



AGV GROUP LIMITED
Company Registration No. 201536566H

UNAUDITED FINANCIAL STATEMENT FOR THE HALF YEAR ENDED 31 MARCH 2017

Background

The Company was incorporated in Singapore on 2 October 2015 under the Companies Act (Chapter 50) as a private company limited by shares under the name of "AGV Group Pte Ltd". On 24 May 2016, the Company was converted into a public limited company and the name of its Company was changed to AGV Group Limited.

The Company and its subsidiary (the "Group"), were formed pursuant to a restructuring exercise which was conducted to rationalise the Group structure (the "Restructuring Exercise") prior to the Company's initial public offering ("IPO") and listing on Catalist of the SGX-ST. Please refer to the Company's offer document dated 18 August 2016 ("Offer Document") for further details on the Restructuring Exercise.

The Company was admitted to Catalist on 26 August 2016. For the purpose of this announcement, the results of the Group for the half year ended 31 March 2017 and the comparative results of the Group for the half year ended 31 March 2016, represented a combination or aggregation of the financial statements of the Company and its subsidiaries after the Restructuring Exercise, and have been prepared based on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 October 2014.

Part I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR and FULL YEAR ANNOUNCEMENTS

- 1 (a) (i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group		
	Financial Period Ended		Increase/ (Decrease)
	31 Mar 2017	31 Mar 2016	%
	S\$'000	S\$'000	
Revenue	9,034	9,772	-7.6%
Other item of income			
Other income	373	2,758	-86.5%
Items of expense			
Consumables used	(4,584)	(4,590)	-0.1%
Consumables sold	(41)	(1,864)	-97.8%
Employee benefits expense	(3,153)	(2,413)	30.7%
Operating lease expenses	(314)	(187)	67.9%
Depreciation expense	(603)	(546)	10.4%
Other expenses	(2,098)	(1,740)	20.6%
Finance costs	(237)	(340)	-30.3%
Share of losses of associate	(53)	(168)	-68.5%
(Loss)/profit before income tax	(1,676)	682	-345.7%
Income tax expense	(212)	(207)	2.4%
(Loss)/profit for the financial period	(1,888)	475	-497.5%
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translating foreign operation	(12)	-	n.m.
(Loss)/Profit for the financial period, representing total comprehensive income for the financial period, attributable to owners of the Company	(1,900)	475	-500.0%
Earnings per share attributable to owners of the Company (cents)			
Basic and diluted	(1.50)	0.38	-494.7%

n.m. – not meaningful

- 1 (a) (ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	The Group	
	Financial Period Ended	
	31 Mar 2017	31 Mar 2016
	S\$'000	S\$'000
Other income		
Sale of consumables	340	2,237
Government grant	26	130
Miscellaneous income	7	91
Service income	-	300
Total	373	2,758

	The Group	
	Financial Period Ended	
	31 Mar 2017	31 Mar 2016
	S\$'000	S\$'000
Directors' remuneration	774	312
Employee Compensation costs	2,379	2,101
Depreciation of property, plant & equipment	603	546

1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year:

	The Group		The Company	
	31-Mar-17	30-Sep-16	31-Mar-17	30-Sep-16
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Subsidiaries	-	-	9,187	9,187
Associate	2,481	2,546	-	-
Property, plant and equipment	10,514	10,888	-	-
Other receivable	4,814	3,156	-	-
Total non-current assets	17,809	16,590	9,187	9,187
Current assets				
Inventories	2,664	2,060	-	-
Trade and other receivables	6,857	7,919	4,060	-
Prepayments	135	105	19	14
Pledged fixed deposit	223	180	-	-
Other cash and bank balances	1,059	4,039	1,018	3,946
Total current assets	10,938	14,303	5,097	3,960
Total assets	28,747	30,893	14,284	13,147
EQUITY AND LIABILITIES				
Equity				
Share capital	13,453	13,453	13,453	13,453
Other reserve	(2,565)	(2,565)	-	-
Accumulated (losses)/profits	(4)	1,884	(1,300)	(883)
Translation reserve	(26)	(14)	-	-
Total equity attributable to owners of the Company	10,858	12,758	12,153	12,570
Non-current liabilities				
Finance lease payables	115	112	-	-
Borrowings	3,515	4,005	-	-
Deferred tax liabilities	482	482	-	-
Total non-current liabilities	4,112	4,599	-	-
Current liabilities				
Income tax payable	509	582	-	-
Trade and other payables	4,666	4,352	2,131	577
Provision for reinstatement cost	100	100	-	-
Finance lease payables	60	49	-	-
Borrowings	8,442	8,453	-	-
Total current liabilities	13,777	13,536	2,131	577
Total liabilities	17,889	18,135	2,131	577
Total equity and liabilities	28,747	30,893	14,284	13,147

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	The Group		The Group	
	Financial Period Ended 31 Mar 2017		Financial Year Ended 30 Sep 2016	
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	8,442	-	8,453	-
Amount repayable after one year	3,515	-	4,005	-
	11,957	-	12,458	-

Details of collaterals

The Group's existing borrowings are secured by:

- (i) Personal guarantees by a previous shareholder, certain shareholders and directors;
- (ii) Legal mortgage on the leasehold property and renovation; and
- (iii) Fixed charge over the subsidiary's plant and equipment.

