

AGV GROUP LIMITED

ANNUAL REPORT 2019

Leading for a Better Tomorrow

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. As a whole, the AGV Group serves over 1,000 clients from diverse industries across the public and private sector.

The Company was listed on the Catalist Board of the SGX-ST on 26 August 2016.

For more information, please visit:
www.agvgroup.com

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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. It 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, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual report for financial year ended 30 September 2019 ("**FY2019**").

2019 has continued to be a challenging year for AGV Group Limited (the "**Group**") as we sought to recover from the substantial increase in zinc prices leading to increase in production costs and the replacement of our zinc kettles leading to, amongst others, some production work disruptions. FY2019 has been a year of consolidation for the Group as we focused on our operations in Singapore and building our management team. Through building a strong foundation, we hope to expand to new horizons in the coming year.

Financial Performance

For FY2019, our revenue decreased to S$6.5 million as compared to S$8.2 million for the financial year ended 30 September 2018 ("**FY2018**"). This decrease was mainly due to the prolonged stoppage in operations of AGV Galvanizing (M) Sdn Bhd ("**AGVM**").

Given the difficult business climate, we took steps to reduce costs, reducing employee benefits expense, comprising directors' remuneration and staff-related expenses from S$4.9 million in FY2018 to S$2.9 million in FY2019. As part of the Group's efforts to reduce costs, general administrative and other expenses and consumables used were reduced from S$7.2 million in FY2018 to S$4.7 million in FY2019 and from S$6.4 million in FY2018 to S$3.3 million in FY2019 respectively.

Financial Position and Cash Flow

The Group's non-current assets as at 30 September 2019 was approximately S$13.6 million, approximately S$3.97 million lower than that as at 30 September 2018 mainly due to impairment loss on the building and write-off of galvanizing kettle and furnace system of AGVM and depreciation charges.

Current assets have increased from S$2.7 million in FY2018 to S$5.45 million in FY2019. This was mainly due to increase in trade and other receivables from resumption of full operations in January 2019 in Singapore with higher sales and increase in inventories from the Group keeping a higher reserve of zinc on hand to meet production needs.

Non-current liabilities increased from S$1.7 million in FY2018 to S$23 million in FY2019, mainly due to our lenders and trade creditors granting us a longer payment period leading to reclassification of such liabilities. Consequently, current liabilities have decreased from S$23.7 million in FY2018 to S$8.4 million in FY2019.

The Group's net equity has declined from a year ago mainly due to aforementioned net loss. Net cash generated from/(used in) operating activities has decreased from S$1.4 million in FY2018 to (S$5.8 million) in FY2019. Net cash used in investing activities amounted to S$6,000 in FY2019. Net cash generated from financing activities amounted to S$5.8 million in FY2019. As a result of the above, the net cash and cash equivalents was S$0.14 million as at 30 September 2019.

Paving for Future Growth

We will continue to focus on our core business and strengthen our foothold in zinc galvanizing work supporting the construction industry in Singapore and abroad. As demand for construction works increase in the region, we seek to continue exploring opportunities to capitalize on expand our revenue sources. We will continue to seek cash-flow-positive business opportunities across our business segments and optimize financial performance.

As one of the Group's key challenges last year was the supply and availability of zinc due to low reserves of zinc, I am pleased to inform shareholders that with the adoption of general mandate for the interested person transactions with the JD group of companies for the purchase of zinc in July last year and renewal of the same at this forthcoming annual general meeting, the Group will be able to secure a more stable supply of zinc and maximise business opportunities, especially in transactions that are time-sensitive in nature and in securing projects with better profit margins. With this, we anticipate that there will be more certainty in production costs for the Group.

We are also pleased to have received continued 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 which AGV Group Limited has experienced. Hence, we hereby wish to show our sincere appreciation to the lenders and trade creditors for their support.

While we continue to review our business efficiency and streamline our operations to reduce costs, we will continue to explore and pursue opportunities that the Board deems viable for the Group. Barring unforeseen circumstances, we hope to start our zinc galvanizing operations in Malaysia again in the coming year to capitalize on any business opportunities in the region. 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 Southeast Asia market in the year ahead.

Looking Ahead

Zinc price is expected to remain pressured in light of the current US-China trade tensions despite declining global inventories of zinc. In the long-term, zinc price is expected to average a gradual downward trend.[1] It is expected that the Group will benefit from the falling zinc price, barring unforeseen circumstances.

The total construction demand in Singapore is expected to remain strong, with the Building and Construction Authority ("**BCA**") projecting total contract values to range between S$27 billion and S$34 billion per year for 2020 and 2021, and possibly increasing 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.[2]

As the outlook for the construction industry remains positive, we remain cautiously optimistic, and continue to push forward in our strategy to achieve revenue growth through increasing production in the long term.

Appreciation

Also, on behalf of AGV Group Limited, I would like to thank the Independent Directors for their invaluable contributions to the Group and for their tireless and continued support to the Group.

Lastly, on behalf of the Board, I would like to thank all our clients and business partners for their continued support, commitment and faith in AGV Group Limited. I also wish to thank the management team and AGV employees for their diligence and commitment to the Group. 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.

CHUA WEI KEE
Executive Chairman

[1] Business Standard, Fitch lowers 2019 zinc price to $2,500 a tonne despite strong fundamentals: 17 September 2019

[2] Building & Construction Authority (Media release), Singapore's total construction demand to remain strong this year, 14 January 2019



Hon. Dato Seri Damien Chua
Executive Chairman

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.



Hon. Dato Seri Damien Chua
Executive Chairman

Mr Chua was designated as Executive Chairman of the Company on 29 November 2019. He was first appointed to the Board on 10 January 2019. With 26 years' of experience in the zinc industry, Mr Chua is responsible for reviewing the operations, future business plans and overall management of the Group.

He founded JD Resources Sdn. Bhd., a leading distributor and player for industrial zinc and other metal resources in the region, and sits on the board 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.

Board of Directors



Albert Ang Executive Director (Singapore operations)

Mr Albert Ang is our Executive Director. Mr Albert Ang was appointed to the Board on 2 October 2015.

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 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.

James Ang Executive Director

Mr James Ang is our Executive 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 Lead Independent Director

Mr Chong is our Lead 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 is currently the Group Chief Financial Officer of DLF Holdings Limited, a company listed on the Catalist Board of the SGX-ST. He was previously the Chief Financial Officer for several other companies listed on the SGX-ST, including Jade Technologies Holdings Ltd (now known as Emerging Towns & Cities Singapore Ltd) and OEL (Holdings). In his CFO roles, he is involved in financial and management reporting, budgeting, regulatory and financial controls, risk management, statutory compliance, due diligence, process improvements, treasury and management recruitment.

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

Board of Directors

Choong Yoon Fatt Independent Director



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

Mr Choong is a Chartered Accountant and an Accredited Tax Professional (Income Tax) with more than 20 years of experiences. He is currently the managing director of Integra Solutions Pte. Ltd., a firm specialising in accounting, corporate secretarial, tax and business advisory, spanning its reach in Singapore, Shanghai, Beijing, Taiwan and Vietnam. He is also practising as a public accountant at SC & Co., a sole proprietor auditing firm.

Mr Choong has wide auditing experiences from when he was with KPMG Singapore and KPMG Shanghai, handling a portfolio of clients ranging from SMEs to multinational corporations. He has extensive experiences in initial public offerings (IPOs), due diligence, special reviews and reverse takeovers (RTOs).

Mr Choong holds a Bachelor of Commerce (Accounting and Finance) degree from an Australian university. Currently, 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), a member of Certified Practising Accountants (CPA) Australia and a member of the Singapore Institute of Accredited Tax Professionals (SIATP).



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). Aloysius is also currently an independent director of JES Holdings Limited, Olive Tree Estate Limited and Oriental Group Limited.

Key Management



Jay Ree Goh,
General Manager, Singapore

Mr Goh joined the AGV Group in April 2019 and with effect from January 2020, is responsible for overall management and operations in Singapore, as well as business development for the AGV Group.

Mr Goh has over 20 years of experience in the banking industry, having worked at Oversea Chinese Banking Corporation, Bank of Tokyo Mitsubishi UFJ Bank and Bank of America Merrill Lynch, providing business solutions and support under the Global Transaction Banking and Global Financial Institutions departments. He was the Head of Financial Institutions, Malaysia for Global Treasury Services and part of the Local Management Team in Bank of America Malaysia Berhad based in Kuala Lumpur prior to joining the AGV Group.

Mr Goh graduated with a Master in Business Administration from University of Sunshine Coast, Australia.



Chin Yee Chow,
Operations Manager, Malaysia

Mr Chin was appointed as Operations Manager (Malaysia) in March 2019. He is responsible for the overall operations and matters in Malaysia. Prior to joining the Company, he was CEO and Director of an audio manufacturing company in Malaysia. He has more than 20 years' experience in the manufacturing industry.

Mr Chin has completed the Chartered Institute of Marketing (UK) course and a Electrical and Electronic Engineering course in Tunku Abdul Rahman College.



Francessca Yong,
Corporate Affairs Manager

Ms Yong was appointed as our Corporate Affairs Manager in March 2019. Her responsibilities include overseeing corporate issues of the Group, liaising with investor relations matters, communicating organisational issues to the Board and providing support for the corporate exercises undertaken by the Group.

Prior to joining the Company, she was Commercial Finance Manager with Group M, one of the advertising media company of WPP Group. She also has over 14 years of audit, accounting and finance experience working at Deloitte & Touche Malaysia and its Hong Kong Office and Alliance Investment Bank Berhad. She has also previously worked as a Financial Controller for animation studio.

Ms Yong holds a Bachelor of Business from University of Technology, Sydney and is a member of CPA Australia and a member of the Malaysian Institute of Accountants.



Soh Pei Lin,
Group Finance Manager

Ms Soh was appointed as Group Finance Manager from September 2019 and has been with the Group since April 2019. She is responsible for the Group's financial, accounting and tax-related matters. Prior to joining the Company, she was an external auditor in Deloitte PLT Malaysia. She has over six years of audit and accounting experience.

She holds an Advanced Diploma in Commerce (Financial Accounting), at Tunku Abdul Rahman College and is a member of Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Group Structure



Sustainability Report

STATEMENT FROM THE BOARD

We are pleased to present AGV Group Limited ("AGV") and our subsidiaries' (collectively the "Group", "us", "we", and "our") second Sustainability Report (the "Report") for the financial year ended 30 September 2019 ("FY2019"). In this Report, we focus on our progress towards sustainable development and how we have aligned our business practices and operations against our Environmental, Social and Governance ("ESG") goals.

In today's rapidly changing business climate, sustainable development is a priority and a critical success factor for companies in ensuring long-term value creation. We recognise the importance and value of aligning strategies to meet stakeholders' needs as well as having an established and consistent sustainability reporting framework. In that regard, the Board of Directors and senior management are aware and committed to incorporate sustainability considerations when formulating our business strategies.

The Board of Directors and senior management are actively involved in the Group's sustainability efforts and in every milestone relating to this journey. This includes the setting of sustainability goals, monitoring the progress and performance of achieving the goals set and the periodic evaluations of material sustainability factors.

In this Report, we have added two (2) new material topics in consultation with internal and external stakeholders, in conjunction with the three (3) topics identified in our previous sustainability report. As the Group reviews the selection of the material factors on an ongoing basis, this Report also serves as a platform for us to communicate our sustainability efforts and updates in detail.

The Board views this Report as a milestone of our sustainability journey and we look forward to continue updating you with our experience in incorporating relevant initiatives and processes within the Group in the subsequent years.

Sincerely,
Board of Directors
AGV Group Limited

Sustainability Report

ABOUT THIS REPORT

Report Methodology

We have prepared this Report in accordance with the Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual – Rules of Catalist ("Catalist Rules") and the Global Reporting Initiative ("GRI") Standards Sustainability Reporting Guidelines 2016 – Core Option and its reporting principles.

GRI standards continues to be the sustainability reporting framework of choice as it is internationally recognised and widely adopted, enabling us to provide a broad and comparable disclosure of the ESG performance. The GRI content index can be found in pages 21 to 24 in this Report. We have also made reference to our 2019 Annual Report ("Annual Report").

We have not sought external assurance for the disclosures made in this report, and may consider doing so in the future.

Report Scope

This Report covers the sustainability practices and efforts of our Group's operations in Singapore for FY2019. The section on "Corporate Profile" sets out details of our Group's businesses and activities.

Report Contact and Feedback

We welcome any feedback as part of continuous improvement to the reporting of our Group's sustainability efforts and performance. Please send your comments and suggestions in writing to the following address:

Investor Relations Department
AGV Group Limited
22 Benoi Road
Singapore 629892

Sustainability Report

OUR APPROACH TO SUSTAINABILITY

Sustainability Approach

AGV continues to take a comprehensive approach to sustainability. Our Board of Directors, senior management, as well as key stakeholders are actively involved in the establishment, review and monitoring of the Group's sustainability initiatives. Our Board of Directors oversees the overall sustainability direction of the Group, and incorporate sustainability considerations when formulating our business strategies. Our senior management assists the Board by monitoring the performance of our sustainability initiatives and periodically report to the Board. Collectively, the Board and senior management regularly engages the Group's key stakeholders to better understand their concerns and expectations in relation to sustainability issues.

