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

PROPOSED SALE AND LEASEBACK OF PROPERTY LOCATED AT JOHOR BAHRU

1. INTRODUCTION

1.1 The Board of Directors of AGV Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that AGV Galvanizing (M) Sdn Bhd ("**AGVM**"), the indirect 51% owned subsidiary of the Group, has today entered into a sale and purchase agreement ("**SPA**") in relation to AGVM's property located at PLO 151, Jalan Nibong 1/1, Kawasan Perindustrian Tanjung Langsat, 81700 Pasir Gudang, Johor Bahru (the "**Property**") with Fast Fact Technology Sdn Bhd (the "**Purchaser**") (the "**Proposed Sale**").

2. INFORMATION ON THE PURCHASER

2.1. The Purchaser is a company incorporated in Malaysia, principally engaged in the business of distribution of medical equipment and healthcare products. The directors and shareholders of the Purchaser are Mr Tang Choon Chai and Mdm Ang Bee Choon. Mr Tang Choon Chai is a shareholder of AGV Group Limited, with 0.6% shareholding, which Mdm Ang Bee Choon, the wife of Mr Tang Choon Chai, is deemed interested in. Save as above disclosed, the Company, its Directors and controlling shareholders are not related to the Purchaser.

3. INFORMATION ON THE PROPERTY

3.1. The Property is held under a 60-year leasehold tenure expiring on 26 December 2072. It has a 2-storey office annexed to a single-storey factory, a transformer structure, a control room building, a guard house/toilet building, a pump room & bin centre building, a TNB sub-station, a gas service station, a car parking shed and a prayer area. The Property is located on a 1.214 hectare parcel of industrial land.

3.2. The Property is currently used as the Group's base for its Malaysian operations for zinc galvanizing. While the Group's operations in Malaysia have yet to re-commence as it had earlier been undergoing refurbishment and upgrading of the Property, the Group intends to commence its operations in Malaysia in December 2020. At Completion (as defined below), AGVM will be entering into the Leaseback (as defined below).

4. PRINCIPAL TERMS OF THE PROPOSED SALE AND LEASEBACK

4.1. Consideration

4.1.1. The consideration for the Proposed Sale is RM12,000,000 (equivalent to approximately S$3,934,000 based on an exchange rate of RM1:S$0.3279) (the "**Consideration**"). The Consideration shall be satisfied wholly in cash.

4.1.2. The Consideration was arrived at after arms' length negotiations between AGVM and the Purchaser, on a willing-buyer, willing-seller basis, after taking into account a valuation commissioned by AGVM and issued by C H Williams, Talhar and Wong Sdn Bhd (the "**Valuer**"), an independent professional valuer, on 4 November 2020 (the "**Valuation Report**"). The Property was valued at RM12,600,000 (equivalent to

approximately S$4,131,000, based on an exchange rate of RM1:S$0.3279), using a Cost Approach method. The Cost Approach entails separate valuations of the land and buildings to arrive at the market value of the Property.

4.1.3. Based on the Group's latest announced unaudited consolidated financial statements for half-year ended 31 March 2020, the net book value of the Property is approximately RM11,065,000 (equivalent to approximately S$3,649,000, based on an exchange rate of RM1:S$0.3279). The Group expects to recognize a net gain of approximately RM935,000 (equivalent to approximately S$285,000, based on an exchange rate of RM1:S$0.3279) from the Proposed Sale.

4.2. **Payment Terms**

The Consideration shall be paid by the Purchaser to AGVM in the following manner:

4.2.1. a deposit of RM1,200,000 (equivalent to approximately S$393,000, based on an exchange rate of RM1:S$0.3279) less the Retained 3% (as defined below) has been paid by the Purchaser to AGVM today (the "**Deposit**"); and

4.2.2. the balance of RM10,800,000 (equivalent to approximately S$3,541,000, based on an exchange rate of RM1:S$0.3279) shall be paid in the following manner:

