



## 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 ANNOUNCEMENTS DATED 23 NOVEMBER 2021 IN RELATION TO (1) TERMINATION OF PROPOSED PLACEMENT; (2) MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN; AND (3) RECEIPT OF REQUISITION NOTICE FOR AN EXTRAORDINARY GENERAL MEETING

---

*Capitalised terms in this announcement shall have the same meanings as ascribed to them in the following announcements, unless otherwise defined: (i) the Company's announcement ref. no. SG211123OTHR3XK2 released on 23 November 2021 in relation to termination of proposed placement (the "Termination Announcement"); (ii) the Company's announcement ref. no. SG211123OTHR1GX1 released on 23 November 2021 in relation to material uncertainty in relation to going concern (the "Material Uncertainty Announcement"); and (iii) the Company's announcement ref. no. SG211123OTHRP27S released on 23 November 2021 in relation to receipt of requisition notice for an extraordinary general meeting (collectively, the "23 Nov Announcements").*

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 25 November 2021 regarding the Company's 23 Nov Announcements. Please refer to the 23 Nov Announcements for further information on the same.

#### Question 1

**In respect of the 7 Oct Proposed Placement, the Board had on 18 Nov 2021 been informed by the Lender (i.e. the Controlling Shareholder, Mr Chua Wei Kee) that he does not intend to perform his obligations under the Share Lending Agreement to lend and/or procure to lend (as the case may be) to the Company up to an aggregate of 200,000,000 Shares for delivery to the four (4) placees (the "7 Oct Placees") by the Company, unless certain conditions are met.**

**What are these 'conditions' that led the Lender to not perform his obligations under the Share Lending Agreement? When were these conditions agreed upon?**

#### Response

As at the date of the Share Lending Agreement, being 7 October 2021, Mr Chua Wei Kee holds 199,800,000 ordinary shares in the capital of the Company ("Shares"). Mr Chua Wei Kee is required to lend up to 200,000,000 Shares. As the Board recognised that he is short of 200,000 Shares to perform his obligations under the Share Lending Agreement, it was drafted in the Share Lending Agreement that Mr Chua Wei Kee is to lend and/or procure to lend (as the case may be) the said Shares, with the understanding that Mr Chua Wei Kee would acquire further shares in the open-market in the event of a shortfall such that he would be able to fulfil such obligations.

It had only recently come to the attention of the Board that Mr Chua Wei Kee had entered into a sale and purchase agreement (the "SPA") with Mr Alvin Poh Hsien Yang (the "Vendor") to acquire GRW Capital Limited, a shareholder of the Company holding 80,000,000 Shares (the "Share Acquisition"). The Board understands that the consideration for such purchase is the novation of debts owing by the Company to Mr Chua Wei Kee and/or companies controlled by him, amounting to approximately S\$1,900,000 (the "Debt"), to the Vendor.

The Company had earlier at the request of Mr Chua Wei Kee entered into novation of the Debt and a payment arrangement with Mr Chua Wei Kee and the Vendor for payment of the Debt in instalments to the Vendor. Mr Chua Wei Kee had previously given undertakings that he would not call on the repayment of certain debts owing to him by the Company and the Debt comprises such aforesaid debt.

In light thereof, the Company had as a term of the novation, required Mr Chua Wei Kee to guarantee the payment of the Debt to the Vendor, in the event the Vendor requests for repayment of the Debt from the Company and the Company is unable to repay the same. Under the terms of the payment arrangement, a sum of approximately S\$150,000 was due on 14 November 2021 as the first instalment payment of the Debt to the Vendor (the “**First Instalment Payment**”). When called upon by the Vendor to make the First Instalment Payment, the Company was not able to do so and had called on the Vendor to request for the First Instalment Payment from Mr Chua Wei Kee instead.

In furtherance of the payment guarantee, the Vendor requested for Mr Chua Wei Kee to make payment of the First Instalment Payment. Mr Chua Wei Kee refused to make the First Instalment Payment and instead requested for the Vendor to look to the Company for payment. Mr Chua Wei Kee informed the Board on 18 November 2021 that he was instead able to procure investors willing to invest in the Company of up to S\$500,000 in exchange for the issue of Shares to such investors at a later time and upon the receipt of such investment proceeds, the Company must then utilise the same to make the requisite instalment payment of the Debt to the Vendor (the “**Stipulated Condition**”).