Corporate Governance

AGV is committed to safeguarding our stakeholders' interests and generating long-term value for our shareholders by adopting good corporate governance practices, and incorporating strong internal controls over the financial, operational and compliance aspects of our business. Our corporate governance practices are in line with the 16 principles of the Code of Corporate Governance 2012 (the "Code") issued by the Monetary Authority of Singapore (the "MAS") and the disclosure guide established by the SGX-ST.

Our corporate governance report as disclosed in pages 25 to 47 of our Annual Report details our compliance to each of the 16 principles in the Code. Explanations will be provided for any deviations from the guidelines in the Code. This year, the Group is placed 461st on the 2019 Singapore Governance and Transparency Index, an improvement from our 488th placing in 2018. This not only serves as a testament to our hard work and effort to strengthen our corporate governance, but also shows that we are on the right trajectory relating to implementing a strong control environment.

Enterprise Risk Management framework

AGV has established and put in place an Enterprise Risk Management ("ERM") framework to assist management in facilitating the identification, management, and monitoring of significant risks faced by the Group. The ERM framework also helps us to evaluate potential opportunities that will contribute to our business objectives and goals. The last ERM assessment was conducted in May 2019, and will be reviewed on an annual basis.

Whistle blowing policy

A whistle-blowing policy is in place and has been made available to all employees. The whistle-blowing policy provides our employees with a formalised, accessible and safe avenue to report any possible improprieties, fraudulent activities and malpractices regarding financial, operational and compliance aspects within the Group. AGV views business malpractices seriously and will arrange for independent investigations and appropriate follow-up actions to be carried out. All information pertaining to whistle-blowing received will be handled with the utmost confidentiality and shall only be known by the person in-charge responsible for investigations so as to protect the anonymity of the whistle-blower. Our Audit Committee will determine the appropriate actions to be taken. We would like to highlight that there were no whistle-blowing reports received in FY2019.

Sustainability Report

Stakeholder Engagement

The Group's business operations impact multiple stakeholder groups and we value inputs and comments from all stakeholders. For FY2019, we continue to actively engage our stakeholders, and understand their perspective on our sustainable practices, either in an informal or formal manner.

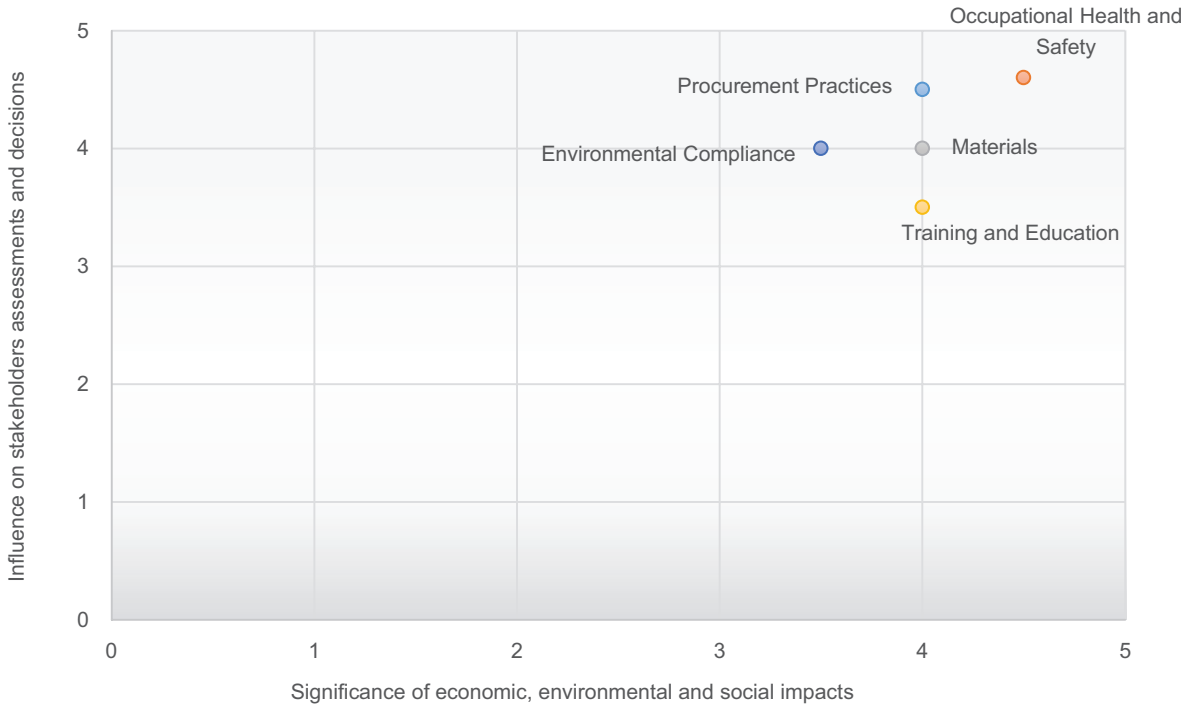
Through the engagement, key ESG topics are identified, reassessed, and included in this Report. The table below depicts our key stakeholder groups, our means of engagement with them, as well as their key concerns.

Stakeholder Group	Engagement activities	Key concerns
Shareholders	■ Board meetings and reporting ■ Annual and interim reports ■ Circulars and news releases to shareholders	■ Profitability ■ Transparency ■ Timely reporting
Customers	■ Daily interactions ■ Enquiry and feedback channels ■ Customer survey	■ Quality products ■ Timely delivery of goods ■ Top notch customer service ■ Additional after sales services
Employees	■ Annual employee performance appraisal ■ Regular team meeting ■ Staff communication sessions	■ Staff rights and welfare ■ Safe and conducive working environment ■ Personal development
Directors & Top Management	■ Monthly Board meeting and reporting ■ Monthly meeting with management staffs	■ Long-term goals and short-term objectives ■ Directives towards established goals
Business Partners	■ Frequent discussions and meetings	■ Partnership for opportunities and growth
Suppliers	■ Periodic supplier evaluation ■ Comparison of quotes ■ Periodic discussions ■ Compliance with terms and conditions of transactions	■ Compliance with terms and conditions of purchasing policies and procedures ■ Maintenance of ethical standards such as conforming to various regulators' standard
Government and Regulators	■ Discussions with government agencies and departments	■ Compliance with regulations ■ Timely reporting and resolution of issues

Sustainability Report

Material Topics

Based on feedback gathered from our internal and external stakeholders, AGV has re-evaluated and identified relevant material topics which would have significant economic, environmental and social impacts. The three topics reported for FY2018 remains relevant to our business. Two additional topics has also been added to our Report for FY2019, and are reflected in our updated materiality matrix below:



Material Topics for FY2019

1) Procurement Practices
2) Occupational Health and Safety
3) Training and Education
4) Materials
5) Environmental Compliance

The Group will review and re-evaluate our material topics disclosed on an annual basis, to ensure its relevance to our stakeholders and business landscape.

Sustainability Report

ECONOMIC

Procurement Practices

AGV has put in place proper procurement practices to maximise operational efficiencies and controls, as well as to minimise costs without compromising on quality. The main raw materials that the Group procures for our business operations are zinc and pre-treatment chemicals. As zinc is a globally traded commodity, we closely monitor price fluctuations on the global markets. Having stringent procurement standards will help us make better deals and minimise inherent risks associated with purchasing commodities. The Group prefers to work with suppliers that have incorporated sustainable practices in their operations to improve the sustainability of our supply chain so as to minimise the impact on the environment.

The Group also performs regular evaluations on our new and existing suppliers to ensure that they are able to meet our strict requirements on multiple aspects such as cost effectiveness, timeliness, transactional accuracy, quality and overall service standards. Increasing our supplier contacts also helps us to make better price and quality comparisons when we are sourcing for materials and services. The Group added four (4) additional supplier contacts in FY2019 for the services that we regularly procure. We believe that by enforcing stringent procurement requirements, value generated from cost savings and higher quality products and services can be passed on to our stakeholders.

AGV plans to gradually incorporate additional sustainability factors such as environmental-friendly packaging, green production methods and proper waste management in our selection and evaluation of new and existing suppliers. For FY2019, our local purchases attributed to approximately 36% while foreign purchases made up the remaining 64%. Wherever possible, we will try to make our purchases from local companies as a way of giving back to our local community.

Subsequent reporting for FY2020

The Group will continue to work closely with existing and potential suppliers that are able to cater to our business needs in terms of cost effectiveness, timeliness, and quality of product and services. We also plan to increase our supplier contacts by another 20% to increase the competitiveness between suppliers.

Sustainability Report

SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

At AGV, we take the health and safety of all our workers and employees, as well as other stakeholders who visit and use our offices and work sites very seriously. The Group is committed in ensuring that our Health and Safety practices including the proactive tracking and monitoring of incidents are performed.

We have established a Health and Safety Policy which was communicated to all employees and workers of the Group. Effective occupational health and safety management contributes to enhancing our employees' morale and increases productivity levels, which will translate into better service quality.

Being in the galvanizing industry, we understand the importance of having high standards of occupational health and safety measures in place to prevent any work place accidents, as well as additional safety measures specifically tailored to the conditions and settings of our working environment.

Weekly reports on Workplace Health and Safety were also furnished by our outsourced consultant (SRD Pte Ltd). A summary of the information in the reports are detailed in the table below. These reports were reviewed by our Work, Health and Safety ("WSH") supervisor and endorsed by our production and maintenance head.

Scope and objective	Summary of audits
	List of authorities enforcement
	Accident and incident analysis
Safety planning	In-house rules and regulations (stipulating which workers are given warning letters for breach of safety rules)
	Committee and meeting (i.e.: toolbox meeting, Work, Health and Safety supervisor inspection and etc)
	Types of training programs (i.e.: safe forklift operation, evacuation and fire drill, and etc)
	Promotion, campaigns, awards and achievement of accident free man-hours
	Workplace hazard analysis register (i.e.: reviews on office workstations, goods storage areas,
	List of hazardous substances and whether there are any availability of SDS
	Maintenance regime on the various fixed assets
	Workplace inspection which details description of any non-conformance, its corresponding corrective/preventive actions to be taken, as well as the person responsible for rectification
	Positive observations and practices noted throughout the workplace

Sustainability Report

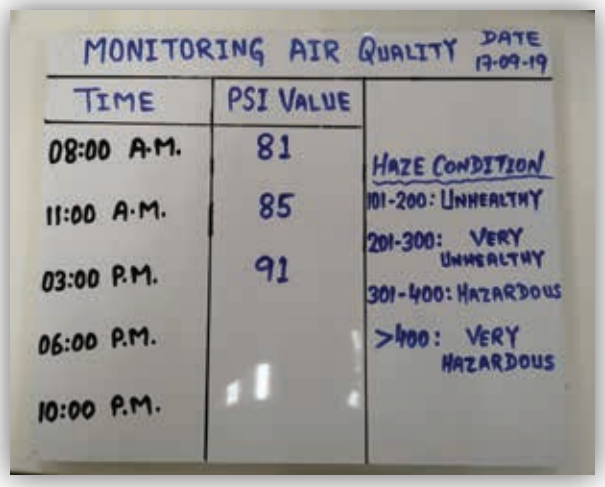
Safety initiatives such as fire drills were held every six (6) months where a 100% participation rate is mandatory. Monthly Personal Protection Equipment ("PPE") inspections were also carried out to ensure that our workers are equipped with proper safety gear suitable for their work.

In addition to safety trainings conducted for our employees and workers which are detailed in the "Training and Education" section in pages 17 and 18 of this Report, regular toolbox meetings and safety drills were conducted to facilitate health and safety discussions on the work sites and to embed a safety culture. In addition to having these safety briefings and campaigns, safety posters, banners and signage were put up at various workstations and areas to maintain a healthy level of safety awareness.

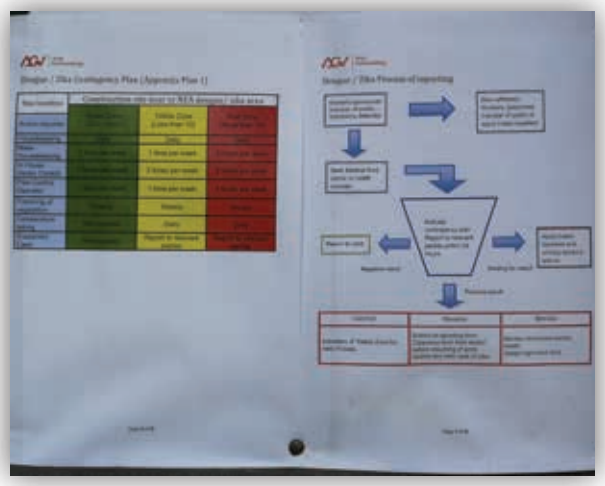
For FY2019, we have conducted additional health and safety initiatives and briefings on haze monitoring and dengue/zika controls and measures to ensure that our workers are aware of the hazards and their respective safety measures.

Haze monitoring and briefings:





Dengue/zika briefings:





Sustainability Report

The Group is in compliance with statutory safety requirements and is adopting leading practices laid down by the relevant Government bodies and Statutory Boards, and has always kept ourselves updated with industrial best practices through our participation in various associations. AGV is also ISO 90001:2015 certified for our Quality Management System and SS 506 certified for our Occupational Safety and Health Management. We were also a recipient of the BiZSAFE Level Star certification issued by the Workplace Safety and Health Council. For further details, please refer to the "Awards and Accreditations" section on our corporate website at www.agvgroup.com.sg.