1(c) **Group cash flow statement together with a comparative statement for the preceding financial year:**

	The Group	
	Financial Period Ended	
	31-Mar-17	31-Mar-16
	S\$'000	S\$'000
Operating activities		
(Loss)/profit before income tax	(1,676)	682
Adjustments for:		
Depreciation expense	603	546
Interest expense	237	340
Loss on disposal of property, plant and equipment	4	21
Share of loss of associate	53	168
Operating cash flows before movements in working capital	(779)	1,757
Movements in working capital		
Inventories	(604)	735
Trade and other receivables	1,062	(1,293)
Prepayments	(30)	-
Trade and other payables	598	167
Cash generated from operations	247	1,366
Income taxes paid	(285)	(135)
Net cash (used)/ generated from operating activities	(38)	1,231
Investing activities		
Acquisition of property, plant and equipment	(193)	(242)
Proceeds from disposal of plant and equipment	17	-
Deposit of acquisition of plant and equipment	(17)	-
Loans to subsidiary of associate	(1,658)	(2,200)
Net cash used in investing activities	(1,851)	(2,442)
Financing activities		
Dividend paid	(284)	-
Interest paid	(237)	(235)
Proceeds from borrowings	2,503	2,242
Repayment of borrowings	(3,004)	(802)
Repayment of finance lease obligations	(26)	(13)
Increase in pledged deposit	(43)	-
Net cash (used)/generated from financing activities	(1,091)	1,192
Net decrease in cash and cash equivalents	(2,980)	(19)
Cash and cash equivalents at beginning of year	4,039	39
Cash and cash equivalents at end of period	1,059	20

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year:

	The Group				
	Share Capital	Accumulated profits/(losses)	Other reserve	Translation reserve	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
-					
Balance at 1 October 2015	6,426	2,761	-	-	9,187
Dividend declared prior to restructuring	-	(1,500)	-	-	(1,500)
Profit for the half year, representing total comprehensive income for the half year	-	475	-	-	475
Balance at 31 March 2016	6,426	1,736	-	-	8,162
Balance at 1 October 2016	13,453	1,884	(2,565)	(14)	12,758
Loss for the half year, representing total comprehensive income for the half year	-	(1,888)	-	(12)	(1,900)
Balance at 31 March 2017	13,453	(4)	(2,565)	(26)	10,858

	The Company				
	Share Capital	Accumulated profits/(losses)	Other reserve	Translation reserve	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 2 October 2015⁽¹⁾	1	-	-	-	1
Profit for the half year, representing total comprehensive income for the half year	-	-	-	-	-
Balance at 31 March 2016	1	-	-	-	1
Balance at 1 October 2016	13,453	(883)	-	-	12,570
Loss for the half year, representing total comprehensive income for the half year	-	(417)	-	-	(417)
Balance at 31 March 2017	13,453	(1,300)	-	-	12,153

⁽¹⁾ Date of Incorporation

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

	Number of Shares	Share Capital S\$'000
As at 30 September 2016 and 31 March 2017	125,946,440	13,453

As at 30 September 2016 and 31 March 2017, the Company has no outstanding convertible or treasury shares.

- 1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	Number of Issued Shares excluding treasury shares
As at 30 September 2016 and 31 March 2017	125,946,440

There are no treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported**

Not applicable.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures presented have not been audited or reviewed by the auditors of the Company.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial year compared to its audited financial statements for the financial year ended 30 September 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the financial period on or after 1 October 2016, where applicable. The adoption of these new and revised standards from the effective date is not expected to result in any material adjustments to the financial statements of the Group for the current financial reporting period.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	The Group	
	31-Mar-2017	31-Mar-2016*
(Loss)/profit used in calculating basic and dilutive EPS (S\$ '000)	(1,888)	475
Weighted average number of ordinary shares	125,946,440	125,946,440
Basic and diluted EPS (cents)	(1.50)	0.38

