AGV GROUP

Let's Galvanize The World

ANNUAL REPORT 2017

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 641 5 9886.

CORPORATE PROFILE

The AGV Group and its subsidiaries provide hot-dip galvanizing services to the steel and iron fabrication industries. It currently owns and operates two hot dip galvanizing plants.

The Group's primary hot-dip galvanizing plant at 22 Benoi Road is strategically located in the heart of Singapore's heavy industries in Tuas. This plant operates round the clock throughout the year, with a capacity for up to 5,000 tonnes of hot dip galvanizing each month, making it one of the leading providers of hot-dip galvanizing services in Singapore. The Group's second hot-dip galvanizing plant is located in Johor's Pasir Gudang industrial town. This facility can handle up to 5,000 tonnes of hot dip galvanizing a month. Together, the AGV Group serves over 900 clients from diverse industries across the public and private sectors.

AGV is founded by Mr Albert Ang and Mr James Ang. The Company was listed on the Catalist Board of the SGX-ST on 26 August 2016.

For more information please visit: www.agvgroup.com

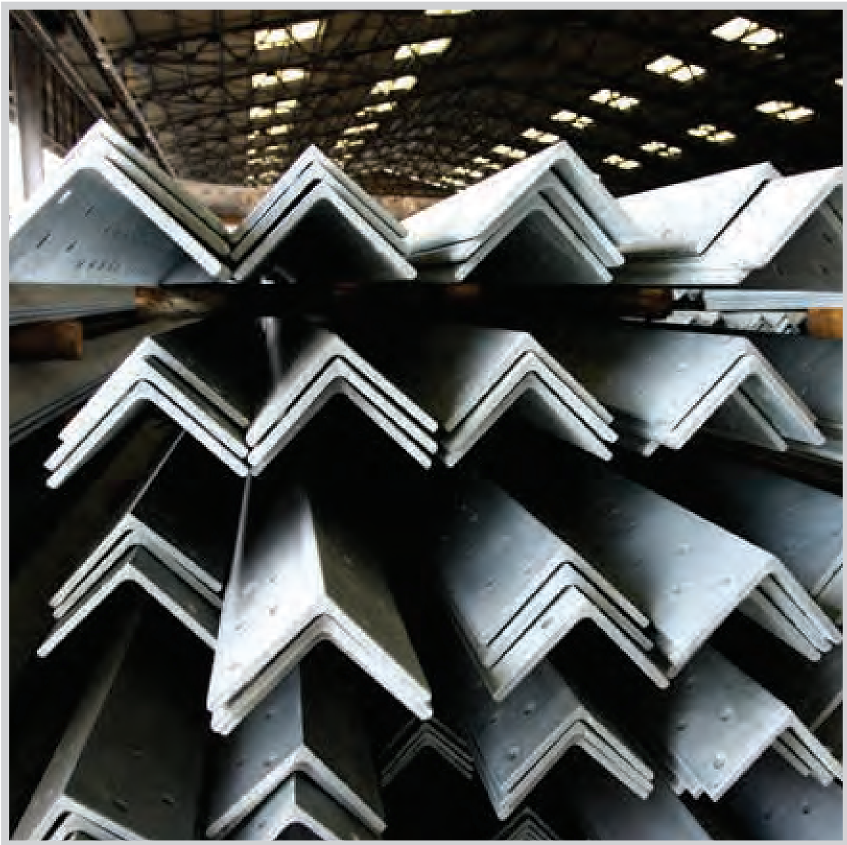
CHAIRMAN'S STATEMENT

Demand for our services is likely to remain strong as no less than **S$26 billion** worth of construction contracts are expected to be awarded every year from 2017 to 2020.

Dear Shareholders,

2017 was a challenging year for AGV Group as the local construction and oil and gas sectors were weak and the Company was affected, reporting a decline in tonnage of services rendered for FY2017. We also encountered higher operating costs. Whilst the industry conditions are beyond our control, we utilised our resources and energy to strengthen our operations both in Singapore and Malaysia and to also look at opportunities beyond Singapore.

In our endeavour to explore more lucrative markets for growth and to replicate our business model in more geographies, I am pleased to inform shareholders that we have recently entered into a memorandum of understanding (the "MOU") in January 2018 with Myat Mi Ba Company Limited ("MMB"), a Myanmar company, to incorporate a new joint venture ("JV") in Myanmar for the purposes of providing hot dip galvanizing services. With the experience of setting up



and operating a hot-dip galvanizing plant in Singapore and Johor, we are optimistic that our new venture in Myanmar will be successful.

We have also set up a new wholly-owned subsidiary in the People's Republic of China ("PRC") with the intention to enter into the business of providing solutions for water and waste treatment. In our core business of galvanising, there is some waste discharge which we need to take care of. We believe this new business is complementary to our core business. Also, in preparation for new business segments, we have also set up two new wholly-owned subsidiaries in 2017 with the intention to explore opportunities in suitable investments for the Group. Even in times of adversity, these exploratory steps are necessary so that we can be better prepared for the future when opportunities arise.

According to preliminary estimates by the Building and Construction Authority ("BCA") announced in January 2018, the total construction demand in 2017 was S$24.5 billion, below the projected S$28 billion to S$35 billion. The unexpected weak construction in 2017 has adversely affected the demand of our services. However on a positive note, the BCA expects the construction demand in 2018 to be between S$26 billion and S$31 billion, better than that in 2017 as some major public sector infrastructure projects, such as the North-South Corridor, have been rescheduled from 2017 to 2018. Moreover, the recent slew of property en bloc sales over the past one year points to a potential increase in private sector construction in the coming years. The increase in construction demand augurs well for the demand for our services going forward.

Also on behalf of the AGV Group, I would like to thank Mr Chng Weng Wah, who had resigned from the Board with effect from 19 May 2017, for his contributions to the Company. Mr Chng was appointed as our Non-executive Director on 1 April 2016, before the company was listed on the SGX. On behalf of the board, we wish Mr Chng all the best in his future endeavours.

Lastly, on behalf of the Board, I would like to thank all our clients and business partners for their continued support for AGV. I also wish to thank the management team and AGV employees for their diligence and commitment to the Group. Let us look forward to a better year ahead.

JACK CHIA SENG HEE
Non-Executive Chairman and
Independent Director

CEO'S STATEMENT

Dear Shareholders,

Firstly we would like to sincerely apologize that the annual report has reached you late this year. We have sought from SGX for an extension of time for the release of our FY2017 results and the convening of the AGM. Our auditors have requested that an independent third party valuer be appointed with regards to the business combination between our subsidiary, Asia Galvanizing (S) Pte Ltd ("AGV S") and associated company, AGV Holdings Pte Ltd ("AGV H") during the financial year. The independent valuer needed time to conduct the valuation and prepare its report. Thus the finalisation of our FY2017 Results was delayed, subsequently the issuance, printing and delivery of this annual report were delayed as well. We seek your understanding in this matter.

Ever since AGV Group was established, we have been profitable. But for FY2017, demand of our services shrunk, adversely affecting our bottom line. Nonetheless, this setback has not dented our aspiration in planning for the future. In FY2017, we took a few decisive steps in paving our way forward.

Financial Performance

For the financial year ended 30 September 2017 ("FY2017"), our revenue retreated by approximately 11.0% to S$18.0 million. This decrease was mainly due to the decline in tonnage of hot dip galvanizing services provided. On a macro level, the construction demand in Singapore in 2017 was weaker than expected. The preliminary estimates by the Building and Construction Authority ("BCA") announced in January 2018 showed that the total construction demand in 2017 was S$24.5 billion, below the projected S$28 billion to S$35 billion. Also, the price of zinc, which is one of our major cost components, have surged to its highest in almost a decade and it is challenging to fully pass the cost on to our customers.

Other income has also declined; however, this was mainly because there were significant sales of consumables for FY2016, which were negligible in FY2017. The sales of consumables refer to the zinc and pre-treatment chemicals supplied to our plant in Johor.

In FY2017 employee benefits expense increased 21.2% to S$6.0 million mainly due to an increase in the number of directors and headcount. Other expenses increased by 41.7% to S$5.1 million mainly due to an aggregate increase of expenses such as gas supply, waste disposal, business development, bad debt, legal and professional, consultation, provision for impairment of assets and upkeep of motor vehicles.

The lower revenue and higher expenses resulted in a loss attributable to shareholders of about S$4.1 million for FY2017.

Financial Position and Cash Flow

The Group's non-current assets as at 30 September 2017 was S$22.3 million, about S$5.7 million higher than that as at 30 September 2016, mainly due to the increase in property, plant and equipment ("PPE") which was a result of the inclusion of the PPE attributable to our plant in Johor and goodwill arising from acquisition of subsidiary. Current assets however declined mainly due to the lower other cash and bank balances. Non-current liabilities of S$2.5 million as at 30 September 2017 declined by S$2.1 million from a year ago mainly due to an aggregate decline in finance lease and borrowings. Current liabilities increased by S$6.1 million from S$13.5 million as at 30 September 2016 to S$19.7 million as at 30 September 2017 mainly due

to a S$5.9 million aggregate increase in finance lease and borrowings. The Group's net equity has declined from a year ago mainly due to the net loss.

In FY2017, net cash used for operating activities amounted to S$2.1 million. Net cash used in investing activities amounted to S$0.6 million in FY2017 mainly due to addition of PPE and the business combination between AGV S and AGV H. Net cash used in financing activities amounted to S$1.1 million in FY2017. As a result of the above, the net cash and cash equivalents was S$0.3 million as at year end.

We are currently working closely with our bankers and seeking out potential partners and/or investors to also support our growth strategy.

Paving for Future Growth

We have expanded our business from Singapore to Malaysia and are now taking firm steps to enter new markets. We entered into a memorandum of understanding (the "MOU") with Myat Mi Ba Company Limited ("MMB"), a Myanmar company, to set up a joint venture in Myanmar to provide hot dip galvanizing services. We have also established a new wholly-owned subsidiary in the People's Republic of China ("PRC") to engage in the business of providing solutions for water and waste treatment. Besides that, we have incorporated two new wholly-owned subsidiaries to explore suitable investments. Though the current business conditions and environment may seem challenging, we believe we need to take these steps so that we can be future-ready.

Looking Ahead

We had anticipated that the passing of part of the increase in cost of zinc to our customers may result in a drop in sales volume. Notwithstanding this, we believe our customers will gradually adjust to the revised pricing, and we are optimistic that business will gradually recover once the capacity in the industry is soaked up.

The local construction demand in 2018 is expected to be better than 2017 with BCA expecting it to be between S$26 billion and S$31 billion. The spate of recent en-bloc sales of properties will also lead to an increase in the building of new residential projects over the next few years. Across the Causeway, the Johor state government plans to transform the Johor Bahru city centre into an international business district and is prepared to put in a total investment of RM20 billion to improve infrastructure. Besides, the Pengerang Integrated Petroleum Complex ("PIPC"), an upcoming oil and gas industry hub at Pengerang, has already attracted investment worth billions of ringgit from Petronas and Saudi Aramco. These developments augur well for the Group as demand for hot-dip galvanizing in Singapore and Malaysia is expected to remain positive.

Albert Ang
Executive Director and
Chief Executive Officer

INVESTMENT HIGHLIGHTS

1. One of Singapore's leading providers of hot-dip galvanizing services to the steel and iron fabrication industries, with a well diversified client base.

2. High barriers to entry due to significant capital expenditure and expertise needed.

3. Growing demand for hot-dip galvanizing services due to increasing public sector works and infrastructure construction in Singapore.

4. Hot-dip galvanizing found in almost every major application and industry where steel is used; considered one of the most common and cost-effective methods of metallic coating.

5. Strategically located plant operates 24/7 and is within close proximity to most customers or companies in the steel and iron fabrication markets.

BOARD OF DIRECTORS

Our Board is responsible for our Group's overall management and direction. Information on the business and working experience of the Directors is set out below.

JACK CHIA SENG HEE

Non-Executive Chairman and Independent Director

Jack Chia Seng Hee was appointed Independent Director of the Company on 1 April 2016.

He is the Non-Executive Chairman of the board of directors and Chairman of the Audit Committee. He is also a member of the Remuneration and Nominating Committees.

Jack Chia Seng Hee graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Master of Arts in International Relations. He is qualified as a Fellow of the Institute of Singapore Chartered Accountants. He also completed the General Manager Program at Harvard Business School.

After 20 years in both the private and public sectors, substantially in Japan and China, with Arthur Andersen, Singapore Technologies, the Government of Singapore Investment Corporation (GIC) and the International Enterprise Singapore Board, he decided to embark on a career as a professional director, specializing in corporate governance. Jack Chia Seng Hee's present directorships in other listed companies include Combine Will International Holdings Limited, Debao Property Development Limited, Dukang Distillers Holdings Limited, mm2 Asia Ltd and Shanghai Turbo Enterprises Limited.

Currently he spends most of his time in Chongqing and Singapore.

ALBERT ANG

Executive Director and CEO

Albert Ang is our CEO, Executive Director and Managing Director. Albert Ang was appointed to the Board on 2 October 2015. He is responsible for the strategic planning, overall management and business development of our Group.

As CEO, Albert Ang is directly responsible to the Board of Directors for the diligent management of our Group. He ensures that the Group is operated in accordance with the instructions of the board and all agreed management principles and procedures.

Having been in the hot-dip galvanizing industry for the past 20 years, Albert Ang has vast experience in the setting up, operation and management of large galvanizing plants, and provides the technical and operational expertise necessary to run our plant efficiently.

He is responsible for ensuring that our Group meets its business objectives, and formulating new business development plans to grow our Group. He is familiar with the business environment of Singapore and has developed extensive clientele knowledge over the years.

Albert Ang was previously a shareholder and the group general manager for Super Galvanising Pte Ltd in Singapore, which he joined in 1998. His past experience includes running Super Galvanising Pte Ltd's business operations, corporate finance, business development, marketing and group expansion strategy.

During his employment in Super Galvanising Pte Ltd, he was also involved in the company's expansion in Dubai. As an executive director in Super Galvanising LLC Dubai, he was in charge of managing the company's daily operations and business development.

In 2008, Albert Ang joined Fastcoat Industries Pte Ltd, a Singapore-registered company with an operational hot dip galvanizing plant in Batam, Indonesia, as an executive director and partner. He was responsible for setting up the operations of the company, as well as managing its business development.

BOARD OF DIRECTORS

JAMES ANG
Executive Director and COO

James Ang is our COO, Executive Director and Deputy Managing Director. He was appointed to the Board on 22 January 2016.

James Ang has been in the hot-dip galvanizing industry in Singapore since 1989. During this time, he has been involved in the marketing and operations of three successful and leading hot-dip galvanizing plants in Singapore.

In 1988, James Ang joined Progress Manufacturing Pte Ltd, and was involved in the general management of the company, overseeing its marketing and operations. In 1997, he joined Super Galvanising Pte Ltd as a shareholder and later a director. In 2009, he joined Fastcoat Industries Pte Ltd as an executive director.

James Ang has vast experience in the operations and marketing aspects of the hot-dip galvanizing business. He has developed strong relationships and rapport with industry clients and end-users.

As COO, James Ang is directly responsible for the daily operations and marketing function of our Group. He will also assume the role of deputy CEO in the absence of Albert Ang.

ANG GHEE ANN
Executive Director

Ang Ghee Ann is our Executive Director and was appointed to the Board on 21 January 2016.

He is primarily responsible for the development of our Group's future overseas expansion and development.

Ang Ghee Ann was formerly a managing director and founder of MA Builders Pte Ltd.