(i) RM1,500,000 (equivalent to approximately S$492,000, based on an exchange rate of RM1:S$0.3279) shall be paid within one (1) month from the date of the SPA;

(ii) RM1,800,000 (equivalent to approximately S$590,000, based on an exchange rate of RM1:S$0.3279) shall be paid within one (1) month from the date of receipt of the State Consent (as defined below); and

(iii) the balance of the Consideration shall be paid within four (4) months from the date of receipt of the State Consent (as defined below) (the "**Balance**"),

and pursuant to the terms of the SPA, to be utilized in the following manner:

(a) 3% of the Consideration shall be retained by the Purchaser's solicitors to be remitted to the Director-General of Inland Revenue of Malaysia within 30 days from the date of the SPA or from the date of conditional consent (if applicable) (the "**Retained 3%**");

(b) to redeem the Property from AmIslamic Bank Berhad (the "**Chargee Bank**"), and in the event the redemption sum is more than the Balance, AGVM shall pay the sum equivalent to the shortfall in order to fully redeem the Property;

(c) to pay AGVM's portion of the outgoings of the Property prior to the date of delivery of the legal possession of the Property, out of the Balance;

(d) to pay any other sums payable by AGVM in connection with the Proposed Sale, out of the Balance,

and thereafter the remaining balance shall be released and paid to AGVM. Further details on the manner in which the remaining balance of the Consideration will be utilized is set out in paragraph 5.2 of this announcement.

4.3. **Conditions Precedent**

Pursuant to the SPA, the completion of the Proposed Sale ("**Completion**") is subject to the following:

4.3.1. AGVM obtaining consent from the Johor State in relation to the Proposed Sale for the transfer of the title of the Property (the "**State Consent**");

4.3.2. the Purchaser obtaining loan financing of not less than 60% of the Consideration from a licensed commercial bank to finance the purchase of the Property (the "**Loan**");

4.3.3. AGVM undertaking the Leaseback (as defined below);

4.3.4. the resolution of the Board of Directors and shareholders (where applicable) of each of AGVM and the Purchaser having been obtained for the entry into and completion of the SPA and the transactions in connection therewith and incidental thereto;

4.3.5. all necessary consents, approvals and waivers of any government bodies and other regulatory authority, having jurisdiction over the SPA, the Property and all other transactions in connection therewith and incidental thereto, having been obtained or procured by AGVM and/or the Purchaser (as the case may be), and such consents, approvals and waivers not having been amended or revoked before Completion, and to the extent that such consents, approvals and waivers are subject to any conditions required to be fulfilled before Completion, all such conditions having been so duly fulfilled,

(collectively, the "**Conditions Precedent**").

The Purchaser has informed AGVM that it has in principle secured the Loan.

4.4. **Completion**

Completion of the Proposed Sale is expected to take place within four (4) months from the date of receipt of the State Consent (the "**Completion Date**"). Pursuant to the terms of the SPA, State Consent shall be obtained by no later than six (6) months from the date of the SPA.

4.5. **Termination and Refund**

In the event that:

4.5.1. the Property is subject to acquisition by the Malaysian government on or before the Completion Date, AGVM shall refund all monies paid by the Purchaser without interest and the SPA shall be treated as cancelled; or

4.5.2. the Purchaser fails to pay the balance of the Consideration or any part thereof or neglects or fails to perform any of the terms, conditions and stipulations on its part under the SPA, the Deposit shall be forfeited absolutely to AGVM as agreed liquidated damages and AGVM shall thereupon refund to the Purchaser all other sum or sums paid by the Purchaser under the SPA free of interest, and the SPA shall terminate; or

4.5.3. the Property is not registered in favour of the Purchaser for reasons not attributable to AGVM, the Purchaser shall be entitled to demand AGVM to refund all monies paid by the Purchaser, whereupon AGVM shall forthwith make such refund and thereafter the SPA shall be treated as terminated; or

4.5.4. the Property or any part thereof shall at any time before the date of the delivery of the legal possession be damaged or destroyed by fire or any other causes, the Purchaser shall be entitled to terminate this Agreement and AGVM shall refund to the Purchaser within 14 days from the date of notice of termination, all monies paid by the Purchaser;

4.5.5. State Consent is not obtained for any reason whatsoever, the SPA will be terminated, and AGVM shall refund to the Purchaser within 14 days from the date of notice of termination, all monies paid by the Purchaser under the SPA.