* For illustrative and comparative purpose, earnings per share for both financial periods have been computed based on the post IPO share capital of 125,946,440 shares.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares, of the issuer at the end of the

- (a) current period reported on and
(b) immediately preceding financial year

Net asset value ("NAV") per ordinary share	The Group		The Company	
	31-Mar-2017	30-Sep-16	31-Mar-2017	30-Sep-16
NAV (S\$ '000)	10,858	12,758	12,153	12,570
Number of Ordinary shares	125,946,440	125,946,440	125,946,440	125,946,440
Net asset value per ordinary share based on issued share capital (cents)	8.62	10.13	9.65	9.98

8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported

REVIEW OF FINANCIAL PERFORMANCE

Revenue

Our revenue declined by approximately S\$0.7 million from S\$9.8 million in 1H2016 to S\$9.0 million in 1H2017, this was mainly due to the decline in tonnage of hot dip galvanizing services provided by the Group.

Other items of income

Other income declined by S\$2.4 million from S\$2.8 million in 1H2016 to S\$0.4 million in 1H2017. The decline was mainly due to an aggregate decrease in service income and sales of consumables of S\$2.2 million to AGV Galvanising (M) Sdn. Bhd., the subsidiary of our Group's associate, AGV Holdings Pte. Ltd.; and an aggregate decrease in government grant and miscellaneous income of S\$0.2 million.

Consumables used

Consumables used in 1H2017 remained at a level comparable with 1H2016.

Consumables sold

Consumables sold had declined by S\$1.8 million in 1H2017 as compared to 1H2016. This relates to the cost of zinc and pre-treatment chemicals purchased for resale to the subsidiary of our Group's associate.

Employee benefits expense

Employee benefits expense, comprising Directors' remuneration and staff-related expenses, increased by S\$0.7 million from S\$2.4 million in 1H2016 to S\$3.2 million in 1H2017. The increase was mainly due to increase in the number of directors and number of staff headcount from 142 in 1H2016 to 146 in 1H2017.

Operating lease expenses

Operating lease expenses increased by S\$127,000 from S\$187,000 to S\$314,000, comprise mainly machinery, factory rental and office equipment rental for use in our operations.

Depreciation expense

Depreciation expenses remain at a level comparable with the previous year.

Other expenses

Other expenses increased by S\$0.4 million, from S\$1.7 million in 1H2016 to S\$2.1 million in 1H2017.

This was mainly due to an aggregate of expenses such as gas supply, business development, upkeep of motor vehicles and plant and equipment of S\$0.8 million. The overall increase was partially offset by an absence of the one-off loss on realisation of derivatives instruments of S\$0.4 million incurred during 1H2016.

Finance costs

Our finance costs comprise interest payments for bank borrowings and finance leases for purchase of motor vehicles which we have undertaken. Bank borrowings consist of machinery, property and term loans which we have undertaken to finance the purchase of our property and machineries as well as for support of our increasing operations.

Share of loss of associate

This pertains to our Group's share of losses of the operating performance of our associate, AGV Holdings Pte. Ltd. It was mainly due to losses incurred by its subsidiary, AGV Galvanising (M) Sdn. Bhd., which only commenced operations in April 2016.

Income tax expense

Income tax expenses for 1H2017 include provision of taxes for the Company, net of deductible expenses, for the period; and additional taxes incurred in respect of FY2013 and FY2015 for the Company's subsidiary, Asia Galvanizing (S) Pte Ltd.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2017

Non-current assets

Non-current assets of S\$17.8 million, comprised investment in associate, property, plant and equipment and other receivables, which increased by S\$1.2 million from S\$16.6 million as at 30 September 2016, mainly due to:

- (a) other receivables of S\$4.8 million, increased by S\$1.6 million, from S\$3.2 million as at 30 September 2016. The increase was mainly due to amounts due from the subsidiary of the Group's associate, AGV Malaysia. The outstanding amount consisted of management fee, service fee, sales of consumables and payments on behalf made, owing as at 30 September 2016, as well as sales of consumables and payments on behalf made during the period, as AGV Malaysia had just commenced operations at the end of April 2016.
- (b) investment in associate declined slightly to the sharing of losses during the financial period.

The increase was partially offset by:

- (c) decrease in property, plant and equipment by S\$0.4 million.

Current assets

Current assets stood at S\$10.9 million, declined by S\$3.4 million, comprising:

- (a) trade and other receivables of S\$6.9 million, declined by S\$1.0 million, from S\$7.9 million as at 30 September 2016, due to collections received.
- (b) other cash and bank balances declined by S\$3.0 million.