YEONG CHUN SONG
Non-Executive Director

Yeong Chun Song is our Non-Executive Director and was appointed to the Board on 22 January 2016. He is the executive director of MA Builders Pte Ltd and director of YAL Enterprise Pte. Ltd., a company involved in machinery and equipment leasing.

He was the executive director of Aloft Builders Pte Ltd, a company involved in the building construction industry.

TOH HOCK GHIM
Independent Director

Toh Hock Ghim is our Independent Director and was appointed to the Board on 1 April 2016.

Mr Toh joined the Ministry of Foreign Affairs of Singapore in 1966. In 1991, he became the director of the ASEAN Directorate in the Foreign Ministry. Before and after this appointment, he served as ambassador and in other capacities in Singapore's embassies in Malaysia, the Philippines, Thailand and Vietnam. He was Singapore's Consul-General in Hong Kong and Macau from 2002 to 2007. Upon his return from Hong Kong and Macau in 2008, he was appointed Senior Adviser to the Foreign Ministry.

In addition to these public appointments, Mr Toh is the chairman of Singapore-listed DiSa Limited. He also sits on the Board of Singapore-listed AnAn International Limited, Hong Kong-listed FDG Kinetic Limited and Korean-listed Fourth Link Inc.

Mr Toh obtained his Bachelor of Arts Degree from the University of Singapore in 1966. He was a Colombo Plan scholar.

BENJAMIN CHOO
Independent Director

Benjamin Choo is our Independent Director, and was appointed to the Board on 1 April 2016. After graduating from the National University of Singapore in 2001, Benjamin Choo started pupillage with the financial services department of Allen & Gledhill. In 2003, he joined Edmond Pereira & Partners, where his main focus was on white-collar criminal litigation and general regulatory and corporate advisory work. In 2005, Benjamin Choo joined the corporate team of TSMP Law Corporation and was appointed as director in 2009. He started his second stint with Edmond Pereira & Partners (now corporatized as Edmond Pereira Law Corporation) in April 2012 to helm the Corporate and Transactions practice.

Benjamin Choo's current practice includes mergers & acquisitions, joint ventures, corporate finance and advising on securities regulations. His work has been recognised by The Asia Pacific Legal 500 (2007/2008 Ed, 2008, 2009 Ed & 2009/2010 Ed). He is also listed in Chambers Asia Pacific 2011 as a Leading Individual – Investment Funds: Domestic Firms. He has also been a member of the Inquiry Panel constituted under the Legal Profession Act since 2011, and the Complaints and Disciplinary Panel constituted under the Accountants Act from 2010 to 2014.

KEY MANAGEMENT STAFF

LEE YU LEUNG
Financial Controller

Lee Yu Leung is our financial controller. He joined our Group in April 2015. He oversees all of our financial, accounting and tax-related matters. Prior to joining our Group, he was the group financial controller of Swee Hong Limited, a civil engineering works and microtunnelling works company listed on the SGX-ST, from January 2010 to March 2014. Before that, he was the group financial controller of Koon Holdings Limited, a construction and civil engineering conglomerate listed on both the Australian Stock Exchange as well as the SGX-ST, from October 2005 to April 2009. From November 2004 to July 2005, he worked with Ernst & Young as an audit senior, and from January 2003 to November 2004, he worked as a freelance consultant for various financial services projects with Corporate Advisory Partners and Low Chee Chen & Co. From January 2001 to December 2002, he worked as an audit assistant, and subsequently, an audit senior, in Deloitte & Touche LLP.

He graduated from the University of New England, New South Wales, Australia in 1997 with a Bachelor of Financial Administration and in 1999 with a Master of Accountancy. He has been a member of the Institute of Internal Auditors – Singapore since January 2003, a member of the Institute of Singapore Chartered Accountants since January 2010 and a member of CPA Australia since July 2005.

COLIN CHEN
Head of Administration

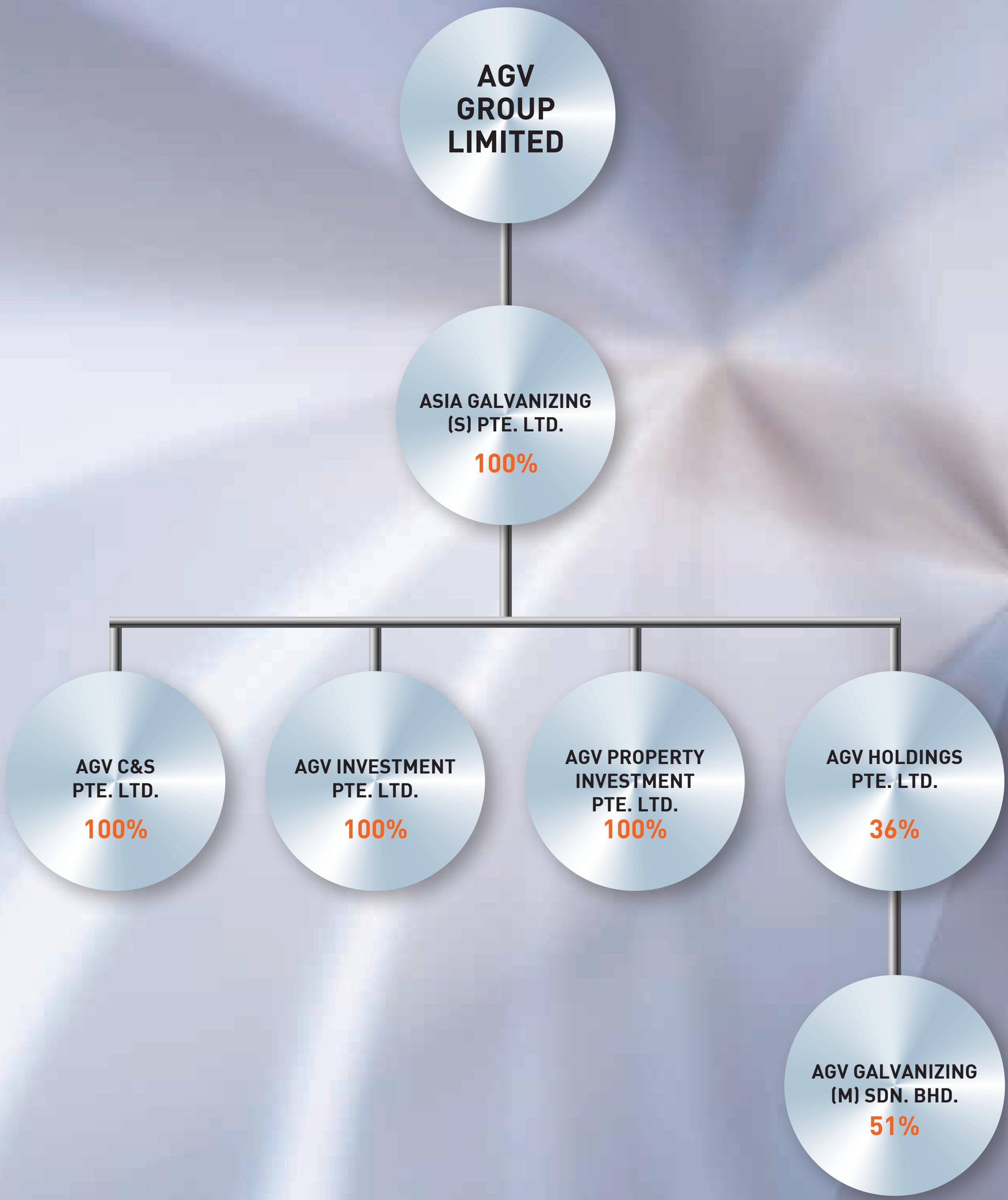
Colin Chen has been with Asia Galvanizing (S) Pte Ltd since its incorporation in 2011 and has been instrumental in building up the early team and in helping to shape the processes and systems within the organisation.

His duties include taking care of our Group's information technology solutions and general administrative matters, including human resources management. He manages an administration team responsible for the running of the day-to-day operations of the office.

He is also responsible for hiring foreign workers and monitoring workers' monthly salaries and overtime. He also ensures constant communication with staff members to maintain a working relationship that is tailored to the specific needs of the team.

He graduated from the Hawaii Pacific University in the United States with a Bachelor of Science (Business Administration in Computer Information Systems in 1996, and with a Master of Science in Information Systems in 1997.

GROUP STRUCTURE



CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of AGV Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recognises the importance of corporate governance to shareholders and is committed to ensuring the practices recommended in the Code of Corporate Governance 2012 (the "**Code**") are practiced throughout the Group.

The Company believes it has largely complied substantially with the principles and guidelines of the Code. Where there are deviations from the recommendations of the Code, the Company has provided the reasons and explanations in relation to the Company's practices, where appropriate.

The following is a summary of the corporate governance practices of the Company with reference to the Code:

Principle 1: The Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

As at the date of this Annual Report, the Board comprises Mr Albert Ang, Mr James Ang, Mr Ang Ghee Ann, Mr Jack Chia Seng Hee, Mr Toh Hock Ghim, Mr Benjamin Choo and Mr Yeong Chun Song. The Board oversees the management of the Group. It reviews strategies, policies and financial performance and assesses key risks provided by Management as well as the adequacy of internal controls and risk management of the Group. Day-to-day management and implementation of business strategies are delegated to the Executive Directors. Each director is expected during the course of carrying out his duties, to act in good faith and to make decisions objectively at all times, as fiduciaries in the best interest of the Company.

To assist in the execution of its responsibilities, the Board has established an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**") (collectively the "**Committees**"). The Committees however, will not relieve the Board of its responsibilities. The Board accepts that while these Committees have the authority to examine particular issues and to report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the entire Board. Each of the Committees has its own written terms of references and the minutes of meetings of these Committees are circulated among the Board.

The Board meets at least two times in each financial year. Unscheduled meetings will also be convened on an ad-hoc basis where warranted by the circumstances. Teleconferencing and video conferencing at meetings is permitted under the Company's Constitution. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of written resolutions.

During the financial year ended 30 September 2017, the board held two Board meetings, two AC meetings, two NC meetings and one RC meeting.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Committees during the financial year ended 30 September 2017 were as follows:

	Committee			
	Board	**Audit**	**Nominating**	**Remuneration**
Number of Meetings held:	2	2	2	1
Name of Director				
Mr Albert Ang	2	2 (invited)	1 (invited)	1 (invited)
Mr James Ang	2	2 (invited)	1 (invited)	1 (invited)
Mr Ang Ghee Ann	2	2 (invited)	N.A.	1 (invited)
Mr Yeong Chun Song	2	N.A.	N.A.	N.A.
Mr Chng Weng Wah[1]	2	1 (invited)	N.A.	N.A.
Mr Jack Chia Seng Hee	2	2	2	1
Mr Toh Hock Ghim	1	1	1	–
Mr Benjamin Choo	2	2	2	1

Note:

(1) Mr Chng Weng Wah resigned as a Non-Executive Director of the Company on 19 May 2017.

The Board's role is to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review Management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, such as environmental and social factors, as part of its strategic formulation.

The Board's approval is required for matters including but not limited to the following:

(a) setting the strategic objectives of the Company;

(b) material acquisition or disposal of assets, major investments and fund-raising activities;

CORPORATE GOVERNANCE REPORT

(c) announcements of financial results;

(d) approving appointments to the Board and the various Board committees;

(e) recommending dividend payments; and

(f) assuming responsibility for corporate governance practices.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board's decision has been adopted by the Board.

Formal letters of appointment are furnished to every newly-appointed director upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board. Such newly-appointed director will also undergo an orientation and briefing by Management to familiarise him/her with the Group's business and governance practices. The Board is updated, from time to time, when new laws or regulations affecting the Group are introduced. The professional advisors to the Company conduct briefings and presentations to update the Board in this regard. The directors are also encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as directors to the Company.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at 30 September 2017, the Board comprises seven directors, three of whom are executive. Of the remaining four non-executive directors, three are independent. The Composition of the Board is as follows:

Name of Directors	Board (Designation)	Audit Committee	Nominating Committee	Remuneration Committee
Albert Ang	Executive Director/CEO	–	–	–
James Ang	Executive Director/COO	–	–	–
Ang Ghee Ann	Executive Director	–	–	–
Yeong Chun Song	Non-Executive Director	–	–	–
Jack Chia Seng Hee	Independent Director and Non-Executive Chairman	Chairman	Member	Member
Toh Hock Ghim	Independent Director	Member	Chairman	Member
Benjamin Choo	Independent Director	Member	Member	Chairman

The independence of each director is reviewed annually by the Nominating Committee. The Board has determined, taking into account the views of the Nominating Committee, that the aforesaid directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgement of each of the aforesaid directors.

CORPORATE GOVERNANCE REPORT

The Board comprises directors who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Company. The Board also provides core competencies such as accounting and finance, and business and management experience and this enables Management to benefit from a diverse and objective external perspective on issues raised before the Board.

The Non-Executive Directors:

(a) constructively challenge and help develop proposals on strategy; and

(b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

As of the date of this Annual Report, none of the Independent Directors of the Company sits on the boards of the Company's subsidiaries.

To facilitate a more effective check on Management, the Non-Executive Directors are encouraged to meet regularly without the presence of Management.

The Board constantly examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Group's current operations, the requirement of the business and the need to avoid unnecessary disruptions from changes to the composition of the Board and Committees.

The Board considers its current size appropriate for effective decision making. When the Board appoints new directors, the Board will take into consideration the candidates' skill sets with regard to the operation of the Group.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Non-Executive Chairman of the Board is Mr Jack Chia Seng Hee and the CEO is Mr Albert Ang.

The duties of the Non-Executive Chairman include the following:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of openness and debate at the Board level;

(d) ensuring that the directors receive complete, adequate and timely information;

(e) ensuring effective communication with shareholders;

(f) encouraging constructive relations within the Board and between the Board and Management;

(g) facilitating the effective contribution of Non-Executive Directors in particular; and

(h) promoting high standards of corporate governance.

CORPORATE GOVERNANCE REPORT

The CEO is responsible for the corporate policies and overall business strategy of the Group. He oversees the day-to-day operations of the Group.

The separation of the roles of the CEO and the Non-Executive Chairman ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. In view that the Non-Executive Chairman and the CEO are different persons, the Company is not required under Guideline 3.3 of the Code to appoint a Lead Independent Director.

The Independent Directors meet at least once annually without the presence of the other directors and where necessary, the Independent Directors would provide feedback to the Non-Executive Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("**NC**") comprises the Independent Directors, namely, Mr Toh Hock Ghim, Mr Jack Chia Seng Hee and Mr Benjamin Choo. Mr Toh Hock Ghim is the Chairman of the NC.

The NC makes recommendations to the Board on all board appointments, with written terms of reference, which clearly set out the authority and duties of the NC.

The duties of the NC include the following:

(a) reviewing Board succession plans for directors, in particular, the Chairman and the CEO;

(b) review and approve any new employment of related persons and proposed terms of their employment;

(c) developing a process for evaluating the performance of the Board, its committees and directors;

(d) reviewing training and professional development programs for the Board;

(e) making recommendations to the Board on the appointment and re-appointment of Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

(f) regularly reviewing the Board's structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;

(g) determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

(h) determining, on an annual basis, if a director is independent. If the NC determines that a director, who has one or more of the relationships mentioned under the Code is in fact independent, the NC shall provide its views to the Board for the Board's consideration. Conversely, the NC may at its discretion determine a director as non-independent even if he has no business or other relationships with the Company, its related companies or its officers, and the NC shall similarly provide its views to the Board for the Board's consideration;

(i) recommending directors who are retiring by rotation to be put forward for re-election;

CORPORATE
GOVERNANCE REPORT

(j) deciding whether a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple board representations;

(k) assessing the effectiveness of the Board as a whole and in respect of the assessment of the contribution and commitment of individual directors, this is done on an exception basis; and

(l) conducting a review on the performance of the Board and the Board committees as a whole.

