AGV GROUP

AGV GROUP LIMITED

PURSUING NEXT LEVEL OF GROWTH

ANNUAL REPORT 2018

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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 the 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) 6415 9886.

CORPORATE PROFILE

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

Dear Shareholders,

2018 was a challenging year for AGV Group Limited (the "Group") due to a myriad of factors but chief amongst them was a substantial increase in zinc prices as compared to the previous year. This resulted in a significant increase in the unit cost of production as a major component of the Group's consumables is zinc. Whilst the Group tried to pass on the incremental costs to customers, it was unable to do so successfully. The Group also experienced structural damage to its zinc kettle in 2018, which required constant repairs, and the Group ultimately decided to carry out a total replacement of the zinc kettle. This resulted in lower production tonnage, intermittent production work disruptions, increase in costs and inevitable zinc loss as a result of a change in the zinc kettle. This overall decline in production levels had a negative impact on the revenue of the Group for the financial year ended 2018 ("FY2018").

In our endeavour to raise funds and strengthen our financial position, I am pleased to inform shareholders that we have successfully entered into placement agreements with four subscribers for an aggregate of 60,000,000 subscription shares. Approximately S$1,110,000 has been raised from this placement exercise, and the net proceeds were utilized by the Group for general working capital purposes and repayment of bank borrowings and other trade payables. As of the date of this report, the Group has also secured loan facilities of up to S$5.9 million from the aforementioned four subscribers, and we have already drawn down approximately S$3.0 million. We are deeply appreciative of the support given by the investors, and the faith that they have shown in us.

We are also pleased to have received support from our lenders and trade creditors, in that they have agreed to grant us a longer repayment period, in light of the challenging year the Group has experienced. Hence, we hereby extend our sincere appreciation to the lenders and trade creditors for their support.

Due to the cash crunch experienced by the Group as a result of the challenging year, the Group has accordingly focused on its core business in Singapore in 2018. The Group decided not to expand funds into the business of providing solutions for water and waste treatment in Xiamen, the People's Republic of China, and accordingly, we have sold our wholly owned subsidiary, AGV (Xiamen) Ecotechnology Co., Ltd.

We wish to inform shareholders that the Memorandum of Understanding between Myat Mi Ba Company Limited (a Myanmar Company) and AGV Group Limited has been terminated. However, we are pleased to inform shareholders that we have entered into a Memorandum of Understanding (the "MOU") on 3 May 2018 with Hyday (South Pacific) Investment Pte. Ltd. ("Hyday"). This is to facilitate the exploration and development of the construction and hot-dip galvanizing market in Asia. The Board will continue to assess the validity of bringing this joint venture with Hyday to fruition.

Looking forward, zinc prices have already shown signs of increasing in recent times and it is one of our main raw materials in galvanizing. Whilst the Group is looking to navigate through this challenging operating environment, we are ready to respond to and capitalise on any potential upswing in demand. The Group will monitor these developments keenly and plan cautiously to safeguard shareholder interest.

Also, on behalf of AGV Group Limited, I would like to thank Mr Yeong Chun Song, Mr Chia Seng Hee, Mr Benjamin Choo Chih Chien, Mr Richard Chung Kok Boon and Mr Ang Ghee Ann, who have resigned in the past year, for their invaluable contributions and service to the Group.

I would also like to welcome the appointments of Mr Chong Kwang Shih, Mr Choong Yoon Fatt, and Mr Wee Meng Seng Aloysius, who have agreed to come onboard in these difficult times. They have been appointed as independent directors and with their wealth of experience in the accounting and legal industries, I believe that they will be able to assist the Group with their insights, and their expertise will also provide the Board with greater guidance.

Lastly, on behalf of the Board, I would like to thank all our shareholders, customers, bankers and business partners for their strong continued support and confidence in AGV Group Limited. I also wish to thank the management team and AGV employees for their dedication and unwavering commitment to the Group. Let us look forward to a better year ahead.

CHUA WEI KEE
Non-Independent Non-Executive Chairman

CEO'S STATEMENT

Dear Shareholders,

We once again sincerely apologize that the annual report has reached you late this year, and for holding the AGM late this year. We required an extension of the timeline due to challenging circumstances which resulted in the finalization of the audited accounts around February 2019. We have sought from the SGX-ST for an extension of time for the release of the annual report and the convening of the AGM. We seek your kind understanding in this matter.

In the financial year ended 2018 ("FY2018"), due to the substantial increase in costs of zinc and a slowdown in demand for our services, our revenue was impacted. Nonetheless, this setback has not dented our aspiration in planning for the future. In FY2018, we took a few decisive steps in paving our way forward by streamlining our operations and focusing on our core business in Singapore. We have also secured new investors and independent directors, as stated by the Chairman in his address.

FINANCIAL PERFORMANCE

For FY2018, our revenue decreased to S$8.0 million as compared to S$18.0 million for the financial year ended 30 September 2017 ("FY2017"). This decrease was mainly due to the decline in hot-dip galvanizing services provided. 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 increased cost on to our customers.

Given the difficult business climate, we took steps to reduce costs, reducing employee benefits expense, comprising directors' remuneration and staff-related expenses from S$6.0 million in FY2017 to S$4.9 million in FY2018. As part of AGV Group Limited's (the "Group") efforts to reduce costs, general administration costs were reduced from S$5.2 million in FY2017 to S$3.1 million in FY2018. However, this significant cost reduction was offset by the full impairment of goodwill of S$4.3 million, which resulted in other expenses increasing to S$7.4 million compared to S$5.2 million in FY2017.

FINANCIAL POSITION AND CASH FLOW

The Group's non-current assets as at 30 September 2018 was approximately S$17.5 million, approximately S$4.8 million lower than that as at 30 September 2017. This is due to the goodwill of S$4.3 million that has been fully impaired (earlier recognised in FY2017 arising from the business combination of AGV Holdings Pte. Ltd. ("AGVH"),

CEO'S STATEMENT

which included AGV Galvanizing (M) Sdn Bhd ("AGVM")). The reason for the impairment is because management considered the deterioration in the capability of AGVH and AGVM to obtain future financial benefits due to, amongst other things, a change in the market conditions in Malaysia for hot-dip galvanizing services and the expected low sales volume.

Current assets have decreased from S$10.4 million in FY2017 to S$2.7 million in FY2018. This is due to the structural damage to the zinc kettle, with repair works causing intermittent disruptions to the production line. The resulting decline in tonnage of hot-dip galvanizing services has in turn caused a decrease in sales and trade receivables.

Non-current liabilities declined from S$2.5 million in FY2017 to S$1.7 million in FY2018, mainly due to an aggregate decline in finance lease and borrowings.

Current liabilities have increased from S$19.7 million in FY2017 to S$23.7 million in FY2018. This was mainly due to an increase of S$4.0 million in trade and other payables to institutional lenders. We have worked with said institutional lenders to repay said current liabilities over a longer time frame.

The Group's net equity has declined from a year ago mainly due to the aforementioned net loss. Net cash generated from operating activities has increased from a negative sum of S$2.1 million in FY2017 to a positive sum of S$1.1 million in FY2018. Net cash used in investing activities amounted to S$0.4 million in FY2018. Net cash used in financing activities amounted to S$1.0 million in FY2018, which is similar to FY2017. As a result of the above, the net cash and cash equivalents was S$77,000 as at 30 September 2018.

PAVING FOR FUTURE GROWTH

As the Chairman has stated in his address, we have raised funds of approximately S$1,110,000 from the placement exercise (as announced on SGXNET on 26 October 2018) with four subscribers. AGV Group Limited has also obtained loan facilities of up to S$5.9 million from these four subscribers, and we have already drawn down approximately S$3.0 million from the available credit line.

AGV Group Limited is also taking the decision to streamline its business and implement cost cutting measures by concentrating on our core business in Singapore.

Notwithstanding this, AGV Group Limited will continue to explore and pursue opportunities that the Board deems viable for the Group. The Group will also continue to update shareholders as and when necessary. Though the current business conditions and environment may seem challenging, we believe we need to take these steps so that we can be ready for changes in the South East Asia market in the year ahead.

LOOKING AHEAD

The total construction demand in Singapore for 2019 is expected to be better than 2018 with the Building and Construction Authority ("BCA") expecting it to be between S$27 billion and S$32 billion. Public construction demand, expected to be between S$16.5 billion and S$19.5 billion this year, is set to make up about 60% of projected demand for the year. The private sector's construction demand is expected to remain steady at between S$10.5 billion and S$12.5 billion in 2019, supported by projects including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

BCA expects a steady improvement in construction demand over the medium term. Demand is projected to reach between S$27 billion and S$34 billion per year for 2020 and 2021 and could increase to between S$28 billion and S$35 billion per year for 2022 and 2023. The public sector is expected to contribute S$16 billion to S$20 billion per year from 2020 to 2023 with similar proportions of demand coming from building projects and civil engineering works. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5. BCA also expects private sector construction demand to gradually increase in the medium term, boosted by further growth in the other economic sectors.

These recent trends in the construction industry give cause to cheer, but we remain watchful and cautious in view of factors such as the increasing cost of zinc. As downside risks remain, we brace ourselves for another year of difficult trading conditions in our key markets. At the same time, we are ready to respond to, and to take advantage of any potential upswing in demand, and positive outlook of the construction industry.

I would like to take this opportunity to thank our staff, customers, business partners as well as our valued shareholders for their continued support, commitment and the faith in AGV Group Limited. As we embark on our next phase of growth, we look forward to forging strong ties with each and every one of you as we propel forward.

ALBERT ANG
Executive Director and
Chief Executive Officer

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.

CHUA WEI KEE
Non-Executive Chairman and Non-Independent Non-Executive Director

Mr Chua was appointed as Non-Independent Non-Executive Director of the Company on 10 January 2019. He is the Non-Executive Chairman of the Board of Directors.

He is currently the Chief Executive Officer of JD Resources Sdn. Bhd., a leading distributor and player for industrial zinc and other metal resources in the region, and director of JD Resources Sdn. Bhd.'s various related companies in the region, such as in Thailand, Indonesia and the People's Republic of China.

Mr Chua graduated from RMIT University in Kuala Lumpur, Malaysia with an Executive MBA.

ALBERT ANG
Executive Director and CEO

Mr Albert Ang is our CEO, Executive Director and Managing Director. Mr 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, Mr 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, Mr 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.

Mr 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.

BOARD OF DIRECTORS

JAMES ANG
Executive Director

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

Mr 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, Mr 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 as a director. In 2009, he joined Fastcoat Industries Pte Ltd as an executive director.

CHONG KWANG SHIH
Independent Director

Mr Chong is our Independent Director and was appointed to the Board on 20 June 2018.

Mr Chong has extensive experience in senior financial roles, bringing with him more than 25 years of experience in financial management, fund raising, restructuring and investments. He was the Chief Financial Officer for several companies listed on the SGX-ST, including Jade Technologies Holdings Ltd (now known as Emerging Towns & Cities Singapore Ltd) and OEL (Holdings) Limited. In his CFO roles, he was involved in financial and management reporting, budgeting, regulatory and financial controls, risk management, statutory compliance, due diligence, process improvements, treasury and management recruitment.

He is currently an independent consultant providing corporate advisory services to companies on, amongst others, strategic planning, accounting and finance operations, internal controls. His expertise extends to IPOs, M&As, trade sales and capital markets.

Mr Chong graduated from Victoria University of Wellington, New Zealand with a Bachelor of Commerce and Administration, majoring in Accountancy.

