2020 declining, largely attributable to closure of business operations and substantial decline of demand due to the Control Measures. The Group is unable to forecast revenue for FY2020 assuming that even following the lifting of the Control Measures after the Closure Period, the return to normalcy will not be immediate.

(ii) The Group is expecting a longer collection period or no collection of accounts receivable during the Closure Period. However, the Group has also not received any indication of any major default of accounts receivables as at the date of this announcement.

(iii) The Group's overhead expenses are partially mitigated by various support measures from the Singapore Government such as the Job Support Scheme, the waiver of the

foreign worker levy, and the wage subsidies offered by the Malaysia Government for the Malaysian plant.

(iv) With the expected decline in net income, cash flow from operating activities is expected to be lower.

1.9 The Group is also currently in negotiations with its financial institution lenders on extending repayments, as well as exploring other financing options, including those assisted by the Singapore and Malaysia governments respectively. In light of the above, the Group is currently not facing any material uncertainty concerning the ability to fulfil near-term obligations. Barring any unforeseen circumstances, the probable decline in revenue and net income is not expected to affect the Group's ability to continue as going concern and its ability to fulfil its near-term obligations, taking into account the above and continued financial support from the Group's individual and corporate lenders.

1.10 The Group's first half year results will be announced by no later than 15 May 2020 and the Group will continue to communicate with shareholders on a regular basis through these updates. The Group is also keeping a close watch on the development of the continuing COVID-19 outbreak situation and the Company will make appropriate announcement(s) to keep shareholders updated on any material developments as and when necessary.

1.11 Shareholders and investors are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

BY ORDER OF THE BOARD

Chua Wei Kee
Executive Chairman

6 May 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 Exchange and the Exchange 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.