With reference to the Accident and Incident Analysis in the weekly reports on Workplace Health and Safety, there were only two (2) reportable workplace accidents and injuries. In FY2019, there were zero workplace accidents that result in fatalities.

Subsequent reporting for FY2020:

The Group will continue to invest in the occupational safety and health of our workers. We aim to achieve zero workplace accidents in FY2020 and will continue to review and improve our existing occupational health and safety programme, as well as conducting regular safety training and education for our employees. In FY2020, we will also be improving our system to ISO 45001, which takes on a more structured, rigorous, proactive, and comprehensive approach in managing risks related to occupational health and safety.

TRAINING AND EDUCATION

Our employees are pivotal to the sustainable growth and success of our Group. AGV's total headcount of full-time employees was 69 employees, and we take great effort in providing opportunities for upgrading of skills and training so that our staff will be equipped with relevant skills and knowledge in line with the future direction of the Group.

We provide our employees with opportunities to maintain and develop workforce skills and competencies, through participation in trainings and seminars. All training costs are borne by the Group.

In FY2019, our employees underwent training and education in areas such as, but not limited to:

- Occupational First Aid
- Construction Safety Orientation Course
- Fire Emergency
- Workplace Safety and Health
- Machinery and Equipment Operational Courses
- Multiskill Continuing Education and Training

As we are in the metal works industry, the bulk of the training courses that our employees attended were in the areas of workplace proficiency.

Training and education for new hires

New hires were required to go through a series of training workshops including safety induction trainings, in addition to the on-the-job training and guidance provided by our experienced employees. On-the-job trainings allow our employees to familiarise themselves with the work processes and procedures and to learn technical know-how from the experienced employees.

Sustainability Report

Training and education for experienced hires

AGV takes continuing education and training seriously and strives to ensure that our existing and experienced employees are able to adapt to new industrial requirements and standards. The majority of training and education provided for our experienced employees were on workplace proficiencies. Examples of trainings provided include boom lift, overhead crane and forklift operational trainings.

Training Hours

Details of the total training hours and average training hours are depicted in the table below:

	FY2019 (October 2018 – September 2019)	FY2018 (December 2018 – June 2019)
Total Training Hours	830.5	345.0
Average Training Hours per Employee	12.03	9.6

The Group was able to achieve our training and education goal set in FY2018, which was to increase average training hours to 12 hours.

Performance and Career Development review

The Group views performance and career development reviews as a crucial success factor. Periodic reviews on employee performances serve as a milestone check and guide for employees to understand the Group's requirements and direction, and further align their efforts with the Group's development. The appraisal process also serves as a two-way communication channel between Management and employees to assist them in identifying skills and opportunities for future growth. For FY2019, all our employees have taken part in our annual appraisal process, with the exception of production workers.

Subsequent reporting for FY2020:

Moving forward, the Group plans to continue providing academic and workplace proficiency courses, such as workplace safety and health, equipment and machinery operational courses as well as supervisor courses. In addition, we plan to provide opportunities for production workers to attend CoreTrade courses, which will allow them to further upgrade themselves. AGV hopes to maintain, if not increase the average training hours per employee, without compromising on the quality of trainings provided.

Sustainability Report

ENVIRONMENT

MATERIALS

Being in the galvanizing industry, AGV's core business is to create a safer and greener world by providing corrosion protection to steel products used in a variety of industries. As such, the Group has always taken a consistent approach when handling materials used by, and generated from our operations.

The total weight of materials that are used to produce the organisation's products during FY2019 is shown in the graph below.

Zinc being the main material that we use, is a recyclable metal. Although zinc is produced by more than 50 countries around the world and has been traditionally considered to be in abundance, signs of depletion are beginning to show, with a few mines in Canada, Australia, Ireland and Namibia expected to be closed within this decade. A study by the US Department of Energy shows that only 8% of zinc is recovered from mined materials, a strong indication that environmental disruption and damage caused by mining operations can no longer be disregarded.

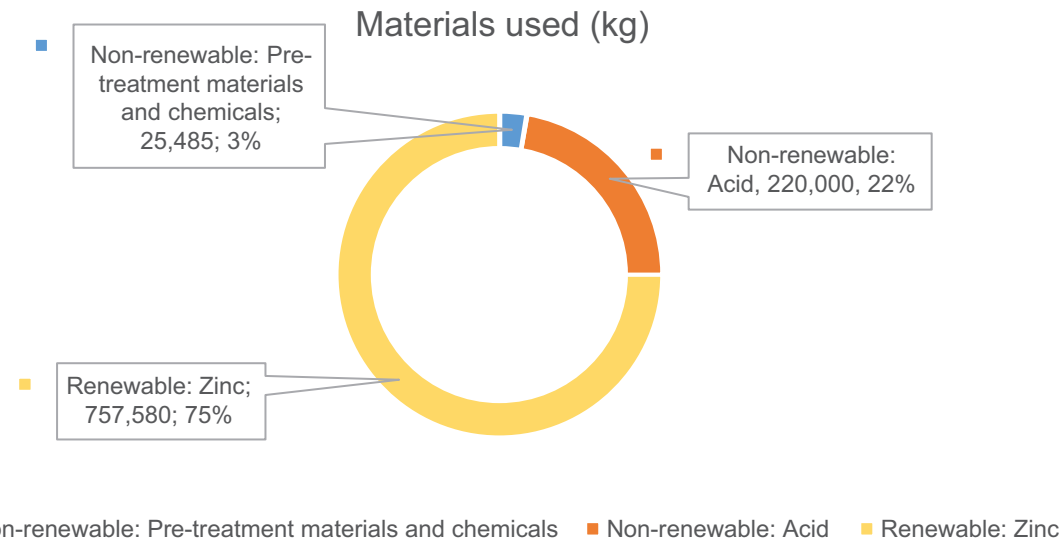
The energy used for the processing of zinc from mining to refining is also very high. An estimated 31kWh per metric ton of zinc ore is used to produce zinc concentrate, and an additional 800kWh is estimated for each metric ton of zinc metal produced.

With this in view, AGV intends to contribute towards the preservation of zinc supplies, which in turn would help reduce the overall energy consumed and environmental disruption caused by mining and refining operations. The Group has always shipped all our zinc ash and zinc dross, which are by-products produced by our operations for recycling. The recovery rate of zinc from these by-products are close to 100%. The Group also reuses other supplemental materials such as wooden pallets and spacers.

Subsequent reporting for FY2020:

Moving forward, the Group intends to continue sending our zinc by-products for recycling as a sustainability initiative. The Group also plans to look into more sustainable sources for our materials used, by gradually encouraging our suppliers to disclose material sourcing and energy usage data in the future. We will also keep ourselves abreast with technological development in the industry that could further improve the sustainability of the galvanizing process.

Sustainability Report



ENVIRONMENTAL COMPLIANCE

The Group has always been committed to being an environmentally responsible organisation, and has put in great effort to manage our impact on the environment, as well as complying with all relevant laws and regulations.

AGV have policies in place to manage our emissions, effluents and waste generated from our business operations. Apart from the policy, we constantly keep ourselves updated with practices and guidelines developed by environmental regulators.

We are pleased to announce that for FY2019, there were no reports on non-compliance with environmental laws and regulations.

Subsequent reporting for FY2020:

Moving forward, the Group will continue to ensure that we are in full compliance with all relevant environmental laws and regulations.

Sustainability Report

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Note: AR = Annual Report 2019

GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
General Disclosures			
Organisation Profile	102-1	Name of the organisation	Corporate Profile
	102-2	Activities, brands, products, and services	Corporate Profile
	102-3	Location of headquarters	Corporate Profile
	102-4	Location of operations	Corporate Profile
	102-5	Ownership and legal form	AR Section "Statistics of Shareholdings"
	102-6	Markets served	Corporate Profile
	102-7	Scale of the organisation	Page 2
	102-8	Information on employees and other workers	Page 17
	102-9	Supply chain	Page 14
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary principle or approach	Page 11-13
	102-12	External initiatives	Singapore Code of Corporate Governance (2012) Singapore Financial Reporting Standards (International)
	102-13	Membership of associations	Page 17
Strategy	102-14	Statement from senior decision maker	Page 2
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	AR Section "Corporate Governance Report"

Sustainability Report

GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
General Disclosures			
Governance	102-18	Governance structure	AR Section "Corporate Governance Report"
Stakeholder Engagement	102-40	List of stakeholder groups	Page 12
	102-41	Collective bargaining agreements	
	102-42	Identifying and selecting stakeholders	
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
Reporting Practice	102-45	Entities included in the consolidated financial statements	Page 8
	102-46	Defining report content and topic boundaries	Page 10
	102-47	List of material topics	Page 13
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	Page 2
	102-51	Date of most recent report	30 September 2019
	102-52	Reporting cycle	Page 2
	102-53	Contact point for questions regarding the report	Page 10
	102-54	Claims of reporting in accordance with the GRI Standards	Page 10
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Sustainability Report

GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
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	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Procurement Practices	204-1	Proportion of spending on local suppliers	
Occupational Health and Safety			
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	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	

Sustainability Report

GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
Specific Disclosures			
Training and Education			
Management Approach	103-1	Explanation of the material topic and its boundaries	Page 17-18
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Training and Education	404-1	Average hours of training per year per employee	
	404-2	Programs for upgrading employee skills and transition assistance programs	
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Management Approach	103-1	Explanation of the material topic and its boundaries	Page 19-20
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Materials	301-1	Materials used by weight or volume	
Environmental Compliance			
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	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	

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 ensure 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.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance which aims to encourage board renewal, strengthen director independence and enhance board diversity, which will initially take effect for annual reports covering financial years commencing from 1 January 2019 (the "**2018 Code**"). The Company will review and set out corporate practices in place to comply with the 2018 Code, where appropriate, for its Annual Report for the financial year beginning 1 October 2019 ("**FY2020**").

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 Chua Wei Kee, Mr Ang Nam Wah Albert, Mr Ang Nam Heng James, Mr Chong Kwang Shih, Mr Choong Yoon Fatt and Mr Wee Meng Seng Aloysius. As the Chairman of the Board (the "**Chairman**") is not an independent director, the Independent Directors make up at least half of the Board, and the Board has additionally appointed Mr Chong Kwang Shih as the Lead Independent Director.

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.

Corporate Governance Report

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

During the financial year ended 30 September 2019, the Board held five (5) Board meetings, four (4) AC meetings, one (1) NC meeting and one (1) RC meeting.

The attendance of the Directors at meetings of the Board and Committees during the financial year ended 30 September 2019 were as follows:

	Committee			
	Board	**Audit**	**Nominating**	**Remuneration**
Number of Meetings held:	5	4	1	1
Name of Director				
Mr Chua Wei Kee[1]	2	–	–	–
Mr Ang Nam Wah Albert	5	3 (invited)	1 (invited)	1 (invited)
Mr Ang Nam Heng James	5	2 (invited)	1 (invited)	1 (invited)
Mr Ang Ghee Ann[2]	–	–	–	–
Mr Toh Hock Ghim[3]	–	1	–	–
Mr Chong Kwang Shih	5	4	1	1
Mr Richard Chung Kok Boon[4]	–	–	–	–
Mr Choong Yoon Fatt[5]	5	4	1	1
Mr Wee Meng Seng Aloysius[6]	5	4	1	1

Notes:

(1) Mr Chua Wei Kee was appointed as a Non-Independent Non-Executive Chairman of the Company on 10 January 2019 and re-designated as Executive Chairman on 29 November 2019. He was a member of the Nominating Committee from 10 January 2019 to 29 November 2019 and there was one (1) NC meeting held during such period in FY2019.

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

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

(4) 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.

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

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

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) announcements of financial results;

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

(e) recommending dividend payments; and

(f) assuming responsibility for corporate governance practices.

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

Formal letters of appointment are furnished to every newly-appointed director upon their appointment, explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board. Such newly-appointed director will also undergo an orientation and briefing by Management to familiarise him/her with the Group's business and governance practices. 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.

Corporate Governance Report

The Board is updated, from time to time, when new laws or regulations affecting the Group are introduced. The professional advisors to the Company conduct briefings and presentations to update the Board in this regard. The directors are also encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as directors to the Company.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 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 directors, three of whom are executive. All three of the non-executive directors are independent. The Board believes that there is a good balance between the Executive & 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 Composition of the Board and Board Committees is as follows:

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

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

The Non-Executive Directors:

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

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

Corporate Governance Report

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 Executive Chairman of the Board as at the date of this report is Mr Chua Wei Kee. The Group believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. The Board is of the opinion that it is not necessary to separate the role of the Chairman of the Board from the executive role after taking into consideration the size and capabilities of the Board and the size and operations of the Group.

The duties of the 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

With the re-designation of the Chairman from a non-executive to executive, the Board has appointed Mr Chong Kwang Shih as the Lead Independent Director to ensure that a channel of communication is always available to shareholders where they have concerns and where contact through normal channels of the Chairman has failed to resolve the concerns or is inappropriate. The appointment of the Lead Independent Director is in line with the Board's policy of adopting a high standard of corporate governance in accordance with the guidelines in the Code which recommends that a Lead Independent Director be appointed, amongst others, when the Chairman is part of the Management or the Chairman is not an Independent Director.

The Lead Independent Director's role includes, amongst others, leading the Independent Directors in meeting periodically without the presence of the other Executive Directors, and to provide any feedback to the Chairman after such meetings.

