



AGV GROUP LIMITED

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

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- 1. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS OF THE COMPANY ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019**
 - 2. VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS**
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- 1. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS OF THE COMPANY ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (“FY2019”)**

Pursuant to Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of AGV Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditors, Mazars LLP (the “**Auditor**”), has, without qualifying their audit opinion, included an emphasis of matter related to the Group’s ability to continue as a going concern in their report (the “**Independent Auditors’ Report**”) on the audited financial statements of the Group for FY2019 (the “**Audited Financial Statements**”).

The Independent Auditors’ Report is attached to this announcement for shareholders’ reference. The Independent Auditors’ Report and the Audited Financial Statements will form part of the Company’s Annual Report for FY2019 (the “**2019 Annual Report**”), which will be released on SGXNET and despatched to shareholders in due course. Shareholders are advised to read the Independent Auditors’ Report and the 2019 Annual Report in their entirety.

The Board is of the opinion that the Group will be able to continue as a going concern on the basis of the following:

- ability of the Group to generate sufficient cash flows from their operations;
- continued financial support from the Group’s individual, corporate and institutional lenders, as well as vendors, as applicable; and
- potential new injections of capital.

Further, the Board is of the opinion that sufficient information has been disclosed, and confirmed that all material disclosures have been provided for the trading of the Company’s securities to continue in an orderly manner.

Shareholders and other investors are reminded to exercise caution while dealing in the shares of the Company. In the event that shareholders and other investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

2. VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED STATEMENTS

The Board refers to its full year financial results announcement for the financial year ended 30 September 2019 made on 29 November 2019 via the SGXNET (“**Preliminary Unaudited Results 2019**”).

Pursuant to Rule 704(5) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST, the Company wishes to announce that subsequent to the release of the Preliminary Unaudited Results 2019, the Auditor has proposed certain adjustments and reclassifications which the management of the Company has adopted accordingly.

The details and explanation of the variances between the Audited Financial Statements and the Preliminary Unaudited Results 2019 are set out below:

(1) Adjustments to consolidated statement of profit or loss as follows:

		Preliminary Unaudited Results 2019	Audited Financial Statements	Variance	Variance
	Note	S\$'000	S\$'000	S\$'000	%
Other income	1	941	784	(157)	(17)
Consumables used	2	(3,665)	(3,260)	(405)	(11)
Other expenses	3	(3,256)	(4,706)	1,450	45
Finance costs	4	(1,670)	(1,828)	158	9
Income tax credit/(expense)	5	272	(731)	(1,003)	(>100)
Total comprehensive loss for the year	6	(5,862)	(8,402)	2,540	43

Reasons for the variances:

The audit adjustments are due to

- (1) Decreased due to audit adjustment on the gain on initial measurement of financial liabilities.
- (2) Reclassification from consumables used to other expenses of S\$225,000 and from revenue to consumables used of S\$180,000. These adjustments have no significant impact to the overall financial results.
- (3) The:
 - (i) Write-off of a zinc galvanizing kettle and furnace system in Malaysia of S\$982,000;
 - (ii) Reclassification on the write-off of inventory in Malaysia from consumables used to other expenses of S\$225,000 as per Note 2 above;
 - (iii) Impairment of a wastewater treatment plant of S\$118,000;
 - (iv) Write-off of purchase price allocation adjustments in property, plant and equipment of S\$104,000; and
 - (v) The expected credit losses on trade receivables of S\$21,000.
- (4) Adjustments of accrued loan interest of S\$158,000.
- (5) Reversal of over-recognition of deferred tax assets.
- (6) The matters set out in Notes 1 to 5 above.

(2) Adjustments/reclassification to consolidation group statements of financial position as follows:

		Preliminary Unaudited Results 2019	Audited Financial Statements	Variance	Variance
	Note	S\$'000	S\$'000	S\$'000	%
Property, plant and equipment	7	14,395	13,197	(1,198)	(8)
Deferred tax assets	8	1,406	378	(1,028)	(73)
Non-controlling interests	9	(2,301)	(2,848)	547	24
Deferred tax liabilities	10	97	72	(25)	(26)
Total assets	11	21,275	19,025	(2,250)	(11)
Total capital deficiency	12	(9,796)	(12,340)	2,544	26

Reasons for the variances:

The audit adjustments are due to

- (7) The:
- (i) Write-off of a zinc galvanizing kettle and furnace system in Malaysia of S\$982,000;
 - (ii) Impairment of the wastewater treatment plant of S\$118,000; and
 - (iii) Write-off of purchase price allocation adjustments in property, plant and equipment of S\$104,000.
- Which is mitigated by:
- (iv) Reversal of over-recognition of impairment of building in Malaysia of S\$6,000.
- (8) The reversal of deferred tax assets as mentioned in Note 5.
- (9) The write-off of zinc galvanizing kettle and furnace system (Note 3) has caused an increase in the loss in Malaysia. Therefore, increase in losses attributable to the non-controlling interests.
- (10) The related deferred tax liabilities arising from the purchase price allocation in Note 7 is reversed accordingly.
- (11) The matters set out in Notes 7 and 8 above.
- (12) The matters set out in Notes 6 and 9 above.

BY ORDER OF THE BOARD

Chua Wei Kee
Executive Chairman
AGV Group Limited

8 January 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the SGX-

ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance who can be contacted at 16 Raffles Quay, #01-05, Hong Leong Building, Singapore 048581, Telephone: (65) 6415 9886.