BOARD OF DIRECTORS

ALOYSIUS WEE MENG SENG
Independent Director

Mr Aloysius Wee is our Independent Director and was appointed on 13 November 2018.

Mr Aloysius Wee is an advocate and solicitor of the Supreme Court of Singapore and is currently the managing partner of boutique law firm, Aquinas Law Alliance LLP. Prior to this, he was the managing partner of Dacheng Wong Alliance LLP, a Singapore China joint venture law firm and before that he was a partner at Central Chambers Law Corporation which he co-founded, serving as co-managing partner.

Mr Aloysius Wee's areas of practice are Intellectual Property Law, Corporate Law, Cross Border Commercial Transactions, and Real Estate Transactions. He has since 1997 advised on various development and investment projects for property developers, real estate players and hospitality companies in Singapore and the region. He also advises on cross-border joint ventures and transactions and in the area of mergers and acquisitions of companies.

Mr Aloysius Wee is the current chairperson of the ASEAN Legal Alliance, a network of 10 law firms in each of the 10 ASEAN countries. He also sits as a director in Tay Leck Teck Foundation and Verbum Dei Singapore Limited (a charity). He is also currently an independent director of JES Holdings Limited, Olive Tree Estate Limited and Oriental Group Limited.

CHOONG YOON FATT
Independent Director

Mr Choong is our Independent Director and was appointed on 13 November 2018.

Mr Choong joined KPMG Singapore in 2000 and between 2004 and 2006, he was with KPMG Shanghai. During his career with KPMG, he managed a portfolio of clients ranging from SMEs to multinational corporations. He had experiences in initial public offerings (IPOs) and special assignments including due diligence, special reviews and reverse takeovers. In 2012, he left KMPG and is currently practising as a public accountant.

Mr Choong holds a Bachelor of Commerce (Accounting and Finance) degree from Griffith University, Australia. He is a practising member of the Institute of Singapore Chartered Accountants (ISCA) and a public accountant registered with Accounting and Corporate Regulatory Authority (ACRA) and a member of Certified Practising Accountants (CPA) Australia.

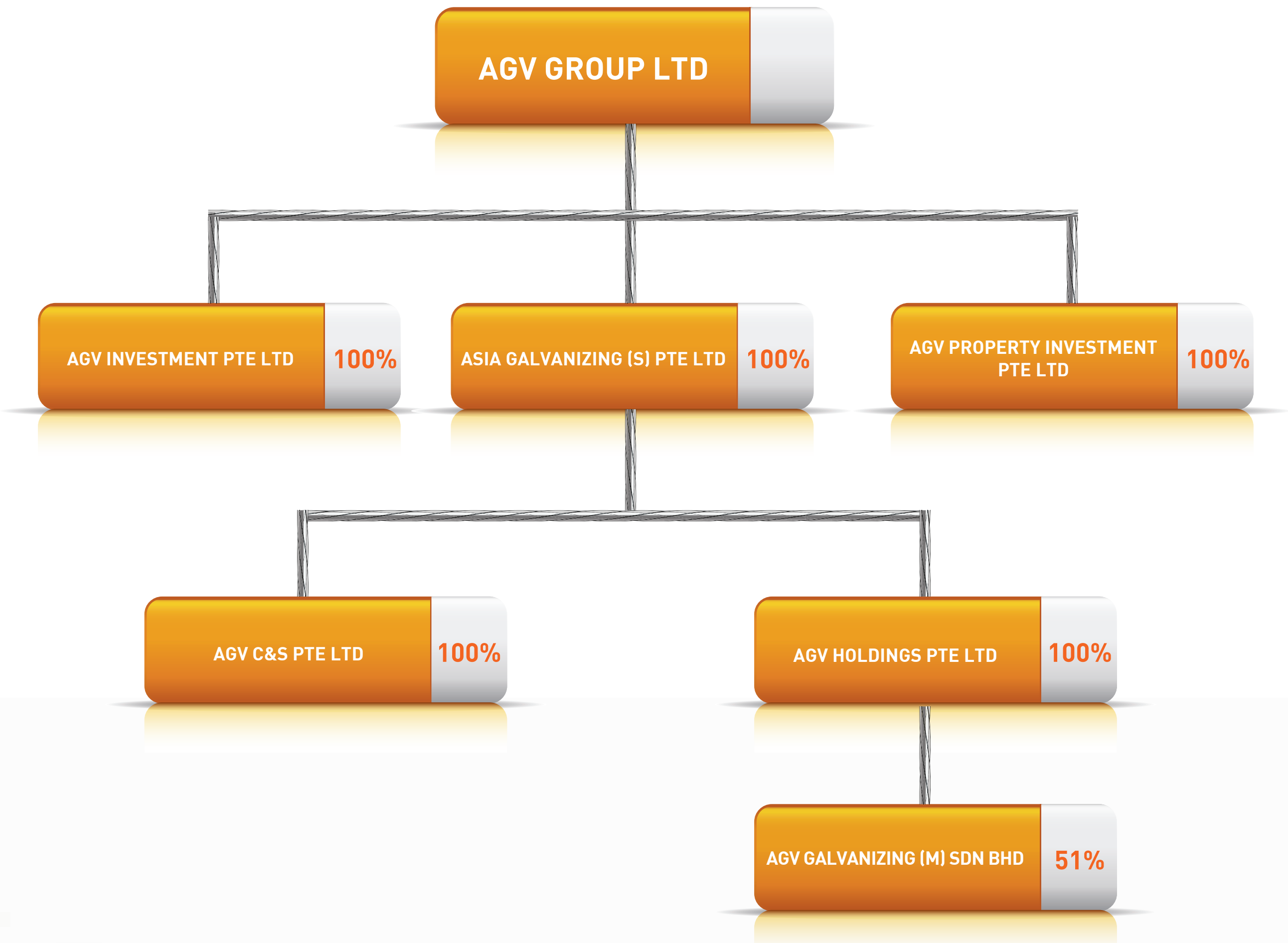
KEY MANAGEMENT STAFF

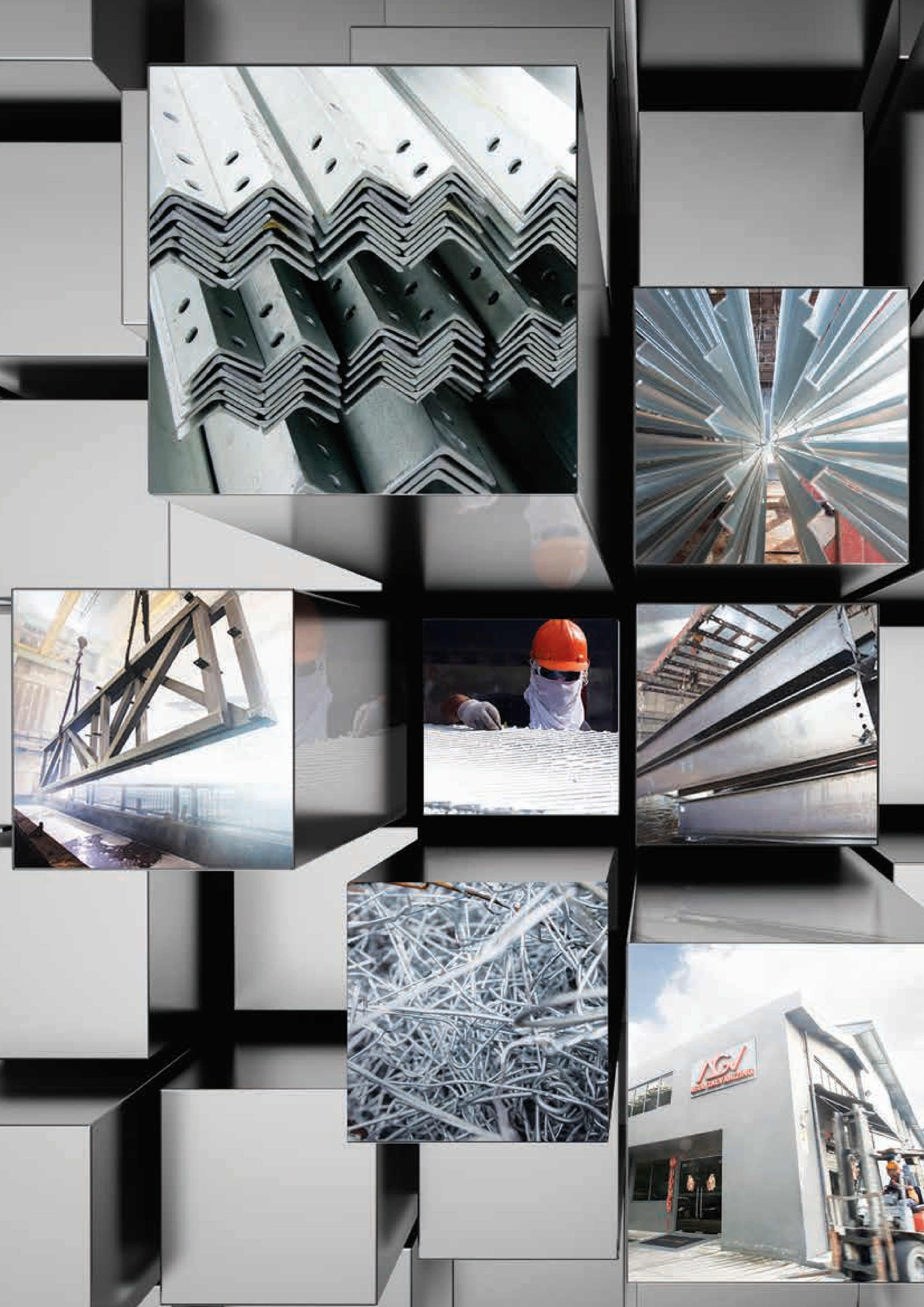
MOHAMMAD EFFENDI BASRI
Group Financial Controller

Mr Effendi was appointed as our Group Financial Controller from July 2018. He oversees all our financial, accounting and tax-related matters. Mr Effendi has over 20 years of finance experience in the shipbuilding, construction, marine engineering, consultancy and property development sectors. He was the Financial Controller at Miclyn Express Offshore Ltd, which was listed on the Australian Stock Exchange and was the Finance Manager at ASL Marine Holdings Ltd, which is listed on the SGX-ST. He was also involved in investment management in private equity and has served in both the private and public sectors.

Mr Effendi graduated with a Bachelor of Accountancy degree from the Nanyang Technological University. He is also a member of the Institute of Singapore Chartered Accountants.

GROUP STRUCTURE

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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 Ang Nam Wah Albert, Mr Ang Nam Heng James, Mr Chong Kwang Shih, Mr Choong Yoon Fatt, Mr Wee Meng Seng Aloysius, and Mr Chua Wei Kee.

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 (2) 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 2018, the Board held two (2) Board meetings, one (1) AC meeting, one (1) NC meeting and one (1) RC meeting.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Committees during the financial year ended 30 September 2018 were as follows:

	Committees			
	Board	**Audit**	**Nominating**	**Remuneration**
Number of Meetings held:	2	1	1	1
Name of Director				
Mr Ang Nam Wah Albert	2	–	–	–
Mr Ang Nam Heng James	2	1 (invited)	–	–
Mr Ang Ghee Ann(1)	1	1 (invited)	–	–
Mr Yeong Chun Song(2)	–	–	–	–
Mr Jack Chia Seng Hee(3)	2	1	1	1
Mr Toh Hock Ghim(4)	2	1	1	1
Mr Benjamin Choo Chih Chien(5)	2	1	1	1
Mr Chong Kwang Shih(6)	–	–	–	–
Mr Richard Chung Kok Boon(7)	N.A.	N.A.	N.A.	N.A.
Mr Choong Yoon Fatt(8)	N.A.	N.A.	N.A.	N.A.
Mr Wee Meng Seng Aloysius(9)	N.A.	N.A.	N.A.	N.A.
Mr Chua Wei Kee(10)	N.A.	N.A.	N.A.	N.A.