All major decisions like substantial acquisitions, material contracts, acquisitions of banking facilities fall under the purview of the Board. The Chairman's performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the Remuneration Committee. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

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 and Mr Choong Yoon Fatt. 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 executive officers;

(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;

Corporate Governance Report

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

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

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

(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 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
Chua Wei Kee	46	10 January 2019	N.A.	N.A.	Chief Executive Officer of JD Resources Sdn. Bhd.
Ang Nam Wah Albert	53	2 October 2015	N.A.	N.A.	N.A.
Ang Nam Heng James	50	22 January 2016	N.A.	N.A.	N.A.
Chong Kwang Shih	53	20 June 2018	N.A.	N.A.	Group Chief Financial Officer of DLF Holdings Limited
Choong Yoon Fatt	44	13 November 2018	Oriental Group Ltd.	N.A.	Public accountant practicing at SC & Co. and Managing Director of Integra Solutions Pte Ltd
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

Corporate Governance Report

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 FY2019, 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**"). For FY2019, the directors retiring at the AGM pursuant to Regulation 97 of the Constitution are Mr Ang Nam Heng James and Mr Ang Nam Wah Albert. Mr Ang Nam Heng James has indicated his intention to retire as a Director of the Company and as such, he will not be seeking re-election at the AGM. Mr Ang Nam Heng James will continue to be a director of Asia Galvanizing (S) Pte Ltd, the wholly-owned subsidiary of the Company. After assessing the contributions of Mr Ang Nam Wah Albert, the NC has recommended the re-election of Mr Ang Nam Wah Albert at the forthcoming AGM.

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

Corporate Governance Report

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 of re-nomination as director or any other matters in which he has an interest in.

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.

Corporate Governance Report

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

(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.

Corporate Governance Report

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 FY2019.

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.

Directors' Remuneration

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

The remuneration for the Executive Directors and the key management personnel comprises a fixed and variable component. The fixed component is in the form of a base salary and allowance while the variable component is the annual bonus, based on the performance of the Group and the individual Executive Director or key management personnel. None of the Executive Directors received annual bonus for FY2019.

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The Company is currently in the midst of negotiations with its Executive Directors on the terms of their 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 FY2019 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 was only five (5) 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 FY2019 are set out below:

Remuneration Band and Name	Directors' Fees (%)	Base/Fixed Salary[1] (%)	Variable Bonus[1][2] (%)	Other Incentives[3] (%)	Total (%)
S$300,001 to S$400,000					
Ang Nam Wah Albert[4]	–	77	–	23	100
S$200,001 to S$300,000					
–	–	–	–	–	–
Below S$200,000					
Chua Wei Kee[5]	–	–	–	–	–
Ang Nam Heng James[4]	–	96	–	4	100
Ang Ghee Ann[6]	–	–	–	–	–
Toh Hock Ghim[7]	100	–	–	–	100
Richard Chung Kok Boon[8]	–	–	–	–	–
Chong Kwang Shih	100	–	–	–	100
Choong Yoon Fatt[9]	100	–	–	–	100
Wee Meng Seng Aloysius[10]	100	–	–	–	100

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Notes:

(1) The amounts for salary and variable bonus shown are inclusive of Singapore's Central Provident Funds.

(2) Pertains to bonuses paid in respect of FY2019. None of the directors received bonuses for FY2019.

(3) Other incentives include transport allowance.

(4) Mr Albert Ang and Mr James Ang are brothers.

(5) Mr Chua Wei Kee was Non-Independent Non-Executive Director and Chairman from 10 January 2019 and was re-designated as Executive Director and Chairman on 29 November 2019. Mr Chua Wei Kee was not remunerated as Non-Executive Director for the financial year ended 30 September 2019.

(6) Whilst Mr Ang Ghee Ann was Executive Director from 1 October 2018 to 22 January 2019 and has since resigned as an Executive Director of the Company on 22 January 2019, he has agreed to forego remuneration and accordingly did not receive any remuneration for such period.

(7) Mr Toh Hock Ghim received remuneration from 1 October 2018 to 10 January 2019, but has since resigned as an Independent Director of the Company on 10 January 2019. For FY2019, Mr Toh Hock Ghim received S$2,889 for his directors' fees.

(8) Mr Richard Chung Kok Boon was Non-Independent Non-Executive Director from 13 November 2018 to 25 January 2019 and has since resigned as a Non-Executive Director of the Company on 25 January 2019. Mr Richard Chung Kok Boon was not remunerated as Non-Executive Director for the financial year ended 30 September 2019.

(9) Mr Choong Yoon Fatt received remuneration from 13 November 2018 to 30 September 2019. Mr Choong Yoon Fatt was appointed as an Independent Director of the Company on 13 November 2018. For FY2019, Mr Choong Yoon Fatt received S$41,250 for his directors' fees.

(10) Mr Wee Meng Seng Aloysius received remuneration from 13 November 2018 to 30 September 2019. Mr Wee Meng Seng Aloysius was appointed as an Independent Director of the Company on 13 November 2018. For FY2019, Mr Wee Meng Seng Aloysius received S$41,250 for his directors' fees.

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). The Company currently has four (4) key management personnel apart from the Executive Directors. They are Mr Goh Jay Ree, the General Manager (Singapore), Ms Francessca Yong, the Corporate Affairs Manager, Ms Soh Pei Lin, the Group Finance Manager, and Mr Chin Yee Chow, the Operations Manager (Malaysia). 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 FY2019 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 FY2019 are set out below:

Remuneration Band and Name	Fees (%)	Base/Fixed Salary[1] (%)	Variable Bonus[1][2] (%)	Other Incentives (%)	Total (%)
Below S$250,000					
Mohammad Effendi[3]	–	100	–	–	100
Goh Jay Ree[4]	–	100	–	–	100
Francessca Yong[5]	–	100	–	–	100
Soh Pei Lin[6]	–	100	–	–	100
Chin Yee Chow[7]	–	100	–	–	100

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Notes:

(1) The amounts for salary and variable bonus shown are inclusive of Singapore's Central Provident Funds.

(2) Pertains to bonuses paid in respect of FY2019. None of the key management personnel received bonuses for FY2019.

(3) Mr Mohammad Effendi Basri received remuneration from 1 October 2018 to 23 August 2019. Mr Mohammad Effendi Basri resigned as the Financial Controller of the Group with effect from 23 August 2019.

(4) Mr Goh Jay Ree received remuneration from 15 April 2019 to 30 September 2019. Mr Goh Jay Ree joined the Group as General Manager (Singapore) on 15 April 2019.

(5) Ms Francessca Yong received remuneration from 15 March 2019 to 30 September 2019. Ms Francessca Yong was appointed Corporate Affairs Manager on 15 March 2019.

(6) Ms Soh Pei Lin received remuneration from 16 April 2019 to 30 September 2019. Ms Soh Pei Lin was appointed Group Finance Manager on 1 September 2019. She was the Group Accountant from 16 April 2019 to 31 August 2019.

(7) Mr Chin Yee Chow received remuneration from 1 March 2019 to 30 September 2019. Mr Chin Yee Chow joined the Group as Operations Manager (Malaysia) on 1 March 2019.

Mr Aloysius Ang, an operations and marketing executive in the Group, is the son of Mr Albert Ang, an Executive Director of the Company. Mr Aloysius Ang's remuneration for FY2019 was S$60,000.

Save as otherwise disclosed, there were no employees who were immediate family members of the directors or the CEO employed by the Group whose remuneration for FY2019 exceeds S$50,000.

There are 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.

Corporate Governance Report

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.

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 and Management in relation to the financial information for FY2019.

The Board has received assurance from the Executive Chairman and the Group Finance Manager:

(a) that the financial records have been properly maintained and the financial statements for FY2019 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.

Corporate Governance Report

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 Finance Manager, 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 FY2019.

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 5 to 6 of this Annual Report. The members of the AC collectively have the necessary expertise and experience in financial management and are qualified to discharge the AC's responsibilities.

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

The duties of the AC include the following:

(a) reviewing with the external auditors:

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

  (ii) their evaluation of the system of internal controls;

  (iii) their audit report; and

  (iv) their management letter and Management's response;

(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;

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

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

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

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

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

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

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

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

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

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

(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;

Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

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

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

(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

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(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 FY2019 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 FY2019 is S$100,000. The amount of fees due to Mazars LLP in relation to (tax fees) non-audit fees for YA2019/FY2019 is S$27,867. This outstanding amount relates to non-audit tax services provided by Mazars LLP to the Group in FY2019.

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.

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 FY2019.

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.

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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.

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 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 proxies to attend and vote in his stead.

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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 FY2019, the Board, after much deliberation and consideration, has decided not to recommend to the Company to declare any dividends for FY2019.

Principle 16: Conduct of Shareholder Meetings

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

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

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

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

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

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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 and for the service agreement between the Company and each of Albert Ang Nam Wah and James Ang Nam Heng, 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 2019 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 the Company and (i) Mr Chua Wei Kee and (ii) Mr Ch'ng Ban Bee in relation to the loan of a facility of up to S$3,000,000.

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.

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The Company has obtained a general mandate from its Shareholders at an EGM held on 16 July 2019 (the "**IPT Mandate**") in respect of interested person transactions with entities from the JD group of companies (being JD Resources International Limited, JD Resources Limited and JD Resources Sdn Bhd). The Company is seeking the renewal of the IPT Mandate ("**Proposed Renewal of the IPT Mandate**") at the forthcoming AGM. Please refer to the Addendum to the notice of AGM dated 14 January 2020.

During the financial year ended 30 September 2019, the following interested person transactions were entered into by the Group:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
Name of Interested Person	**S$'000**	**S$'000**
JD Resources International Limited	–	S$2,105

The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are carried out on normal commercial terms and not prejudicial to the interests of the Company's shareholders.

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 FY2019.

Directors' Statement

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 September 2019 and the statement of financial position of the Company as at 30 September 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated 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 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); 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
Choong Yoon Fatt
Chua Wei Kee
Wee Meng Seng Aloysius

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 interests are held	Direct Interest		Deemed Interest	
	At 1.10.2018	At 30.09.2019	At 1.10.2018	At 30.09.2019
AGV Group Limited				
No. of ordinary shares				
Ang Nam Wah Albert	–	–	23,106,440	23,106,440
Ang Nam Heng James	–	–	23,106,440	23,106,440
Chua Wei Kee	–	15,000,000	–	–

There was no change in any of the above mentioned interests between the end of the financial year and 21 October 2019.

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 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 three meetings during the year with key management and the external auditors of the Company.

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, the SGX Listing Manual and the Code of Corporate Governance. 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;

Directors' Statement

6. Audit committee (Continued)

- 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.

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.

Directors' Statement

7. Independent auditors

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

On behalf of the directors

Chua Wei Kee
Director

Ang Nam Wah Albert
Director

Singapore
31 December 2019

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**
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. 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"). 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. 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. 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.	***How the matter was addressed in our audit*** Our audit procedures include, but are not limited to the following: • 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**
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. 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. 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. 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.	***How the matter was addressed in our audit*** Our audit procedures include, but are not limited to the following: • 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 *Financial Instruments* ("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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 September 2019

	Note	Group 2019 S$'000	Group 2018 S$'000
Revenue	4	**6,498**	8,155
Other item of income			
Other income	5	**784**	468
Items of expense			
Consumables used	6	**(3,260)**	(6,366)
Employee benefits expense	7	**(2,905)**	(4,864)
Operating lease expense	8	**(500)**	(643)
Other expenses		**(4,706)**	(7,244)
Finance costs	9	**(1,828)**	(1,616)
Depreciation expense	14	**(1,756)**	(1,759)
Loss before income tax	10	**(7,673)**	(13,869)
Income tax (expense)/credit	11	**(731)**	503
LOSS FOR THE YEAR		**(8,404)**	(13,366)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translating foreign operation		**2**	(222)
Other comprehensive income/(loss) for the year		**2**	(222)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,402)**	(13,588)
Loss attributable to:			
Owners of the Group		**(6,793)**	(11,764)
Non-controlling interests		**(1,611)**	(1,602)
		(8,404)	(13,366)
Total comprehensive loss attributable to:			
Owners of the Group		**(6,792)**	(11,854)
Non-controlling interests		**(1,610)**	(1,734)
		(8,402)	(13,588)
Loss per share attributable to the owners of the Company (cents)			
Basic and diluted loss per share	12	**(3.88)**	(9.34)