Independent Auditors' Report

To the Members of AGV Group Limited

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 2019, 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 59 to 127.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 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 2.2 in the financial statements. As of 30 September 2019, the Group reported net liabilities of S\$12.3 million and net current liabilities of S\$2.9 million. The Group also reported net loss of S\$8.4 million and operating cash outflows of S\$5.8 million for the financial year then ended. As stated in Note 2.2, 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* (the "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 for our opinion.

Independent Auditors' Report

To the Members of AGV Group Limited

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 judgement 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 three significant components which required full scope audit of their financial information, because of their respective size and risk characteristics.

Out of the 3 significant components, 1 was audited by component auditor under our instructions and the remaining 2 were audited by us. 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

To the Members of AGV Group Limited

Key Audit Matters

Impairment assessment of property, plant and equipment (refer to Note 3.2, Note 14 to the financial statements)	
Key audit matter	Our audit response
<p>As at 30 September 2019, the Group recorded property, plant and equipment with carrying amount of S\$13,197,000 (2018: S\$16,553,000), represented approximately 69.4% (2018: 81.6%) of the total assets.</p> <p>During the current financial year, the Group noted the presence of indicators of impairment of its property, plant and equipment due to weak operating performance of one of its Singapore subsidiaries and temporary cessation of operations in its Malaysian subsidiary. Accordingly, the Group carried out a review of the recoverable amounts of the corresponding property, plant and equipment ("PPE").</p> <p>For its Singapore subsidiary, in determining the value-in-use of the cash-generating unit to which the corresponding PPE belongs, the Group made judgements on certain key inputs and key assumptions, including, for example, discount rates and growth rates. For its Malaysian subsidiary, the Group engaged a professional valuer to assist them in the determination of the fair value less cost of disposal of the assets in its Malaysian subsidiary, comprising mainly leasehold land and building as well as plant and equipment. In determining the recoverable value of the assets, the Group exercised judgement in determining the different valuation methods to be applied on the different types of assets and the application of the key inputs and adjustment factors. In its calculation of the recoverable value of its leasehold land, the Group used the comparison method and made adjustments in consideration of property sizes and remaining lease tenures. In its calculation of the recoverable value of its building and plant and equipment, the Group used the depreciated replacement cost method and made adjustments in consideration of assumptions and estimates of physical deterioration, functional and economic obsolescence.</p> <p>Consequent to its assessment, the Group recorded S\$1,599,000 of impairment loss in relation to its property, plant and equipment during the financial year ended 30 September 2019.</p> <p>In consideration of the significant judgement applied by the management in determining the recoverable value of the Group's property, plant and equipment and the significance of the impairment loss, we determined this as a key audit matter.</p>	<p>How the matter was addressed in our audit</p> <p>Our audit procedures include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Evaluated the competence, capabilities and objectivity of the external valuers engaged by management; • In consultation with our in-house valuation specialist, assessed the appropriateness of the methodologies applied and the reasonableness of the key inputs, adjustment factors and assumptions applied by the Group in their determination of the fair value less cost of disposal of its property, plant and equipment, as applicable; and • Assessed the adequacy of the disclosures made by the Group on the impairment of its property, plant and equipment.

Independent Auditors' Report

To the Members of AGV Group Limited

Key Audit Matters (Continued)

Extinguishment of original financial liabilities and recognition of new financial liabilities (refer to Note 23, Note 25 to the financial statements)	
Key audit matter	Our audit response
<p>As at 30 September 2019, the Group recorded liabilities mainly comprising total borrowings of S\$11,910,000, current and non-current trade and other payables of S\$5,412,000 and S\$13,262,000 respectively.</p> <p>During the financial year then ended, the Group entered into various different arrangements with its institutional, corporate and individual lenders and vendors, as applicable, to amend the terms and conditions of payables owing to the respective parties. The amendments, as applicable, include the extension of the payment period of liabilities, the setup of instalment plans for certain liabilities and waiver of accrued interests following the novation of certain liabilities from an existing creditor to another creditor.</p> <p>Consequent to the aforementioned arrangements, the Group recorded net loss on extinguishment of original liabilities and recognition of corresponding new liabilities of S\$433,000 and Day-1 net gain of S\$717,000 during the financial year ended 30 September 2019.</p> <p>In consideration of the quantum of such arrangements entered into with various parties and the impact of these arrangements on the Group's profit or loss during the financial year, as well as the significance of the outcome of these arrangements on the Group's assessment of the appropriateness of its use of the going concern assumption, we determine this as a key audit matter.</p>	<p>How the matter was addressed in our audit</p> <p>Our audit procedures include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Reviewed the terms and conditions of the different contracts and agreements entered into by the Group with the respective parties; • Reviewed the appropriateness of the accounting treatments (and measurement methods) applied by the Group, with reference to SFRS(I) 9 <i>Financial Instruments</i> ("SFRS(I) 9") arrangements, and the recalculation of the impact on the Group's profit or loss during the financial year ended 30 September 2019; and • Assessed the adequacy of the corresponding disclosures.

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

To the Members of AGV Group Limited

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 SFRS(I)s, 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.

Independent Auditors' Report

To the Members of AGV Group Limited

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditors' Report

To the Members of AGV Group Limited

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
31 December 2019