The Board wishes to state for the record that the Board had separately reached out to the legal counsel of the Vendor (the “**Legal Counsel**”) and had been informed that all documentation necessary to effect the Share Acquisition had already been conveyed to Mr Chua Wei Kee. After knowing that the 7 Oct Placees would be unlikely to agree to a direct placement, the Board had then spoken to Mr Chua Wei Kee again on 19 November 2021. At this meeting, the Board queried Mr Chua Wei Kee on the status of the Share Acquisition again, informing him that they were aware that all necessary documents had purportedly already been conveyed to Mr Chua Wei Kee. In response, Mr Chua Wei Kee stated that the Board should disregard the representations made by the Legal Counsel. This is because, in Mr Chua Wei Kee’s mind, he has not agreed to the consideration amount for the Share Acquisition. At this juncture, it was put to Mr Chua Wei Kee that the consideration was stated in the SPA which was signed by all parties.

The Board wishes to clarify that the Share Lending Agreement, in any event, is separate from the Share Acquisition and such novation arrangement, and whilst the Board is in the midst of seeking legal advice on the same, the Board is of the view that Mr Chua Wei Kee’s obligation to the Company to perform the Share Lending Agreement remains, notwithstanding any other arrangements which Mr Chua Wei Kee may have with the Vendor. In the Board’s view, the Stipulated Condition is a condition unilaterally imposed by Mr Chua Wei Kee and accordingly, does not form part of the Share Lending Agreement.

The Board wishes to state for the record that they did not accept the Stipulated Condition because the Board, having considered the substance of the transaction contemplated, is, *inter alia*, of the view that:

- (a) Mr Chua Wei Kee had previously given undertakings that he would not call on the repayment of certain debts owing to him by the Company and the Debt comprises such aforesaid debt. To safeguard the interest of the Company, the Company has requested and Mr Chua Wei Kee has agreed, at the point of novation of the Debt, to guarantee the payment of, *inter alia*, the First Instalment Payment if the Company is unable to pay the same.
- (b) It would not be in the minority shareholders’ interest for the Company to raise funds from the public for the purpose of utilising part of such funds to pay off the First Instalment Payment as the First Instalment Payment forms part of the consideration for the Share Acquisition which is for the benefit of Mr Chua Wei Kee, and not the Company *per se*.
- (c) As Mr Chua Wei Kee has already made it clear that he will not provide financial support in full for the estimated 4-month Cash Gap, the Company would be insolvent. It is also not in the interest of the creditors of the Company that the Company would incur indebtedness simply to pay off a specific non-trade creditor at the instruction of Mr Chua Wei Kee.

## Question 2

Since the 7 Oct Placement has been terminated, the Board requested for Management to come up with a revised cashflow forecast for the next 12 months. With the cash gap determined, the Company then requested to drawdown on the financial support earlier undertaken to be provided by the controlling shareholder, Mr Chua Wei Kee, pursuant to an undertaking the Controlling Shareholder has given earlier.

**Please disclose what was the undertaking provided by the Controlling Shareholder earlier?**

### Response

The Controlling Shareholder had on 12 May 2021 provided a written undertaking to the Group that he would provide financial support of S\$4.4 million in the form of working capital to the Group, as and when the Group requires for the next 12 months. Concurrent with his resignation on 14 September 2021, Mr Chua Wei Kee had in his letter of resignation also stated that he will continue to provide the necessary financial support to the Group.

## Question 3

**In response to the Company's request, the Controlling Shareholder had however on 19 November 2021 stated unequivocally that he would not provide for the 4-month Cash Gap in full. The Controlling Shareholder has indicated that he would only be willing to directly provide less than 25% of the estimated 4-month Cash Gap. Even though the Board had reiterated to the Controlling Shareholder the significance of taking such a position (i.e. that the Company would become insolvent), the Controlling Shareholder was firm in the amount of financial support that he is willing and able to provide. As such, the Board is of view that there exists a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.**

- (a) What is the reason for the Controlling Shareholder's refusal to provide for the 4-month Cash Gap in full?**

### Response

The Controlling Shareholder did not provide any reason even when queried by the Board, and had only firmly stated that he is only willing and able to provide less than 25% of the 4-month Cash Gap.

- (b) What due diligence did the Board conduct to ascertain / verify that the Controlling Shareholder would be able and willing to fulfil his obligation as stated in the Undertaking? It is to be noted that the Board had, on various occasions, taken the Undertaking into consideration when confirming the Group's ability to continue as a going concern (including but not limited to announcements dated 29 August 2021; 31 August 2021; 16 September 2021; 10 November 2021).**

### Response

The Board was aware that the Controlling Shareholder is a successful business owner holding a controlling stake in the JD group of companies, which is also a zinc supplier of the Group. This had been verified through searches and declarations provided. In the course of the Group's transactions with the JD group of companies, the JD group of companies has continuously delivered the purchased zinc for the Group's use. This had given the Board the assurance that the JD group of companies is an established and reputable group, and hence spoke to the Controlling Shareholder's ability to fulfil his obligations as stated in the undertaking. On previous occasions, as and when the Group had sought to draw down on the financial support provided by the Controlling Shareholder, the Controlling Shareholder had been willing to provide such requested financial support. As at 30 September 2021, the Controlling Shareholder and the JD group of companies has provided financial support of approximately S\$1,900,000 to the Group. The Controlling Shareholder had also earlier indicated his confidence in and support for the Group on a number of occasions, including taking up excess rights in the rights issue exercise

completed in July 2020, and subscribing for placement shares as announced on 17 October 2021.