Details of the appointment of the Company's current directors including date of initial appointment and directorships in other listed companies, both current and for the preceding three years, are set out below:

Name of Director	Age	Date of Initial Appointment	Present Directorship in other Listed Companies	Past Directorship in other Listed Companies in the past three years	Other Principal Commitments
Mr Albert Ang	51	2 October 2015	N.A.	N.A.	N.A.
Mr James Ang	48	22 January 2016	N.A.	N.A.	N.A.
Mr Ang Ghee Ann	57	22 January 2016	N.A.	• Elektromotive Group Limited	N.A.
Mr Yeong Chun Song	65	22 January 2016	N.A.	N.A.	• MA Builders Pte Ltd • YAL Enterprise Pte Ltd
Mr Jack Chia Seng Hee	57	1 April 2016	• Combine Will International Holdings Limited • Debao Property Development Ltd. • Dukang Distillers Holdings Ltd • Shanghai Turbo Enterprises Limited • mm2 Asia Ltd.	• Sunray Holdings Limited (delisted) • China Hongcheng International Limited (delisted)	N.A.
Mr Toh Hock Ghim	75	1 April 2016	• AnAn International Limited (fka CEFC International Limited) • Disa Limited (fka Equation Summit Limited) • FDG Kinetic Limited (fka CIAM Group Limited)	• Lifebrandz Ltd.	• Fourth Link Inc
Mr Benjamin Choo	41	1 April 2016	N.A.	N.A.	• Director at Edmond Pereira & Partners

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The NC notes that under the Code, the independence of any Director who has served on the Board beyond nine (9) years from the date of first appointment should be subject to particularly rigorous review. At present, there are no Independent Directors who have served beyond nine (9) years since the date of his first appointment.

The NC has discussed and addressed the implications of competing time commitments that may be faced when directors serve on multiple boards and have other principal commitments.

The Board is of the view that at present, it would not be meaningful to define the maximum number of listed company directorships which any director may hold. The NC would monitor and determine annually, on a case-by-case basis, whether directors have given sufficient time and attention to the affairs of the Company and adequately carried out their duties as directors of the Company.

The NC is satisfied that in FY2017, where a director had other listed company board representations and/or other principal commitments, the director was able to carry out, and has been adequately carrying out, his duties as a director of the Company.

The Company has adopted a comprehensive and detailed process in the selection of new directors. Candidates will be first sourced through an extensive network of contacts and selected based on, *inter alia*, the needs of the Group and the relevant expertise required. When necessary, the NC may seek the help of external consultant(s) in the search process. In selecting suitable candidates, the Board, in consultation with the NC, will consider the Group's strategic goals, business direction and needs. The Board will also consider gender diversity requirements in seeking any new appointment to the Board. The NC will conduct interviews with the candidates, and nominate the candidate deemed most suitable for appointment to the Board.

In recommending a director for re-election to the Board, the NC considers, *inter alia*, his/her performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). All directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years. Pursuant to Regulation 97 of the Company's Constitution, one-third of the Board is to retire from office by rotation and be subject to re-election at the Annual General Meeting ("**AGM**"). In addition, Regulation 103 of the Company's Constitution provides that a newly appointed director must retire and submit himself or herself for re-election at the next AGM following his or her appointment. Thereafter, he/she is subject to be re-elected at least once every three (3) years. For FY2017, the directors retiring at the AGM pursuant to Regulation 97 of the Constitution are Mr Jack Chia Seng Hee, Mr James Ang Nam Heng and Mr Yeong Chun Song. Mr Yeong Chun Song has indicated his intention to retire as a Director of the Company and as such, he will not be seeking re-election at the AGM. After assessing the contributions of Mr Jack Chia Seng Hee and Mr James Ang Nam Heng, the NC has recommended the respective re-elections of Mr Jack Chia Seng Hee and Mr James Ang Nam Heng at the forthcoming AGM.

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Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC assesses the effectiveness of the Board as a whole by taking into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board. The Board is expected to act in good faith, with due diligence and care in the best interests of the Company to enhance long-term shareholders' value. The NC Chairman considers each director's relevant experience, industry knowledge and functional expertise, and monitors the attendance and participation of each director at Board and Committee meetings and availability for consultation and advice when required. The assessment will be conducted by the NC at least once a year. The Chairman of the NC will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate that new members be appointed to the Board. No external facilitator has been appointed by the Company.

The NC has conducted the assessment of effectiveness of the Board as a whole for the financial year ended 30 September 2017. After conducting the assessment exercise, the NC considers the Board's performance to be satisfactory.

The Company has not implemented an individual assessment of effectiveness of the individual directors for FY2017 as the Board is of the view that the Board is relatively new and members are still familiarising themselves with the individual working style of each director. As such, an individual assessment of effectiveness would be more relevant when the Board members are better acquainted with each other. The Company is currently looking to implement the individual assessment of effectiveness from FY2018 onwards.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management has an obligation to supply the Board with complete, adequate and timely information prior to meetings and on a regular basis to enable them to fulfill their duties properly. Management is also prepared to provide further information and explanation on materials given to directors and to meet to discuss any issue prior to a Board meeting, if required. In exercising their duties, the directors have separate and independent access to Management and the Company Secretary. Directors are entitled to request from Management and are provided with such additional information as is needed to make informed decisions, and may seek independent professional advice and services on any areas they deem necessary, at the expense of the Company.

The Company Secretary or a representative from the Company Secretary's office will attend all Board meetings and Committee meetings when necessary and is responsible for the proper maintenance of the records of Board and Committee meetings and records of discussions on key deliberations and decisions taken.

The Company Secretary renders necessary assistance to the Board, and ensures meeting procedures are followed and the applicable laws and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between Management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

Pursuant to the Constitution of the Company, the appointment and removal of the Company Secretary requires the approval of the Board.

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Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("**RC**") comprises the Independent Directors, namely, Mr Benjamin Choo, Mr Jack Chia Seng Hee and Mr Toh Hock Ghim. Mr Benjamin Choo is the Chairman of the RC.

The duties of the RC include the following:

(a) reviewing and recommending to the Board, a general framework of remuneration for the Board and key management personnel and reviewing and recommending the specific remuneration packages and terms of employment for each director as well as the key management personnel;

(b) recommending to the Board any employees' share option schemes or any long term incentive schemes which may be set up from time to time and carrying out all acts necessary in connection therewith;

(c) carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and

(d) as part of its review, the RC shall ensure that:

  (i) all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

  (ii) the remuneration packages shall be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual directors' and senior management's performance; and

  (iii) the remuneration package of employees related to directors or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

If necessary, the RC may seek expert advice inside and/or outside the Company on remuneration of the directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for FY2017.

Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.

The RC also reviews the Company's obligations, if any, arising in the event of termination of the Executive Director's and/or key management personnel's contracts of service, to ensure that the termination clauses of such contracts of service are fair and reasonable. Currently, save as required for compliance with the applicable laws of Singapore, we have not set aside any amounts to provide for pension, retirement or similar benefits for our employees.

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Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Constitution of the Company which contain retirement and re-election provisions.

Independent Directors are paid directors' fees which are recommended by the Board and RC based on factors such as the effort and time spent as well as responsibilities as members of the various Committees. The fees are subject to the approval of the shareholders at Annual General Meeting. Executive Directors do not receive directors' fees.

The remuneration for the Executive Directors and the key management personnel comprises a fixed and variable component. The fixed component is in the form of a base salary and allowance while the variable component is the annual bonus, based on the performance of the Group and the individual Executive Director or key management personnel.

Each of the Executive Director has entered into a service agreement with the Company and the terms of these service agreements are reviewed by the RC upon the renewal of the respective agreements.

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

During the year under review, there were only two (2) key management personnel of the Group who are not directors of the Group.

Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the remuneration of the Company's directors and key management personnel. Details (in percentage terms) of the remuneration paid to the directors for FY2017 are set out below:

Remuneration Band and Name	Directors' Fees (%)	Base/fixed Salary (%)	Variable or Bonuses[1] (%)	Other Incentives (%)	Total (%)
Below S$250,000					
Albert Ang	–	67.26	11.22	21.52	100
James Ang	–	69.56	11.59	18.85	100
Ang Ghee Ann	–	78.26	13.04	8.70	100
Jack Chia Seng Hee	100	–	–	–	100
Toh Hock Ghim	100	–	–	–	100
Benjamin Choo	100	–	–	–	100
Yeong Chun Song	100	–	–	–	100
Chng Weng Wah[2]	100	–	–	–	100

Notes:

(1) Pertains to bonuses paid in respect of FY2016.

(2) For FY2017, Mr Chng Weng Wah received remuneration from October 2016 to 19 May 2017. Mr Chng Weng Wah resigned as a Director of the Company on 19 May 2017.

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Guideline 9.3 of the Code states that the Company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO). The Company currently only has two (2) key management personnel apart from the CEO. They are the Financial Controller, Lee Yu Leung and the Administration Manager, Colin Chen. For competitive and confidentiality reasons, the Board is of the view that the disclosure of the annual aggregate remuneration of the key management personnel of the Company for FY2017 would not be in the best interests of the Company and the Company has instead disclosed the remuneration of the two key management personnel in percentage terms. Details (in percentage terms) of the remuneration paid to the key management personnel for FY2017 are set out below:

Remuneration Band and Name	Fees (%)	Base/fixed Salary (%)	Variable or Bonuses[1] (%)	Other Incentives (%)	Total (%)
Below S$250,000					
Lee Yu Leung	–	82.50	17.50	–	100
Colin Chen	–	82.76	17.24	–	100

Note:

(1) Pertains to bonuses paid in respect of FY2016.

There were no employees who were immediate family members of the directors or the CEO employed by the Group whose remuneration for FY2017 exceeds S$50,000.

There is no termination, retirement and post-employment benefits granted to directors, the CEO or the key management personnel.

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board, with the assistance of the Company Secretary and its legal advisors, ensures compliance with the disclosure requirements under Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**"). In this regard, the Company demonstrates its accountability to its shareholders by announcing its financial results on a half yearly basis and other information via SGXNET in accordance with the requirements of the SGX-ST, so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements. In line with the Catalist Rules, the Board provides a negative assurance statement to the shareholders in respect of its half year financial results announcement. The Company is not required to issue a negative assurance statement for its full year results announcement.

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Management provides the Board with management accounts and such explanation and information relating to the Group's performance on a regular basis and as the Board may require from time to time to assist the Board in understanding and in making a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the Group's overall internal control framework and ensures that the Management regularly reviews and improves the Group's internal controls and implements effective risk management policies to control and mitigate any identified areas of significant business and operational risks so as to safeguard shareholders' interest and the Company's assets. However, the Board acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, that there are maintenance of proper accounting records, that financial information are reliable and that assets are safeguarded.

The Board, with the assistance of independent internal auditors and external auditors, has reviewed the adequacy and effectiveness of the Group's risk management and system of internal controls addressing key financial, operational, compliance and information technology risks.

The external auditors have, in the course of their audit, considered internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

The directors have received and considered the representation letters from the Executive Directors, Financial Controller and Management in relation to the financial information for FY2017.

The Board has received assurance from the CEO and the Financial Controller:

(a) that the financial records have been properly maintained and the financial statements for FY2017 reflect a true and fair view of the Company's operations and finances; and

(b) the Group's risk management and internal control systems are effective and adequate.

The Group has adopted the Enterprise Risk Management ("**ERM**") Framework pursuant to which it has established risk management policies and guidelines for adoption. The ERM framework is designed to enable management to address the operational risks, financial risks, compliance risks of key operating units in the Group.

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The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human errors, losses, fraud, misstatement or other irregularities.

Financial risk management is outlined in Note 29 of the financial statements.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors, reviews performed by Management and representation letters from the Executive Directors and the Financial Controller, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are effective and adequate in addressing the financial, operational, compliance and information technology risks of the Group for FY2017.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("**AC**") comprises the Independent Directors, namely, Mr Jack Chia Seng Hee, Mr Toh Hock Ghim and Mr Benjamin Choo. The chairman of the AC is Mr Jack Chia Seng Hee.

The details of the relevant expertise and experience of the members of the AC are set out on pages 7 to 9 of this Annual Report. The members of the AC collectively have the necessary expertise and experience in financial management and are qualified to discharge the AC's responsibilities.

The AC will assist the Board in discharging their responsibilities of safeguarding the Group's assets, maintaining adequate accounting records, and developing and maintaining effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, the Management and the internal and external auditors of the Group on matters relating to audit.

The duties of the AC include the following:

(a) reviewing with the external auditors:

  i. the audit plan, including the nature and scope of the audit before the audit commences;

  ii. their evaluation of the system of internal controls;

  iii. their audit report; and

  iv. their management letter and Management's response;

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(b) reviewing the half-year and annual financial statements before submission to the Board for approval and monitoring the integrity of the financial information provided by the Group, in particular by reviewing the relevance and consistency of the accounting standards used by the Group, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirement;

(c) reviewing the statement of financial position and statement of comprehensive income of the Company and the statements of financial position and consolidated statement of comprehensive income of the Group, before approval by the Board;

(d) discussing problems and concerns, if any, arising from the half-year, interim and final audits, in consultation with the external auditors and the internal auditors where necessary;

(e) meeting with the external auditors and with the internal auditors at least annually without the presence of Management to discuss any problems and concerns they may have;

(f) reviewing the assistance given by Management to the external auditors;

(g) reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Company, reviewing the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and ensuring that the independence of the auditors will not be compromised;

(h) reviewing the effectiveness of the internal audit function and ensuring co-ordination between the internal and external auditors and Management;

(i) reviewing the scope and results of the internal audit procedures and monitoring Management's response to their findings to ensure that appropriate follow-up measures are taken;

(j) reviewing and reporting to the Board the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems which is carried out by the internal or external auditors at least annually;

(k) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response and commissioning and reviewing the findings arising therefrom;

(l) reviewing arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and, conducting an independent investigation of such matters for appropriate follow up action;

(m) investigating any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;

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(n) reviewing interested person transactions falling within the scope of the Catalist Rules, to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders;

(o) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(p) undertaking such other reviews and projects as may be requested by the Board;

(q) undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

(r) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(s) making recommendations to the Board on the proposals to the shareholders on the appointment/ re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(t) instructing the internal auditors to conduct such tests and examinations of financial statements including but not limited to securing independent confirmations of balances from major debtors, checking on frequencies of payments from major debtors and evaluating the adequacy of credit policies;

(u) assessing, at the end of the audit cycle, the effectiveness of the audit process by:

   i. reviewing the auditor's findings arising from the audit (including any issues that have subsequently been resolved), giving particular considerations to the key accounting and audit judgements (including why certain errors might remain unadjusted), the level of errors identified during the audit, and the explanations obtained from Management;

   ii. reviewing whether the auditors have met the objectives of the agreed audit plan, and understanding the reasons for any changes in perceived audit risks, and the work undertaken by the auditors to address those risks;

   iii. assessing the accuracy of the auditors in their handling of the key accounting and identified audit judgements, their responses to questions from the AC, and their commentary on the systems of internal control; and

   iv. obtaining feedback about the conduct of the audit from the key people involved;

(v) reviewing the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;

(w) reviewing the contents of the external auditors' management letter;

(x) ensuring that the external auditors have direct and unrestricted access to the chairman of the AC and the chairman of the Board;

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(y) conducting an annual review of the whistle-blowing arrangements to ensure that related changes in legal and regulatory requirements are updated and that the arrangements have been effective;

(z) reviewing the existing internal controls implemented by Management so that anti-fraud programmes are adequately established within the Group; and

(aa) if appropriate, asking Management to provide a summary of financial information on a monthly basis (rather than half-yearly), so that the AC can be alerted to any potential financial problems within the Company early, and applying appropriate remedial actions to address the problems.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

The Company has implemented whistle-blowing procedures pursuant to which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Mazars LLP is the Company's current external auditors and was appointed since 27 July 2016. The amount of audit fee paid to Mazars LLP for FY2017 is disclosed in Note 10 of the financial statements. The amount of fees paid to Mazars LLP for audit services for FY2017 is S$100,000. The amount of fees paid to Mazars LLP for non-audit services for FY2017 is S$7,600. These non-audit services provided by Mazars LLP to the Group in FY2017 were for tax services.

