2020
ANNUAL REPORT
Leading For A Better Tomorrow

AGV GROUP LIMITED

Corporate Profile

AGV Group Limited ("AGV Group") was incorporated in Singapore on 2 October 2015 with its registered office and principal place of business is located at 22 Benoi Road, Singapore 629892. The Company was listed on the Catalist Board of SGX-ST on 26 August 2016.

The principal operation of AGV Group relates almost entirely to the provision of hot-dip galvanizing services. Being one of the leading providers of hot-dip galvanizing services, AGV Group operates in two geographical areas, being Singapore and Malaysia.

AGV Group's Singapore hot-dip galvanizing plant is strategically located at 22 Benoi Road, Singapore, within Singapore's heavy industries in Tuas. The Group's second hot-dip galvanizing plant is located in the industrial town of Pasir Gudang in Johor Bahru, Malaysia. Each of its galvanizing plant has a sizeable operating capacity of handling up to 5,000 tonnes of hot dip galvanizing services on a per month basis.

Memberships of Associations

The Group is registered as a member of various associations, as follows:–

S/N	ASSOCIATION	DETAILS
1	Singapore Business Federation ("SBF")	Member since January 2013
2	Singapore Manufacturing Federation ("SMF")	Member since January 2012
3	Singapore Iron Works Merchant Association ("SIWMA")	Member since 2012
4	Association of Process Industry ("ASPRI")	Member since April 2013

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Corporate Information

BOARD OF DIRECTORS

Mr Chua Wei Kee
(Executive Chairman)

Independent Directors
Mr Chong Kwang Shih
(Lead Independent Director)
Mr Choong Yoon Fatt
Mr Wee Meng Seng Aloysius

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 Choong Yoon Fatt
Mr Chong Kwang Shih

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
Tel: +65 6735 8222
Fax: +65 6280 0420

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

AUDITORS

Mazars LLP
135 Cecil Street #10-01
Singapore 069536

Partner-in-charge: Chen Ningxin, Narissa
(Appointed since the financial year ended
30 September 2016)

Group Structure

AGV GROUP LIMITED

- 100% AGV Investment (Indonesia) Pte. Ltd.[1]
- 100% AGV Galvanizing (Singapore) Pte. Ltd.[2]
  - 100 % AGV C&S Pte. Ltd.[5]
- 100% AGV Investment (Malaysia) Pte. Ltd.[3]
  - 51 % AGV Galanizing (M) Sdn Bhd
- 100% AGV Investment (Vietnam) Pte. Ltd.[4]

1. AGV Investment (Indonesia) Pte. Ltd. is formerly known as AGV Investment Pte. Ltd.
2. AGV Galvanizing (Singapore) Pte. Ltd. is formerly known as Asia Galvanizing (S) Pte. Ltd.
3. AGV Investment (Malaysia) Pte. Ltd. is formerly known as AGV Holdings Pte. Ltd.
4. AGV Investment (Vietnam) Pte. Ltd. is formerly known as AGV Property Investment Pte. Ltd.
5. AGV C&S Pte. Ltd. is in the process of striking off.

Our Awards and Accreditations

In recognition of our compliance with various local and overseas standards on occupational safety and health management systems for hot-dipped galvanizing services, our Singapore subsidiary AGV Galvanizing (Singapore) Pte. Ltd. is proud to receive the following awards and accreditation.

Awards

2019

• The BrandLaureate World Bestbrand's Award (Industrial Hot Dip Galvanizing Solutions)

• ASEAN Master Class Award (in Steel Galvanizing Industry Excellence)

2016/17

• Asia Prestige Award for Excellent Business Practice

2015

• Singapore Enterprise Awards 2015

Accreditations

Certificates	Validity Period
ISO 9001:2015	2 December 2023
ISO 45001:2018	26 November 2022
BizSAFE Level Star Certificate	26 November 2022

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of AGV Group Limited ("AGV" or the "Group"), it is my pleasure to present our Annual Report for the year ended 30 September 2020 ("FY2020").

FY2020 was an unprecedented year marked by the ongoing COVID-19 pandemic, causing disruption to businesses and brought along greater economic volatility and uncertainties.