Notes:

(1) Mr Ang Ghee Ann resigned as an Executive Director of the Company on 22 January 2019.

(2) Mr Yeong Chun Song resigned as a Non-Executive Director of the Company on 23 March 2018.

(3) Mr Jack Chia Seng Hee resigned as an Independent Director of the Company on 2 May 2018.

(4) Mr Toh Hock Gim resigned as an Independent Director of the Company on 9 January 2019.

(5) Mr Benjamin Choo Chih Chien resigned as an Independent Director of the Company on 29 June 2018.

(6) Mr Chong Kwang Shih was appointed as an Independent Director of the Company on 20 June 2018.

(7) Mr Richard Chung Kok Boon was appointed as a Non-Independent Non-Executive Director on 13 November 2018 and resigned as a Non-Independent Non-Executive Director of the Company on 25 January 2019.

(8) Mr Choong Yoon Fatt was appointed as an Independent Director of the Company on 13 November 2018.

(9) Mr Wee Meng Seng Aloysius was appointed as an Independent Director of the Company on 13 November 2018.

(10) Mr Chua Wei Kee has been appointed as a Non-Independent Non-Executive Chairman of the Company on 10 January 2019.

CORPORATE GOVERNANCE REPORT

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;

(c) setting up of and disposal of any subsidiary, dormant or otherwise;

(d) announcements of financial results;

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

(f) recommending dividend payments; and

(g) 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. First-time directors of listed companies in Singapore will attend relevant training programmes conducted by the Singapore Institute of Directors. The Company will also provide training to first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate and training will be arranged and funded by the company.

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.

CORPORATE GOVERNANCE REPORT

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 substantial shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board comprises six (6) directors, two (2) of whom are executive. Of the remaining four (4) non-executive directors, three (3) are independent. The Board believes that there is a good balance between the Executive and Non-Executive Directors, and that there is a strong and independent element on the Board with Independent Directors making up at least half of the Board. The requirement of the Code of Corporate Governance that at least one-third of the Board consists of Independent Directors is satisfied. The Composition of the Board and Board Committees as at the date of this annual report is as follows:

Name of Directors	Board (Designation)	Audit Committee	Nominating Committee	Remuneration Committee
Ang Nam Wah Albert	Executive Director	–	–	–
Ang Nam Heng James	Executive Director	–	–	–
Chong Kwang Shih	Independent Director	Chairman	Member	Member
Choong Yoon Fatt	Independent Director	Member	Member	Chairman
Wee Meng Seng Aloysius	Independent Director	Member	Chairman	Member
Chua Wei Kee	Chairman, Non-Independent Non-Executive Director	–	Member	–

As at 30 September 2018, the previous Board comprised the following members:

Name of Directors	Board (Designation)	Audit Committee	Nominating Committee	Remuneration Committee
Ang Nam Wah Albert	Executive Director	Member	–	–
Ang Nam Heng James	Executive Director	–	–	–
Ang Ghee Ann	Executive Director	–	–	–
Chong Kwang Shih	Chairman, Independent Director	Chairman	Member	Member
Toh Hock Ghim	Independent Director	Member	Chairman	Chairman

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.

CORPORATE GOVERNANCE REPORT

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. In the event that the Board considers it necessary to appoint 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-Independent Non-Executive Chairman of the Board as at the date of this report is Mr Chua Wei Kee and the CEO is Mr Ang Nam Wah Albert. The previous Chairman as at 30 September 2018 was Mr Chong Kwang Shih. The duties of the Non-Independent 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 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 Wee Meng Seng Aloysius, Mr Chong Kwang Shih, Mr Choong Yoon Fatt, and Mr Chua Wei Kee. Mr Wee Meng Seng Aloysius 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;

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(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;

(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 (as at the date of report) directors including date of initial appointment and directorships in other listed companies, both current and for the preceding three (3) 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
Ang Nam Wah Albert	51	2 October 2015	N.A.	N.A.	N.A.
Ang Nam Heng James	48	22 January 2016	N.A.	N.A.	N.A.
Chong Kwang Shih	52	20 June 2018	N.A.	N.A.	Dew Corporate Advisory Pte Ltd
Choong Yoon Fatt	43	13 November 2018	Oriental Group Ltd.	N.A.	Public accountant practicing at SC & Co.
Wee Meng Seng Aloysius	50	13 November 2018	Olive Tree Estate Limited (formerly known as Changjiang Fertilizer Holdings Limited) JES International Holdings Ltd Oriental Group Ltd.	Shanghai Turbo Enterprises Ltd Singapore eDevelopment Ltd (formerly known as CCM Group Limited)	Managing Partner of Aquinas Law Alliance LLP
Chua Wei Kee	45	10 January 2019	N.A.	N.A.	Chief Executive Officer of JD Resources Sdn. Bhd.

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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 FY2018, 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 FY2018, the director retiring at the AGM pursuant to Regulation 97 of the Constitution is Mr Ang Nam Heng James. The directors retiring at the Annual General Meeting pursuant to Regulation 103 of the Constitution are Mr Chua Wei Kee, Mr Choong Yoon Fatt, Mr Wee Meng Seng Aloysius and Mr Chong Kwang Shih. After assessing the contributions of Mr Ang Nam Heng James, Mr Chua Wei Kee, Mr Choong Yoon Fatt, Mr Wee Meng Seng Aloysius and Mr Chong Kwang Shih, the NC has recommended the respective re-elections of Mr Ang Nam Heng James, Mr Chua Wei Kee, Mr Choong Yoon Fatt, Mr Wee Meng Seng Aloysius, and Mr Chong Kwang Shih 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.

During the financial year under review, the Board had implemented a formal annual assessment process to be carried out by our NC by way of board assessment checklist and individual director evaluation, which is circulated to Board members for completion and thereafter, for the NC to review and determine the actions required to improve the corporate governance and effectiveness of the Board as a whole.

The NC has reviewed the overall performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole for the financial period reported on, is of the view/satisfied that:

(a) the performance of the Board as whole has been satisfactory;

(b) the Board has given sufficient time and attention to the Group and reasonably and effectively discharged its duties; and

(c) the current board size and composition of the Board provides it with adequate ability to meet the existing scope of needs and nature of operations of the Group.

The NC will review the appropriateness of the Board size, taking into consideration changes in the nature of the Group's business, the scope of operations, as well as changing regulatory requirements.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as director or any other matters in which he has an interest in.

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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. Information provided also include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets and monthly internal financial statements on significant subsidiary corporations. 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.

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 Choong Yoon Fatt, Mr Chong Kwang Shih, and Mr Wee Meng Seng Aloysius. Mr Choong Yoon Fatt 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

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(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 FY2018.

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.

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.

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel and determines specific remuneration packages for each Executive Director. The recommendations of the RC are therefore submitted to the Board for its approval.

The RC ensures that the level and structure of remuneration of the executive and key management personnel are aligned with the interests of the stakeholders, promote long-term interests and risk policies of the company as well as attract, retain, and motivate them to provide good stewardship of the company and manage the company.

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Company's Constitution, 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.

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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 had entered into a service agreement with the Company and the Company is currently in the midst of negotiations with its Executive Directors on revising the terms of these service agreements.

The Group is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss as they owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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.

For competitive and confidentiality reasons, the Board is of the view that the disclosure of the annual aggregate remuneration for its key management personnel and Directors of the Company for FY2018 would not be in the best interests of the Company and the Company has instead disclosed the remuneration for its key management personnel and Directors in percentage terms and in bands of S$100,000.

During the year under review, there were only three (3) key management personnel of the Group who are not directors of the Group.

Details (in percentage terms) of the remuneration paid to the directors for FY2018 are set out below:

Remuneration Band and Name	Directors' Fees (%)	Base/Fixed Salary[1][2] (%)	Other Incentives (%)	Total (%)
S$300,001 to S$400,000				
Ang Nam Wah Albert	–	73.98	26.02	100
S$200,001 to S$300,000				
Ang Nam Heng James	–	77.34	22.66	100
Below S$200,000				
Ang Ghee Ann[3]	–	89.12	10.88	100
Toh Hock Ghim[4]	100	–	–	100
Yeong Chun Song[5]	100	–	–	100
Benjamin Choo Chih Chien[6]	100	–	–	100
Jack Chia Seng Hee[7]	100	–	–	100
Chong Kwang Shih[8]	100	–	–	100

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Notes:

(1) Pertains to salary paid in respect of FY2018.

(2) The amounts for salary shown are inclusive of Singapore's Central Provident Funds.

(3) Mr Ang Ghee Ann received remuneration for FY2018, but has since resigned as an Executive Director of the Company on 22 January 2019.

(4) Mr Toh Hock Ghim received remuneration for FY2018, but has since resigned as an Independent Director of the Company on 10 January 2019.

(5) Mr Yeong Chun Song received remuneration from October 2017 to 23 March 2018. Mr Yeong Chun Song resigned as a Non-Executive Director of the Company on 23 March 2018.

(6) Mr Benjamin Choo Chih Chien received remuneration from October 2017 to 29 June 2018. Mr Benjamin Choo Chih Chien resigned as an Independent Director of the Company on 29 June 2018.

(7) Mr Jack Chia Seng Hee received remuneration from October 2017 to 2 May 2018. Mr Jack Chia Seng Hee resigned as an Independent Director of the Company on 2 May 2018.

(8) Mr Chong Kwang Shih received remuneration from 20 June 2018 to 30 September 2018. Mr Chong Kwang Shih was appointed as an Independent Director of the Company on 20 June 2018.

Key Management Personnel's Remuneration

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 one (1) key management personnel apart from the directors. He is the current Group Financial Controller, Mr Mohammad Effendi Basri. For competitive and confidentiality reasons, the Board is of the view that the disclosure of the annual aggregate remuneration for its key management personnel of the Company for FY2018 would not be in the best interests of the Company and the Company has instead disclosed the remuneration for its key management personnel in percentage terms. Details (in percentage terms) of the remuneration paid to the key management personnel for FY2018 are set out below:

Remuneration Band and Name	Fees (%)	Base/Fixed Salary[(1)(2)] (%)	Other Incentives (%)	Total (%)
Below S$250,000				
Lee Yu Leung[(3)]	–	100	–	100
Colin Chen[(4)]	–	100	–	100
Mohammad Effendi[(5)]	–	100	–	100

Notes:

(1) Pertains to salary paid in respect of FY2018.

(2) The amounts for salary shown are inclusive of Singapore's Central Provident Funds.

(3) Mr Lee Yu Leung received remuneration from October 2017 to 18 June 2018. Mr Lee Yu Leung resigned as the Financial Controller of the Group on 18 June 2018.

(4) Mr Colin Chen received remuneration from October 2017 to 27 July 2018. Mr Colin Chen resigned as the Administration Manager of the Group on 27 July 2018.