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

Statements of Financial Position

As at 30 September 2019

	Note	Group 2019 S$'000	Group 2018 S$'000	Company 2019 S$'000	Company 2018 S$'000
ASSETS					
Non-current assets					
Subsidiaries	13	**–**	–	**9,189**	9,189
Property, plant and equipment	14	**13,197**	16,553	**4**	5
Goodwill	15	**–**	–	**–**	–
Deferred tax assets	24	**378**	988	**–**	–
Total non-current assets		**13,575**	17,541	**9,193**	9,194
Current assets					
Cash and bank balances	16	**141**	77	**34**	2
Pledged fixed deposit	16	**338**	338	**–**	–
Trade and other receivables	17	**2,642**	1,218	**7,027**	12,287
Tax recoverable		**–**	73	**–**	–
Inventories	18	**2,276**	949	**–**	–
Prepayments		**53**	87	**22**	22
Total current assets		**5,450**	2,742	**7,083**	12,311
Total assets		**19,025**	20,283	**16,276**	21,505
EQUITY AND LIABILITIES					
Equity					
Share capital	19	**14,587**	13,453	**14,587**	13,453
Accumulated losses		**(21,538)**	(14,745)	**(18,989)**	(1,713)
Other reserve	20	**(2,565)**	(2,565)	**–**	–
Translation reserve	21	**24**	23	**–**	–
(Capital deficiency)/equity attributable to owners of the Company		**(9,492)**	(3,834)	**(4,402)**	11,740
Non-controlling interests		**(2,848)**	(1,238)	**–**	–
Total (capital deficiency)/equity		**(12,340)**	(5,072)	**(4,402)**	11,740
Non-current liabilities					
Finance lease payables	22	**360**	412	**–**	–
Borrowings	23	**9,320**	1,115	**328**	–
Trade and other payables	25	**13,262**	–	**12,566**	–
Deferred tax liabilities	24	**72**	129	**–**	–
Total non-current liabilities		**23,014**	1,656	**12,894**	–
Current liabilities					
Trade and other payables	25	**5,412**	11,132	**7,685**	9,412
Provision for reinstatement cost		**100**	100	**–**	–
Finance lease payables	22	**249**	510	**–**	–
Borrowings	23	**2,590**	11,957	**99**	353
Total current liabilities		**8,351**	23,699	**7,784**	9,765
Total liabilities		**31,365**	25,355	**20,678**	9,765
Total equity and liabilities		**19,025**	20,283	**16,276**	21,505

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 2019

	Attributable to owners of the Company						
	Share Capital (Note 19) S$'000	Accumulated losses S$'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 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)
Loss for the year	–	(6,793)	–	–	(6,793)	(1,611)	(8,404)
Other comprehensive income:							
Exchange differences on translating foreign operations	–	–	–	1	1	1	2
Total comprehensive income/(loss) for the year	–	(6,793)	–	1	(6,792)	(1,610)	(8,402)
Issuance of ordinary shares (Note 19)	1,134	–	–	–	1,134	–	1,134
Balance at 30 September 2019	14,587	(21,538)	(2,565)	24	(9,492)	(2,848)	(12,340)

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 2019

	Note	Group 2019 S$'000	2018 S$'000 Restated
Operating activities			
Loss before income tax		**(7,673)**	(13,869)
Adjustments for:			
Depreciation expense	14	**1,756**	1,759
Interest expense	9	**1,395**	1,616
Inventories written off	10	**226**	–
Allowance for impairment of receivables	10	**160**	50
Bad debts written off	10	**54**	153
Day-1 gain on initial measurement of financial liabilities	5	**(717)**	–
Loss, net, on extinguishment of original and recognition of new financial liabilities	9	**433**	–
Reversal of doubtful debts	5	**(24)**	(242)
Impairment of property, plant and equipment	10	**1,599**	–
Gain on disposal of property, plant and equipment	5	**–**	(10)
Written off of other assets		**–**	57
Interest income	5	**–**	(6)
Impairment loss on goodwill	15	**–**	4,268
Unrealised currency translation loss/(gain)		**8**	(729)
Operating cash flows before movements in working capital		**(2,783)**	(6,953)
Movements in working capital			
Inventories		**(1,553)**	1,941
Other assets		**–**	(13)
Trade and other receivables		**(1,614)**	4,384
Prepayments		**34**	1,071
Trade and other payables		**228**	878
Cash (used in)/generated from operations		**(5,688)**	1,308
Income taxes (paid)/refund		**(105)**	65
Net cash (used in)/generated from operating activities		**(5,793)**	1,373
Investing activities			
Acquisition of property, plant and equipment	14	**(6)**	(395)
Proceeds from disposal of property, plant and equipment		**–**	12
Net cash used in investing activities		**(6)**	(383)
Financing activities			
Acquisition of non-controlling interests	13	**–**	(1,950)
Increase in pledged deposit		**–**	(60)
Loan from directors		**4,167**	2,037
Proceeds from third parties		**3,605**	2,677
Proceeds from borrowings		**–**	2,040
Proceeds from issuance of ordinary shares	19	**1,134**	–
Repayment of borrowings		**(2,527)**	(5,514)
Repayment of finance lease obligations		**(370)**	(481)
Repayment of non-controlling shareholders		**(146)**	–
Net cash generated from/(used in) financing activities		**5,863**	(1,251)
Net increase/(decrease) in cash and cash equivalents		**64**	(261)
Cash and cash equivalents at beginning of year		**77**	338
Cash and cash equivalents at end of year	16	**141**	77

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 2019

Reconciliation of (asset)/liabilities arising from financing activities

	At beginning of financial year S$'000	Financing cash inflows/ (outflows)[1] S$'000	Non-cash movements: Interest expense S$'000	Day-1 gain on initial measurement of financial liabilities S$'000	Net extinguishment loss S$'000	Debt novation S$'000	Interest income S$'000	Foreign exchange difference S$'000	At end of financial year S$'000
2019									
Asset									
Pledged fixed deposit	**(338)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(338)**
Liabilities									
Convertible loans from third parties	**2,345**	**–**	**81**	**–**	**–**	**(2,426)**	**–**	**–**	**–**
Loans from third parties	**689**	**3,605**	**274**	**(473)**	**(18)**	**3,568**	**–**	**–**	**7,645**
Amount due to non-controlling interest	**1,140**	**(146)**	**–**	**–**	**–**	**–**	**–**	**–**	**994**
Amount due to directors	**2,085**	**4,167**	**140**	**(244)**	**(72)**	**(1,142)**	**–**	**–**	**4,934**
Finance lease payables	**922**	**(370)**	**58**	**–**	**–**	**–**	**–**	**(1)**	**609**
Borrowings	**13,072**	**(2,527)**	**842**	**–**	**523**	**–**	**–**	**–**	**11,910**
2018									
Asset									
Pledged fixed deposit	(272)	(60)	–	–	–	–	(6)	–	(338)
Liabilities									
Convertible loans from third parties	–	2,035	310	–	–	–	–	–	2,345
Loans from third parties	–	642	47	–	–	–	–	–	689
Amount due to non-controlling interest	1,112	–	–	–	–	–	–	28	1,140
Amount due to directors	–	2,037	48	–	–	–	–	–	2,085
Finance lease payables	1,314	(481)	89	–	–	–	–	–	922
Borrowings	15,424	(3,474)	1,122	–	–	–	–	–	13,072

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

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

These notes form an integral part of and should be read in conjunction with the accompanying 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 2019 were authorised for issue by the Board of Directors on the date of directors' statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I)s INT") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

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

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the SFRS(I)s 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)s 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)s, the Group can hence elect to include an explicit and unreserved statement of compliance with SFRS(I)s in its first and subsequent SFRS(I)s financial statements.

In its initial adoption of this first set of SFRS(I)s financial statements, the Group has applied 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*.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I)s INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s, SFRS(I)s INT and amendments to SFRS(I)s were issued but not yet effective:

SFRS(I)s	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-19	Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
SFRS(I) 9	Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
SFRS (I)10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
SFRS(I) 16	Leases	1 January 2019
SFRS(I) 17	Insurance Contracts	1 January 2021
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest rate benchmark reform*	1 January 2020
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Various	Annual Improvements to SFRS(I)s 2015-2017 Cycle – Amendments to SFRS(I) 3 *Business Combinations: Additional guidance for applying the acquisition method to particular types of business combinations* – Amendments to SFRS(I) 11 *Joint Arrangements: Accounting for acquisition of interests in joint operations* – Amendments to SFRS(I) 1-12 *Income taxes: Measurement, Recognition of current and deferred tax and borrowing costs* – Amendments to SFRS(I) 1-23 *Borrowing costs: Borrowing costs eligible for capitalisation*	1 January 2019

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I)s INT issued but not yet effective (Continued)

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

The Group and the Company do not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Other than the following standard, 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.

SFRS(I) 16 Leases ("SFRS(I) 16")

SFRS(I) 16 supersedes SFRS(I) 1-17 *Lease*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and introduces a single, on-balance sheet accounting model for lessees.

The Group plans to apply SFRS(I) 16 on 1 October 2019 and will apply the modified retrospective approach to recognise the cumulative effect of initially applying SFRS(I) 16 on 1 October 2019. Accordingly, the comparative financial statements will not be restated.

Lessee

SFRS(I) 16 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 plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Group also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 October 2019. In the determination of the lease term as a lessee, the Group plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

Preliminarily, based on the currently known and reasonably estimable information relevant to its assessment, as at 1 October 2019, the Group expects an increase in right-of-use assets and an increase in lease liabilities.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern

As at 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. 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;
- Continued financial support from the Group's individual, corporate and institutional lenders, as well as vendors, as applicable; and
- Potential new injections of capital.

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/or waiver of accrued interests following the novation of certain liabilities from an existing creditor to another creditor.

Consequent to the above arrangements, as disclosed in Note 30 to the accompanying financial statements, the Group is expecting cash outflows of S$33,324,000 subsequent to the reporting date to settle its financial liabilities, of which S$8,791,000 is expected to be settled within a year from the reporting date.

As of 27 August 2019, the chairman of the Group provided a letter of undertaking that he will provide financial support of S$4.5 million in the form of working capital to the Group, as and when the Group requires, for the next 12 months until 26 August 2020. As of the date of authorisation of the issuance of this set of financial statements, S$1,000,000 was utilised, of which S$500,000 was utilised as of the reporting date.

Subsequent to the reporting date and up till the date of the auditors' report, the Group is in the midst of negotiating with new investors for new injections of capital and the management continues to maintain close contact with its current creditors to explore different avenues for settlement of the liabilities.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern (Continued)

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.

2.3 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.

Intra-group 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation (Continued)

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.

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 accumulated profits) 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 SFRS(I) 9 *Financial Instruments* 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.

2.4 Business combinations

Business combinations from 1 January 2017

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. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* ("SFRS(I) 3") 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 SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* ("SFRS(I) 5"), which are recognised and measured at the lower of cost and fair value less costs to sell.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 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 year.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is 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 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.

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 or jointly controlled entity.

Business combinations before 1 January 2017

As part of transition to SFRS(I)s, the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I)s, i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

In comparison to the above-mentioned requirements under SFRS(I)s, 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

Business combinations before 1 January 2017 (Continued)

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.

2.5 Revenue recognition

Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the good or service and that is allocated to that performance obligation. The good or service is transferred when or as the customer obtains control of the good or service. Revenue is shown net of rebates and other similar allowances.

Rendering of galvanising services

Revenue from the galvanisation of the customer's goods is recognised at the point in time when the control of the goods is transferred to the customers (i.e. when the galvanised goods are delivered in accordance with the terms and conditions and significant risks and rewards of ownership of the galvanised goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

Sale of zinc ash and dross

Revenue from the sale of zinc ash and dross is recognised at a point in time when the control of the goods is transferred to the customers (i.e. when the goods are delivered in accordance with the terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

2.7 Retirement benefit costs

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

2.8 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.

2.9 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 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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

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

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

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

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

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Dividends

Equity dividends are recognised as a liability 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. A corresponding amount is recognised in equity.

2.11 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 financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial 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 consolidated 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Property, plant and equipment

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

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

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

	Years
• Computer and office equipment	5
• Leasehold property	15 – 60
• Furniture and fittings	5
• Plant and equipment	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.

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.

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

Goodwill on acquisition

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs 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 CGU 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 or jointly controlled entity.

On acquisition of an investment in an associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2.14 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of tangible and intangible assets excluding goodwill (Continued)

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 financial 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.

2.15 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial instruments from 1 October 2018

These accounting policies are applied on and after the initial application date of SFRS(I) 9 (i.e. 1 October 2018).

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets 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. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15") in Note 2.5.

Financial assets are classified as subsequently measured at amortised cost. The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 30.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Ordinary share capital

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

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial liabilities and equity instruments (Continued)

Initial recognition and measurement (Continued)

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. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

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 (Note 2.6). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 or FRS 18 *Revenue* previously.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial instruments from 1 October 2018 (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

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

Offsetting of financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the statements of financial position when and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets before 1 October 2018

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 loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. Loans and receivables 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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets before 1 October 2018 (Continued)

Impairment of financial assets

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

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

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.

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.

2.16 Inventories

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

2.17 Cash and cash equivalents

Cash and cash equivalents 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

Finance leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.6).

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 it is 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.

2.19 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions (Continued)

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

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

2.20 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.

2.21 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

2.22 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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.

Measurement of ECL of trade receivables

The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (eg. Singapore and Malaysia) and the growth rates of the major industries in which its customers operate. The Group adjusts, as necessary, the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 30 September 2019 is S$448,000 (2018: S$362,000) (Note 30).

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 are impaired. Where necessary, the Company's assessments are based on the estimation of the value-in-use of the assets defined in SFRS(I) 1-36 *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 2019 was approximately S$9,189,000 (2018: S$9,189,000) (Note 13).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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

3.2 Key sources of estimation uncertainty (Continued)

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. These estimates take into consideration the best estimation of the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing as of the end of the reporting period. The carrying amount of the Group's inventories as at 30 September 2019 was approximately S$2,276,000 (2018: S$949,000) (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 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 economics and useful lives of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 30 September 2019 was approximately S$13,197,000 (2018: S$16,553,000) (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 exists, the Group makes an estimate of the recoverable amount of the asset. For its Singapore subsidiary, in determining the value-in-use of the cash-generating unit to which the corresponding property, plant and equipment 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. 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 2019 was approximately S$13,197,000 (2018: S$16,553,000) (Note 14).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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 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 2019 were approximately S$Nil (2018: S$73,000), S$378,000 (2018: S$988,000) and S$72,000 (2018: S$129,000) respectively.