Against these headwinds, the Group managed to improve on its financial performance and shall continue to strive harder to turnaround our performance.

OPERATING AND FINANCIAL REVIEW

Financial performance

The Group derives its revenue almost entirely from the provision of galvanizing services and operates in two geographical segments, being Singapore and Malaysia.

For the year under review, Singapore operations accounted for 98.9% of the Group's revenue as Malaysia operations had not resumed due to the delay in completion of renovation works as a result of the COVID-19 pandemic.

The average operating capacity of our Singapore galvanizing plant was approximately 34% of its planned capacity in FY2020 as compared to 22% in FY2019.

In FY2020, the Group achieved 58% year-on-year growth in revenue to S$10.3 million, an improvement of S$3.8 million as compared to FY2019 despite the two-month-long circuit breaker measures implemented by Singapore Government that brought our Singapore operations to a halt. The improvement was primarily attributed to our efforts in improving quality and timely provision of our galvanizing services.

Group's other income rose by 32.3% from S$0.8 million in FY2019 to S$1.0 million in FY2020 mainly due to the Job Support Scheme and foreign worker levy rebate amounting to approximately S$0.4 million provided by the Singapore Government. The increase was, however, partially offset by a lower recorded gain of in relation to the measurement of its financial liabilities in FY2020 as compared to FY2019.

Chairman's Statement

Consumable used in FY2020 rose to S$4.5 million as a consequence of the higher revenue recorded. In addition, employee benefits expense was higher by 17.2% to S$3.4 million as we strengthen our management team.

On the other hand, certain operating leases that was previously recognised as operating lease expense in FY2019 were recognised as depreciation of rights-of-use assets and interest on lease liabilities for the year under review resulting from the adoption of SFRS(I) 16 *Leases* effective from 1 October 2019. Consequently, operating lease expense decreased significantly to S$7,000 in FY2020 while depreciation expenses increased to S$2.0 million.

With a lower impairment loss and professional fee incurred in FY2020 as compared to FY2019, other expense decreases by 42.9% to S$2.7 million.

Arising from the above, the Group recorded a reduced loss before tax of S$2.7 million as compared to a loss before tax of S$7.7 million in FY2019. Group's loss for the year after tax was at S$2.8 million in FY2020 as compared to S$8.4 million in FY2019.

Financial Position

Group's total assets of S$19.6 million in as of 30 September 2020 was marginally higher than S$19.0 million as of 30 September 2019.

On the other hand, Group's total liabilities decrease by S$8.3 million, from S$31.4 million as of 30 September 2019 to S$23.1 million as of 30 September 2020. The lower total liabilities were primarily due to the rights issue exercise that was concluded during the year.

As announced by the Group on 7 July 2020, a total of 481,157,817 rights shares at an issue price of S$0.025 per share were issued, of which, net cash proceeds of S$5.2 million were received, while the remaining consideration were paid off by offsetting against the monies owing by AGV to certain creditors.

Following the rights issue, the share capital of AGV had enlarged to S$26.2 million as of 30 September 2020 as compared to S$14.6 million as of 30 September 2019. Thus, net capital deficiency decreased from S$12.3 million as of 30 September 2019 to S$3.5 million as of 30 September 2020.

Cash position stood at S$1.5 million as at 30 September 2020, after the effects of net cash generated from financing activities of S$1.8 million, net cash used in investing activities of S$0.4 million and net cash used in operations of S$0.1 million.

OUTLOOK

There remains a significant degree of uncertainty as the COVID-19 situation is ongoing and fluid.

Barring unforeseen circumstances, the construction industry is expected to recover and pick up in the coming year. With the completion of refurbishment and upgrading works for our factory in Malaysia in December 2020 the Malaysia operations have re-commenced. Thus, we remain cautiously optimistic on our outlook.

IN APPRECIATION

On behalf of AGV, I would like to express our sincere thanks and appreciation to our shareholders, customers, institutional and individual lenders, business partners and associates as well as employees for their unwavering support and contributions.

We look forward to your continued support in the years ahead to chart a better prospect for the Group.

CHUA WEI KEE
Executive Chairman

Board of Directors

CHUA WEI KEE
Executive Chairman

Mr Chua is the Executive Chairman of AGV Group with overall responsibilities for leading the Group.