Having regard to the adequacy of the resources and experience of Mazars LLP and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Company's auditing obligations. The AC, having reviewed the non-audit services performed by Mazars LLP is satisfied that the independency and objectivity of the external auditors is not affected and the AC has recommended to the Board that Mazars LLP be nominated for re-appointment as the auditor of the Company at the forthcoming AGM.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules.

The Group has put in place a whistleblowing policy to provide employees with an avenue to raise concerns about possible improprieties in financial reporting or other matters, and the Board is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions.

Details of the whistle-blowing policy and arrangements have been made available to all employees of the Company. In accordance with the rules of the whistle-blowing policies, following investigation and evaluation of the complaint, the AC will decide on recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively. There were no whistle-blowing reports received in FY2017.

The Board will not be recommending any dividends for FY2017. Any declaration and payment of dividends in the future will depend on, *inter alia*, our Group's operating results, financial conditions, cash flows, expected future earnings, capital expenditure programme(s) and investment plans, the terms of our borrowing arrangements (if any) and other factors deemed relevant by our directors. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

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The external auditors regularly update the AC on the changes to accounting standards and issues which will have a direct impact on financial statements.

None of the AC members was a previous partner or has any financial interest in the Company's existing audit firm.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has outsourced its internal audit functions to Nexia TS Risk Advisory Pte Ltd since the financial year ended 30 September 2016. The internal auditor has conducted the internal controls review of the Company's subsidiaries. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, and reports directly to the AC. The AC assesses the adequacy and effectiveness of the internal audit function annually.

The AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC reviews the activities of the internal auditors on an annual basis, including overseeing and monitoring the implementation of improvements required with regard to internal control weaknesses that have been identified.

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Catalist Rules.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. At the general meetings, shareholders are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board is committed to upholding its high standards of transparent corporate disclosure to its shareholders. The Company maintains full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, circulars to shareholders and annual reports.

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The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Catalist Rules. In addition, all shareholders will receive the Company's annual reports together with the notices of Annual General Meeting, which are also accessible through SGXNET.

The Company does not have a formal dividend policy. The form, frequency and number of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET.

Principle 16 : Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. The Company's Constitution states that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

The Chairman of the Board and the respective Chairmen of the AC, NC and RC are usually present and available at general meetings of shareholders to address shareholders' queries at these meetings.

The Company's external auditors will be present at the Annual General Meeting to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to shareholders upon their request.

In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders.

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ADDITIONAL INFORMATION

Dealings in Securities

The Company adopts the following policies in compliance with Rule 1204(19) of the Catalist Rules of the SGX-ST in relation to dealings in its securities:

– officers and employees are not to deal in its securities during the period commencing one month before the announcement of the Company's financial statements for the half-year and full-year, and ending on the date of the announcement of the relevant results;

– officers and employees are not to deal in its securities on short-term considerations; and

– in addition, the Company reminds its directors, officers and employees to observe the laws on insider trading at all times, even during the permitted trading period for them to deal in its securities.

Material Contracts

For FY2017, there were no material contracts entered into between the Company and its subsidiaries which involved the interests of any director or controlling shareholder during FY2017.

Interested Person Transactions

To ensure compliance with the relevant rules under Chapter 9 of the Catalist Rules on interested person transactions, the Board and Audit Committee regularly reviews if the Company enters into any interested person transaction and if it does, to ensure that the Company complies with the requisite rules under Chapter 9.

If the Company does enter into an interested party transaction, and a potential conflict of interest arises, the director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no new interested person transactions which were more than S$100,000 entered into during the financial year ended 30 September 2017.

The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

Catalist Sponsor

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. Hong Leong Finance Limited ("**Hong Leong Finance**") is the current continuing sponsor of the Company and was appointed as the Company's Continuing Sponsor with effect from 18 August 2016. In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to Hong Leong Finance for FY2017.

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Use of Proceeds from Initial Public Offering

Pursuant to Rule 1204(22) of the Catalist Rules, the Company received net proceeds from the IPO of approximately $4.31 million (the "**Net Proceeds**"). As at 30 September 2017, the Net Proceeds have been fully utilised as follows:

	Amount Allocated	Amount Re-Allocated on 27 February 2017	Amount Re-Allocated on 22 September 2017	Amount Utilized	Amount Balance
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Intended Use of Proceeds					
Funding our expansion by way of acquisitions, joint-ventures and/or strategic alliances to expand our businesses	3,500	1,000	–	–	–
Working capital	810	3,310	4,310	(4,310)	–
Net proceeds attributable to the Company	**4,310**	**4,310**	**4,310**	**(4,310)**	**–**
Listing and application fees	17	17	17	(17)	–
Professional fees and expenses	305	305	305	(305)	–
Placement commission and brokerage fees	168	168	168	(168)	–
Gross Proceeds	**4,800**	**4,800**	**4,800**	**(4,800)**	**–**

Note:

(1) As disclosed in the Company's Offer Document dated 18 August 2016.

DIRECTORS' STATEMENT

The directors of AGV Group Limited (the "Company") are pleased to present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 September 2017 and the statement of financial position of the Company as at 30 September 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The Directors in office at the date of this statement are:

Ang Nam Wah Albert
Ang Ghee Ann
Ang Nam Heng James
Yeong Chun Song
Jack Chia Seng Hee
Toh Hock Ghim
Benjamin Choo Chih Chien

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the particulars of interest of the Directors who held office at the end of the financial year in the shares or debentures of the Company or its related corporations are detailed as below:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	Balance at 1.10.2016	Balance at 30.9.2017	Balance at 1.10.2016	Balance at 30.9.2017
	Number of ordinary shares			
The Company				
Ang Nam Heng James	–	–	23,106,440	23,106,440
Ang Nam Wah Albert	–	–	23,106,440	23,106,440
Ang Ghee Ann	16,000,000	11,000,000	–	–
Yeong Chun Song	7,720,000	6,720,000	–	–
Jack Chia Seng Hee	100,000	100,000	–	–
Benjamin Choo Chih Chien	75,000	75,000	–	–

There was no change in any of the above mentioned interests between the end of the financial year and 21 October 2017.

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

The Audit Committee of the Company comprises three non-executive directors and at the date of this statement, they are:

Jack Chia Seng Hee (Chairman)
Toh Hock Ghim
Benjamin Choo Chih Chien

The Audit Committee has convened two meetings during the year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act. In performing those functions, the Audit Committee:

(i) reviewed the audit plan and results of the external audit, the independence and objectivity of the external auditors, including, where applicable, the review of the nature and extent of non-audit services provided by the external auditors to the Group;

(ii) reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) reviewed the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) reviewed the half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) reviewed and assessed the adequacy of the Group's risk management processes;

(vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) reviewed interested person transactions in accordance with SGX listing rules;

(viii) reviewed the nomination of external auditors and gave approval of their compensation; and

(ix) submitted of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

DIRECTORS' STATEMENT

7. AUDITORS

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

Ang Nam Wah Albert	**Ang Nam Heng James**
Director	Director

Singapore
27 February 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AGV Group Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position of the Group and of the Company as at 30 September 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements. As at 30 September 2017, the Group has net current liabilities of S$9.3 million, which included bank loans of S$10.2 million which were contractually due within 12 months from the reporting date and bank loans of S$3.6 million which were reclassified to current because of the breach of bank covenant. In addition, the Group incurred a net loss of S$4.3 million and operating cash outflows of S$2.1 million during the current financial year. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current financial year's financial statements, we identified a significant component which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

This significant component was audited by other Mazars offices as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Key Audit Matters (Continued)

Allowance for trade and other receivables (refer to Note 16 to the financial statements)	
Key audit matter	**Our audit response**
As of 30 September 2017, the carrying amount of trade receivables was S$5.2 million, and the related impairment loss provided for during the financial year was S$0.6 million. The trade receivables represented 50% and 16% of the total current assets and total assets of the Group respectively. The determination of the appropriateness of the valuation of the trade receivables requires significant judgement from the management. The Group considers various factors in its assessment of whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant and they include, but are not limited to, the financial state of the debtors, significant or unusual delays in payments, and changes in economic conditions that affect the debtors. We hence, determine this as a key audit matter.	Our audit procedures included, and were not limited to the following: ▪ We assessed the recoverability of the trade receivables by obtaining and reviewing the ageing profile of the receivables; and ▪ We obtained evidence of receipts from trade debtors subsequent to year end, paying particular attention to significant outstanding and long-outstanding trade receivables as of reporting date.

Business Combination – AGV Holdings Pte. Ltd. (refer to Note 3.1, Note 13 and Note 14 to the financial statements)	
Key audit matter	**Our audit response**
During the financial year ended 30 September 2017, the Group attained de-facto control of its then associate, AGV Holdings Pte. Ltd. ("AGV Holdings") and in the process of applying FRS 103 Business Combinations ("FRS 103"), recognised S$4.3 million of goodwill as of reporting date. As of 1 August 2017, the Group attained control over AGV Holdings at the point of obtaining substantive potential voting rights through its holding of call options which allowed the Group to purchase controlling interest from the other shareholders of AGV Holdings.	Our audit procedures included, and were not limited to the following: ▪ We reviewed the evidence of management's assessment of control by reviewing the different applicable contracts, including the terms and conditions of the potential voting rights, as well as the quorum and rights accorded in the Memorandum and Articles of Association of AGV Holdings; ▪ We have evaluated the competence, capability and objectivity of the management's expert, being the independent valuer who issued the valuation report for the purchase price allocation exercise; and

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Key Audit Matters (Continued)

Business Combination – AGV Holdings Pte. Ltd.
(refer to Note 3.1, Note 13 and Note 14 to the financial statements) (Continued)

Key audit matter	Our audit response
As of 25 August 2017, the Group exercised the call options to purchase 51.2% of the shareholding in AGV Holdings, which will effectively give the Group 87.2% interest of the shareholding in the subsidiary upon completion of the transaction. As of reporting date, the 64% shareholding was not yet transferred to the Group and hence, the Group reported 36% equity interest in the subsidiary, with 64% as non-controlling interest in its consolidated financial statements. In assessing whether it has control over AGV Holdings notwithstanding having less than 50% equity interest in the entity, amongst other factors, the Group considered whether it has current ability to direct the relevant activities of the entity, which includes the assessment of the potential voting rights accorded to the Group via the holding of the call options, and whether it has the ability to affect the amount of variable returns from the entity. The subsequent application of FRS 103 requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. Significant judgement is applied in the identification of any intangible assets acquired and contingent liabilities assumed in the transactions. Significant judgements, assumptions and estimates, where applicable, are also adopted in the determination of the fair values of the Group's previously held equity interest in AGV Holdings, the non-controlling interest in AGV Group, and the identified assets acquired and liabilities assumed in the transaction. The assessment of whether the Group has control over AGV Holdings and the subsequent application of FRS 103 requires significant judgement and estimates from management. We hence determine this as a key audit matter.	▪ We have obtained an understanding of the work of the management's expert and reviewed the sufficiency and appropriateness of the work scope, the methodologies used and the reasonableness of the underlying key assumptions and estimates used by the management's expert. This is performed also with the assistance of our in-house valuation expert.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Key Audit Matters (Continued)

Impairment of goodwill (refer to Note 13 and Note 14 to the financial statements)	
Key audit matter	**Our audit response**
During the financial year ended 30 September 2017, the Group recognised goodwill of S$4.3 million in the business combination involving AGV Holdings as mentioned in one of the key audit matters. As of reporting date, the Group reported carrying amount of S$4.3 million, which represented 19% and 13% of total non-current assets and total assets respectively. FRS 36 *Impairment of Assets* requires the cash generating unit to which the goodwill has been allocated to be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the cash generating unit, including the goodwill, with the recoverable amount of the cash generating unit. The recoverable amount of the cash generating unit in this case is determined using its value in use, which involves cash flow projections, and applying growth rates and discount rate in the cash flow projections. Inaccurate or unreasonable use of inputs and assumptions may cause the value in use to be materially affected. As the determination of the value in use requires significant estimates and judgement of management, we determine this as a key audit matter.	In addition to evaluating the process by which the management's cash flow projections were developed, our audit procedures included, and were not limited to the following: ▪ We assessed the reasonableness of the bases and key assumptions used by management, with reference to information including the historical trend and performance, the latest budgets approved by management and industry and business outlook; and ▪ We performed sensitivity test to determine the available headroom of the cash generating unit, where a reasonably possible change in the assumptions could cause the recoverable amount to be less than the carrying amount.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements, the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Other information (Continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRS, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AGV GROUP LIMITED AND ITS SUBSIDIARIES

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chen Ningxin, Narissa.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
27 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Revenue	4	**18,009**	20,230
Other item of income			
Other income	5	**435**	4,754
Items of expense			
Consumables used	6	**(9,424)**	(9,078)
Cost of consumables sold		**(44)**	(3,302)
Employee benefits expense	7	**(5,991)**	(4,945)
Operating lease expense	8	**(643)**	(511)
Other expenses		**(5,179)**	(3,655)
Finance costs	9	**(325)**	(346)
Listing expenses		–	(674)
Share of results of associate	14	**(180)**	(406)
Depreciation expense	15	**(1,296)**	(1,070)
(Loss)/Profit before income tax	10	**(4,638)**	997
Income tax credit/(expense)	11	**350**	(374)
(LOSS)/PROFIT FOR THE YEAR		**(4,288)**	623
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss			
Realisation of translation reserves upon deemed disposal of investment in associates		**14**	–
Exchange difference on translating foreign operation		**32**	(14)
Other comprehensive income/(loss) for the year		**46**	(14)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(4,242)**	609
(Loss)/Profit attributable to:			
Owners of the Group		**(4,089)**	623
Non-controlling interests		**(199)**	–
		(4,288)	623
Total comprehensive (loss)/income attributable to:			
Owners of the Group		**(3,962)**	609
Non-controlling interests		**(280)**	–
		(4,242)	609
(Loss)/Earnings per share attributable to the owners of the Company (cents)			
Basic and diluted	12	**(3.25)**	0.49