4. REVENUE

	Group	
	2019 S$'000	**2018 S$'000**
		Restated
Revenue from contracts with customers		
– Galvanising service	**6,120**	7,599
– Sales of zinc ash and dross	**378**	556
	6,498	8,155

All revenue from contract with customers are recognised at a point in time.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

4. REVENUE (CONTINUED)

The disaggregation of revenue from contracts with customers is as follows:

	Galvanising service		Sale of zinc ash and dross		Total	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
				Restated		Restated
Geographical market[(a)]						
Singapore	**6,120**	5,947	**378**	393	**6,498**	6,340
Malaysia	**–**	1,652	**–**	163	**–**	1,815
	6,120	7,599	**378**	556	**6,498**	8,155

[(a)] The disaggregation is based on the location of customers from which revenue was generated.

The Company has applied the practical expedient permitted under SFRS(I) 15 for those performance obligations which are part of contracts that have an original expected duration of one year or less.

5. OTHER INCOME

	Group	
	2019 S$'000	2018 S$'000
		Restated
Government grant	**23**	40
Interest income	**–**	6
Gain on disposal of property, plant and equipment	**–**	10
Day-1 gain on initial measurement of financial liabilities	**717**	–
Reversal of write off of Malaysia GST refund	**–**	130
Reversal of doubtful debts	**24**	242
Miscellaneous income	**20**	40
	784	468

6. CONSUMABLES USED

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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

	Group	
	2019 S$'000	**2018 S$'000**
Salaries, wages, bonuses and other staff benefits	**2,755**	4,625
Contribution to defined plans	**150**	239
	2,905	4,864

Included in the employee benefits expense are labour costs directly associated with the generation of revenue of approximately S$814,000 (2018: S$1,873,000) for the financial year ended 30 September 2019.

8. OPERATING LEASE EXPENSE

	Group	
	2019 S$'000	**2018 S$'000**
Rental of leasehold land	**170**	173
Rental of equipment	**123**	156
Rental of dormitory	**18**	10
Rental of vehicles	**174**	267
Rental of office	**15**	37
	500	643

9. FINANCE COSTS

	Group	
	2019 S$'000	**2018 S$'000**
Finance leases	**58**	89
Interest expenses		
– bank borrowings	**823**	935
– third parties	**374**	544
– directors	**140**	48
Loss, net, on extinguishment of original financial liabilities and recognition of new financial liabilities	**433**	–
	1,828	1,616

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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	
	2019 S$'000	**2018 S$'000**
Allowance for impairment of receivables	**160**	50
Bad debts written off	**54**	153
Business development expenses	**–**	36
Entertainment expenses	**16**	183
Impairment loss on goodwill	**–**	4,268
Impairment loss of property, plant and equipment	**1,599**	–
Inventories written off	**226**	–
Upkeep of plant and equipment	**168**	179
Upkeep of motor vehicles	**54**	126
Utilities	**543**	496
Waste disposal	**156**	181
Audit fees paid to auditors:		
– Auditors of the Company	**100**	100
– Other auditors of subsidiaries	**7**	11
Non-audit fees paid to auditors:		
– Auditors of the Company	**–**	8

The above expenses are included in "Other expenses" in the Group's profit or loss for the financial year ended 30 September 2019 and 30 September 2018.

11. INCOME TAX EXPENSE/(CREDIT)

	Group	
	2019 S$'000	**2018 S$'000**
Current income tax		
– Under/(Over) provision in respect of prior year	**178**	(22)
Deferred income tax		
– Current financial year	**704**	(324)
– Over provision in respect of prior year	**(151)**	(157)
Total income tax expense/(credit)	**731**	(503)

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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

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

	Group	
	2019 S$'000	**2018 S$'000**
Loss before income tax	**(7,673)**	(13,869)
Income tax at statutory rate of 17% (2018: 17%)	**(1,304)**	(2,358)
Add/(Less):		
Effect of expenses not deductible for tax purpose	**1,045**	956
Effect of income under tax exemption and rebates	**(59)**	(42)
Effect of different tax rate of subsidiary operating in other jurisdiction	**(217)**	207
Under/(Over) provision in respect of prior year	**27**	(179)
Temporary differences not recognised	**1,297**	941
Others	**(58)**	(28)
Total income tax expense/(credit)	**731**	(503)

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2018: 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:

	2019 S$'000	**2018 S$'000**
Unutilised business losses	**10,241**	3,893
Unabsorbed capital allowances	**2,927**	1,644
	13,168	5,537

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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:

	2019 S$'000	2018 S$'000
Loss used in calculating basic and dilutive loss per share	**(6,793)**	(11,764)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share ('000)	**175,261**	125,946
Basic and diluted loss per share (cents)	**(3.88)**	(9.34)

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	
	2019 S$'000	2018 S$'000
Unquoted equity shares, at cost		
At beginning of financial year and 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	2019 %	2018 %	
Directly held by the Company					
Asia Galvanizing (S) Pte. Ltd.[1]	Singapore	6,622	100	100	Hot dip galvanising
AGV Property Investment Pte. Ltd.[1]	Singapore	1	100	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 galvanisation
AGV Holdings Pte. Ltd.[1]	Singapore	1	100	100	Investment holding
Held through AGV Holdings Pte. Ltd.					
AGV Galvanizing (M) Sdn. Bhd.[2]	Malaysia	2,048	51	51	Hot dip galvanising

[1] Audited by Mazars LLP, Singapore
[2] Audited by Mazars PLT, Malaysia

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2019

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(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *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.

On 23 April 2019, the legal transfer of the 100% shareholding in AGVX from the Group to the beneficial owner was completed.

For the financial year ended 30 September 2018

Acquisition of non-controlling interest

On 15 December 2017 and 10 July 2018, the Group exercised its options to acquire 51% and 13% equity interest in AGV Holdings Pte. Ltd. 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 Pte. Ltd. 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.

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

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

13. SUBSIDIARIES (CONTINUED)

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	
	2019	2018	2019	2018	2019	2018
	%	%	S$'000	S$'000	S$'000	S$'000
Subsidiary held by AGV Holdings Pte. Ltd.						
AGV Galvanizing (M) Sdn. Bhd.	**49**	49	**1,611**	1,602	**(2,848)**	(1,238)

Summarised financial information (before intercompany eliminations):

	AGV Holdings Pte. Ltd.		AGV Galvanizing (M) Sdn. Bhd.	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Assets				
Non-current	**146**	146	**5,489**	7,437
Current	**1**	6	**388**	1,535
Liabilities				
Non-current	**–**	–	**(8,238)**	(1,796)
Current	**(425)**	(425)	**(6,110)**	(12,428)
Net liabilities	**(278)**	(273)	**(8,471)**	(5,252)
Revenue	**–**	–	**–**	1,933
Loss after income tax and total comprehensive loss	**(27)**	(3,463)	**(3,221)**	(2,663)
Net cash flow (used in)/generated from operation	**(31)**	(3)	**(276)**	1,302

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 2019

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 2017	750	14,744	66	6,980	219	1,000	23,759
Additions	14	–	1	372	–	8	395
Disposal	–	–	–	(360)	(87)	–	(447)
Currency realignment	15	245	2	188	–	12	462
Balance at 1 October 2018	779	14,989	69	7,180	132	1,020	24,169
Additions	6	–	–	–	–	–	6
Write-off	–	(56)	–	(1,588)	–	–	(1,644)
Currency realignment	–	(3)	–	(4)	–	–	(7)
Balance at 30 September 2019	785	14,930	69	5,588	132	1,020	22,524
Accumulated depreciation							
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 1 October 2018	450	4,129	38	2,706	49	244	7,616
Depreciation	126	719	11	794	22	84	1,756
Write-off	–	(2)	–	(556)	–	–	(558)
Balance at 30 September 2019	576	4,846	49	2,944	71	328	8,814
Impairment loss							
Balance at 1 October 2017	–	–	–	126	–	–	126
Write-off	–	–	–	(126)	–	–	(126)
Balance at 1 October 2018	–	–	–	–	–	–	–
Impairment loss	–	395	–	118	–	–	513
Balance at 30 September 2019	–	395	–	118	–	–	513
Net carrying amount							
Balance at 30 September 2019	209	9,689	20	2,526	61	692	13,197
Balance at 30 September 2018	329	10,860	31	4,474	83	776	16,553

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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 and 2019	4	1	5
Accumulated depreciation			
Balance at 1 October 2017	–	–	–
Depreciation	(*)	(*)	(*)
Balance at 30 September 2018	(*)	(*)	(*)
Depreciation	(*)	(*)	(*)
Balance at 30 September 2019	1	(*)	1
Net carrying value			
At 30 September 2019	3	1	4
At 30 September 2018	4	1	5

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

As at 30 September 2019, the carrying amount of property, plant and equipment of the Group which were acquired under finance lease agreements was approximately S$1,078,000 (2018: S$2,543,000). Finance lease assets were pledged as securities for the related finance lease payables as set out in Note 22 to the financial statements.

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	
	2019 S$'000	2018 S$'000
Leasehold property	**9,689**	10,860
Renovation	**692**	776
Plant and equipment	**1,047**	1,571

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipment

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.

For its Singapore subsidiary, in determining the value-in-use of the cash-generating unit to which the corresponding PPE belong as of 30 September 2019, the Group made judgements on certain key inputs and key assumptions, including, for example, discount rates and growth rates. No impairment loss was recognised during the financial year resulting from this exercise. Prior to this exercise, during the financial year ended 30 September 2019, the Group recorded an impairment loss of S$118,000 relating to an obsolete wastewater treatment plant.

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, with reference to sales prices of comparative properties in close proximity and made adjustments in consideration of property sizes and remaining lease tenures. The most significant input is the price per square foot of comparable properties.

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.

15. GOODWILL

	Group 2018 S$'000
At beginning of financial year	4,268
Impairment loss	(4,268)
At end of financial year	–

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

15. GOODWILL (CONTINUED)

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
	%
Gross margins[1]	21.36
Utilisation rates[2]	11.33 – 28.00
Discount rate[3]	10.53
Terminal value[4]	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 2019

16. CASH AND BANK BALANCES

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Cash at bank	**139**	76	**33**	1
Cash in hand	**2**	1	**1**	1
Cash and bank balances	**141**	77	**34**	2
Pledged fixed deposit	**338**	338	**–**	–
Cash and bank balances	**479**	415	**34**	2
Less: Pledged fixed deposit	**(338)**	(338)	**–**	–
Cash and cash equivalents	**141**	77	**34**	2

The fixed deposit denominated in SGD is placed for a period of 12 months (2018: 12 months) and bears an effective interest rate of 1.31% (2018: 0.25%) per annum during the financial year ended 30 September 2019 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	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Singapore dollar	**83**	5	**34**	2
Malaysian ringgit	**38**	53	**–**	–
United States dollar	**20**	19	**–**	–
	141	77	**34**	2

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Trade receivables				
– third parties	**2,861**	882	**–**	–
Loss allowance	**(448)**	(362)	**–**	–
	2,413	520	**–**	–
Other receivables				
– third parties	**128**	458	**–**	–
– non-controlling interest	**–**	146	**–**	–
– subsidiaries	**–**	–	**22,391**	12,275
Refundable deposits	**71**	94	**–**	12
GST receivables	**30**	–	**30**	–
Loss allowance	**–**	–	**(15,394)**	–
	229	698	**7,027**	12,287
Total trade and other receivables	**2,642**	1,218	**7,027**	12,287

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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 galvanising services is 0 to 60 days (2018: 0 to 90 days).

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

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

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

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

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Singapore dollar	**2,184**	324	**7,027**	12,287
Malaysian ringgit	**162**	455	**–**	–
United States dollar	**296**	439	**–**	–
	2,642	1,218	**7,027**	12,287

18. INVENTORIES

	Group	
	2019 S$'000	2018 S$'000
Consumables	**1,933**	949
Consumables-in-transit	**343**	–
	2,276	949

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

19. SHARE CAPITAL

	Group		Company	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At 1 October 2017 and 1 October 2018	125,946	13,453	125,946	13,453
Issuance of ordinary shares	60,000	1,134	60,000	1,134
At 30 September 2019	185,946	14,587	185,946	14,587

On 3 December 2018, the Company issued and allotted 60,000,000 new ordinary shares at on issue price of S$0.0189 per new share to the shareholder.

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

22. FINANCE LEASE PAYABLES

The Group have finance leases for certain items of plant and equipment with lease terms ranging from 1 to 3 years (2018: 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			
2019			
Within one financial year	**272**	**(23)**	**249**
After one financial year but within five financial years	**383**	**(23)**	**360**
	655	**(46)**	**609**
2018			
Within one financial year	563	(53)	510
After one financial year but within five financial years	437	(25)	412
	1,000	(78)	922

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

	Group	
	2019 S$'000	2018 S$'000
Singapore dollar	**31**	95
Malaysia ringgit	**578**	827
	609	922

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

23. BORROWINGS

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Secured				
Bank overdrafts	**664**	2,472	**–**	–
Trust receipts	**–**	1,726	**–**	–
Property loan	**–**	2,405	**–**	–
Term loans	**10,819**	5,881	**–**	–
Unsecured				
Term loan	**427**	588	**427**	353
	11,910	13,072	**427**	353
Total				
Due for repayment within one financial year	**2,590**	11,957	**99**	353
Due for repayment after one financial year	**9,320**	1,115	**328**	–
	11,910	13,072	**427**	353

Bank overdrafts are repayable on demand.