(5) Mr Mohammad Effendi Basri received remuneration from 16 July 2018 to 30 September 2018. Mr Mohammad Effendi Basri was appointed as the Group Financial Controller of the Group on 16 July 2018. Mr Mohammad Effendi Basri was the Finance Manager of AGV Galvanizing (S) Pte Ltd from September 2017 to June 2018.

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Mr Ang Nam Wah Albert, Executive Director and CEO, and Mr Ang Nam Heng James, Executive Director, are brothers. Both of their remuneration exceeded S$50,000 in FY2018.

Save for the above disclosure, there were no employees who were immediate family members of the directors or the CEO employed by the Group whose remuneration for FY2018 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.

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 is maintenance of proper accounting records, that financial information is reliable and that assets are safeguarded.

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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, Group Financial Controller and Management in relation to the financial information for FY2018.

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

(a) that the financial records have been properly maintained and the financial statements for FY2018 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.

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.

Financial risk management is outlined in Note 30 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 Group 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 FY2018.

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 Chong Kwang Shih, Mr Choong Yoon Fatt and Mr Wee Meng Seng Aloysius. The chairman of the AC is Mr Chong Kwang Shih.

The details of the relevant expertise and experience of the members of the AC are set out on pages 7 to 8 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.

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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;

(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;

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(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;

(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;

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(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;

(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.

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 FY2018 is disclosed in Note 10 of the financial statements. The amount of fees that are to be paid to Mazars LLP for audit services for FY2018 is S$100,000. The amount of fees remaining outstanding to Mazars LLP in relation to non-audit fees for FY2018 is S$11,590.

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.

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Whistleblowing Policy

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 FY2018.

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 of 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 and ensures that the internal audit function is adequately resourced and has appropriate standing within the company.

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 developments in the Group in accordance with the Catalist Rules.

CORPORATE GOVERNANCE REPORT

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.

The directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures. With the exception of CDP (which may appoint more than two (2) proxies), a member of the Company who is entitled to attend and vote at general meetings of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his stead.

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.

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. However, 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.

Taking into consideration the difficult circumstances faced by the Company for FY2018, the Board, after much deliberation and consideration, has decided not to recommend to the Company to declare any dividends for FY2018.

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.

CORPORATE GOVERNANCE REPORT

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.

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

Save as set out below, there were no material contracts entered into between the Company and its subsidiaries involving the interests of the CEO, any director or controlling shareholder either still subsisting as at 30 September 2018 or if not then subsisting, entered into since the end of the previous financial year:

(a) the agreement amongst parties dated 4 March 2019 entered into between DBS Ltd, United Overseas Bank Limited, MoolahSense Private Limited, Asia Galvanizing (S) Pte. Ltd. and AGV Group Limited in relation to, amongst others, the extension of tenure of repayment of loans to which Mr Albert Ang and Mr James Ang are personal guarantors; and

(b) the loan agreement dated 6 March 2019 entered into between AGV Group Limited, Mr Chua Wei Kee and Mr Ch'ng Ban Bee in relation to the loan of a facility of up to S$3,000,000. This facility is interest-free.

CORPORATE GOVERNANCE REPORT

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 2018.

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 FY2018.

Use of Proceeds from Placement

On 3 December 2018, the Company completed a placement of 60,000,000 shares at S$0.0189 per share to four subscribers (the "**Placement**"). The net proceeds from the Placement was approximately S$1,110,000 (after deducting estimated expenses, including but not limited to the professional fees in relation to the Placement) and as at the date of this annual report, has been fully utilized by the Group for the purposes of its general working capital and repayment of bank borrowings and other trade payables.

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 2018 and the statement of financial position of the Company as at 30 September 2018.

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 2018 and the financial performance, changes in equity and cash flows of the Group for the financial 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 Nam Heng James
Chong Kwang Shih
Chua Wei Kee
Wee Meng Seng Aloysius
Choong Yoon Fatt

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 objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 5 below.

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations (other than wholly-owned subsidiaries), as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as disclosed below:

Name of directors and respective company in which interest are held AGV Group Limited.	**Shareholdings in which directors are deemed to have interest**	
	At 1.10.2017	**At 30.09.2018**
No. of ordinary shares		
Ang Nam Wah Albert	23,106,440	23,106,440
Ang Nam Heng James	23,106,440	23,106,440

There was no change in any of the above mentioned interests between the end of the financial year and 21 October 2018.

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.

6. AUDIT COMMITTEE

The Audit Committee of the Company comprises three (3) non-executive directors and at the date of this statement, they are:

Chong Kwang Shih (Chairman)
Choong Yoon Fatt
Wee Meng Seng Aloysius

The Audit Committee has convened two (2) meetings during the year with key management and the external auditors of the Company.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

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:

- reviewed with the external auditors the audit plans and any changes to legislation or financial reporting standards which may have a bearing on the financial statements of the Group;
- reviewed with the external auditors their audit findings and their audit report;
- reviewed the annual financial statements and the independent auditors' report on those financial statements before submission to the Board for approval;
- reviewed and discussed with external auditors any suspected fraud, irregularities, suspected infringement of any relevant laws, rules and regulations, which has or likely to have a material impact on the Group's operating results or financial position, and management's response;
- evaluated the assistance given by management to the external auditors and discuss issues of concerns, if any, arising from interim and final audits or any matters the auditors wish to discuss;
- made recommendation to the Board on the proposal to shareholders on the appointment, re-appointment and removal of external auditors;
- reviewed any interested person transactions in respect of Interested Person Transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- reviewed any potential conflicts of interest;
- reviewed whistle blowing investigations within the Group and ensuring appropriate follow up action, if required;
- undertook such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and which warrant for Audit Committee's attention; and
- generally undertook such other functions and duties as may be required under the Audit Committee Charter, by statute or the Listing Manual of SGX-ST, and by such amendments made thereto from to time.

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.

DIRECTORS' STATEMENT

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 Annual General Meeting of the Company.

7. INDEPENDENT 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
15 March 2019

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AGV Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 September 2018, 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 and other explanatory information, as set out on pages 38 to 103.

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 2018 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 of 30 September 2018, the Group reported net liabilities of S$5.1 million and net current liabilities of S$21.0 million. Included in the net current liabilities as of 30 September 2018 were bank loans of S$10.3 million which were contractually due within 12 months from the reporting date and bank loans of S$1.7 million which were reclassified to current because of a breach of bank covenant. The Group also reported net loss of S$13.4 million for the financial year then ended. 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

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 its financial information, because of its size and risk characteristics.

This significant component was audited by another Mazars office 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (Continued)

Allowance for trade and other receivables (refer to Note 17 to the financial statements)	
Key audit matter	**Our audit response**
As of 30 September 2018, the carrying amount of trade receivables was S$0.5 million, all of which were past due but not impaired. The trade receivables represented 19% and 3% 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.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (Continued)

Impairment of goodwill (refer to Note 15 to the financial statements)	
Key audit matter	**Our audit response**
During the financial year ended 30 September 2017, the Group recorded goodwill of S$4.3 million relating to AGV Holdings Pte Ltd and its subsidiary as one cash-generating unit (the "CGU"). 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. During the financial year ended 30 September 2018, the Group recognised full impairment of the goodwill consequent to its determination of the recoverable amount of the CGU. In determining the recoverable amount through the use of value-in-use, the management exercised significant judgements and estimates in projecting the cashflows. Key inputs and assumptions, such as the discount rate, the utilisation rates and the gross margin, were applied by the management in the cashflow 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.	Our audit procedures included, and were not limited to the following: ▪ With the assistance of our in-house expert, we assessed the reasonableness of the key inputs and assumptions applied by management in their cashflow projections, with reference to information such as historical and expected trend and performance, the latest budgets/forecasts approved by management and the current economic conditions and the outlook thereof; ▪ We performed a sensitivity analysis on the recoverable amount by considering reasonably plausible changes to the key assumptions and inputs; and ▪ We assessed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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.

INDEPENDENT AUDITORS' REPORT

Other information (Continued)

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.

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.

INDEPENDENT AUDITORS' REPORT

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

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

- 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

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
15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Revenue	4	**7,992**	18,009
Other item of income			
Other income	5	**631**	435
Items of expense			
Consumables used	6	**(6,366)**	(9,424)
Cost of consumables sold		**–**	(44)
Employee benefits expense	7	**(4,864)**	(5,991)
Operating lease expense	8	**(643)**	(643)
Other expenses		**(7,244)**	(5,179)
Finance costs	9	**(1,616)**	(325)
Share of results of associate		**–**	(180)
Depreciation expense	14	**(1,759)**	(1,296)
Loss before income tax	10	**(13,869)**	(4,638)
Income tax credit	11	**503**	350
LOSS FOR THE YEAR		**(13,366)**	(4,288)
Other comprehensive 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		**(222)**	32
Other comprehensive loss for the year		**(222)**	46
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(13,588)**	(4,242)
Loss attributable to:			
Owners of the Group		**(11,764)**	(4,089)
Non-controlling interests		**(1,602)**	(199)
		(13,366)	(4,288)
Total comprehensive loss attributable to:			
Owners of the Group		**(11,854)**	(3,962)
Non-controlling interests		**(1,734)**	(280)
		(13,588)	(4,242)
Loss per share attributable to the owners of the Company (cents)			
Basic and diluted loss per share	12	**(9.34)**	(3.25)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Note	Group 2018 S$'000	Group 2017 S$'000	Company 2018 S$'000	Company 2017 S$'000
ASSETS					
Non-current assets					
Subsidiaries	13	**–**	–	**9,189**	9,189
Property, plant and equipment	14	**16,553**	17,459	**5**	–
Goodwill	15	**–**	4,268	**–**	–
Deferred tax assets	24	**988**	570	**–**	–
Total non-current assets		**17,541**	22,297	**9,194**	9,189
Current assets					
Cash and bank balances	16	**77**	338	**2**	6
Pledged fixed deposit	16	**338**	272	**–**	–
Trade and other receivables	17	**1,218**	5,563	**12,287**	6,705
Tax recoverable		**73**	109	**–**	–
Inventories	18	**949**	2,890	**–**	–
Other assets		**–**	44	**–**	–
Prepayments		**87**	1,158	**22**	27
Total current assets		**2,742**	10,374	**12,311**	6,738
Total assets		**20,283**	32,671	**21,505**	15,927
EQUITY AND LIABILITIES					
Equity					
Share capital	19	**13,453**	13,453	**13,453**	13,453
Accumulated losses		**(14,745)**	(2,205)	**(1,713)**	(1,286)
Other reserve	20	**(2,565)**	(2,565)	**–**	–
Translation reserve	21	**23**	113	**–**	–
Non-controlling interests		**(1,238)**	1,670	**–**	–
Total (capital deficiency)/equity attributable to owners of the Company		**(5,072)**	10,466	**11,740**	12,167
Non-current liabilities					
Finance lease payables	22	**412**	873	**–**	–
Borrowings	23	**1,115**	1,434	**–**	145
Deferred tax liabilities	24	**129**	232	**–**	–
Total non-current liabilities		**1,656**	2,539	**–**	145
Current liabilities					
Income tax payable		**–**	–	**–**	6
Trade and other payables	25	**11,132**	5,135	**9,412**	3,349
Provision for reinstatement cost		**100**	100	**–**	–
Finance lease payables	22	**510**	441	**–**	–
Borrowings	23	**11,957**	13,990	**353**	260
Total current liabilities		**23,699**	19,666	**9,765**	3,615
Total liabilities		**25,355**	22,205	**9,765**	3,760
Total equity and liabilities		**20,283**	32,671	**21,505**	15,927