The accompanying notes form an integral part of and should be read in conjunction with these combined financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000	Company 2017 S$'000	Company 2016 S$'000
ASSETS					
Non-current assets					
Subsidiaries	13	**–**	–	**9,189**	9,187
Associates	14	**–**	2,546	**–**	–
Property, plant and equipment	15	**17,459**	10,888	**–**	–
Other receivable	16	**–**	3,156	**–**	–
Goodwill	17	**4,268**	–	**–**	–
Deferred tax assets	25	**570**	–	**–**	–
Total non-current assets		**22,297**	16,590	**9,189**	9,187
Current assets					
Trade and other receivables	16	**5,563**	7,919	**6,705**	–
Other assets		**44**	–	**–**	–
Inventories	18	**2,890**	2,060	**–**	–
Prepayments		**1,158**	105	**27**	14
Pledged fixed deposit	19	**272**	180	**–**	–
Other cash and bank balances	19	**338**	4,039	**6**	3,946
Tax recoverable		**109**	–	**–**	–
Total current assets		**10,374**	14,303	**6,738**	3,960
Total assets		**32,671**	30,893	**15,927**	13,147
EQUITY AND LIABILITIES					
Equity					
Share capital	20	**13,453**	13,453	**13,453**	13,453
Other reserve	21	**(2,565)**	(2,565)	**–**	–
Accumulated profits/(losses)		**(2,205)**	1,884	**(1,286)**	(883)
Translation reserve	22	**113**	(14)	**–**	–
Non-controlling interests		**1,670**	–	**–**	–
Total equity attributable to owners of the Company		**10,466**	12,758	**12,167**	12,570
Non-current liabilities					
Finance lease payables	23	**873**	112	**–**	–
Borrowings	24	**1,434**	4,005	**260**	–
Deferred tax liabilities	25	**232**	482	**–**	–
Total non-current liabilities		**2,539**	4,599	**260**	–
Current liabilities					
Income tax payable		**–**	582	**6**	–
Trade and other payables	26	**5,135**	4,352	**3,349**	577
Provision for reinstatement cost		**100**	100	**–**	–
Finance lease payables	23	**441**	49	**–**	–
Borrowings	24	**13,990**	8,453	**145**	–
Total current liabilities		**19,666**	13,536	**3,500**	577
Total liabilities		**22,205**	18,135	**3,760**	577
Total equity and liabilities		**32,671**	30,893	**15,927**	13,147

The accompanying notes form an integral part of and should be read in conjunction with these combined financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Share capital S$'000	Accumulated profits/ (losses) S$'000	Other reserve (Note 21) S$'000	Translation reserve (Note 22) S$'000	Total equity S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 1 October 2015	6,426	2,761	–	–	9,187	–	9,187
Issuance of shares prior to restructuring	196	–	–	–	196	–	196
Dividend declared prior to restructuring	–	(1,500)	–	–	(1,500)	–	(1,500)
Adjustment pursuant to the Restructuring Exercise	(6,622)	–	(2,565)	–	(9,187)	–	(9,187)
Issuance of shares (Note 20)	13,988	–	–	–	13,988	–	13,988
Initial Public Offering ("IPO") expenses	(535)	–	–	–	(535)	–	(535)
Profit for the year	–	623	–	–	623	–	623
Other comprehensive income:							
Exchange differences on translating foreign operations	–	–	–	(14)	(14)	–	(14)
Total comprehensive income for the year	–	623	–	(14)	609	–	609
Balance at 30 September 2016	13,453	1,884	(2,565)	(14)	12,758	–	12,758
Loss for the year	–	(4,089)	–	–	(4,089)	(199)	(4,288)
Other comprehensive income:							
Realisation of currency translation reserves upon deemed disposal of associates	–	–	–	14	14	–	14
Exchange differences on translating foreign operations	–	–	–	113	113	(81)	32
Total comprehensive loss for the year	–	(4,089)	–	127	(3,962)	(280)	(4,242)
Acquisition of subsidiary (Note 13)	–	–	–	–	–	1,950	1,950
Balance at 30 September 2017	**13,453**	**(2,205)**	**(2,565)**	**113**	**8,796**	**1,670**	**10,466**

The accompanying notes form an integral part of and should be read in conjunction with these combined financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Operating activities			
(Loss)/Profit before income tax		**(4,638)**	997
Adjustments for:			
Depreciation expense		**1,296**	1,070
Interest expense		**325**	346
Allowance for impairment of receivables		**596**	34
Share of results of associate		**180**	406
Impairment of property, plant and equipment		**126**	–
Loss on disposal of property, plant and equipment		**6**	21
Loss arising from realisation of derivative instruments		**–**	376
Interest income		**(6)**	–
Gain from deemed disposal of investment in associate		**(349)**	–
Unrealised currency translation loss		**194**	–
Operating cash flows before movements in working capital		**(2,270)**	3,250
Movements in working capital			
Inventories		**359**	290
Other assets		**(44)**	–
Trade and other receivables		**10,376**	(257)
Prepayments		**(1,053)**	139
Trade and other payables		**(8,946)**	1,921
Cash (used in)/generated from operations		**(1,578)**	5,343
Income taxes paid		**(511)**	(370)
Net cash (used in)/generated from operating activities		**(2,089)**	4,973
Investing activities			
Acquisition of property, plant and equipment	15	**(213)**	(361)
Acquisition of subsidiaries	13	**(354)**	–
Proceeds from disposal of plant and equipment		**17**	2
Settlement of derivative instruments		**–**	(376)
Loans to subsidiary of associate		**–**	(5,534)
Net cash used in investing activities		**(550)**	(6,269)
Financing activities			
Dividend paid		**–**	(1,216)
Interest income		**6**	–
Interest paid		**(325)**	(346)
Proceeds from borrowings		**4,472**	4,403
Repayment of borrowings		**(3,300)**	(2,040)
Repayment of finance lease obligations		**(1,823)**	(39)
Net proceeds from issuance of new and IPO shares		**–**	4,462
(Decrease)/Increase in pledged deposit		**(92)**	72
Net cash (used in)/generated from financing activities		**(1,062)**	5,296
Net (decrease)/increase in cash and cash equivalents		**(3,701)**	4,000
Cash and cash equivalents at beginning of year		**4,039**	39
Cash and cash equivalents at end of year	19	**338**	4,039

The accompanying notes form an integral part of and should be read in conjunction with these combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL

AGV Group Limited (the "Company") (Registration Number 201536566H) was incorporated on 2 October 2015 and is domiciled in Singapore and is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal place of business and registered office at 22 Benoi Road, Singapore 629892.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The financial statements of the Group for the financial year ended 30 September 2017 were authorised for issue by the Board of Directors on the date of directors' statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group have been drawn up in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group are presented in Singapore dollar ("S$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("S$'000"), unless otherwise indicated.

Going concern

As at 30 September 2017, the Group has net current liabilities of S$9.3 million, which included bank loans of S$10.2 million which were contractually due within 12 months from the reporting date and bank loans of S$3.6 million which were reclassified to current because of the breach of bank covenant. In addition, the Group incurred a net loss of S$4.3 million and operating cash outflows of S$2.1 million during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

***Going concern* (Continued)**

The Directors have prepared the consolidated financial statements on a going concern basis on the following premises:

- Ability to generate sufficient cash flows from their operations;
- Ability to successfully raise finances through different avenues, including private placements; and
- Continued support from their institutional lenders.

Management is currently working closely with their bankers and seeking out potential partners and/or investors. In addition, the Group has, subsequent to the reporting date, entered into Convertible Loan Agreements with various parties and have also entered into an agreement with corporate parties and individuals for the latter to subscribe to ordinary shares of the Company (Note 34).

Should the Group be unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the respective reporting periods. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 28	Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019
Various	Improvements to FRSs (December 2016)	Various

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 30 September 2017. Other than the following standards, management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 supersedes FRS 11 Construction contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of the transaction price; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

The Group does not intend to early adopt FRS 115. The Group is still assessing the potential impact of FRS 115 on its financial statements in the initial year of adoption.

FRS 116 Leases

FRS 116 supersedes FRS 17 Lease, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of "low-value" assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

The Group does not intend to early adopt FRS 116. The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Singapore Financial Reporting Standards (International) (Continued)

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS(I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 First-Time Adoption of International Financial Reporting Standards and which mandates, amongst other disclosure requirements, the Group's presentation of at least 3 statements of financial position, including comparative information for all statements presented.

The Group does not intend to early adopt SFRS(I). The Group is still assessing the potential impact of SFRS(I) on its financial statements in the initial year of adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiaries are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiaries, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiaries and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiaries at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Business combinations

Common Control Business Combination Outside the Scope of FRS 103 *Business Combinations* "FRS 103"

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Common Control Business Combination Outside the Scope of FRS 103 *Business Combinations* "FRS 103" (Continued)

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination and the carrying amounts are included as if such combined entity's accounting policies have been applied to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combined entity.

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The financial statements were prepared based on the audited financial statements of subsidiaries which were prepared in accordance with FRS for the purpose of combination. The subsidiaries maintain their accounting records and prepare the relevant statutory financial statements in accordance with the accounting standards and legislations of the Generally Accepted Accounting Principle (GAAP) in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue recognition

Rendering of galvanising services

Revenue from the galvanisation of the customer's goods is recognised when the Group has delivered to the customer the galvanised goods marking the completion of the transaction, is able to measure the corresponding revenue and costs reliably and assessed that it is probable that the economic benefits associated with the transaction will flow to the Group. The revenue is presented, net of rebates, discounts and sales related taxes.

Services income

Services income is recognised when the services have been performed and accepted by the customers in accordance with relevant terms and conditions of the contract.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.10 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currency transactions and translation (Continued)

For the purpose of presenting combined financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

2.11 Associate

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies, and generally accompanying a shareholding of 20% or more of the voting power.

On acquisition of the associate, any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired. Investments in associates are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* from the date on which the investee become an associate. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. The Group's share of losses in an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from the associate reduce the carrying amount of the investment. Any goodwill arising on the acquisition of the Group's interest in an associate is accounted for in accordance with the Group's accounting policy for goodwill arising on such acquisitions (see above).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Associate (Continued)

Unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The Company has accounted for its investment in associate at cost in its separate financial statements.

2.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	Years
■ Computer and office equipment	5
■ Leasehold property	15 – 60
■ Furniture and fittings	5
■ Plant and equipment	10
■ Renovation	Over the remaining life of leasehold property
■ Motor vehicles	6

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

Goodwill on acquisition

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity carried at the date of acquisition. Goodwill is at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary.

2.14 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs.

The Group's financial assets consists only loans and receivables.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, pledged fixed deposit and bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Financial guarantee contracts

The Group has issued corporate guarantee to a bank for borrowings of a Group's subsidiary and this guarantee qualifies as financial guarantees because the Group is required to reimburse the bank if the subsidiary breaches any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise costs of purchases of consumables and other costs incurred in bringing the inventories to their present location and condition. Cost of zinc is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

2.20 Other assets

Other assets are stated at the lower of cost and net realisable value. When necessary, allowance is provided for damaged and obsolete items to adjust the carrying value of other assets to the lower of cost and net realisable value. Net realisable value is the estimated selling price less applicable variable selling expenses.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Contingencies (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.22 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the respective entity in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.1 Critical judgements made in applying the Group's accounting policies (Continued)

Business Combination – AGV Holdings Pte. Ltd.

In the application of the acquisition method under FRS 103 *Business Combinations* on its deemed acquisition of the controlling interest in its associate, AGV Holdings Pte. Ltd. ("AGV Holdings"), the Group applied significant judgement in identifying and measuring the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. The Group also applied significant judgement in determining the fair value of the non-controlling interest in AGV Holdings and the acquisition-date fair value of its previously held equity interest in AGV Holdings. During the process of determining the fair value, key assumptions and estimates were also used based on the management's judgement, to the best of their knowledge. Any changes in the management's judgement would have a consequential impact on the determination and measurement of the applicable assets, including goodwill, and liabilities, as well as profit or loss for the current and future financial years. For more details, please see Note 13.

Determination of control over AGV Holdings Pte. Ltd. ("AGV Holdings") and its subsidiary (collectively, known as "AGV Holdings Group")

The Group obtained control over AGV Holdings Group at the point of obtaining substantive potential voting rights through its holding of call options which allowed the Group to purchase controlling interest from the other shareholders of AGV Holdings Group. The Group exercised the call options to purchase 51.2% of the shareholding in AGV Holdings Group, which will effectively give the Group 87.2% interest of the shareholding in the subsidiary upon completion of the transaction.

In assessing whether it has control over AGV Holdings Group notwithstanding having less than 50% equity interest in the entity, amongst other factors, the Group considered whether it has current ability to direct the relevant activities of the entity, which includes the assessment of the potential voting rights accorded to the Group via the holding of the call options, and whether it has the ability to affect the amount of variable returns from the entity.

As of 30 September 2017, the 51.2% shareholdings were not yet transferred to the Group and hence, the Group has consolidated AGV Holdings Group with the equity interests held by parties other than the Group recorded as non-controlling interests.

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade and other receivables as at 30 September 2017 were approximately S$5,563,000 (2016: S$11,075,000) respectively (Note 16).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries and associate

At the end of each financial year, an assessment is made on whether there are indicators that the Group's and the Company's investments in associate and subsidiaries are impaired. The Company's and Group's assessments are based on an estimation of the value in use of the assets defined in FRS 36 *Impairment of Assets* by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investment in subsidiaries as at 30 September 2017 was approximately S$9,189,000 (2016: S$9,187,000) (Note 13). The Group's carrying amount of investment in associate as at 30 September 2017 was S$Nil (2016: S$2,546,000) (Note 13 and 14).

Impairment of goodwill

The Group tests goodwill for impairment at least on an annual basis. Determining whether goodwill is impaired includes an estimation of the value in use of the cash-generating units ("CGU"). The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. No impairment loss was recognised during the financial year. The carrying amount of goodwill as at 30 September 2017 was S$4,268,000 (2016: S$Nil) (Note 17).

Determining whether goodwill is impaired requires an estimation of their recoverable amounts. Where such recoverable amounts are based on the assets' values in use, the determination of such value in use involves significant use of estimates and assumptions by management. These estimates and assumptions including a sensitivity analysis, where applicable, are disclosed and further explained in Note 17.

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 30 September 2017 was approximately S$2,890,000 (2016: S$2,060,000). There was no allowance made on inventory for the year ended 30 September 2017 and 2016 (Note 18).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. Changes in the expected level of usage and technological developments could affect the economic and useful lives of these assets which could then consequently impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment as at 30 September 2017 were approximately S$17,459,000 (2016: S$10,888,000) respectively (Note 15).

Provision for income taxes and deferred tax assets

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on the management's historical experience and their future outlook. Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses.

The carrying amounts of the Group's current tax recoverable, deferred tax assets and deferred tax liabilities as at 30 September 2017 were approximately S$109,000 (2016: S$Nil), S$570,000 (2016: S$Nil) and S$232,000 (2016: S$482,000) respectively.

4. REVENUE

Revenue comprises mainly invoiced value of galvanising services provided, net of discount and goods and service tax.

5. OTHER INCOME

	Group	
	2017 S$'000	2016 S$'000
Government grant	**31**	147
Interest income	**6**	–
Miscellaneous income	**49**	46
Service income[1]	**–**	600
Sales of consumables[2]	**–**	3,961
Gain on deemed disposal of associate (Note 13)	**349**	–
	435	4,754

(1) The income relates to technical advice and support services provided by the Group to the subsidiary of its associate, Asia Galvanizing (M) Sdn. Bhd.. The associates have become subsidiaries to the Group as at 1 August 2017 (Notes 13 and 14).

(2) The income relates to sales of materials and zinc to the subsidiary of its associate, Asia Galvanizing (M) Sdn. Bhd. during the financial year ended 30 September 2016.

6. CONSUMABLES USED

Consumables comprise mainly costs of zinc, chemicals and other materials consumed during the galvanising process.

7. EMPLOYEE BENEFITS EXPENSE INCLUDING DIRECTORS' REMUNERATION (NOTE 29)

	Group	
	2017 S$'000	2016 S$'000
Salaries, wages, bonuses and other staff benefits	**5,730**	4,762
Contribution to defined plans	**261**	183
	5,991	4,945

Included in the employee benefits expense are labour costs directly associated with the generation of revenue of approximately S$2,626,000 for the financial year ended 30 September 2017 (2016: S$2,781,000).