4.6. **Leaseback**

The Purchaser shall, at Completion (as defined below), enter into an agreement to grant a tenancy to AGVM over the Property, for a monthly rent of RM122,250 for a term of three (3) years, with an option to renew for two (2) consecutive terms of three (3) years each and on such other terms and conditions as the Purchaser and AGVM may agree on (the "**Leaseback**"). The Leaseback shall commence from (and including) the Completion Date.

4.7. **Acquisition of shares in Purchaser**

The Purchaser and the shareholders of the Purchaser, Mr Tang Choon Chai and Mdm Ang Bee Choon (the "**Subsequent Vendors**") have also granted an option for AGVM to purchase (the "**Option**"), in relation to 100% of the total issued and paid-up share capital of the Purchaser or, at the election of AGVM, the Property (the "**Proposed Subsequent Acquisition**"). The salient terms of the Option are as follows:

4.7.1. the consideration shall be the initial sum of RM5,107,000 and AGVM to take over whatever outstanding loan of the Purchaser remaining unpaid with Hong Leong Bank Berhad and service the same;

4.7.2. 10% of the Initial Sum to be paid upon the signing of the formal definitive agreement and 90% of the Initial Sum to be paid within three (3) months from the date thereof;

4.7.3. the Option may be exercised for the period commencing six (6) years from the entering into of the Leaseback and ending nine (9) years from the entering into of the Leaseback, by giving notice to the Subsequent Vendors; and

4.7.4. AGVM's exercise of the Option shall be conditional upon, amongst others, shareholders' approval, where necessary.

As at the date of this announcement, as the relative figures pursuant to Rule 1006 of the Catalist Rules (as defined below) for the Proposed Subsequent Acquisition does not exceed 75%, it does not constitute a major transaction pursuant to Rule 1014 and accordingly, no shareholder approval is required for granting of the Option.

5. RATIONALE AND USE OF PROCEEDS

5.1. The Board is of the view that the Proposed Sale and Leaseback will enable the Group to realise the value of the Property, reduce the bank loan originally taken up to finance the Property and strengthen the working capital position of the Group.

5.2. The estimated net proceeds from the Proposed Sale, after deducting expenses of approximately S$255,000 incurred in connection with the Proposed Sale, is expected to amount to approximately S$3,679,000. The Company intends to utilize the proceeds from the Proposed Sale in the following manner:

Purpose	Approximate Amount (RM'000)	SGD Equivalent (S$'000) (1)
Repayment of existing bank loans (2)	5,354	1,755
Working capital (3)	5,867	1,924

Notes:

(1) Based on an exchange rate of RM1:S$0.3279.

(2) Repayment of existing bank loans refers to the amount to be repaid to the Chargee Bank to redeem the Property from the Chargee Bank in accordance with paragraph 4.2.2 of this announcement.

(3) Working capital includes manpower costs, administrative expenses, purchases of raw materials, consumables and other operating expense for the Group's operations in Malaysia.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") LISTING MANUAL SECTION B: RULES OF CATALIST (THE "CATALIST RULES")

The relative figures for the Proposed Sale, computed on the bases set out in Rule 1006(a) to (e) of the Catalist Rules, based on the Group's latest announced consolidated financial statements for the half year ended 31 March 2020 are as follows:

Rule	Basis	Relative figure
1006 (a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	-37% (1)
1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	N.A. (2)
1006 (c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation, based on the total number of issued shares excluding treasury shares	25% (3)
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.
1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	N.A.

Notes:

(1) The Group's net liability value and the Property's net asset value were approximately -S$9,748,000 and S$3,649,000, respectively, as at 31 March 2020.