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Share capital (Note 19) S$'000	Accumulated profits/ (losses) S$'000	Other reserve (Note 20) S$'000	Translation reserve (Note 21) S$'000	Total equity S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 1 October 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
Loss for the year	–	(11,764)	–	–	(11,764)	(1,602)	(13,366)
Other comprehensive loss:							
Exchange differences on translating foreign operations	–	–	–	(90)	(90)	(132)	(222)
Total comprehensive loss for the year	–	(11,764)	–	(90)	(11,854)	(1,734)	(13,588)
Acquisition of non-controlling interest (Note 13)	–	(776)	–	–	(776)	(1,174)	(1,950)
Balance at 30 September 2018	13,453	(14,745)	(2,565)	23	(3,834)	(1,238)	(5,072)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Operating activities			
Loss before income tax		**(13,869)**	(4,638)
Adjustments for:			
Depreciation expense	14	**1,759**	1,296
Interest expense	9	**1,616**	325
Allowance for impairment of receivables	10, 17	**50**	596
Bad debts written off	10	**153**	–
Reversal of doubtful debts	17	**(242)**	–
Share of results of associate		**–**	180
Impairment of property, plant and equipment	10	**–**	126
(Gain)/Loss on disposal of property, plant and equipment	5	**(10)**	6
Write off of other assets		**57**	–
Interest income	5	**(6)**	(6)
Gain from deemed disposal of investment in associate	5	**–**	(349)
Impairment loss on goodwill	15	**4,268**	–
Unrealised currency translation (gain)/loss		**(729)**	194
Operating cash flows before movements in working capital		**(6,953)**	(2,270)
Movements in working capital			
Inventories		**1,941**	359
Other assets		**(13)**	(44)
Trade and other receivables		**4,384**	10,376
Prepayments		**1,071**	(1,053)
Trade and other payables		**653**	(8,946)
Cash generated/(used in) from operations		**1,083**	(1,578)
Income taxes refund/(paid)		**65**	(511)
Net cash generated from/(used in) operating activities		**1,148**	(2,089)
Investing activities			
Acquisition of property, plant and equipment	14	**(395)**	(213)
Acquisition of subsidiaries		**–**	(354)
Proceeds from disposal of plant and equipment		**12**	17
Net cash used in investing activities		**(383)**	(550)
Financing activities			
Loan from directors		**2,064**	–
Proceeds from borrowings		**4,940**	4,472
Repayment of borrowings		**(5,539)**	(3,512)
Repayment of finance lease obligations		**(481)**	(1,936)
Acquisition of non-controlling interests	13	**(1,950)**	–
Increase in pledged deposit		**(60)**	(86)
Net cash used in financing activities		**(1,026)**	(1,062)
Net decrease in cash and cash equivalents		**(261)**	(3,701)
Cash and cash equivalents at beginning of year		**338**	4,039
Cash and cash equivalents at end of year	16	**77**	338

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

RECONCILIATION OF (ASSETS)/LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At beginning of financial year S$	Financing cash outflows[1] S$	Non-cash movement: Interest expense S$	Non-cash movement: Interest income S$	Non-cash movement: Foreign exchange difference S$	At end of financial year S$
Assets						
Pledged fixed deposit	(272)	(60)	–	(6)	–	(338)
Liabilities						
Convertible loans from third parties	–	2,250	285	–	–	2,535
Loans from third parties	–	650	47	–	–	697
Amount due to non-controlling interest	1,112	–	–	–	28	1,140
Amount due to directors	–	2,064	48	–	–	2,112
Finance lease payables	1,314	(481)	89	–	–	922
Borrowings	15,424	(3,499)	1,147	–	–	13,072

1 Net of proceeds from borrowings, proceeds from deposit pledged, repayment of interest bearing borrowings and repayment of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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) is incorporated and domiciled in Singapore with its 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 and the statement of financial position of the Company for the financial year ended 30 September 2018 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 consolidated financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on 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.

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 annual periods beginning on or after 1 October 2017. Other than the following standard, the adoption of these new/revised FRS and INT FRS did not result in changes to the Group's and Company's accounting policies, and has no material effect on the current or prior year and is not expected to have a material effect on future periods.

FRS 7 *Amendments to FRS 7: Disclosure Initiative*

Consequent to the adoption of these amendments, the Group has disclosed additional information to enable users of the financial statements to evaluate changes in assets or liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Going concern

As at 30 September 2018, the Group reported net liabilities of S$5.1 million and net current liabilities of S$21.0 million. Included in the net current liabilities as of 30 September 2018 were bank loans of S$10.3 million which were contractually due within 12 months from the reporting date and bank loans of S$1.7 million which were reclassified to current because of a breach of bank covenant. The Group also reported net loss of S$13.4 million for the financial year then ended. 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.

Notwithstanding the above conditions, the Directors have prepared the consolidated financial statements on a going concern basis on the following premises:

- Ability of the Group to generate sufficient cash flows from their operations; and
- Continued financial support from the Group's individual, corporate and institutional lenders.

On 26 October 2018, the Group has entered into conditional agreements and obtained financing cash inflows aggregated S$2.0million in cash from four individuals, of which approximately S$1.1million would be settled through issuance of ordinary shares of the Company and S$0.9million would be repayable by cash in 2020. As of the date of authorisation of the financial statements, the individuals are shareholders of the Company, one of whom is also a director of the Company.

On 4 March 2019, the Group entered into a conditional loan agreement with its institutional lenders to amend and restate existing terms and conditions of the corresponding loans. In this loan agreement, the affected Group entities are no longer required to comply with financial covenants included in the original loan agreements entered into with the same parties. Once prerequisite conditions are met, the amended terms required the Group to make repayments of S$1.7million within the next 12 months from the reporting date and approximately S$10.0million during the period from end October 2019 till end October 2022. The loan facilities came with corresponding interest at interest rate of 3% above the 3-month SIBOR per annum to be repayable on a quarterly basis.

On 6 March 2019, the Company has entered into a loan agreement with two of the aforementioned individuals for an amount of S$2.0million, and for which the loan is repayable on demand. On the same day, the Company obtained S$3million in facilities from the other two individuals to be drawn down for specific uses, including to finance general working capital, and which are repayable on demand.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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 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
Various	Improvements to FRSs (December 2016)	1 January 2018
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework	Conceptual Framework for Financial Reporting	To be determined

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

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. 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 2018

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 plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. However, the Group has not completed its assessment of the potential impact of FRS 109 on its financial statements in the initial year of adoption. Based on currently known and reasonably estimate information relevant to its assessment, the Group expects no material impact in its initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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.

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 has not completed its assessment of the potential impact of FRS 115 on its financial statements in the initial year of adoption. Based on the currently known and reasonably estimate information relevant to its assessment, the Company expects no material impact in its initial 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 is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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.

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 has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I) 1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant revised/new FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group's initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

When the Group loses control over a subsidiary, 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 subsidiary 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 subsidiary 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

<u>Business combinations from 1 January 2010</u>

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 *Business Combinations* ("FRS 103") are recognised at their fair values at the acquisition date, except for non-current 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* ("FRS 105"), which are recognised and measured at the lower of cost and fair value less costs to sell.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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.

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 (1) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

Rendering of galvanizing services

Revenue from the galvanization of the customer's goods is recognised when the Group has delivered to the customer the galvanized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

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.

2.8 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Income tax (Continued)

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.

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.

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. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other comprehensive income.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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	6 – 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible 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.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Financial instruments

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

<u>Effective interest method</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

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, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Financial asset at fair value through profit or loss (FVTPL)

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than FVTPL, 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.

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.

With the exception of available-for-sale equity instruments, 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.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental cost directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

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.

Other financial liabilities

Trade and other payables

Trade and other payables, finance lease 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Financial guarantee contracts (Continued)

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.

2.15 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.

2.16 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.

2.17 Leases

Finance leases

Lessee

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Finance leases (Continued)

Lessee (Continued)

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 (Note 2.5).

Operating leases

Lessee

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.

Lessor

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.18 Provisions

Provisions are recognised when the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions (Continued)

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.

2.19 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.

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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 translates foreign currency items into the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

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.

Impairment of trade and other receivables

The Group assesses its loans and receivables on a continuous basis for any objective evidence of impairment by considering factors, including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors 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 and the Group's trade and other receivables as at 30 September 2018 were approximately S$1,218,000 (2017: S$5,563,000) respectively (Note 17).

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments in subsidiaries are impaired. Where necessary, the Company'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 2018 was approximately S$9,189,000 (2017: S$9,189,000) (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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

3.2 Key sources of estimation uncertainty (Continued)

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 unit ("CGU") to which the goodwill is allocated to. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and such calculation involves significant use of estimates and assumptions by management; key inputs and assumptions, are disclosed and further explained in Note 15. Goodwill has been fully impaired during the financial year. The carrying amount of goodwill as at 30 September 2018 was S$Nil (2017: S$4,268,000) (Note 15).

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 2018 was approximately S$949,000 (2017: S$2,890,000) (Note 18).

Depreciation of 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. Management's estimates the useful lives of these property, plant and equipment to be within 5 to 60 years. 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 2018 were approximately S$16,553,000 (2017: S$17,459,000) respectively (Note 14).

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that the property, plant and equipment may be impaired. If any such indication exits, the Group makes an estimate of the recoverable amount of the asset. In the determination of the recoverable amount, the Group assesses the value-in-use to of the CGU to which the asset belongs to, unless the asset's fair value less costs of disposal is higher than its recoverable amount. Determination of the value-in-use or fair value requires the use of an appropriate valuation methodology, where applicable, and/or key inputs and assumptions that involves significant judgement and estimates of management. Reasonably possible changes in the key inputs and/or assumptions could affect the recoverable amount, that could consequently impact the Group's carrying amount of property, plant and equipment as of the reporting date and the profit or loss for the financial year then ended. The carrying amount of the Group's property, plant and equipment as of 30 September 2018 was approximately S$16,553,000 (2017: S$17,459,000) (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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

3.2 Key sources of estimation uncertainty (Continued)

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 2018 were approximately S$73,000 (2017: S$109,000), S$988,000 (2017: S$570,000) and S$129,000 (2017: S$232,000) respectively.

4. REVENUE

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

5. OTHER INCOME

	Group	
	2018 **S$'000**	**2017** **S$'000**
Government grant	**40**	31
Interest income	**6**	6
Gain on disposal of fixed assets	**10**	–
Gain on deemed disposal of associate	**–**	349
Reversal of write off of Malaysia GST refund	**130**	–
Reversal of bad debts	**242**	–
Sale of zinc scrap	**163**	–
Miscellaneous income	**40**	49
	631	435

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

6. CONSUMABLES USED

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

7. EMPLOYEE BENEFITS EXPENSE INCLUDING DIRECTORS' REMUNERATION (NOTE 28)

	Group	
	2018	**2017**
	S$'000	**S$'000**
Salaries, wages, bonuses and other staff benefits	**4,625**	5,730
Contribution to defined plans	**239**	261
	4,864	5,991

Included in the employee benefits expense are labour costs directly associated with the generation of revenue of approximately S$1,186,000 (2017: S$2,626,000) for the financial year ended 30 September 2018.