As a entrepreneur, he started his own business, JD Resources ("JDR") in 1998. Under his leadership, JDR become a leading distributor and player for industrial zinc and other metal resources in the region.

Mr Chua is also a Board member of several non-governmental organizations and is also an independent director of SMTrack Berhad, a company listed on Bursa Malaysia.

Date of first appointment as Director
10 January 2019

Date of last re-election as Director
30 March 2019

Academic and Professional Qualifications
International Executive Master in Business Administration, Asia Metropolitan University

Present directorship in other listed companies
Independent Director, SMTrack Berhad

Present principal commitments
CEO and Director, JD Resources

Past directorship in other listed companies
NIL

CHONG KWANG SHIH
Lead Independent Director

Mr Chong is our Lead Independent Director and 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 an independent consultant, providing corporate advisory services.

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

Date of first appointment as Director
20 June 2018

Date of last re-election as Director
30 March 2019

Academic and Professional Qualifications
Bachelor of Commerce and Administration,majoring in Accountancy

Victoria University of Wellington

Present directorship in other listed companies
NIL

Present principal commitments
Independent Consultant

Past directorship in other listed companies
NIL

Board of Directors

CHOONG YOON FATT
Independent Director

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).

Date of first appointment as Director
13 November 2018
Date of last re-election as Director
30 March 2019
Academic and Professional Qualifications
Bachelor of Commerce (Accounting and Finance), Griffith University
Member, Institute of Singapore Chartered Accountants
Member, Certified Practising Accountant Australia
Accredited Tax Professional (Income Tax), Singapore Institute of Accredited Tax Professionals
Present directorship in other listed companies
NIL
Present principal commitments
Public Accountant, SC & Co
Managing Director, Integra Solutions Pte. Ltd.
Past directorship in other listed companies
Independent Director, Oriental Group Limited

WEE MENG SENG ALOYSIUS
Independent Director

Mr Aloysius Wee is an advocate and solicitor of the Supreme Court of Singapore and is currently the joint 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.

His 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 and Olive Tree Estate Limited.

Date of first appointment as Director
13 November 2018

Date of last re-election as Director
30 March 2019

Academic and Professional Qualifications
BA Law & Economics (Hons), University of Kent

Present directorship in other listed companies
Independent Director, JES Holdings Limited
Independent Director, Olive Tree Estate Limited

Present principal commitments
Joint Managing Partner, Aquinas Law Alliance LLP

Past directorship in other listed companies
Independent Director, Oriental Group Limited

Key Management

CHIANG YI SHIN
Group Financial Controller

Mr Chiang joined AGV Group on 21 October 2020 and is responsible for all financial matters of the Group.

He has more than 25 years of progressive experience in the area of corporate finance, financial management, regulatory compliance and reporting, risk management and internal controls. Prior to joining the Group, he was the Chief Financial Officer for Chemical Industries (Far East) Limited, a company listed on the mainboard of SGX-ST.

Mr Chiang graduated with a Bachelor of Economics (Honours) degree in Management Studies from the University of London. He is a Fellow member of the Institute of Singapore Chartered Accountants, Fellow of the Association of Chartered Certified Accountants and an Accredited Tax Adviser (GST) with the Singapore Institute of Accredited Tax Professionals Limited.

GOH JAY REE
General Manager

Mr Goh joined the AGV Group in April 2019. Currently, he is responsible for the management and operations in Singapore as well as business development.

He 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.

ANG NAM HENG, JAMES
Executive Director, AGV Galvanizing (Singapore) Pte. Ltd.

Mr James Ang was the Executive Director of AGV Group Limited from 22 January 2016 to 30 January 2020. On 30 January 2020, he stepped down as the Executive Director of the Group to concentrate on his role on business development and sales as Executive Director of the Group’s major subsidiary, AGV Galvanizing (Singapore) Pte. Ltd.

He 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.