#### **Question 4**

**In para 3.5(a) of the 7 Oct Placement announcement on 8 Oct 2021, the Board stated that the present banking facilities and the working capital available to the Group is sufficient to meet its present requirements and the Company is undertaking the Proposed Placement in order to strengthen the Company's financial position. This is prior to considering the net proceeds from the Proposed Placement.**

**(a) Please explain the Board's basis for stating that.**

##### Response

The Board's basis on there being sufficient funds to meet its present requirements was on the Group's ability to generate sufficient cash flows from its operations and continued financial support from the Controlling Shareholder and the Group's institutional lenders as at the date of the 7 Oct Placement announcement.

However, as announced by the Company on 10 November 2021, in light of the updates set out therein, there will be a probable decline in revenue and net income. At such point in time, it had not been expected to affect the Group's ability to continue as a going concern taking into account, amongst others, the proposed placement proceeds and continued financial support from the Group's individual and corporate lenders.

**(b) Please elaborate on how such considerations / bases have changed such that the Board is of the view that there is material uncertainty on the group's ability to continue as a going concern.**

##### Response

Please refer to the Company's response to Q4(a). As there is now a probable decline in revenue and net income and clear indication that the Controlling Shareholder will not provide financial support in full for the estimated 4-month Cash Gap, the Board is no longer of the opinion the present banking facilities and the working capital available to the Group is sufficient to meet its present requirements.

#### **Question 5**

**AGV announced on 29 Aug 2021 the receipt of a complaint concerning Mr Chua Wei Kee, controlling shareholder and former Executive Chairman of the Company. The AC was conducting further investigations into the complaint.**

**What is the status of the investigation? Please provide details of findings to date, and Board's assessment of the materiality of such findings as well as the impact on operations.**

##### Response

The AC appointed internal auditors, Nexia TS Risk Advisory Pte Ltd ("**Nexia**"), to conduct further investigations into the complaint. Nexia has already conducted its preliminary round of interviews and fact-finding exercise. In the course of such fact-finding exercise, Nexia has uncovered more evidence which will require further verification. Nexia has also informed the AC that one of the whistle-blowers had, after the first round of interviews, been harassed and received threatening messages from a person claiming to be the mother of Mr Chua Wei Kee. The Board does not know if this person is indeed the mother of Mr Chua Wei Kee. The aforesaid whistle-blower also informed the AC that a police report had also been lodged by the same whistle-blower informing the police of red paint being splashed on the said whistle-blower's house. The Board also does not know who is the person who have splashed the red paint on the said whistle-blower's house. As such, in light of the above, the investigation has taken longer than originally expected. Nexia however, has shared its preliminary findings with the AC and the AC has instructed Nexia to continue with the investigation. Nexia is expected to issue its preliminary report in two (2) weeks' time. Shareholders will be updated as and when there are material developments.

## **Question 6**

**In view of the material uncertainty in relation to going concern, what are the Board's plans and next steps to lead the Company towards trading resumption?**

### **Response**

The Board had no prior knowledge of, nor received indication of, the Controlling Shareholder's intended withdrawal of financial support. The Controlling Shareholder had provided a written undertaking on 12 May 2021, and the written undertaking had been further affirmed during meetings that were minuted. Accordingly, immediately upon the Board being made aware of the Controlling Shareholder's withdrawal of financial support, the Board has immediately instructed Management to reach out to its creditors, suppliers and customers to endeavour to continue its business operations with minimal disruption while it navigates current challenges. Management is in the midst of doing so. At the present moment, the Board is exploring its options and will update SGX and its shareholders as and when there are material updates.

## **Question 7**

**Please provide updates to the 17 Oct 2021 Proposed Placement of 28,888,888 shares to the Controlling Shareholder, Mr Chua Wei Kee, to raise \$260,000.**

As one of the conditions precedent to and grounds of termination of the placement agreement entered into with Mr Chua Wei Kee is for trading of the Company's shares not having been suspended, the Company had on 26 November 2021 sent a notification of termination of the placement agreement to Mr Chua Wei Kee.

### **BY ORDER OF THE BOARD**

Chong Kwang Shih  
Lead Independent Director

28 November 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.*