8. OPERATING LEASE EXPENSE

	Group	
	2018	**2017**
	S$'000	**S$'000**
Rental of leasehold land	**173**	188
Rental of equipment	**156**	190
Rental of dormitory	**10**	12
Rental of vehicles	**267**	253
Rental of office	**37**	–
	643	643

9. FINANCE COSTS

	Group	
	2018	**2017**
	S$'000	**S$'000**
Finance leases	**89**	108
Interest expenses		
– bank borrowings	**935**	217
– third parties	**544**	–
– related parties	**48**	–
	1,616	325

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

10. LOSS BEFORE INCOME TAX

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
Utilities	**496**	759
Allowance for impairment of receivables	**50**	596
Bad debts written off	**153**	–
Impairment loss on goodwill	**4,268**	–
Waste disposal	**181**	546
Business development expenses	**36**	437
Entertainment expenses	**183**	433
Upkeep of motor vehicles	**126**	133
Provision for impairments of property, plant and equipment	**–**	126
Upkeep of plant and equipment	**179**	121
Audit fees paid to auditors:		
– Auditors of the Company	**100**	100
– Other auditors of subsidiaries	**11**	7
Non-audit fees paid to auditors:		
– Auditors of the Company	**8**	8

The above expenses are included in "Other expenses" in the Group's profit or loss for the financial year ended 30 September 2018 and 30 September 2017.

11. INCOME TAX CREDIT

	Group	
	2018	**2017**
	S$'000	**S$'000**
Current income tax		
– Overprovision in respect of prior year	**(22)**	(198)
Deferred income tax		
– Current financial year	**(324)**	(521)
– (Over)/under provision in respect of prior year	**(157)**	369
Total income tax credit	**(503)**	(350)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

11. INCOME TAX CREDIT (CONTINUED)

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
Loss before income tax	**(13,869)**	(4,638)
Income tax at statutory rate of 17% (2017:17%)	**(2,358)**	(788)
Add/(Less):		
Effect of expenses not deductible for tax purpose	**956**	406
Effect of income under tax exemption and rebates	**(42)**	–
Effect of different tax rate of subsidiary operating in other jurisdiction	**207**	(191)
Tax effect of share of results of associates	**–**	(29)
(Over)/Under provision in respect of prior year	**(179)**	171
Temporary differences not recognised	**941**	–
Others	**(28)**	81
Total tax credit	**(503)**	(350)

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2017:17%). Taxation for other jurisdiction 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.

The subsidiaries of the Group have certain temporary differences which no deferred taxes assets have been recognised as it is not probable that future taxable profit will be available against which the subsidiaries of the Group can utilise the benefits. The temporary differences of which deferred tax assets have not been recognised in the financial statements are as below:

	2018	**2017**
	S$'000	**S$'000**
Unutilised business losses	**3,893**	–
Unabsorbed capital allowances	**1,644**	–
	5,537	–

12. LOSS 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:

	2018	**2017**
	S$'000	**S$'000**
Loss used in calculating basic and dilutive loss per share	**(11,764)**	(4,089)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share ('000)	**125,946**	125,946
Basic and diluted loss per share (cents)	**(9.34)**	(3.25)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

12. LOSS PER SHARE (CONTINUED)

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

13. SUBSIDIARIES

	Company	
	2018 S$'000	2017 S$'000
Unquoted equity shares, at cost		
At beginning of financial year	**9,189**	9,187
Additions	**–**	2
At end of financial year	**9,189**	9,189

Name	Place of incorporation and operation	Issued and paid-up share capital	Effective equity interest attributable to the Company		Principal activities
		S$'000	2018 %	2017 %	
Directly held by the Company					
Asia Galvanizing (S) Pte. Ltd.[1]	Singapore	6,622	**100**	100	Hot dip galvanizing
AGV Property Investment Pte. Ltd.[1]	Singapore	1	**100**	100	Investment holding
AGV Investment Pte. Ltd.[1]	Singapore	1	**100**	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 galvanization
AGV Holdings Pte. Ltd.[1]	Singapore	1	**100**	36	Investment holding
Held through AGV Holdings Pte. Ltd.					
AGV Galvanizing (M) Sdn. Bhd.[2]	Malaysia	2,048	**51**	18.36	Hot dip galvanizing

(1) Audited by Mazars LLP, Singapore

(2) Audited by Mazars PLT, Malaysia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2017

Acquisition of subsidiaries

On 12 May 2017, the Group incorporated AGV Property Investment Pte. Ltd. and AGV Investment Pte. Ltd. via cash consideration of S$1,000 each respectively. Both subsidiaries are 100% held by AGV Group Limited.

As of 1 August 2017, the Group obtained control over AGV Holdings Pte. Ltd. ("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.

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:

Total fair value recognised on acquisition of AGV Holdings Group

	Note	S$'000
Assets		
Property, plant and equipment	14	7,892
Deferred tax asset	24	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	24	(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2017 (Continued)

Acquisition of subsidiaries (Continued)

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.

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 galvanizing 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 (LME) as of acquisition date for zinc held by the AGV Holdings Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2017 (Continued)

Acquisition of subsidiaries (Continued)

- 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.

- 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.

For the financial year ended 30 September 2018

On 15 December 2017 and 10 July 2018, the Group exercised its options to acquire 51% and 13% equity interest in AGV Holdings from its non-controlling interests for cash consideration of S$1,560,000 and S$390,000 respectively. As a result of this acquisition, AGV Holdings became a wholly-owned subsidiary of Asia Galvanizing (S) Pte Ltd.

The carrying value of the additional interest acquired was at S$1,174,000. The difference of S$776,000 between the consideration and the carrying value of the additional interests acquired has been recognised in "accumulated losses" with equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2018 (Continued)

The following summarises the effect of the change in the Group's ownership interest in AGV Holdings on the equity attributable to owners of the parent:

	2018 S$'000
Consideration paid for acquisition of non-controlling interests	**1,950**
Decrease in equity attributable to non-controlling interests	**(1,174)**
Decrease in equity attributable to owners of the parent	**(776)**

On 28 December 2017, the Group incorporated a wholly owned subsidiary, AGV (Xiamen) Ecotechnology Co., Ltd ("AGVX") via Asia Galvanizing (S) Pte Ltd ("AGVS"). AGVX was dormant and for which the registered share capital of RMB500,000 remained unpaid at the point of the Group's disposal of the subsidiary to a third party at consideration of S$1 on 23 May 2018.

In consideration of the transition period required to effect the change in AGVS' shareholding of AGVX, on the same day of the disposal, a trust letter was entered into between AGVS and the third party, such that the 100% shareholding in AGVX remained to be held by AGVS as of 30 September 2018 in trust of the third party, with the latter as the beneficial owner of AGVX.

Notwithstanding the 100% shareholding held by AGVS in trust, the Board has assessed, with reference to SFRS 110 *Consolidated Financial Statements* and SFRS 28 *Investments in Associates and Joint Ventures*, amongst other factors, their voting rights, their board representation, their participation in the relevant activities, and determined that the Group did not have control and significant influence over AGVX during the period from 23 May 2018 to 30 September 2018.

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	
	2018 %	**2017 %**	**2018 S$'000**	**2017 S$'000**	**2018 S$'000**	**2017 S$'000**
AGV Holdings Pte. Ltd.	–	64	–	53	–	1,897
Subsidiary held by AGV Holdings						
AGV Galvanizing (M) Sdn. Bhd.	**49**	49	**1,602**	146	**(1,238)**	(227)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2018 (Continued)

Summarised financial information (before intercompany eliminations):

	AGV Holdings Pte. Ltd.		AGV Galvanizing (M) Sdn. Bhd	
	2018	2017	2018	2017
	S$'000	S$'000	S$'000	S$'000
Assets				
Non-current	**3,448**	3,448	**7,437**	8,105
Current	**106**	106	**1,535**	3,449
Liabilities				
Non-current	**–**	–	**(1,796)**	(3,916)
Current	**(403)**	(342)	**(12,428)**	(10,106)
Net assets/(liabilities)	**3,151**	3,212	**(5,252)**	(2,468)

	AGV Holdings Pte. Ltd.		AGV Galvanizing (M) Sdn. Bhd	
	From 01.10.2017 to 30.09.2018	[A] From 01.08.2017 to 30.09.2017	From 01.10.2017 to 30.09.2018	[A] From 01.08.2017 to 30.09.2017
	S$'000	S$'000	S$'000	S$'000
Revenue	**–**	–	**1,933**	869
Loss after income tax and total comprehensive loss	**(61)**	(82)	**(2,663)**	(150)
Net cash flow generated (used in)/generated from operation	**(3)**	(48)	**1,302**	(297)

[A] The financial results represent post-acquisition results

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

14. 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 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 1 October 2017	750	14,951	66	6,980	219	793	23,759
Additions	14	–	1	372	–	8	395
Disposal	–	–	–	(360)	(87)	–	(447)
Currency realignment	15	256	2	188	–	1	462
Balance at 30 September 2018	779	15,207	69	7,180	132	802	24,169
Accumulated depreciation							
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 1 October 2017	320	3,405	25	2,156	105	163	6,174
Depreciation	130	724	13	780	31	81	1,759
Disposal	–	–	–	(232)	(87)	–	(319)
Currency realignment	–	–	–	2	–	–	2
Balance at 30 September 2018	450	4,129	38	2,706	49	244	7,616
Impairment loss							
Balance at 1 October 2017	–	–	–	126	–	–	126
Written off	–	–	–	(126)	–	–	(126)
Balance at 30 September 2018	–	–	–	–	–	–	–
Net carrying amount							
Balance at 30 September 2018	329	11,078	31	4,474	83	558	16,553
Balance at 30 September 2017	430	11,546	41	4,698	114	630	17,459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computer and office equipment S$'000	Furniture and fittings S$'000	Total S$'000
Cost			
Balance at 1 October 2017	–	–	–
Additions	4	1	5
Balance at 30 September 2018	4	1	5
Accumulated depreciation			
Balance at 1 October 2017	–	–	–
Depreciation	(*)	(*)	(*)
Balance at 30 September 2018	(*)	(*)	(*)
Net carrying value			
At 30 September 2018	4	1	5
At 30 September 2017	–	–	–

(*) denotes amount less than S$1,000

As at 30 September 2018, the carrying amount of property, plant and equipment of the Group which were acquired under finance lease agreements was approximately S$2,543,000 (2017: S$2,737,000). Finance lease assets were pledged as securities for the related finance lease payables as set out in Note 22 to the financial statements.

During the financial year ended 30 September 2017, a leakage of zinc kettle of a subsidiary took place and 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. During the financial year ended 30 September 2018, the Group replaced the zinc kettle.

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

	Group 2018 S$'000	Group 2017 S$'000
Cash payments to acquire property, plant and equipment	**395**	213
Finance lease to acquire property, plant and equipment	**–**	57
Additions to property, plant and equipment	**395**	270

At the reporting date, the carrying amount of property, plant and equipment which have been pledged for banking facilities as set out in Note 23 to the financial statements was as follows:

	Group 2018 S$'000	Group 2017 S$'000
Leasehold property	**11,078**	11,546
Renovation	**558**	630
Plant and equipment	**1,571**	1,590

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

15. GOODWILL

	Group	
	2018	**2017**
	S$'000	**S$'000**
At beginning of financial year	**4,268**	–
Arising from acquisition of subsidiaries (Note 13)	**–**	4,268
Impairment loss	**(4,268)**	–
At end of financial year	**–**	4,268

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 was acquired through the acquisition and allocated to AGV Holdings 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:

	2018	**2017**
	%	**%**
Gross margins[1]	**21.36**	28.10 – 37.20
Utilisation rates[2]	**11.33 – 28.00**	32.50 – 51.60
Discount rate[3]	**10.53**	9.90
Terminal value[4]	**0**	0

1 Gross margin is determined based on past performance and the Group's expectations of market developments, including the outlook of the zinc price.