The decline was partially offset by increases in:

- (c) inventories, comprising consumables such as zinc and pre-treatment chemicals, by S\$0.6 million to S\$2.7 million.
- (d) prepayments by S\$30,000 to S\$135,000.
- (e) pledged fixed deposits by S\$43,000 to S\$223,000, relating to banker's guarantee required by one of our suppliers. This amount varies with the level of on-going transactions with the suppliers.

Equity

Equity comprises share capital, other reserve, translation reserve and retained earnings. The decline in equity was mainly due to losses attributable to owners of the Company for the financial period amounting to S\$1.9 million.

Non-current liabilities

Non-current liabilities stood at S\$4.1 million, declined by the S\$0.5 million reduction in borrowings from S\$4.6 million as at 30 September 2016.

Current liabilities

Current liabilities stood at S\$13.8 million, increased by S\$0.3 million, from S\$13.5 million as at 30 September 2016, due mainly to:

- (a) S\$0.3 million increase in trade and other payables due to increased purchases and billings received from suppliers for materials supplied, near or towards the end of the period.

The increase was partially off-set by a decrease in:

- (b) income tax payables of S\$73,000 due to payments, net of additional provisions for the period.

REVIEW OF STATEMENTS OF CASH FLOWS

In 1H2017, net cash used operating activities amounted to S\$38,000. This was derived mainly from cash used in operating activities before working capital changes of S\$0.8 million and adjusted by a net working capital inflow of S\$1.0 million, partially offset by tax paid of S\$0.3 million.

Net cash used in investing activities amounted to S\$1.9 million in 1H2017. This was mainly due to loan to the subsidiary of our Group's associate of S\$1.7 million and additions of property, plant and equipment of S\$0.2 million.

Net cash used in financing activities amounted to S\$1.1 million in 1H2017. This was derived mainly from an aggregate outflow of S\$3.6 million for repayments of dividends, interest, borrowings and pledge deposits. These were partially offset by an inflow of S\$2.5 million from borrowings.

As a result of the above, the net decline in cash and cash equivalents was S\$3.0 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement was previously disclosed to shareholders.

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Demand for hot-dip galvanizing services in Singapore is expected to remain positive in the foreseeable future as the government pushes out a pipeline of major infrastructure projects over the next few years.

For this year alone, between S\$28 billion and S\$35 billion worth of construction contracts are expected to be awarded, according to the Building and Construction Authority. This includes part of the S\$700 million worth of public-sector infrastructure projects to be brought forward to 2017 and 2018, as announced by the Minister for Finance in the 2017 Singapore Budget.¹

Efforts by the Housing & Development Board (“HDB”) to spruce up several towns will also spell opportunities for the Group. As announced by HDB recently, Woodlands, Toa Payoh and Pasir Ris will be upgraded under its Remaking Our Heartland programme.²

The various infrastructure and upgrading projects will chiefly benefit construction firms in Singapore, many of which are the Group’s business partners and clients. Through its associate company, the Group is also making progress in Malaysia. The associate company, AGV Holdings Pte Ltd, owns a hot-dip galvanizing plant in Johor’s Pasir Gudang industrial town and recently secured new contracts for various projects, including the Refinery and Petrochemical Integrated Development being built by state-owned oil company Petronas.

Notwithstanding the challenges in the operating environment, such as limited foreign manpower and stiff competition, hot-dip galvanizing remains an essential service for many industries. Barring unforeseen circumstances, the Group expects its financial performance for the second half of FY2017 ending 30 September 2017 to be better than for the first half.

11 Dividend

(a) Current Financial Period Reported

Any dividend declared for the current financial period reported on?

Not applicable.

¹ https://www.bca.gov.sg/newsroom/others/PR_COS2017.pdf

² <http://www.hdb.gov.sg/cs/infoweb/press-releases/plans-to-renew-woodlands,-toa-payoh,-and-pasir-ris-ready>

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect

Not Applicable.

13 Interested person transactions disclosure

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

14 Use of proceeds as at 31 March 2017

In accordance with the section entitled “use of Proceeds and Listing Expenses” in the Offer Document and with reference to the company’s announcements as at 28 November 2016 and 27 February 2017, the Company wishes to announce that the net proceeds of S\$4.8 million have been utilised as at 31 March 2017 as follows:

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

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720 (1).

16. Negative confirmation by Directors

We, Ang Nam Wah Albert and Ang Nam Heng James, being two Directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company (“the Board”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 31 March 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Albert Ang

Executive Director and Chief Executive Officer

11 May 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Hong Leong Finance Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Sponsor has not independently verified the contents of this 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, at 16 Raffles Quay, #40-01A, Hong Leong Building, Singapore 048581, Telephone: (65) 6415-9886.