8. OPERATING LEASE EXPENSE

	Group	
	2017 S$'000	2016 S$'000
Rental of leasehold land	**188**	206
Rental of equipment	**190**	162
Rental of dormitory	**12**	5
Rental of vehicles	**253**	138
	643	511

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

9. FINANCE COSTS

	Group	
	2017	**2016**
	S$'000	**S$'000**
Finance leases	**108**	5
Bank borrowings	**217**	341
	325	346

10. (LOSS)/PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the following charges were included in the determination of (loss)/profit before income tax:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Other expenses		
Utilities	**759**	712
Allowance for impairment of receivables	**596**	34
Waste disposal	**546**	569
Business development expenses	**437**	–
Entertainment expenses	**433**	446
Upkeep of motor vehicles	**133**	87
Provision for impairments of property, plant and equipment	**126**	–
Upkeep of plant and equipment	**121**	314
Audit fees paid to auditors:		
– Auditors of the Company	**100**	70
– Other auditors of subsidiaries	**7**	7
Loss arising from realisation of derivative instruments	**–**	376
Non-audit fees paid to auditors:		
– Auditors of the Company	**8**	11

The above expenses are included in "Other expenses" in the Group's profit or loss for the financial year ended 30 September 2017 and 30 September 2016.

11. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2017	**2016**
	S$'000	**S$'000**
Current income tax		
– Current financial year	**–**	459
– Overprovision in respect of prior year	**(198)**	–
Deferred income tax		
– Current financial year	**(521)**	(17)
– Under/(Over)provision in respect of prior year	**369**	(68)
Total income tax (credit)/expense	**(350)**	374

11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The reconciliation of the tax (credit)/expense and the product of accounting profit multiplied by the applicable statutory rate is as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
(Loss)/Profit before income tax	**(4,638)**	997
Income tax at statutory rate of 17% (2016: 17%)	**(788)**	169
Add/(Less):		
Tax effect of share of results of associates	**(29)**	69
Effect of expenses not deductible for tax purpose	**406**	266
Effect of income under tax exemption and rebates	**–**	(46)
Effect of different tax rate of subsidiary operating in other jurisdiction	**(191)**	–
Under/(Over)provision in respect of prior year	**171**	(68)
Others	**81**	(16)
Total tax (credit)/expense	**(350)**	374

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2016: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There were no changes in the enterprise income tax of the difference applicable jurisdictions in the current financial year from the last financial year.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2017	**2016**
	S$'000	**S$'000**
(Loss)/Profit used in calculating basic and dilutive (loss)/earnings per share	**(4,089)**	623
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share ('000)	**125,946**	125,946
Basic and diluted (loss)/earnings per share (cents)	**(3.25)**	0.49

The calculations of the basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profits for the financial year attributable to owners of the Company by the applicable weighted average number of ordinary shares. The (loss)/profit and share data are presented in the tables above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

13. SUBSIDIARIES

	Company 2017 S$'000	Company 2016 S$'000
Unquoted equity shares, at cost		
At beginning of financial year	**9,187**	9,187
Additions	**2**	–
At end of financial year	**9,189**	9,187

Name	Place of incorporation and operation	Issued and paid-up share capital	Effective equity interest attributable to the Company		Principal activities
		S$'000	2017	2016	
Directly held by the Company					
Asia Galvanizing (S) Pte. Ltd.[1]	Singapore	6,622	**100%**	100%	Hot dip galvanising
AGV Property Investment Pte. Ltd.[1]	Singapore	1	**100%**	–	Investment holding
AGV Investment Pte. Ltd.[1]	Singapore	1	**100%**	–	Investment holding
Directly held by Asia Galvanizing (S) Pte. Ltd.					
AGV C&S Pte. Ltd.[1]	Singapore	1	**100%**	100%	Consultation and contract work relating to galvanisation
AGV Holdings Pte. Ltd.[1]	Singapore	1	**36%**	–	Investment holding
Held through AGV Holdings Pte. Ltd.					
AGV Galvanizing (M) Sdn. Bhd.[2]	Malaysia	2,048	**18.36%**	–	Hot dip galvanising

(1) Audited by Mazars LLP, Singapore
(2) Audited by Mazars PLT, Malaysia

Acquisition of subsidiaries

As of 1 August 2017, the Group obtained control over AGV Holdings at the point of obtaining substantive potential voting rights through its holding of call options which allowed the Group to purchase controlling interest from the other shareholders of AGV Holdings.

As of 15 December 2017, the Group exercised the call options to purchase 51.2% of the shareholding in AGV Holdings, which will effectively give the Group 87.2% interest of the shareholding in the subsidiary upon completion of the transaction. As of reporting date, the 64% shareholding was not yet transferred to the Group and hence, the Group reported 36% equity interest in the subsidiary, with 64% as non-controlling interest in its consolidated financial statements.

13. SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of AGV Holdings Pte. Ltd. and its subsidiary, AGV Galvanizing (M) Sdn. Bhd. (collectively, known as AGV Holdings Group), as at acquisition date were:

	Note	Total fair value recognised on acquisition of AGV Holdings Group S$'000
Assets		
Property, plant and equipment	15	7,892
Deferred tax asset	25	834
Trade and other receivables		2,526
Prepayments		204
Inventories		1,189
		12,645
Liabilities		
Bank borrowings		(1,794)
Bank overdraft		(354)
Finance lease payables		(2,918)
Trade and other payables		(1,352)
Amount due to related parties		(8,379)
Deferred tax liabilities	25	(166)
		(14,963)
Total net identifiable liabilities		(2,318)
Fair value of consideration to be transferred		1,950
Less: Net identifiable liabilities at fair value for AGV Holdings Group		2,318
Goodwill arising from business combination		**4,268**

The Group measured the fair value of its 36% equity interest in AGV Holdings Group held immediately before the business combination at nil value by using the cost approach which relies on AGVM's net assets as AGVM is in a net liability position. The Group recognised a gain on deemed disposal of approximately S$349,000 consequent to the reversal of the accumulated loss which was shared by the Group to the extent of its interest in AGV Holdings Group. The gain is included in "Other income" line item in the Group's profit or loss for the financial year ended 30 September 2017.

The effect of the acquisition of AGV Holdings Group on cash flows is pertaining to bank overdraft of subsidiaries acquired of S$354,000. No cash consideration is being paid as of acquisition date.

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FINANCIAL STATEMENTS

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13. SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

Goodwill of approximately S$4,268,000 was recognised on the acquisition based on the difference between the fair value of consideration to be transferred and the fair value of the identifiable assets and liabilities at the date of the acquisition. The goodwill arising from the acquisition comprises the value of expanding the Group's portfolio approach to gain market share of hot dip galvanising business in Johor Bahru, Malaysia. The Group expects the synergy will be achieved through optimising its resources and leveraging on the operation of AGV Galvanizing (M) Sdn. Bhd.. None of the goodwill recognised is expected to be tax deductible for income tax purposes.

No contingent consideration arrangements and contingent liabilities were identified at acquisition.

From the acquisition date, AGV Holdings Group has contributed approximately S$0.9 million of revenue and approximately S$0.2 million of net loss to the Group's loss for the financial year. Had AGV Holdings Group been consolidated from 1 October 2016, the contribution to the Group's revenue and loss for the financial year ended 30 September 2017 would have been S$7.2 million and S$1.8 million respectively.

No transaction costs related to the acquisition were recognised in the Group's profit or loss for the financial year ended 30 September 2017.

The fair value measurements of the applicable assets acquired and liabilities assumed as a result of business combination are as follows:

- *Property, plant and equipment acquired*

  The fair value of property, plant and equipment recognised as a result of a business combination is based on recent transaction prices for similar items when available and replacement cost when appropriate.

- *Trade and other receivables acquired*

  Trade and other receivables acquired represent their gross amount.

- *Prepayments acquired*

  Prepayments acquired represent their gross amount.

- *Inventories acquired*

  The fair value of inventories recognised as a result of the business combination is based on the trading prices of zinc stated on the London Metal Exchange as of acquisition date for zinc held by the AGV Holdings Group.

- *Bank borrowings and finance lease payables assumed*

  The carrying amount of the bank borrowings and finance lease payables recognised as a result of the business combination is based on the applicable effective interest rates to compute the present value of the bank borrowings and finance lease payables.

13. SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

- *Trade and other payables assumed*

  The fair value of trade and other payables assumed approximates fair value largely due to the short-term maturities of these instruments.

- *Amount due to related parties assumed*

  The amounts due to related parties are non-trade in nature. The amounts due to related parties relate to cash advances and unsecured loans provided for working capital purposes. The loans will be paid over the next five years at 7.54% per annum.

  The carrying amount of amount due to related parties assumed approximate to the fair value as the interest charge is similar to the comparable industry.

- *Non-controlling interest*

  The Group has chosen to recognise non-controlling interest at its fair value. The non-controlling interest will be deemed as a nil value with reference to the loss making and net liability position.

The Group has the following subsidiary which has non-controlling interests ("NCI") that are material to the Group:

Subsidiary	Proportion of ownership interest held by NCI		Loss allocated to NCI during the financial year		Accumulated NCI at the reporting date	
	2017 %	2016 %	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
AGV Holdings Pte. Ltd.	**64**	–	**53**	–	**1,897**	–
Subsidiary held by AGV Holdings Pte. Ltd.						
AGV Galvanizing (M) Sdn. Bhd.	**49**	–	**146**	–	**(227)**	–

	AGV Holdings Pte. Ltd. S$'000	AGV Galvanizing (M) Sdn. Bhd. S$'000
Assets		
Non-current	3,448	8,105
Current	106	3,449
Liabilities		
Non-current	–	(3,916)
Current	(342)	(10,106)
Net assets/(liabilities)	3,212	(2,468)
Revenue(*)	–	869
Loss after income tax and total comprehensive income(*)	(82)	(150)
Net cash flow generated used in operation(*)	(48)	(297)

(*) The financial results represent post-acquisition results from 1 August 2017 to 30 September 2017.

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14. ASSOCIATES

	Group	
	2017	**2016**
	S$'000	**S$'000**
Unquoted equity shares, at cost	**504**	504
Quasi-equity loan	**2,729**	2,729
Share of post-acquisition results	**(867)**	(673)
Exchange translation differences	**14**	(14)
Deemed disposal of associate	**(2,380)**	–
At end of financial year	**–**	2,546

The details of the associates are as follows:

Name of associates (Country of incorporation/operation)	**Principal activities**	**Effective equity interest held by the Group**	
		2017	**2016**
Held through Asia Galvanizing (S) Pte Ltd (Singapore)			
AGV Holdings Pte. Ltd. (Singapore)[1]	Investment holding	–	36%
Held through AGV Holdings Pte. Ltd. (Singapore)			
AGV Galvanizing (M) Sdn. Bhd. (Malaysia)[2]	Provision of galvanising services	–	18%

(1) Audited by Mazars LLP, Singapore
(2) Audited by Mazars PLT, Malaysia

14. ASSOCIATES (CONTINUED)

Summarised financial information in respect of the Group's associate (based on FRS financial statements)

	Group 2016 S$'000
Assets and liabilities:	
Current assets	2,605
Non-current assets	8,556
Current liabilities	(2,861)
Non-current liabilities	(10,206)
Net liabilities attributable to non-controlling interest	872
Net liabilities attributable to shareholders of the associate	(1,034)
Quasi-equity loan	2,729
Group's share of associate's net liabilities	(372)
Capital reserve not shared by the Group	(273)
Goodwill	605
Translation and other adjustments	(143)
Carrying amount as at 30 September 2016	2,546
Results	
Revenue	1,792
Loss for the financial year	(2,299)
Other comprehensive loss	(8)
Total comprehensive loss	(2,307)

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15. PROPERTY, PLANT AND EQUIPMENT

Group	Computer and office equipment S$'000	Leasehold property S$'000	Furniture and fittings S$'000	Plant and equipment S$'000	Motor vehicles S$'000	Renovation S$'000	Total S$'000
Cost							
Balance at 1 October 2015	258	10,040	27	4,393	173	406	15,297
Additions	247	–	2	30	74	186	539
Disposal	–	–	–	(9)	(32)	–	(41)
Reclassification	–	612	–	(612)	–	–	–
Balance at 1 October 2016	505	10,652	29	3,802	215	592	15,795
Acquisition of subsidiaries	245	4,379	31	3,237	–	–	7,892
Additions	5	–	6	1	57	201	270
Disposal	–	–	–	–	(53)	–	(53)
Currency realignment	(5)	(80)	*	(60)	–	–	(145)
Balance at 30 September 2017	750	14,951	66	6,980	219	793	23,759
Accumulated depreciation							
Balance at 1 October 2015	141	2,042	13	1,526	68	65	3,855
Depreciation	79	467	6	429	60	29	1,070
Disposal	–	–	–	(3)	(15)	–	(18)
Reclassifications	–	245	–	(245)	(13)	13	–
Balance at 1 October 2016	220	2,754	19	1,707	100	107	4,907
Depreciation	100	651	6	448	35	56	1,296
Disposal	–	–	–	–	(30)	–	(30)
Currency realignment	*	*	*	1	*	*	1
Balance at 30 September 2017	320	3,405	25	2,156	105	163	6,174
Impairment loss							
Balance at 30 September 2017	–	–	–	126	–	–	126
Carrying amount							
Balance at 30 September 2017	430	11,546	41	4,698	114	630	17,459
Balance at 30 September 2016	285	7,898	10	2,095	115	485	10,888

* Less than S$1,000

As at 30 September 2017, the carrying amount of property, plant and equipment of the Group which were acquired under finance lease agreements was approximately S$2,737,000 (2016: S$115,000). Finance lease assets were pledged as securities for the related finance lease payables as set out in Note 24 to the financial statements.

During the financial year ended 30 September 2017, a leakage of zinc kettle of a subsidiary took place that was subsequently repaired. An impairment loss of S$126,000 was charged to profit or loss, representing the write-down of this equipment based on the remaining useful life of the equipment.

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the purpose of statement of cash flows, additions of property, plant and equipment were financed as follows:

	Group	
	2017 S$'000	2016 S$'000
Cash payments to acquire property, plant and equipment	**213**	361
Finance lease to acquire property, plant and equipment	**57**	178
Additions to property, plant and equipment	**270**	539

At the reporting date, the carrying amount of property, plant and equipment which have been pledged for banking facilities as set out in Note 24 to the financial statements was as follows:

	Group	
	2017 S$'000	2016 S$'000
Leasehold property	**11,546**	7,898
Renovation	**630**	485
Plant and equipment	**1,716**	2,095

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade receivables				
- third parties	**5,778**	6,062	**–**	–
Allowance for impairment of receivables	**(596)**	(34)	**–**	–
	5,182	6,028	**–**	–
Other receivables				
- third parties	**197**	279	**–**	–
- subsidiaries	**–**	1,527	**6,674**	–
Deposit	**184**	85	**31**	–
Current trade and other receivables	**5,563**	7,919	**6,705**	–
Add:				
Non-current other receivable from associate's subsidiary	**–**	3,156	**–**	–
Total trade and other receivables	**5,563**	11,075	**6,705**	–
Add:				
Cash and bank balances (Note 19)	**338**	4,039	**6**	3,946
Pledged fixed deposits (Note 19)	**272**	180	**–**	–
Total loan and receivables	**6,173**	15,294	**6,711**	3,946

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables are unsecured, non-interest bearing and subject to normal credit terms. Included in trade and other receivables as at 30 September 2016, was amount due from associate's subsidiary which are repayable on demand and subject to interest of 7.54% per annum and amount due from shareholders were repayable on demand.

Non-current other receivable from the associate's subsidiary in 2016 is subject to 7.54% interest per annum and repayable on demand. The repayment is expected to take place by 30 September 2021.