On 4 March 2019, the Group entered into a conditional arrangement with its institutional lenders to amend existing terms and conditions of trust receipts, property loan and certain term loans as of the date. The respective loans, with carrying amount of S$10,059,000 as of 30 September 2019, were converted into 3 facilities with the respective institutional lenders and are repayable within 3 years (Note 30). Consequent to the arrangement, the Group recognised net loss on extinguishment of the original liabilities and recognition of the new liabilities of S$523,000.

Term loan with carrying amount of S$1,187,000 (2018: S$1,589,000) as of 30 September 2019 is repayable within 2 years (2018: 3 years) (Note 30).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

23. BORROWINGS (CONTINUED)

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Secured				
Bank overdrafts	**4.75 – 5.25**	4.75 – 5.25	**–**	–
Trust receipts	**9.25**	4.67 – 9.25	**–**	–
Property loan	**2.99**	2.92	**–**	–
Term loans	**4.95 – 7.34**	5.75 – 7.34	**–**	–
Unsecured				
Term loans	**4.95 – 23**	10 – 23	**4.95 – 18**	10 – 14

As at 30 September 2019 and 2018, 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 2019, included in the credit facilities, a letter of guarantee was secured by a charge on the Group's deposit of approximately S$338,000 (2018: S$338,000).

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

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Facilities granted	**14,237**	21,667	**427**	353
Facilities utilised	**11,910**	13,072	**427**	353

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

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Singapore dollar	**9,817**	10,836	**427**	353
Malaysia ringgit	**2,093**	2,236	**–**	–
	11,910	13,072	**427**	353

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

24. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2019 S$'000	**2018 S$'000**
Deferred tax assets	**378**	988
Deferred tax liabilities	**(72)**	(129)

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

	Group	
	2019 S$'000	**2018 S$'000**
Unutilised business losses	**378**	988
Property, plant and equipment	**(72)**	(129)

Deferred tax assets

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

	Group	
	2019 S$'000	**2018 S$'000**
At beginning of financial year	**988**	570
(Expense)/Credit to profit or loss	**(761)**	324
Overprovision in prior financial years	**151**	54
Currency realignment	**–**	40
At end of financial year	**378**	988

Deferred tax liabilities

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

	Group	
	2019 S$'000	**2018 S$'000**
At beginning of financial year	**(129)**	(232)
Credit to profit or loss	**57**	–
Overprovision in prior years	**–**	103
At end of financial year	**(72)**	(129)

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Current				
Trade payables				
– third parties	**1,967**	1,442	**–**	–
Other payables				
– third parties	**1,808**	2,115	**449**	299
– convertible loans with third parties	**–**	2,345	**–**	2,345
– loans from third parties	**–**	689	**–**	266
– non-controlling interest	**994**	1,140	**–**	–
– directors	**38**	2,085	**35**	270
– subsidiaries	**–**	–	**6,998**	5,199
Accrued expenses	**580**	1,316	**203**	1,033
GST payable	**25**	–	**–**	–
Current trade and other payables	**5,412**	11,132	**7,685**	9,412
Non-current				
Trade payables				
– third parties	**550**	–	**–**	–
Other payables				
– third parties	**171**	–	**25**	–
– loans from third parties	**7,645**	–	**7,645**	–
– directors	**4,896**	–	**4,896**	–
Non-current trade and other payables	**13,262**	–	**12,566**	–
Trade and other payables	**18,674**	11,132	**20,251**	9,412

The normal credit period granted to the Group for trade purchases ranges from 30 days to 60 days (2018: 30 to 60 days). Other than as disclosed below, current trade and other payables of S$4,848,000 (2018: S$7,558,000) are unsecured, interest-free and repayable on demand.

As of 30 September 2018, the convertible loans with third parties were expected to be settled within the next 12 months at interest rate of 15% per annum, and they contained 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 the exercise price and the number of shares to be issued were not yet determined and the conversion thereof was conditional on the approval by certain regulatory bodies. Meanwhile, the loans from third parties and other payables to directors of S$540,000 were unsecured at an annual interest rate of 12% and were repayable within the next 12 months.

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For the Financial Year Ended 30 September 2019

25. TRADE AND OTHER PAYABLES (CONTINUED)

As of 30 September 2019, subsequent to the entering of various different arrangements with the novated parties, convertible loan holders, aforementioned third parties and directors, as applicable, the terms and conditions of the liabilities are as follows:

- Current trade and other payables to third parties of S$564,000 and non-current trade and other payables to third parties of S$721,000 are unsecured, bear effective interest rates ranging from 0.8% to 6.8%, and with credit term ranging from 5 months to 4 years;
- Current other payables to non-controlling interest and directors are unsecured, interest-free and repayable on demand; and
- Non-current loans from third parties and directors are unsecured, interest-free, and with credit term ranging for 15 months from the reporting date.

Consequent to the aforementioned arrangements, the Group recognised net gain from extinguishment of the original liabilities and recognition of new financial liabilities of S$90,000 and Day-1 gain from the initial recognition of the new liabilities of S$717,000 using prevailing market interest rate of 5%.

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

	Group		Company	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Singapore dollar	**15,123**	8,306	**20,251**	9,412
Malaysian ringgit	**1,950**	2,231	**–**	–
United States dollar	**1,598**	595	**–**	–
Australian dollar	**3**	–	**–**	–
	18,674	11,132	**20,251**	9,412

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 terms ranging from 1 to 17 years (2018: 1 to 17 years) and lease payments are usually revised at each renewal date to reflect the market rate.

Notes to the Financial Statements

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26. OPERATING LEASE COMMITMENTS (CONTINUED)

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	
	2019 S$'000	**2018 S$'000**
Within one financial year	**188**	214
After one financial year but within five financial years	**850**	848
After five years	**1,185**	1,415
	2,223	2,477

27. CONTINGENT LIABILITIES, UNSECURED

As of reporting date, the Company provided joint and several corporate guarantee to institutional lenders for the benefit of a subsidiary of the Company aggregating S$9.4 million (2018: S$17.9 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(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.

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	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Management fee charged to subsidiary	–	–	–	2,400
Purchase of zinc from a related company	2,105	–	–	–

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
– Short-term employee benefits	**1,027**	1,076	**895**	972
– Post-employment benefits	**38**	39	**36**	38
	1,065	1,115	**931**	1,010

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 galvanising services. The Group operates in two geographical areas, being Singapore and Malaysia.

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

	Revenue		Non-current assets	
	2019 S$'000	2018 S$'000	2019 S$'000	2018 S$'000
Singapore	**6,498**	6,340	**7,708**	9,116
Malaysia	**–**	1,815	**5,489**	7,437
	6,498	8,155	**13,197**	16,553

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. 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 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. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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 risk

Credit risk refers 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 collateral.

The Group's credit risk arises mainly from bank balances and trade and other receivables. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets and contract assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per SFRS(I) 9's presumption.

The Group has not rebutted the presumption included in SFRS(I) 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group has established credit limits for each customer under which these customers are analysed for credit worthiness before the Group's standard payment, and delivery terms are offered. The Group's reviews include external ratings, where available and in some cases bank references. Customers that fail to meet the Group's benchmark are only allowed to transact with the Group on a prepayment or cash basis. Most of the customers have been with the Group for many years and losses have occurred infrequently. The Group does not require collateral in respect of trade and other receivables.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risk Note 1	12-months ECL
2	Non-significant increase in credit risk since initial recognition and financial asset is ≤ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition Note 2 or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired Note 3	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount Note 4	Written off

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are > 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

During the financial year ended 30 September 2019, the Group wrote off S$104,000 (2018: S$195,000) of trade receivables, the amounts were trade receivables from third parties which had been long outstanding, were not secured and had been fully impaired in previous years. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there was not reasonable expectation of recovery.

With reference to Note 27, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiary. The date when the Company becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Company considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, other than as disclosed above, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Trade receivables (Note 17)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (e.g. Singapore and Malaysia) and the growth rates of the major industries which its customers operate in.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Trade receivables (Note 17) (Continued)

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there are no reasonable expectations for recovering the outstanding balances.

In the prior financial year, allowance made related to debtors with significant financial difficulties. The management estimated the irrecoverable amounts by reference to past default experience. If repeated reminders and letters of demand to settle overdue payments fail to yield results, the Group will make allowances or write off the debts on a case-by-case basis.

The loss allowance for trade receivables are determined as follows:

	Current	Past due less than 1 month	Past due 1 to 2 months	Past due 2 to 3 months	Past due more than 3 months	Total
30 September 2019						
Expected credit loss rates	**0%**	**1%**	**6%**	**7%**	**93%**	
Trade receivables (gross) (S$'000)	**1,259**	**753**	**361**	**41**	**447**	**2,861**
Loss allowance (S$'000)	**–**	**8**	**22**	**3**	**415**	**448**
1 October 2018						
Expected credit loss rates	0%	0%	0%	0%	45%	
Trade receivables (gross) (S$'000)	–	–	–	80	802	882
Loss allowance (S$'000)	–	–	–	–	362	362

Reconciliations of the opening loss allowance for trade receivables to the closing loss allowance

	Trade receivables S$'000
At 1 October 2017	596
Allowance for impairment loss	50
Reversal of impairment loss on doubtful receivables	(242)
Allowance written off during the financial year	(42)
At 30 September 2018 based on FRS 39	362
Amount restated through opening accumulated profits	–
Opening loss allowance as at 1 October 2018 based on SFRS(I) 9	362
Allowance for impairment loss	160
Reversal of impairment loss on financial assets	(24)
Write-off of receivables	(50)
At 30 September 2019	**448**

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Other receivables and refundable deposits (Note 17)

As of 30 September 2019, the Group recorded other receivables and deposits paid of S$199,000 (2018: S$698,000). The Group assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. The Group assessed that the other receivables and deposits paid are made to parties with good credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Amounts due from subsidiaries (Note 17)

As of 30 September 2019, the Company recorded amounts due from subsidiaries of S$6,997,000 (2018: S$12,275,000) consequent to an extension of loans to the subsidiaries. The Company assessed that there is a significant increase in credit risk of these receivables and determined that the loss allowance is S$15,394,000 on the bases of offsetting against payables to these subsidiaries and the receivables were repayable on demand.

The movement in the loss allowance during the financial year and the Group's and Company's exposure to credit risk in respect of the trade and other receivables are as follows:

Group

	Trade receivables				Other receivables and refundable deposits	
	Note (i) S$'000	Category 4 S$'000	Category 5 S$'000	Total S$'000	Category 1 S$'000	Total S$'000
Loss allowance						
At 1 October 2018	–	362	–	362	–	–
Reclassification between categories	–	(50)	50	–	–	–
Increase in loss allowance recognised in profit or loss	24	136	–	160	–	–
Decrease in loss allowance recognised in profit or loss	–	(24)	–	(24)	–	–
Write-off of receivables	–	–	(50)	(50)	–	–
At 30 September 2019	24	424	–	448	–	–
Gross carrying amount						
At 1 October 2018	439	443	–	882	698	698
At 30 September 2019	2,437	424	–	2,861	199	199
Net carrying amount						
At 1 October 2018	439	81	–	520	698	698
At 30 September 2019	2,413	–	–	2,413	199	199

Note (i): For trade receivables, the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Company	Amounts due from subsidiaries	
	Category 3 S$'000	Total S$'000
Loss allowance		
At 1 October 2018	–	–
Allowance for impairment loss	15,394	15,394
At 30 September 2019	15,394	15,394
Gross carrying amount		
At 1 October 2018	12,275	12,275
At 30 September 2019	22,391	22,391
Net carrying amount		
At 1 October 2018	12,275	12,275
At 30 September 2019	6,997	6,997

Comparative information under FRS 39

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

	Group 2018 S$'000
Past due less than 1 month	–
Past due 1 to 2 months	–
Past due 2 to 3 months	80
Past due more than 3 months	440

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Based on past experience, except for certain trade receivables balances that were impaired, the Group believes that no impairment allowance is necessary in respect of the remaining trade receivables due to the good payment track record of its customers.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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	
	2019 S$'000	2018 S$'000
Monetary assets		
USD	**316**	458
Monetary liabilities		
USD	**(1,598)**	(595)

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.