2 The galvanizing activities are limited to the operating capacity of the hot dip galvanizing kettle. The projected utilisation rates used were based on published industry research and past performance, adjusted for the specific circumstances of the CGU and based on management's judgement.

3 The discount rate used is based on the weighted average cost of the CGU's capital, adjusted for the specific circumstances of the CGU and based on management's experience, and re-grossed back to arrive at the pre-tax rate.

4 The terminal growth rate is determined based on management's estimate of the long-term industry growth rate.

During the financial year ended 30 September 2018, the Group recognised impairment loss of S$4,268,000 as the value-in-use could not support the goodwill and the carrying amount of the CGU to which the goodwill was allocated to. The lower value-in-use was determined consequent to management's consideration of factors, such as their outlook of developments in the market conditions in Malaysia for hot-dip galvanizing services, their outlook of the galvanizing costs that are also substantially driven by the zinc prices and the projection of the sales volume.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

16. CASH AND BANK BALANCES

	Group		Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Cash at bank	**76**	331	**1**	5
Cash in hand	**1**	7	**1**	1
Cash and bank balances	**77**	338	**2**	6
Pledged fixed deposit	**338**	272	**–**	–
Cash and bank balances	**415**	610	**2**	6
Less: Pledged fixed deposit	**(338)**	(272)	**–**	–
Cash and cash equivalents	**77**	338	**2**	6

The fixed deposit denominated in SGD is placed for a period of 12 months (2017: 12 months) and bears an effective interest rate of 0.25% (2017: 0.25%) per annum during the financial year ended 30 September 2018 to serve as a pledge to secure a banker's guarantee.

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

	Group		Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Singapore dollar	**5**	119	**2**	6
Malaysia ringgit	**53**	198	**–**	–
United States dollar	**19**	21	**–**	–
	77	338	**2**	6

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Trade receivables				
– third parties	**882**	5,778	**–**	–
Allowance for impairment of receivables	**(362)**	(596)	**–**	–
	520	5,182	**–**	–
Other receivables				
– third parties	**458**	197	**–**	–
– non-controlling interest	**146**	–	**–**	–
– subsidiaries	**–**	–	**12,275**	6,674
Refundable deposits	**94**	184	**12**	31
Total trade and other receivables	**1,218**	5,563	**12,287**	6,705
Add:				
Cash and bank balances (Note 16)	**77**	338	**2**	6
Pledged fixed deposits (Note 16)	**338**	272	**–**	–
Total loan and receivables	**1,633**	6,173	**12,289**	6,711

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are unsecured and non-interest bearing. They are recognised at their original invoice amounts with represent their fair values on initial recognition.

The average credit period on provision of galvanizing services is 0 to 90 days (2017: 0 to 90 days).

Other receivables are unsecured, non-interest bearing and repayable on demand.

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
At the beginning of financial year	**596**	34
Reversal during the financial year	**(242)**	–
Allowance charged to profit or loss	**50**	596
Allowance written-off during the financial year	**(42)**	(34)
At end of financial year	**362**	596

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore dollar	**324**	3,587	**12,287**	6,705
Malaysian ringgit	**455**	1,728	**–**	–
United States dollar	**439**	248	**–**	–
	1,218	5,563	**12,287**	6,705

18. INVENTORIES

	Group	
	2018	**2017**
	S$'000	**S$'000**
Consumables	**949**	2,813
Consumables-in-transit	**–**	77
	949	2,890

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

19. SHARE CAPITAL

	Group		Company	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At 1 October 2016	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 2018 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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

20. 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".

21. 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.

22. FINANCE LEASE PAYABLES

The Group have finance leases for certain items of plant and equipment with lease terms ranging from 2 to 4 years (2017: 2 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
Group			
2018			
Within one financial year	**563**	**(53)**	**510**
After one financial year but within five financial years	**437**	**(25)**	**412**
	1,000	**(78)**	**922**
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

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

	Group 2018 S$'000	Group 2017 S$'000
Singapore dollar	**95**	145
Malaysia ringgit	**827**	1,169
	922	1,314

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

23. BORROWINGS

	Group		Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Secured				
Bank overdrafts	**2,472**	1,630	**–**	–
Trust receipts	**1,726**	5,890	**–**	–
Property loan	**2,405**	2,733	**–**	–
Term loans	**5,881**	4,766	**–**	–
Unsecured				
Term loans	**588**	405	**353**	405
	13,072	15,424	**353**	405
Total				
Due for repayment within one financial year	**11,957**	13,990	**353**	260
Due for repayment after one financial year	**1,115**	1,434	**–**	145
	13,072	15,424	**353**	405

The bank overdrafts and secured trust receipts are repayable within 4 months (2017: 4 months).

The property loan is repayable within 3 years (2017: 4 years), of which S$803,000 (2017:S$1,859,000) are contractually due after one financial year.

The term loans from banks are repayable within 3 years (2017: 4 years), which S$916,000 (2017:S$1,724,000) are contractually due after one financial year.

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Secured				
Bank overdrafts	**4.75 – 5.25**	5.25	**–**	–
Trust receipts	**4.67 – 9.25**	4.52 – 9.25	**–**	–
Property loan	**2.92**	2.92	**–**	–
Term loans	**5.75 – 7.34**	5.75 – 7.25	**–**	–
Unsecured				
Term loans	**10 – 23**	10 – 14	**10 – 14**	10 – 14

Terms loans from banks to the Group include an amount of S$990,000 (2017: Nil) bear interest at floating interest rates of 6.72% (2017: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

23. BORROWINGS (CONTINUED)

As at 30 September 2018 and 2017, where applicable, unless otherwise stated in the financial statements, the secured property loans, term loans and other facilities were supported by:

(i) Legal mortgage on leasehold property, renovation, and plant and equipment (Note 14);

(ii) Guarantees by certain shareholders and directors; and

(iii) Guarantee from one of its subsidiary company.

As at 30 September 2018, included in the credit facilities, a letter of guarantee was secured by a charge on the Group's deposit of approximately S$338,000 (2017: S$272,000).

Consequent to a breach of debt covenant, certain bank loans of a subsidiary of the Group amounting to S$1.7 million (2017: S$3.6 million) were reclassified to current liabilities as the bank is contractually entitled to request for immediate repayment of the outstanding loan amount.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Facilities granted	**21,667**	24,766	**353**	405
Facilities utilised	**13,072**	15,424	**353**	405

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore dollar	**10,836**	13,241	**353**	405
Malaysia ringgit	**2,236**	2,183	**–**	–
	13,072	15,424	**353**	405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

24. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2018	**2017**
	S$'000	**S$'000**
Deferred tax assets	**988**	570
Deferred tax liabilities	**(129)**	(232)

Deferred taxes are attributed to the temporary differences arising from the following:

	Group	
	2018	**2017**
	S$'000	**S$'000**
Unutilised business losses	**988**	570
Property, plant and equipment	**(129)**	(232)

Deferred tax assets

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
At beginning of financial year	**570**	–
Acquisition of subsidiaries (Note 13)	**–**	834
Credit to profit or loss	**324**	190
Under/(Overprovision) in prior financial years	**54**	(454)
Currency realignment	**40**	–
At end of financial year	**988**	570

Deferred tax liabilities

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
At beginning of financial year	**(232)**	(482)
Acquisition of subsidiaries (Note 13)	**–**	(166)
Credit to profit or loss	**–**	331
Overprovision in prior years	**103**	85
At end of financial year	**(129)**	(232)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Trade payables				
– third parties	**1,442**	1,380	**–**	–
Other payables				
– third parties	**2,115**	1,696	**299**	97
– convertible loans from third parties	**2,535**	–	**2,535**	–
– loans from third parties	**697**	–	**273**	–
– non-controlling interest	**1,140**	1,112	**–**	–
– directors	**2,112**	–	**298**	–
– subsidiaries	**–**	–	**5,199**	2,836
Accrued expenses	**1,091**	817	**808**	379
GST payable	**–**	130	**–**	37
Trade and other payables	**11,132**	5,135	**9,412**	3,349
Add:				
Borrowings (Note 23)	**13,072**	15,424	**353**	405
Total financial liabilities carried at amortised cost	**24,204**	20,559	**9,765**	3,754

Trade payables to third parties are unsecured, interest-free and with credit term ranging from 30 to 60 days (2017: 30 to 60 days).

Other payables to third parties amounting to S$2,115,000 (2017:S$1,696,000) are unsecured, interest-free and repayable on demand.

Convertible loans are expected to be settled within next 12 months at interest rate of 15%, and they contain call options for the holders of the loans to convert to shares of the Company at the end of the tenure of the loans but for which exercise price and the number of shares to be issued are not yet determined on the contract and the conversion thereof is conditional on approval by certain regulatory bodies.

Loans from third parties are payable within 1 year (2017: Nil) and at interest rate of 12% (2017: Nil).

Amount due to non-controlling interest are non-trade in nature, unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

25. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group		Company	
	2018 S$'000	**2017 S$'000**	**2018 S$'000**	**2017 S$'000**
Singapore dollar	**8,306**	3,037	**9,412**	3,349
Malaysia ringgit	**2,231**	2,027	**–**	–
United States dollar	**595**	17	**–**	–
Euro	**–**	54	**–**	–
	11,132	5,135	**9,412**	3,349

26. 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 (2017: 1 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	
	2018 S$'000	**2017 S$'000**
Within one financial year	**214**	580
After one financial year but within five financial years	**848**	1,398
After five years	**1,415**	1,777
	2,477	3,755

27. CONTINGENT LIABILITIES, UNSECURED

As of reporting date, the Company provided a joint and several corporate guarantee to institutional lenders for the benefit of a subsidiary, of the Company aggregating S$17.9 million (2017:S$17.4 million).

The Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

28. 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 2018

28. 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	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Management fee charged to subsidiary	**–**	–	**2,400**	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	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
– Short-term employee benefits	**1,076**	1,135	**844**	1,112
– Post-employment benefits	**39**	55	**27**	55
	1,115	1,190	**871**	1,167

29. 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 galvanizing 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	
	2018	**2017**	**2018**	**2017**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	**6,059**	17,140	**10,104**	14,192
Malaysia	**1,933**	869	**7,437**	8,105
	7,992	18,009	**17,541**	22,297

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. 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.

Receivables that are not past due are substantially from on-going customers and companies with a good collection track record with the Company.

In determining the recoverability of trade receivables, the Group considers whether there have been changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Management believes that there have been no significant changes in credit quality and the amounts are still consider recoverable, and accordingly, the carrying amount of trade receivables as at end of reporting date are not impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risks (Continued)

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
Past due less than 1 month	**–**	1,386
Past due 1 to 2 months	**–**	1,065
Past due 2 to 3 months	**80**	669
Past due more than 3 months	**440**	558

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 currency, 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	
	2018	**2017**
	S$'000	**S$'000**
Monetary assets		
USD	**458**	269
Monetary liabilities		
USD	**(595)**	(17)

Foreign currency sensitivity analysis

The Group is mainly exposed to USD. A 10% strengthening of SGD against USD at the end of the financial year would increase/(decrease) consolidated loss by the amounts shown below. The sensitivity analysis assumes an instantaneous 10% changes in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

	Group loss before income tax	
	2018	**2017**
	S$'000	**S$'000**
USD	**(14)**	25

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 and the Company's interest rate risks relate to interest bearing liabilities (Notes 22 and 23).