The average credit period on provision of galvanising services is 0 to 90 days (2016: 30 days).

Movements in the allowance for impairment of receivables are as follow:

	2017 S$'000	2016 S$'000
Group		
At the beginning of financial year	**34**	–
Allowance charged to profit or loss	**596**	34
Allowance written-off during the financial year	**(34)**	–
At end of financial year	**596**	34

The currency profile of the Group's trade and other receivables as at 30 September are as follows:

	Group	
	2017 S$'000	**2016 S$'000**
Singapore dollar	**3,587**	10,914
Malaysian ringgit	**1,728**	–
United States dollar	**248**	161
	5,563	11,075

17. GOODWILL

	Group	
	2017 S$'000	**2016 S$'000**
Cost:		
At beginning of financial year	**–**	–
Arising from acquisition of subsidiaries (Note 13)	**4,268**	–
At end of financial year	**4,268**	–

NOTES TO THE FINANCIAL STATEMENTS

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17. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that was expected to benefit from the business combination.

During the financial year ended 30 September 2017, goodwill with carrying amount of approximately S$4,268,000 as at the end of the financial year, which was acquired through the acquisition of AGV Holdings Group, has been allocated to AGV Group as one CGU.

The Group tests CGU for impairment annually, or more frequently when there is an indication for impairment. The estimate of recoverable amount is determined based on value in use calculation. The Group has measured the recoverable amount of the CGU based on 5 years cash flows projections approved by the Board of Directors. Key assumptions on which management has based its cash flow projections for the respective periods are as below:

Discount rate: The discount rate used at 7.46% is based on the market borrowing rates, adjusted for the specific circumstance of the CGU and based on management's judgement.

Growth rates: The projected growth rates used are based on the published industry research, adjusted for the specific circumstances of the CGU and based on management's judgement. The growth rates used during the projection periods range from 4% to 19%, and which will not give rise to production that exceed 80% of the galvanising capacity at any point in time.

Management is of the view that no reasonable possible changes in any of key assumptions would cause the CGU's carrying amount exceed its recoverable amount.

No impairment loss was recognised during the financial year ended 30 September 2017.

18. INVENTORIES

	Group	
	2017	**2016**
	S$'000	**S$'000**
Consumables	**2,813**	1,726
Consumables-in-transit	**77**	334
	2,890	2,060

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19. CASH AND BANK BALANCES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Cash at bank	**331**	4,038	**5**	3,946
Cash in hand	**7**	1	**1**	–
Other cash and bank balances	**338**	4,039	**6**	3,946
Pledged fixed deposit	**272**	180	**–**	–
Cash and bank balances	**610**	4,219	**6**	3,946
Less: Pledged fixed deposit	**(272)**	(180)	**–**	–
Cash and cash equivalents	**338**	4,039	**6**	3,946

The fixed deposit denominated in SGD is placed for a period of 12 months (2016: 12 months) and bears an effective interest rate of 0.25% (2016: 0.25%) per annum during the financial year ended 30 September 2017 to serve as a pledge to secure a banker's guarantee.

The currency profile of the Group's other cash and bank balances as at 30 September are as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Singapore dollar	**119**	3,960	**6**	3,946
Malaysian ringgit	**198**	79	**–**	–
United States dollar	**21**	–	**–**	–
	338	4,039	**6**	3,946

20. SHARE CAPITAL

	Group		Company	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At 1 October 2015	5,011	6,426	–	–
Issuance of shares	196	196	#	*
Adjustment pursuant to the Restructuring Exercise	(5,207)	(6,622)	–	–
Issuance of shares pursuant to:				
Restructuring Exercise	104,125	9,187	104,125	9,187
Public issue for cash	21,821	4,801	21,821	4,801
	125,946	13,988	125,946	13,988
Share issue expenses	–	(535)	–	(535)
At 30 September 2016 and 30 September 2017	125,946	13,453	125,946	13,453

# denotes amount less than 1,000

* denotes amount less than S$1,000

20. SHARE CAPITAL (CONTINUED)

As at 30 September 2015, there were S$4,000,000 of ordinary shares. During the financial year ended 30 September 2015, Asia Galvanizing (S) Pte. Ltd. entered into an agreement with and consequently issued 1,011,000 Redeemable Convertible Preference Shares ("RCPS") to 11 corporate and individual investors for consideration of S$2,426,000.

Pursuant to the Subscription Agreements entered into by subsidiary of the Company with the Pre-IPO Investors, the RCPS were issued to the Pre-IPO investors on 31 March 2015 on the terms and conditions set out therein. Following the conversion of the RCPS on 24 March 2016, the issued and paid-up share capital of Asia Galvanizing (S) Pte. Ltd. was S$6,621,722. On 15 August 2016, all shares from Pre-IPO investors were converted to shares of AGV Group Limited.

During the financial year ended 30 September 2016, prior to the restructuring exercise, 196,000 ordinary shares of Asia Galvanizing (S) Pte. Ltd. were issued to certain pre-IPO investors for consideration of S$196,000.

Pursuant to the restructuring exercise, the Company issued 104,125,440 restructuring shares at an issue price of S$0.88 per share. Subsequent to the restructuring exercise, the shareholders approved a share split of the issued and paid-up ordinary shares of the Company wherein each share was split into 20 ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company. All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The newly issued shares rank pari passu in all respects with the previously issued shares.

21. OTHER RESERVE

This represents the difference between the nominal value of shares issued by the Group in exchange for the nominal value of shares of the subsidiary based on the net asset value of the subsidiary acquired which is accounted for under "merger accounting".

22. TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

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23. FINANCE LEASE PAYABLES

The Group have finance leases for certain items of plant and equipment with lease terms ranging from 2 to 4 years (2016: 3 to 4 years).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments S$'000	Future finance lease charges S$'000	Present value of lease payments S$'000
2017			
Within one financial year	**525**	**(84)**	**441**
After one financial year but within five financial years	**945**	**(72)**	**873**
	1,470	**(156)**	**1,314**
2016			
Within one financial year	58	(9)	49
After one financial year but within five financial years	121	(9)	112
	179	(18)	161

Finance lease payables are denominated in the following currencies as at the reporting date:

	Group	
	2017 S$'000	**2016 S$'000**
Singapore dollar	**145**	161
Malaysia ringgit	**1,169**	–
	1,314	161

24. BORROWINGS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Secured				
Bank overdrafts				
Due for repayment on demand	**1,630**	1,543	**–**	–
Trust receipts				
Due for repayment within one financial year	**5,890**	4,642	**–**	–
Property loan				
Due for repayment within one financial year	**2,733**	841	**–**	–
Due for repayment after one financial year	**–**	2,699	**–**	–
Machinery loan				
Due for repayment within one financial year	**–**	649	**–**	–
Term loan I				
Due for repayment within one financial year	**–**	414	**–**	–
Term loan II				
Due for repayment within one financial year	**–**	54	**–**	–
Term loan III				
Due for repayment within one financial year	**248**	57	**–**	–
Due for repayment after one financial year	**–**	243	**–**	–
Term loan IV				
Due for repayment within one financial year	**1,063**	253	**–**	–
Due for repayment after one financial year	**–**	1,063	**–**	–
Term loan V				
Due for repayment within one financial year	**1,272**	–	**–**	–
Term loan VI				
Due for repayment within one financial year	**894**	–	**–**	–
Due for repayment after one financial year	**1,289**	–	**–**	–
Unsecured				
Term loan VII				
Due for repayment within one financial year	**133**	–	**133**	–
Due for repayment after one financial year	**145**	–	**145**	–
Term loan VIII				
Due for repayment within one financial year	**127**	–	**127**	–
	15,424	12,458	**405**	–
Total				
Due for repayment within one financial year	**13,990**	8,453	**145**	–
Due for repayment after one financial year	**1,434**	4,005	**260**	–

24. BORROWINGS (CONTINUED)

During the financial year, the average effective interest rates per annum of the borrowings were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Bank overdrafts	**5.25**	5.25	**–**	–
Trust receipts	**4.52 – 9.25**	4.46 – 5.02	**–**	–
Property loan	**2.92**	2.48	**–**	–
Machinery loan	**1.64**	1.64	**–**	–
Term loan I	**4.32**	4.32	**–**	–
Term loan II	**7.51**	7.51	**–**	–
Term loan III	**6.76**	6.76	**–**	–
Term loan IV	**5.75**	5.75	**–**	–
Term loan V	**7.25**	–	**–**	–
Term loan VI	**6.15 – 6.20**	–	**–**	–
Term loan VII	**10.00**	–	**10.00**	–
Term loan VIII	**14.00**	–	**14.00**	–

Property loan from a bank is repayable over a period of 8 years by monthly instalments commencing from December 2012.

Machinery loan from a bank is repayable over a period of 5 years by monthly instalments commencing from December 2012.

Term loan I from a bank is repayable over a period of 2.5 years by monthly instalments commencing from September 2014.

Term loan II from a financial institution is repayable over a period of 3 years by monthly instalments commencing from March 2014.

Term loan III from a bank is repayable over a period of 5 years by monthly instalments commencing from September 2016.

Term loan IV from a bank is repayable over a period of 5 years by monthly instalments commencing from June 2016.

Term loan V from a bank is repayable over a period of 3 years by monthly instalments commencing from April 2017.

Term loan VI from a bank is repayable over a period of 6 years by monthly instalments commencing from May 2016.

Term loan VII from a third party repayable over a period of 2 years by monthly instalments commencing from August 2017.

24. BANK BORROWINGS (CONTINUED)

Term loan VIII from third party repayable over a period of 1 year by monthly instalments commencing from September 2017.

As at 30 September 2017 and 2016, where applicable, unless otherwise stated in the financial statements, the property loan, machinery loan, term loans I, II, III, IV, V and VI and other credit facilities were supported by:

(i) Legal mortgage on leasehold property and renovation with a carrying amount of approximately S$11,546,000 and S$630,000 (2016: S$7,898,000 and S$485,000) respectively;

(ii) Guarantees by certain shareholders and directors; and

(iii) Guarantee from one of its subsidiary company.

The Machinery loan was supported by a fixed charge over one of the subsidiaries' plant and equipment of approximately S$1,716,000 (2016: S$2,095,000).

As at 30 September 2017 and 2016, Term loan II was secured by a negative pledge over one of the subsidiaries' assets.

As at 30 September 2017, included in the credit facilities, a letter of guarantee was secured by a charge on the Group's deposit of approximately S$272,000 (2016: S$180,000).

During the current financial year, a subsidiary of the Group did not fulfil the covenant that requires the maintenance of net worth of S$8 million. As a result, the entire outstanding loan of S$3.6 million was presented as current liabilities at the end of the reporting period. The bank has contractually entitled to request for immediate repayment of the outstanding loan amount. The bank has not requested for immediate repayment for outstanding loan amount up to the date of authorisation of these financial statements.

As at 30 September, the Group and the Company had credit facilities as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Facilities granted	**19,938**	21,391	**405**	–
Facilities utilised	**13,241**	12,619	**405**	–

Bank borrowings are denominated in the following currencies as at the reporting date:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Singapore dollar	**13,240**	12,458	**405**	–
Malaysia ringgit	**2,184**	–	**–**	–
	15,424	12,458	**405**	–

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25. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017 S$'000	2016 S$'000
Deferred tax assets	**570**	–
Deferred tax liabilities	**(232)**	(482)

Deferred tax assets

The movements of deferred tax position for the financial year is as follows:

	Group	
	2017 S$'000	2016 S$'000
At beginning of financial year	**–**	–
Acquisition of subsidiaries (Note 13)	**834**	–
Credit to profit or loss	**190**	–
Overprovision in prior financial years	**(454)**	–
At end of financial year	**570**	–

Deferred tax liabilities

The movements of deferred tax position for the financial year is as follows:

	Group	
	2017 S$'000	2016 S$'000
At beginning of financial year	**(482)**	(567)
Acquisition of subsidiaries (Note 13)	**(166)**	–
Credit to profit or loss	**331**	–
Overprovision in prior years	**85**	85
At end of financial year	**(232)**	(482)

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade payables				
- third parties	**1,380**	1,383	**–**	–
Other payables				
- third parties	**1,696**	1,826	**97**	65
- shareholder of a subsidiary	**1,112**	–	**–**	–
- subsidiary	**–**	–	**2,836**	399
Accrued expenses	**817**	482	**379**	113
GST payable	**130**	377	**37**	–
Dividend payable	**–**	284	**–**	–
Total trade and other payables	**5,135**	4,352	**3,349**	577
Add:				
Borrowings (Note 24)	**15,424**	12,458	**405**	–
Total financial liabilities carried at amortised cost	**20,559**	16,810	**3,754**	577

Trade payables to third parties are unsecured, interest-free and with credit term ranging from 30 to 60 days (2016: 30 to 60 days).

Trade payables to related party, and other payables are unsecured, interest-free and repayable on demand.

The currency profiles of the Group's and Company's trade and other payables as at 30 September are as follows:

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Singapore dollar	**3,037**	3,616	**3,349**	577
Malaysian ringgit	**2,027**	736	**–**	–
United States dollar	**17**	–	**–**	–
Euro	**54**	–	**–**	–
	5,135	4,352	**3,349**	577

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27. OPERATING LEASE COMMITMENTS

The Group leases land, warehouse equipment and motor vehicles under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease term ranging from 1 to 17 years (2016: 2 to 17 years) and lease payments are usually revised at each renewal date to reflect the market rate.

At the reporting date, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Within one financial year	**580**	525
After one financial year but within five financial years	**1,398**	1,901
After five years	**1,777**	2,860
	3,755	5,286

28. CONTINGENT LIABILITIES, UNSECURED

As at financial year ended 30 September 2017, the Group provided a joint and several corporate guarantee for a subsidiary, AGV Galvanizing (M) Sdn. Bhd., of approximately Malaysian ringgit ("MYR") 8.6 million (2016: approximately MYR 9.7 million).

The Group has not recognised any liability in respect of the guarantee given to the bank for banking facilities granted to the subsidiary as the Company's directors have assessed that the likelihood of the subsidiary defaulting on repayment of its loan is remote.

Such guarantees are in the form of a financial guarantee as they require the Group to reimburse the bank if the subsidiary to which the guarantee was extended fails to make principal or interest repayments when due in accordance with the terms of the borrowing. There has been no default nor non-repayment since the utilisation of the banking facility.

As at the end of the financial year, the Company has given undertakings to a subsidiary to provide continued financial support to the subsidiary to enable the subsidiary to operate as going concern and to meet its obligations as and when they fall due for at least 12 months from the financial year end.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the Group and the Company with its related parties during the financial year:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Payments on behalf for subsidiary's associate	**–**	736	**–**	–
Management fee charge to subsidiary	**–**	–	**2,400**	–

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company, directly or indirectly.

The remuneration of key management personnel during the financial year were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Directors				
- Short-term employee benefits	**1,135**	657	**1,112**	73
- Post-employment benefits	**55**	35	**55**	–
	1,190	692	**1,167**	73

30. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The principal operation of the Group relates almost entirely to the provision of galvanising services. The Group operates in two geographical areas, being Singapore and Malaysia.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	**17,140**	20,230	**14,639**	16,590
Malaysia	**869**	–	**7,658**	–
	18,009	20,230	**22,297**	16,590

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group may use financial instruments such as foreign currency forward contracts to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Credit risks

Credit risks refer to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risks.