	Group Loss before income tax	
	2019 S$'000	2018 S$'000
USD	**(128)**	(14)

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).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Interest rate risks (Continued)

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
2019		
Borrowings from financial institutions	**11,910**	**4.94% – 6.20%**
2018		
Borrowings from financial institutions	990	5.15% – 6.72%

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 2019 of the Group would decrease/increase by S$99,000 (2018: S$8,200).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

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**
2019					
Financial assets					
Trade and other receivables		**2,612**	**2,612**	**2,612**	**–**
Cash and bank balances		**141**	**141**	**141**	**–**
Pledged fixed deposit	Note 16	**338**	**341**	**341**	**–**
		3,091	**3,094**	**3,094**	**–**
Financial liabilities					
Trade and other payables	Note 25	**18,649**	**19,478**	**5,397**	**14,081**
Borrowings	Note 23	**11,910**	**13,191**	**3,122**	**10,069**
Finance lease payables	6.36 – 8.17	**609**	**655**	**272**	**383**
		31,168	**33,324**	**8,791**	**24,533**
Total net undiscounted financial liabilities		**(28,077)**	**(30,230)**	**(5,697)**	**(24,533)**

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

Group	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
2018					
Financial assets					
Trade and other receivables		1,218	1,218	1,218	–
Cash and bank balances		77	77	77	–
Pledged fixed deposit	Note 16	338	338	338	–
		1,633	1,633	1,633	–
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 – 6.60	922	1,000	563	437
		25,126	26,064	24,267	1,797
Total net undiscounted financial liabilities		(23,493)	(24,431)	(22,634)	(1,797)
Company					
2019					
Financial assets					
Trade and other receivables		**6,997**	**6,997**	**6,997**	**–**
Cash and bank balances		**34**	**34**	**34**	**–**
		7,031	**7,031**	**7,031**	**–**
Financial liabilities					
Trade and other payables	Note 25	**20,251**	**21,058**	**7,685**	**13,373**
Borrowings	Note 23	**427**	**470**	**119**	**351**
		20,678	**21,528**	**7,804**	**13,724**
Total net undiscounted financial liabilities		**(13,647)**	**(14,497)**	**(773)**	**(13,724)**
2018					
Financial assets					
Trade and other receivables		12,287	12,287	12,287	–
Cash and bank balances		2	2	2	–
		12,289	12,289	12,289	–
Financial liabilities					
Trade and other payables	Note 25	9,412	9,636	9,636	–
Borrowings	Note 23	353	362	362	–
		9,765	9,998	9,998	–
Total net undiscounted financial assets		2,524	2,291	2,291	–

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

The Group's operations are financed mainly through equity, accumulated profits and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required. The repayment terms of the bank borrowings are disclosed in Note 23 to these financial statements.

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Group		Company	
	2019 S$'000	**2018 S$'000**	**2019 S$'000**	**2018 S$'000**
Loans and receivables				
Cash and cash equivalents	**–**	77	**–**	2
Pledged fixed deposit	**–**	338	**–**	–
Trade and other receivables	**–**	1,218	**–**	12,287
	–	1,633	**–**	12,289
Financial assets at amortised cost				
Cash and cash equivalents	**141**	–	**34**	–
Pledged fixed deposit	**338**	–	**–**	–
Trade and other receivables	**2,612**	–	**6,997**	–
	3,091	–	**7,031**	–
Financial liabilities at amortised cost				
Trade and other payables	**18,649**	11,132	**20,251**	9,412
Finance lease payables	**609**	922	**–**	–
Borrowings	**11,910**	13,072	**427**	353
	31,168	25,126	**20,678**	9,765

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 regard, 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 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 SFRS(I) 1 -13 *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 2019

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 2019 and 30 September 2018.

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	
	2019 S$'000	**2018 S$'000**
Trade and other payables	**18,674**	11,132
Borrowings	**11,910**	13,072
Finance lease payables	**609**	922
Cash and cash equivalents	**(141)**	(77)
Net debt	**31,052**	25,049
Total equity	**(12,340)**	(5,072)
Total capital	**18,712**	19,977
Gearing ratio	**166%**	125%

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

33. COMPARATIVE FIGURES AND RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to enhance relevance and comparability with the current year's financial statements. The net impact to the previously reported loss of the Group was S$ Nil.

	As previously reported S$'000	Reclassification S$'000	As restated S$'000
Consolidated statement of profit or loss and other comprehensive income			
Revenue	7,992	163	8,155
Other income	631	(163)	468
Consolidated statement of cash flows			
Operating activities	1,148	225	1,373
Financing activities	(1,026)	(225)	(1,251)

34. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES

As a first-time adopter of SFRS(I), the Group has retrospectively applied the accounting policies based on each applicable SFRS(I) effective as at 30 September 2019, being the end of the first SFRS(I) reporting period, except for areas of mandatory exceptions and the application of certain optional exemptions (see below) as set out in SFRS(I) 1. In the adoption of SFRS(I), the Group concurrently applied the following relevant new and amended SFRS(I)s and SFRS(I) INT that are similarly mandatorily effective for annual periods from 1 October 2018:

SFRS(I) 2	*Amendments to SFRS(I) 2: Classification and measurement of share-based payment transactions*
SFRS(I) 9	*Financial instruments ("SFRS(I) 9")*
SFRS(I) 15	*Revenue from contracts with customers ("SFRS(I) 15")*
SFRS(I) 1-40	*Amendments to SFRS(I) 1-40: Transfers of investment property*
SFRS(I) INT 22	*Foreign currency transactions and advance consideration*
Improvements to SFRS(I) (December 2016)	*Amendments to SFRS(I) 1-28: Measuring an associate or joint venture at fair value*

Notes to the Financial Statements

For the Financial Year Ended 30 September 2019

34. ADOPTION OF NEW FINANCIAL REPORTING FRAMEWORK AND ACCOUNTING POLICIES (CONTINUED)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 established a comprehensive framework which specifies how and when revenue should be recognised as well as to provide users of financial statements useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. SFRS(I) 15 also specifies the accounting for incremental costs of obtaining a contract and costs incurred to fulfil a contract.

The Company has adopted the five-step model which requires (i) its identification of the contract; (ii) its identification of the performance obligations in the contract; (iii) the determination of 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 Company recognises revenue to depict the transfer of promised goods or services to its customers in an amount that reflects the consideration which the Company expects to be entitled in exchange for those goods or services.

The Group has adopted SFRS(I) 15 which is effective for its annual periods beginning on or after 1 October 2018 on a retrospective basis, and concluded that there is no material impact on the financial statements of the Group in the period of the initial adoption.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 sets out the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification of financial assets

Based on facts and circumstances existing as of 1 October 2018, the Group has classified its financial assets into financial assets subsequently measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the Company'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.

The Group has adopted SFRS(I) 9 retrospectively but did not restate the comparatives by applying the optional exemption provided in SFRS(I) 1. Accordingly, the comparative information was prepared in accordance with the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* and disclosures were made in accordance with FRS 107 *Financial Instruments: Disclosure* as applicable.

In the preceding financial year, the Group has prepared the financial statements in accordance with the Singapore Financial Reporting Standards ("FRS").

Statistics of Shareholdings

(As Recorded in the Register of Shareholders as at 17 December 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: **Nil**
Number of subsidiary holdings: **Nil**
Percentage of treasury shares against the total number of issued ordinary shares: **Nil**
Percentage of subsidiary shares against the total number of issued ordinary shares: **Nil**

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	Nil	Nil	Nil	Nil
100 – 1,000	8	4.57	5,900	0.00
1,001 – 10,000	18	10.28	119,700	0.07
10,001 – 1,000,000	116	66.29	23,600,200	12.69
1,000,001 AND ABOVE	33	18.86	162,220,640	87.24
TOTAL	**175**	**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	CH'NG BAN BEE	15,000,000	8.07
3	CHUA WEI KEE	15,000,000	8.07
4	OCBC SECURITIES PRIVATE LIMITED	12,700,000	6.83
5	ANG GHEE ANN	11,000,000	5.92
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,812,000	5.28
7	LIM SIN KHONG	7,500,000	4.03
8	PEH TUAN	6,059,600	3.26
9	CITIBANK NOMINEES SINGAPORE PTE LTD	5,657,700	3.04
10	YEONG CHUN SONG	5,120,000	2.75
11	TSNG JOO WEE	4,308,000	2.32
12	POON MAY FOONG	4,200,000	2.26
13	PHILLIP SECURITIES PTE LTD	3,649,100	1.96
14	UOB KAY HIAN PRIVATE LIMITED	2,800,400	1.51
15	YEONG CHEE YEEN	2,672,000	1.44
16	MAI DUC BAO	2,500,000	1.34
17	AARON LEE CHEEN YEE	2,500,000	1.34
18	WOON YAN PING	2,500,000	1.34
19	CHNG WENG WAH	2,464,000	1.33
20	HOE LOO MING	2,260,000	1.22
	TOTAL	**140,809,240**	**75.74**

Substantial Shareholders

(As recorded in the Register of Shareholders as at 17 December 2019)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**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
Ch'ng Ban Bee	15,000,000	8.07	–	–
Chua Wei Kee	15,000,000	8.07	–	–
Ang Ghee Ann	11,000,000	5.92	–	–

Note:

(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.

Percentage of shareholding held in the hands of the public

As at 17 December 2019, the percentage of shareholding in the Company held in the hands of the public is approximately 65.51%. 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 Level 2, Chart Room, 10 Tuas West Drive, Singapore 638404 on Thursday, 30 January 2020 at 8.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 September 2019 together with the Auditors' Report thereon. ***Resolution 1***

2. To note the retirement of Mr Ang Nam Heng James pursuant to Regulation 97 of the Company's Constitution.

   [See Explanatory Note (i)]

3. To re-elect Mr Albert Ang Nam Wah pursuant to Regulation 97 of the Company's Constitution. ***Resolution 2***

   [See Explanatory Note (ii)]

4. To approve the payment of Directors' fees of S$180,000 for the financial year ending 30 September 2020, payable annually in arrears. (FY2019: S$155,000). ***Resolution 3***

5. To re-appoint Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. ***Resolution 4***

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **Authority to issue and allot shares**

   "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 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 (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 (iii)] ***Resolution 5***

Notice of Annual General Meeting

8. **Renewal of the Interested Person Transactions Mandate**

"That:

(1) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in the Addendum to Annual Report dated 14 January 2020 (the "**Addendum**") with any party who is of the classes of interested persons described in the Addendum, provided that such transactions are made on normal commercial terms and are not prejudicial to the interest of the Company or its minority shareholders, and in accordance with the review procedures for such interested person transactions as set out in the Addendum (the "**IPT Mandate**");

(2) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, 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 earlier; and

(3) the Directors or any of them be and is hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this resolution as they or he may think fit."

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

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 14 January 2020

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Ang Nam Heng James will retire as Director pursuant to Regulation 97 of the Company's Constitution at the AGM. Mr Ang Nam Heng James has decided not to seek re-election at the AGM. His retirement from the Board will take effect upon the conclusion of the AGM. Mr Ang Nam Heng James will continue to be a director of Asia Galvanizing (S) Pte Ltd, the wholly-owned subsidiary of the Company.

(ii) Mr Albert Ang Nam Wah will upon re-election as a Director of the Company, remain as an Executive Director of the Company.

(iii) The Ordinary Resolution 5 set out in item 7 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.

(iv) The Ordinary Resolution 6 set out in item 8 above, if passed, will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate as described in the Addendum. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the Annual General Meeting of the Company is held or required by law to be held.

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 office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 72 (seventy-two) 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 (seventy-two) 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.

Disclosure of Information on Directors Seeking Re-election

Mr Albert Ang Nam Wah is the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 January 2020 ("**AGM**") (the "**Director"**).

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following is the information relating to the Director as set out in Appendix 7F to the Listing Manual Section B: Rules of the Catalist of the SGX-ST:–

Name	**Albert Ang Nam Wah**
Date of Appointment	2 October 2015
Date of last re-appointment	18 January 2017
Age	53
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board wishes to announce that Mr Albert Ang has ceased as the Chief Executive Officer of the Group and been re-designated as Executive Director (Singapore operations) of the Company.
Whether appointment is executive, and if so, the area of responsibility	Yes. Mr Albert Ang will be responsible for formulating new business development plans for the Group, and will remain a director of the Company and its subsidiaries respectively.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director (Singapore operations)
Professional qualifications	N.A.
Working experience and occupation(s) during the past 10 years	• 2008 to 2011: Executive Director of FastCoat Industries • 2012 to 2016: Managing Director of Asia Galvanizing (S) Pte Ltd • 2016 to present: Executive Director & CEO of AGV Group Limited
Shareholding interest in the listed issuer and its subsidiaries	Mr Albert Ang is deemed interested in the 23,106,440 shares in the listed issuer held by Asiagalv Capital LLP.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	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.
Conflict of Interest (including any competing business)	None

Disclosure of Information on Directors Seeking Re-election

Name	Albert Ang Nam Wah
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# Past (for the last 5 years) Present	 Nil Nil
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.	
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No

Disclosure of Information on Directors Seeking Re-election

Name	Albert Ang Nam Wah
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

Disclosure of Information on Directors Seeking Re-election

Name	Albert Ang Nam Wah
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Disclosure of Information on Directors Seeking Re-election

Name	Albert Ang Nam Wah
Disclosure applicable to the appointment of Director only	
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Yes Mr Albert Ang is currently an Executive Director of the Company and as such he is familiar with his duties in relation to this current position.

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 Level 2, Chart Room, 10 Tuas West Drive, Singapore 638404 on Thursday, 30 January 2020 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 2019		
2	Re-election of Mr Albert Ang Nam Wah as a Director		
3	Approval of Directors' fees amounting to S$180,000 for the financial year ending 30 September 2020, to be paid quarterly in arrears		
4	Re-appointment of Mazars LLP as Auditors		
5	Authority to allot and issue shares		
6	Renewal of the Interested Person Transactions Mandate		

Dated this _____ day of _____ 2020

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

_____

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

* Delete 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 office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 72 (seventy-two) 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 (seventy-two) 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.

Corporate Information

BOARD OF DIRECTORS

Mr Chua Wei Kee
(Executive Director, Chairman of the Board)
Mr Ang Nam Wah Albert
(Executive Director)
Mr Ang Nam Heng James
(Executive Director)
Mr Chong Kwang Shih
(Lead 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

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 LIMITED

WE SEE YOU NEXT YEAR

ANNUAL REPORT

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