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.

The Group's interest rate risks arise primarily from the floating rate borrowings with financial institutions.

The interest rates and terms of repayment of the Group's floating rate borrowings are disclosed as follows:

Group	Principal S$'000	Interest rate range %
2018		
Borrowings from financial institutions	**990**	**5.15 – 6.72**
2017		
Borrowings from financial institutions	–	–

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 100-basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit for the financial year ended 30 September 2018 of the Group would decrease/increase by S$8,200 (2017:S$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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.

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		
Group	**Effective interest rate %**	**Carrying amount S$'000**	**Total S$'000**	**Less than 1 year S$'000**	**More than 1 year S$'000**
Financial assets					
Trade and other receivables		1,218	1,218	1,218	–
Cash and bank balances		77	77	77	–
Pledged fixed deposit		338	338	338	–
As at 30 September 2018		1,633	1,633	1,633	–
Trade and other receivables		5,563	5,563	5,563	–
Cash and bank balances		338	338	338	–
Pledged fixed deposit		272	272	272	–
As at 30 September 2017		6,173	6,173	6,173	–
Financial liabilities					
Trade and other payables	Note 25	11,132	11,404	11,404	–
Borrowings	Note 23	13,072	13,660	12,300	1,360
Finance lease payables	6.36 – 8.17	922	1,000	563	437
As at 30 September 2018		25,126	26,064	24,267	1,797
Trade and other payables		5,135	5,135	5,135	–
Borrowings	Note 23	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		21,873	22,983	20,174	2,809
Total net undiscounted financial liabilities					
As at 30 September 2018		(23,493)	(24,431)	(22,634)	(1,797)
As at 30 September 2017		(15,700)	(16,810)	(14,001)	(2,809)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

Company	Effective interest rate %	Carrying amount S$'000	Contractual undiscounted cash flows Total S$'000	Less than 1 year S$'000	More than 1 year S$'000
Financial assets					
Trade and other receivables		12,287	12,287	12,287	–
Cash and bank balances		2	2	2	–
As at 30 September 2018		12,289	12,289	12,289	–
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	–
Financial liabilities					
Trade and other payables	Note 25	9,412	9,636	9,636	–
Borrowings	Note 23	353	362	362	–
As at 30 September 2018		9,765	9,998	9,998	–
Trade and other payables		3,349	3,349	3,349	–
Borrowings	Note 23	405	441	289	152
As at 30 September 2017		3,754	3,790	3,638	152
Total net undiscounted financial assets/(liabilities)					
As at 30 September 2018		2,524	2,291	2,291	–
As at 30 September 2017		2,957	2,921	3,073	(152)

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 23 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Valuation policies and techniques (Continued)

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.

31. 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.

32. 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 2018 and 30 September 2017.

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	
	2018	**2017**
	S$'000	**S$'000**
Trade and other payables	**11,132**	5,135
Borrowings	**13,072**	15,424
Finance lease payables	**922**	1,314
Cash and cash equivalents	**(77)**	(338)
Net debt	**25,049**	21,535
Total equity	**(5,072)**	10,466
Total capital	**19,977**	32,001
Gearing ratio	**126%**	67%

33. EVENTS SUBSEQUENT TO THE REPORTING DATE

The events subsequent to the reporting date are disclosed in Note 2.1.

STATISTICS OF SHAREHOLDINGS

(AS RECORDED IN THE REGISTER OF SHAREHOLDERS AS AT 28 FEBRUARY 2019)

Issued and paid-up capital:	S$15,122,400
Number of shares:	185,946,440
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 shares 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	6	3.49	4,500	0.00
1,001 – 10,000	19	11.04	129,700	0.07
10,001 – 1,000,000	120	69.77	21,860,100	11.76
1,000,001 AND ABOVE	27	15.70	163,952,140	88.17
TOTAL	**172**	**100.00**	**185,946,440**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ASIAGALV CAPITAL LLP	23,106,440	12.43
2	CHAN KAI CHEUNG	15,000,000	8.07
3	CH'NG BAN BEE	15,000,000	8.07
4	CHUA WEI KEE	15,000,000	8.07
5	WONG KWAN SHING	15,000,000	8.07
6	CITIBANK NOMINEES SINGAPORE PTE LTD	12,820,900	6.89
7	ANG GHEE ANN	11,000,000	5.92
8	TSNG JOO WEE	6,222,000	3.35
9	ANG YEE HUAT	6,059,600	3.26
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,758,900	3.10
11	YEONG CHUN SONG	5,120,000	2.75
12	POON MAY FOONG	4,200,000	2.26
13	UOB KAY HIAN PRIVATE LIMITED	2,790,400	1.50
14	YEONG CHEE YEEN	2,672,000	1.44
15	MAI DUC BAO	2,500,000	1.34
16	TEH KIM SIEW	2,475,000	1.33
17	HOE LOO MING	2,260,000	1.22
18	RAFFLES NOMINEES (PTE.) LIMITED	2,206,300	1.19
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,128,000	1.14
20	CHNG WENG WAH	1,870,000	1.01
	TOTAL	**153,189,540**	**82.41**

SUBSTANTIAL SHAREHOLDERS

(AS RECORDED IN THE REGISTER OF SHAREHOLDERS AS AT 28 FEBRUARY 2019)

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of shares	%	Number of shares	%
Asiagalv Capital LLP	23,106,440	12.43	–	–
Albert Ang[1]	–	–	23,106,440	12.43
James Ang[1]	–	–	23,106,440	12.43
Chua Wei Kee	15,000,000	8.07	–	–
Ch'ng Ban Bee	15,000,000	8.07	–	–
Wong Kwan Shing	15,000,000	8.07	–	–
Chan Kai Cheung	15,000,000	8.07	–	–
Chan Hui Lan Catherine[2]	–	–	12,733,200	6.85
Chng Weng Wah[3]	1,870,000	1.01	10,863,200	5.84
Ang Ghee Ann	11,000,000	5.92	–	–

Notes:

(1) 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.

(2) Chan Hui Lan Catherine is deemed interested in 6,170,000 shares held by her spouse, Chng Weng Wah and 6,563,200 shares held for her in Citibank Nominees Singapore Pte. Ltd.

(3) 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 28 February 2019, the percentage of shareholding in the Company held in the hands of the public is approximately 42.52%. 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 the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AGV Group Limited (the "**Company**") will be held at Raffles Marina, Chart Room, Level 2, 10 Tuas West Drive, Singapore 638404 on 30 March 2019 at 8.30 a.m. to transact the following business:

ORDINARY BUSINESSS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 September 2018 together with the Auditors' Report thereon. ***Resolution 1***

2. To re-elect Mr Ang Nam Heng James pursuant to Regulation 97 of the Company's Constitution.

   [See Explanatory Note (i)] ***Resolution 2***

3. To re-elect Mr Choong Yoon Fatt pursuant to Regulation 103 of the Company's Constitution.

   [See Explanatory Note (ii)] ***Resolution 3***

4. To re-elect Mr Chong Kwang Shih pursuant to Regulation 103 of the Company's Constitution.

   [See Explanatory Note (iii)] ***Resolution 4***

5. To re-elect Mr Wee Meng Seng Aloysius pursuant to Regulation 103 of the Company's Constitution.

   [See Explanatory Note (iv)] ***Resolution 5***

6. To re-elect Mr Chua Wei Kee pursuant to Regulation 103 of the Company's Constitution.

   [See Explanatory Note (v)] ***Resolution 6***

7. To approve the payment of Directors' fees of S$155,000 for the financial year ending 30 September 2019, payable quarterly in arrears. (FY2018: S$135,000). ***Resolution 7***

8. To re-appoint Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. ***Resolution 8***

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

SPECIAL BUSINESS

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

    "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies 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 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 aggregate 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 (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) 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

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(c) 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

(d) 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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (vi)] ***Resolution 9***

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 15 March 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Ang Nam Heng James will, upon re-election as Director of the Company, remain as Executive Director.

(ii) Mr Choong Yoon Fatt will upon re-election as Director of the Company, remain as an Independent Director of the Company, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee. The Board considers Mr Choong Yoon Fatt to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) Mr Chong Kwang Shih will upon re-election as Director of the Company, remain as an Independent Director of the Company, the Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee. The Board considers Mr Chong Kwang Shih to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(iv) Mr Wee Meng Seng Aloysius will upon re-election as Director of the Company, remain as an Independent Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee. The Board considers Mr Wee Meng Seng Aloysius to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(v) Mr Chua Wei Kee will upon re-election as a Director of the Company, remain as a Non-Independent Non-Executive Director, the Non-Executive Chairman of the Board and a member of the Nominating Committee.

(vi) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company from the date of this Annual General 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) A member who is not a relevant intermediary, is entitled 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 Annual General Meeting, but such proxies must be appointed to exercise the rights attached to a specified number of shares.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

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 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.

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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 Annual General Meeting (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at **Raffles Marina, Chart Room, Level 2, 10 Tuas West Drive, Singapore 638404 on 30 March 2019 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/their discretion, as he/they will on any other matter arising at the Meeting. 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. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2018		
2	Re-election of Mr Ang Nam Heng James as a Director		
3	Re-election of Mr Choong Yoon Fatt as a Director		
4	Re-election of Mr Chong Kwang Shih as a Director		
5	Re-election of Mr Wee Meng Seng Aloysius as a Director		
6	Re-election of Mr Chua Wei Kee as a Director		
7	Approval of Directors' fees amounting to S$155,000 for the financial year ending 30 September 2019, to be paid quarterly in arrears		
8	Re-appointment of Mazars LLP as Auditors		
9	Authority to allot and issue shares		

Dated this ________ day of __________________ 2019

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

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Signature of Member(s)

or, Common Seal of Corporate Member

* Delete accordingly

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 under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B and 41C of the Act effective from 31 March 2017 is applicable at the Meeting.

8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. 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 Act.

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

Mr Chua Wei Kee
(Non-Independent Non-Executive Director, Chairman of the Board)
Mr Ang Nam Wah Albert
(Executive Director and Chief Executive Officer)
Mr Ang Nam Heng James
(Executive Director and Chief Operating Officer)
Mr Chong Kwang Shih
(Independent Director)
Mr Wee Meng Seng Aloysius
(Independent Director)
Mr Choong Yoon Fatt
(Independent Director)

AUDIT COMMITTEE

Mr Chong Kwang Shih (Chairman)
Mr Choong Yoon Fatt
Mr Wee Meng Seng Aloysius

NOMINATING COMMITTEE

Mr Wee Meng Seng Aloysius (Chairman)
Mr Chong Kwang Shih
Mr Choong Yoon Fatt
Mr Chua Wei Kee

REMUNERATION COMMITTEE

Mr Choong Yoon Fatt (Chairman)
Mr Chong Kwang Shih
Mr Wee Meng Seng Aloysius

COMPANY SECRETARY

Lim Kok Meng (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, Narissa
(Appointed since the financial year ended 30 September 2016)

AGV GROUP

SINGAPORE

AGV GROUP LIMITED

22 BENOI ROAD, SINGAPORE 629892

TEL: (65) 6735-8222

FAX: (65) 6863-3639