The Group's major classes of financial assets are bank deposits and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Past due less than 1 month	**1,386**	1,582
Past due 1 to 2 months	**1,065**	706
Past due 2 to 3 months	**669**	585
Past due more than 3 months	**558**	830

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risks

The Group transacts business in various foreign currencies, mainly United States dollar ("USD") other than the respective functional currencies of the Group entities, and hence is exposed to foreign currency risks.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities as at the end of the financial year are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Monetary assets		
USD	**269**	240
Monetary liabilities		
USD	**(17)**	(736)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to USD. A 10% strengthening of SGD against the following currencies at the end of the financial year would increase/(decrease) consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(Loss) before income tax	
	2017 S$'000	2016 S$'000
USD	**25**	(50)

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risks relate to interest bearing liabilities (Notes 23 and 24).

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings, and to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

At the reporting date, the Group and the Company do not have significant exposure to interest rate risk.

Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group minimises liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintaining sufficient levels of cash to meet its working capital requirements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

The following table details the Group's remaining contractual maturity for its financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

			Contractual undiscounted cash flows		
	Effective interest rate %	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	More than 1 year S$'000
Group					
Financial assets					
Trade and other receivables		5,563	5,563	5,563	–
Cash and bank balances		338	338	338	–
As at 30 September 2017		5,901	5,901	5,901	–
Trade and other receivables		11,075	11,075	7,919	3,156
Cash and bank balances		4,039	4,039	4,039	–
As at 30 September 2016		15,114	15,114	11,958	3,156
Financial liabilities					
Trade and other payables		5,005	5,005	5,005	–
Borrowings (Note 24)		15,424	16,378	14,514	1,864
Finance lease payables	6.36 – 6.60	1,314	1,470	525	945
As at 30 September 2017		21,743	22,853	20,044	2,809
Trade and other payables		3,975	3,975	3,975	–
Borrowings (Note 24)		12,458	12,850	8,640	4,210
Finance lease payables	3.60 – 5.70	161	179	58	121
As at 30 September 2016		16,594	17,004	12,673	4,331
Company					
Financial assets					
Trade and other receivables		6,705	6,705	6,705	–
Cash and bank balances		6	6	6	–
As at 30 September 2017		6,711	6,711	6,711	–
Cash and bank balances		3,946	3,946	3,946	–
As at 30 September 2016		3,946	3,946	3,946	–
Financial liabilities					
Trade and other payables		3,312	3,312	3,312	–
Borrowings (Note 24)		405	441	289	152
As at 30 September 2017		3,717	3,753	3,601	152
Trade and other payables		577	577	577	–
As at 30 September 2016		577	577	577	–

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

The Group's operations are financed mainly through equity, accumulated profits and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The repayment terms of the bank borrowings are disclosed in Note 24 to these financial statements.

Valuation policies and techniques

The management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regards, the management reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the management, the Group would engage experts to perform significant complex financial reporting valuations. The management is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance. The Group's internal financial personnel will undertake non-complex financial reporting valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. The management also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the external valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

32. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of cash and bank balances, current trade and other receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

33. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 September 2017 and 30 September 2016.

33. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debts.

	Group	
	2017	2016
	S$'000	S$'000
Trade and other payables	**5,135**	4,352
Borrowings	**15,424**	12,458
Finance lease payables	**1,314**	161
Cash and cash equivalents	**(338)**	(4,039)
Net debt	**21,535**	12,932
Total equity	**10,466**	12,758
Total capital	**32,001**	25,690
Gearing ratio	**67%**	50%

34. EVENTS SUBSEQUENT TO THE REPORTING DATE

a) On 9 October 2017, the Company announced that the Company entered into Convertible Loan Agreement with Mr Tan Chwee Seng and Ms Pua Lay Pen of total S$1 million loan with 15% of interest per annum. The convertible loan shall mature 24 months from the fifth business day of the condition precedent to the utilisation of the loan is fulfilled. The conversion rate shall be based on 95% of the average of the volume weighted average price per share quoted for 14 consecutive trading days ending on the trading date immediately preceding the date the Conversion Notice given to the Company and such price shall be rounded upwards to the nearest 0.1 cent;

b) On 20 November 2017, the Company announced that the Company entered into Convertible Loan Agreement with Mr Song Ji Yong of S$1 million loan with 15% of interest per annum. The convertible loan shall mature 12 months from the fifth business day of the condition precedent to the utilisation of the loan is fulfilled. The conversion rate shall be based on 95% of the average of the volume weighted average price per share quoted for 14 consecutive trading days ending on the trading date immediately preceding the date the Conversion Notice given to the Company and such price shall be rounded upwards to the nearest 0.1 cent;

c) On 15 December 2017, a subsidiary of the Group, Asia Galvanizing (S) Pte. Ltd. ("AGVS") has exercised call options to get Mr Song Ji Yong and Mr Than Chung Kiat to sell their shares in AGV Holdings back to AGVS. The consideration payables were fully paid as of the date of these financial statements;

d) On 11 January 2018, the Company announced the Company has incorporated a new wholly – owned subsidiary in China, namely AGV (Xiamen) Ecotechnology Co., Ltd ("AGV Xiamen"). With incorporation of AGV Xiamen, the Company will expand the Group's business into provision of solution on water and waste treatment;

34. EVENTS SUBSEQUENT TO THE REPORTING DATE (CONTINUED)

e) On 11 January 2018, the Company announced that the Company has entered into a memorandum of understanding (the "MOU") on 5 January 2018 with Myat Mi Ba Company Limited ("MMB"), a private company incorporated in Myanmar, to incorporate a new joint venture company in Myanmar for the purposes of providing hot dip galvanising services to the Myanmar market. The Company would hold an effective interest of 80% in the Joint Venture Company and MMB would hold the remaining 20% shareholding. In addition, the understanding pursuant to the MOU includes the option for MMB to acquire 25% of the shares held by the Company in the Joint Venture Company after 2 years from the date of the JV Agreement; and

f) On 8 February 2018, the Company entered into a subscription agreement with CJM Global Limited, China Equity Investment Limited, Teo Yong Ping, Tiong Hua Ting and Ho Bee Ping pursuant to which they will agree to subscribe for up to 18,000,000 new ordinary shares in the issued and paid up capital of the Company (the "New Shares") at an issue price of S$0.11 (the "Issue Price").

The Issue Price represents a discount of approximately 10% to the volume weighted average price of S$0.1221 for trades done on the Company's Shares on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") for the full market day on 5 February 2018 (being the last full market day on which the Shares were traded prior to the date the Subscription Agreement was signed).

Upon completion of the Placement, the issued and paid-up share capital of the Company will increase to 143,946,440 ordinary shares (the "Enlarged Share Capital") and the New Shares will represent approximately 12.50% of the Company's Enlarged Share Capital.

The estimated net proceeds from the Placement (after deducting the estimated expenses, including but not limited to the professional fees in relation to this Placement) of approximately S$1,940,000 will be utilised by the Company and its subsidiaries (the "Group") for capital expenditure and general working capital purposes. The Company is undertaking the Placement in order to strengthen the Company's financial position and flexibility to capitalise on growth opportunities.

STATISTICS OF SHAREHOLDINGS

(AS RECORDED IN THE REGISTER OF SHAREHOLDERS AS AT 21 FEBRUARY 2018)

Issued and paid-up capital	:	S$13,988,400
Number of shares	:	125,946,440
Class of Shares	:	Ordinary
Voting rights	:	One vote per share

Treasury Shares and Subsidiary Holdings
Number of treasury shares: **0**
Number of subsidiary holdings: **0**
Percentage of treasury shares against the total number of issued ordinary shares: **0%**
Percentage of subsidiary holdings against the total number of issued ordinary shares: **0%**

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	7	4.29	5,300	0.01
1,001 – 10,000	19	11.66	129,700	0.10
10,001 – 1,000,000	114	69.94	20,090,000	15.95
1,000,001 AND ABOVE	23	14.11	105,721,440	83.94
TOTAL	**163**	**100.00**	**125,946,440**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	20,870,340	16.57
2	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	13,565,200	10.77
3	ANG GHEE ANN	11,000,000	8.73
4	CITIBANK NOMINEES SINGAPORE PTE LTD	8,863,200	7.04
5	ANG YEE HUAT	6,059,600	4.81
6	YEONG CHUN SONG	5,120,000	4.07
7	POON MAY FOONG	4,200,000	3.33
8	CHAN HUI LAN CATHERINE	4,000,000	3.18
9	CHNG WENG WAH	3,519,700	2.79
10	TSNG JOO WEE	3,302,000	2.62
11	POH LEONG TUCK	2,760,000	2.19
12	YEONG CHEE YEEN	2,672,000	2.12
13	MAI DUC BAO	2,500,000	1.98
14	TEH KIM SIEW	2,475,000	1.97
15	HOE LOO MING	2,260,000	1.79
16	RAFFLES NOMINEES (PTE) LIMITED	2,159,300	1.71
17	LIVERLAND INVESTMENTS PTE LTD	1,700,000	1.35
18	YONG KIM YEW MICHEAL	1,700,000	1.35
19	NG KOK CHENG	1,580,100	1.25
20	GOH SOON KHIAN	1,500,000	1.19
	TOTAL	**101,806,440**	**80.81**

SUBSTANTIAL SHAREHOLDERS

(AS RECORDED IN THE REGISTER OF SHAREHOLDERS AS AT 21 FEBRUARY 2018)

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Asiagalv Capital LLP[1][2]	–	–	23,106,440	18.35
Albert Ang[2]	–	–	23,106,440	18.35
James Ang[2]	–	–	23,106,440	18.35
Ang Ghee Ann	11,000,000	8.73	–	–
Chan Hui Lan Catherine[3]	4,000,000	3.18	10,382,900	8.24
Chng Weng Wah[4]	3,519,700	2.79	10,863,200	8.63

Notes:

(1) Asiagalv Capital LLP is deemed interested in the 15,106,440 shares held in the name of CIMB Securities (Singapore) Pte. Ltd. and 8,000,000 shares held in DBS Vickers SECS (S) Pte. Ltd..

(2) Albert Ang and James Ang are deemed interested in the Shares held by Asiagalv Capital LLP, a limited liability partnership between Albert Ang and James Ang. Albert Ang and James Ang are brothers.

(3) Chan Hui Lan Catherine is deemed interested in 7,819,700 shares held by her spouse, Chng Weng Wah and 2,563,200 shares held for her in Citibank Nominees Singapore Pte. Ltd..

(4) Chng Weng Wah is deemed interested in 6,563,200 shares held by his spouse, Chan Hui Lan Catherine and 4,300,000 shares held for him in Citibank Nominees Singapore Pte. Ltd..

Percentage of shareholding held in the hands of the public

As at 21 February 2018, the percentage of shareholding in the Company held in the hands of the public is approximately 52.48%. At least 10% of the Company's equity securities are held by the public at all times and the Company is in compliance with Rule 723 of Section B of the Listing Manual.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **Raffles Marina Level 2, Bridge Room, 10 Tuas West Drive, Singapore 638404 on 23 March 2018 at 8:30 a.m.** to transact the following business:

ORDINARY BUSINESSES

1. To receive and adopt the Directors' Statement and Audited Accounts of the Company for the financial year ended 30 September 2017 together with the Auditors' Report thereon. **Resolution 1**

2. To re-elect Mr Jack Chia Seng Hee pursuant to Regulation 97 of the Company's Constitution. [See Explanatory Note (i)] **Resolution 2**

3. To re-elect Mr James Ang Nam Heng pursuant to Regulation 97 of the Company's Constitution. [See Explanatory Note (i)] **Resolution 3**

4. To note that Mr Yeong Chun Song will be retiring pursuant to Regulation 97 of the Company's Constitution and will not be seeking re-election.

5. To approve the payment of Directors' fees of S$135,000 for the financial year ending 30 September 2018, to be paid quarterly in arrears. **Resolution 4**

6. To re-appoint Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESSES

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

   "That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Act**") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided always that:

(i) the aggregate number of shares (including shares to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the percentage number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares in the Company at the time of the passing of this Resolution, after adjusting for:

i. new shares arising from the conversion or exercise of any convertible securities;

ii. new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

iii. any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier" **Resolution 6**

[See Explanatory Note (ii)]

By Order of the Board

Albert Ang
8 March 2018

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Jack Chia Seng Hee will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, chairman of the Board, chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee. Mr Jack Chia Seng Hee is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr James Ang Nam Heng will upon re-election as a Director of the Company, remain as an Executive Director of the Company.

(ii) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares), of which up to 50% may be issued other than on a pro rata basis to Shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. (a) Except for a member who is a relevant intermediary (as defined under Section 181 of the Act), a member of the Company entitled to attend and vote at the general meeting is required to appoint one or two proxies to attend and vote in his stead.

   (b) A member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at the general meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies shall in the case of an individual, be signed by the appointor or his attorney, and in the case of a corporation shall be either under the Common Seal or signed by its attorney or a duly authorised officer on behalf of the corporation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 22 Benoi Road Singapore 629892 not less than 72 hours before the time appointed for holding the Meeting.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to attend and vote at the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or by attending the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. In addition, by attending the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

AGV GROUP LIMITED

(Company Registration No. 201536566H)

(Incorporated In the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy AGV Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name), NRIC/Passport Number ________________

of ____ (Address)
being a member/members of AGV Group Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at **Raffles Marina Level 2, Bridge Room, 10 Tuas West Drive, Singapore 638404 on 23 March 2018 at 8:30 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Accounts for the financial year ended 30 September 2017		
2	Re-election of Mr Jack Chia Seng Hee as a Director		
3	Re-election of Mr James Ang Nam Heng as a Director		
4	Approval of Directors' fees amounting to S$135,000 for the financial year ending 30 September 2018, to be paid quarterly in arrears		
5	Re-appointment of Mazars LLP as Auditors		
6	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50		

Dated this ______ day of ____________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. Except for a member who is a relevant intermediary (as defined under the Companies Act, Chapter 50 of Singapore (the "**Act**"), a member entitled to attend and vote at the general meeting is entitled to appoint one or two proxies to attend and vote in his stead. A member of the Company who is a relevant intermediary may appoint more than two proxies to attend and vote at the general meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

3. Where a member who is not a relevant intermediary appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. Where a member who is a relevant intermediary appoints two or more proxies, the appointments shall be invalid unless the number and class of shares in relation to which each proxy has been appointed is specified in the proxy form.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company 22 Benoi Road Singapore 629892 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Jack Chia Seng Hee ("Jack Chia")
(Non-Executive Chairman and Independent Director)
Ang Nam Wah ("Albert Ang")
(Executive Director and Chief Executive Officer)
Ang Nam Heng ("James Ang")
(Executive Director and Chief Operating Officer)
Ang Ghee Ann
(Executive Director)
Yeong Chun Song
(Non-Executive Director)
Toh Hock Ghim
(Independent Director)
Benjamin Choo Chih Chien ("Benjamin Choo")
(Independent Director)

AUDIT COMMITTEE

Jack Chia Seng Hee (Chairman)
Toh Hock Ghim
Benjamin Choo

NOMINATING COMMITTEE

Toh Hock Ghim (Chairman)
Jack Chia Seng Hee
Benjamin Choo

REMUNERATION COMMITTEE

Benjamin Choo (Chairman)
Jack Chia Seng Hee
Toh Hock Ghim

COMPANY SECRETARIES

Ong Beng Hong (LLB, Hons)
Tan Swee Gek (LLB, Hons)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

22 Benoi Road Singapore 629892

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

Hong Leong Finance Limited
16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

EXTERNAL AUDITORS

Mazars LLP
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

Partner-in-charge: Chen Ningxin
(Appointed since the financial year
ended 30 September 2016)

INVESTOR RELATIONS

Financial PR Pte Ltd
4 Robinson Road #04-01
The House of Eden
Singapore 048543

AGV GROUP LIMITED
(company Registration no. 201536566H)

22 BENOI ROAD SINGAPORE 629892
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