(2) There are no net profits attributable as the Group has the Property for its own use.

(3) Based on the consideration of RM12,000,000 (equivalent to approximately S$3,934,000 based on an exchange rate of RM1:S$0.3279) and the Company's volume weighted average price of S$0.024 as at 19 November 2020, being the last market day on which the shares were traded prior to the SPA. The total number of shares issued by the Company is 667,104,257 shares (excluding treasury shares and subsidiary holdings) and the market capitalisation of the Company is approximately S$16,011,000.

Whilst the relative figure computed on the basis of Rule 1006(a) is a negative figure, as the Proposed Sale falls within the scenario in paragraph 4.4(c) of Practice Note 10A of the Catalist Rules, the Company is required only to make an announcement of the Proposed Sale. As the relative figures under Rule 1006(a) and (c) of the Catalist Rules do not exceed 50%, the Proposed Sale constitutes a "discloseable transaction" under Rule 1010 of the Catalist Rules.

7. FINANCIAL EFFECTS

7.1. Bases and Assumptions

The financial effects of the Proposed Sale on the share capital, net tangible loss ("**NTL**") per share and earnings per share ("**EPS**") of the Group have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 September 2019.

For illustration purposes only, the financial effects of the Proposed Sale have been computed based on the following assumptions:

(a) the rights issue undertaken by the Group has been completed and the rights shares have been issued in relation thereto on 30 September 2019 (the "**Rights Issue**");

(b) the financial effects of the Group's NTL attributable to shareholders and the NTL per share have been computed assuming that the Rights Issue and the Proposed Sale was completed on 30 September 2019;

(c) the financial effects of the Group's earnings attributable to shareholders and EPS have been computed assuming that the Rights Issue and the Proposed Sale was completed on 1 October 2018; and

(d) that the expenses in connection with the Proposed Sale have been disregarded.

Please note that the financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Sale. No representation is made as to the actual financial position and/or results of the Company or Group following completion of the Proposed Sale.

7.2. Share Capital

	Before Completion and the Rights Issue	**After Completion and before the Rights Issue**	**After Completion and the Rights Issue**
Number of shares	185,946,440	185,946,440	667,104,257
Issued and paid-up share capital (S$'000)	15,122	15,122	27,151

7.3. Net Tangible Loss per share

	Before Completion and the Rights Issue	**After Completion and before the Rights Issue**	**After Completion and the Rights Issue**
NTL attributable to shareholders (S$'000)	(9,492)	(9,362)	(9,362)
Number of shares	185,946,440	185,946,440	667,104,257
NTL per share attributable to shareholders (Singapore cents)	(5.11)	(5.04)	(1.41)

7.4. **Earnings per share**

	Before Completion and the Rights Issue	After Completion and before the Rights Issue	After Completion and the Rights Issue
(Loss)/Net profit attributable to shareholders (S$'000)	(6,793)	(6,663)	(6,663)
Weighted average number of shares	175,261,440	175,261,440	289,506,333
(LPS)/EPS (Singapore cents)	(3.88)	(3.81)	(2.31)

8. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, AND CONTROLLING SHAREHOLDERS

As of the date of this announcement, none of the Directors, substantial shareholders, and controlling shareholders has any interests, direct or indirect, in the Proposed Sale, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as director of the Company in connection with the Proposed Sale. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. Completion of the Proposed Sale is subject to certain conditions. As at the date of this announcement, there is no certainty or assurance that the Proposed Sale will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA, the Valuation Report and the constitution of the Company will be available for inspection by prior appointment at the registered office of the Company at 22 Benoi Road 629892 during normal business hours for a period of three (3) months from the date of this announcement.

12. 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 enquires, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Sale and Leaseback, 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 the announcement in its proper form and context.

13. FURTHER ANNOUNCEMENTS

Further announcements will be made by the Company in relation to the Proposed Sale and Leaseback as and when appropriate.

BY ORDER OF THE BOARD

Chua Wei Kee
Executive Chairman

19 November 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 Kaeson Chui, Vice President, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.