



AGV GROUP LIMITED

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

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- 1. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS OF THE COMPANY ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018**
 - 2. VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS**
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- 1. EMPHASIS OF MATTER BY INDEPENDENT AUDITORS OF THE COMPANY ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (“FY2018”)**

Pursuant to Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of AGV Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Mazars LLP (the “**Auditor**”), has, without qualifying their audit opinion, included an emphasis of matter related to the Group’s ability to continue as a going concern in their report (the “**Independent Auditor’s Report**”) on the audited financial statements of the Group for FY2018 (the “**Audited Financial Statements**”).

The Independent Auditor’s Report is attached to this announcement for shareholders’ reference. The Independent Auditor’s Report and the Audited Financial Statements will form part of the Company’s Annual Report for FY2018 (the “**2018 Annual Report**”), which will be released on SGXNET and despatched to shareholders in due course. Shareholders are advised to read the Independent Auditor’s Report and the 2018 Annual Report in their entirety.

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

- the Group had in October 2018, obtained financing cash inflows of approximately \$2.0 million, with approximately \$1.1 million raised by way of placement and approximately \$900,000 by way of a loan;
- the Group had on 4 March 2019 received the continued support of its institutional lenders by entering into an agreement with them to amend and restate existing terms and conditions of the corresponding loans so as to extend the tenure of repayment of the loans; and
- the Group had on 6 March 2019, entered into two (2) loan agreements with several investors, including Mr Chua Wei Kee, the Non-Executive Chairman of the Group, for an aggregate of up to \$5.0 million.

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

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

2. VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED STATEMENTS

The Board refers to its full year financial results announcement for the financial year ended 30 September made on 31 January 2019 via the SGXNET (“**Preliminary Unaudited Results 2018**”).

Pursuant to Rule 704(5) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST, the Company wishes to announce that subsequent to the release of the Preliminary Unaudited Results 2018, the external auditor has proposed certain adjustments and reclassifications which the management of the Company has adopted accordingly.

The details and explanation of the variances between the audited financial statements and the Preliminary Unaudited Results 2018 are set out below:

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

		Preliminary Unaudited Results 2018	Audited Financial Statements	Variance	Variance
	Note	S\$'000	S\$'000	S\$'000	%
Other income	(1)	1,375	631	744	(54.1)
Consumables used	(1)	(7,069)	(6,366)	(703)	(9.9)
Other expenses	(2)	(8,293)	(7,244)	1,049	(12.6)
Finance costs	(2)	(1,131)	(1,616)	485	42.9

Reasons for the variances:

The audit adjustments are due to

- (1) Inter-company sales of S\$744,000 that was not eliminated, which has a corresponding elimination of S\$703,000 to the cost of consumables and S\$41,000 to the other expenses. These adjustments have no impact on the overall results.
- (2) The reclassification of other expenses by their appropriate nature: S\$485,000 was re-classified to finance cost, S\$148,000 to employee benefits and S\$38,000 to operating lease. These adjustments have no significant impact to the overall financial results.

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

		Preliminary Unaudited Results 2018	Audited Financial Statements	Variance	Variance
	Note	S\$'000	S\$'000	S\$'000	%
<u>Current assets</u>					
Pledged fixed deposit	(1)	223	338	115	51.6
Other cash and bank balances	(1)	192	77	(115)	(59.9)
<u>Current liabilities</u>					
Trade and other payables	(2)	11,865	11,132	(733)	(6.2)
Borrowings	(2)	11,283	11,957	674	6.0

Reasons for the variances:

The audit adjustments are due to

- (1) Bank balances of S\$115,000 being re-classified as pledged fixed deposits
- (2) Reclassification of trade and other payables to borrowings of \$674,000. The audit reclassifications have no significant impact to overall total liabilities

BY ORDER OF THE BOARD

Albert Ang Nam Wah
Executive Director and Chief Executive Officer
AGV Group Limited

15 March 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AGV Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 September 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 103.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 in the financial statements. As of 30 September 2018, the Group reported net liabilities of S\$5.1 million and net current liabilities of S\$21.0 million. Included in the net current liabilities as of 30 September 2018 were bank loans of S\$10.3 million which were contractually due within 12 months from the reporting date and bank loans of S\$1.7 million which were reclassified to current because of a breach of bank covenant. The Group also reported net loss of S\$13.4 million for the financial year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT

Overview

Audit Approach

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

Materiality

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

Scope of audit

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

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

Area of focus

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (Continued)

Allowance for trade and other receivables (refer to Note 17 to the financial statements)	
Key audit matter	Our audit response
<p>As of 30 September 2018, the carrying amount of trade receivables was S\$0.5 million, all of which were past due but not impaired. The trade receivables represented 19% and 3% of the total current assets and total assets of the Group respectively.</p> <p>The determination of the appropriateness of the valuation of the trade receivables requires significant judgement from the management. The Group considers various factors in its assessment of whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant and they include, but are not limited to, the financial state of the debtors, significant or unusual delays in payments, and changes in economic conditions that affect the debtors. We hence determine this as a key audit matter.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <ul style="list-style-type: none"> ▪ We assessed the recoverability of the trade receivables by obtaining and reviewing the ageing profile of the receivables; and ▪ We obtained evidence of receipts from trade debtors subsequent to year end, paying particular attention to significant outstanding and long-outstanding trade receivables as of reporting date.

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (Continued)

Impairment of goodwill (refer to Note 15 to the financial statements)	
Key audit matter	Our audit response
<p>During the financial year ended 30 September 2017, the Group recorded goodwill of S\$4.3 million relating to AGV Holdings Pte Ltd and its subsidiary as one cash-generating unit (the "CGU").</p> <p>FRS 36 Impairment of Assets requires the cash generating unit to which the goodwill has been allocated to be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the cash generating unit, including the goodwill, with the recoverable amount of the cash generating unit.</p> <p>During the financial year ended 30 September 2018, the Group recognised full impairment of the goodwill consequent to its determination of the recoverable amount of the CGU. In determining the recoverable amount through the use of value-in-use, the management exercised significant judgements and estimates in projecting the cashflows. Key inputs and assumptions, such as the discount rate, the utilisation rates and the gross margin, were applied by the management in the cashflow projections. Inaccurate or unreasonable use of inputs and assumptions may cause the value-in-use to be materially affected.</p> <p>As the determination of the value in use requires significant estimates and judgement of management, we determine this as a key audit matter.</p>	<p>Our audit procedures included, and were not limited to the following:</p> <ul style="list-style-type: none"> ▪ With the assistance of our in-house expert, we assessed the reasonableness of the key inputs and assumptions applied by management in their cashflow projections, with reference to information such as historical and expected trend and performance, the latest budgets/forecasts approved by management and the current economic conditions and the outlook thereof; ▪ We performed a sensitivity analysis on the recoverable amount by considering reasonably plausible changes to the key assumptions and inputs; and ▪ We assessed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.

Other information

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

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

INDEPENDENT AUDITORS' REPORT

Other information (Continued)

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITORS' REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

MAZARS LLP

Public Accountants and
Chartered Accountants

Singapore
15 March 2019