Financial Highlights

	FY2020 S$'000	FY2019 S$'000	FY2018 S$'000	FY2017 S$'000	FY2016 S$'000
Revenue	10,265	6,498	8,155	18,009	20,230
(Loss)/Profit for the year before tax	(2,652)	(7,673)	(13,869)	(4,638)	997
(Loss)/Profit for the year after tax	(2,781)	(8,404)	(13,366)	(4,288)	623
(Loss)/Profit attributable to					
Owners of the Group	(2,281)	(6,793)	(11,764)	(4,089)	623
Non-controlling interests	(500)	(1,611)	(1,602)	(199)	–
Total assets	19,556	19,025	20,283	32,671	30,893
Non-current assets	13,633	13,575	17,541	22,297	16,590
Current assets	5,923	5,450	2,742	10,374	14,303
Total liabilities	23,076	31,365	25,355	22,205	18,135
Non-current liabilities	16,105	23,014	1,656	2,539	4,599
Current liabilities	6,971	8,351	23,699	19,666	13,536
Share capital	26,161	14,587	13,453	13,453	13,453
Total (capital deficiency)/equity	(3,520)	(12,340)	(5,072)	10,466	12,758
(Loss)/earnings per share (cents)	(0.77)	(3.88)	(9.34)	(3.25)	0.49
Number of shares issued ('000)	667,104	185,946	125,946	125,946	125,946
Dividend per share	–	–	–	–	–

Sustainability Report

STATEMENT FROM THE BOARD

We are pleased to present AGV Group Limited's ("AGV" or the "Group") third Sustainability Report (the "Report") for the financial year ended 30 September 2020 ("FY2020"). We recognise the importance of sustainable business practices and remain committed to being a responsible player in society. To do so, we continue to align our business practices and operations against our Environmental, Social and Governance ("ESG") goals.

Given today's rapidly changing business climate, sustainable development has become a critical factor for companies to ensure long-term value creation. We believe that incorporating an established and consistent sustainability reporting framework is crucial in keeping up with the expectations of our key stakeholders.

The Board of Directors and senior management are actively involved in the Group's sustainability efforts which include the setting of sustainability goals, monitoring the progress and performance of achieving these goals, along with periodic evaluations of our material sustainability factors.

In this Report, we have re-evaluated and identified relevant material topics in consultation with internal and external stakeholders which we believe would have significant economic, environmental and social impact. After reviewing the selection of these material factors, we believe that the five topics reported for FY2019 remains relevant to our business and will continue to be critical in FY2020.

The Board has in FY2020 determined the material environmental, social and governance ("ESG") factors to be:

- Procurement Practices
- Occupational Health and Safety
- Training and Education
- Materials
- Environmental Compliance

We conduct an ESG review to assess the selection of material factors on an ongoing basis, and will focus on expanding upon our past efforts on the above. In this report, we are pleased to share some of the achievements we have made in FY2020:

<u>Procurement Practices</u>

Proper procurement practices are in place to maximise operational efficiencies and controls, as well as to minimise costs without compromising on quality. As zinc is the main raw material for our business, we closely monitor price fluctuations on the global markets to allow us to forge better deals with our suppliers and minimise the inherent risks associated with purchasing commodities.

When selecting suppliers, we prefer to work with those who have incorporated sustainable practices in their operations so as to minimise the impact on the environment. We also perform regular evaluations on both potential and existing suppliers to ensure that they are able to cater to our business needs. Our practice of increasing the number of supplier contacts helps us to make better price and quality comparisons during the sourcing process.

For FY2020, we increased our new supplier contacts by approximately 20%. Moving forward, we plan to raise our new supplier contacts by another 20% in FY2021.

Sustainability Report

Occupational Health and Safety

We also have an established Health and Safety Policy that we communicate to all employees and workers. The policy emphasises the need to maintain high standards of health and safety in the workplace. Weekly reports on Workplace Health and Safety are also furnished by our outsourced consultant (SRD Pte Ltd).

Other than basic policies, safety initiatives such as mandatory fire drills are held every six months along with weekly Personal Protection Equipment ("PPE") inspections, to ensure that our workers are equipped with proper safety gear suitable for their work. Regular toolbox meetings and safety drills are also conducted to facilitate health and safety discussions on the work sites and to inculcate a "Safety First" culture.

There were six occupational health & safety incidents in FY2020. While the Group ultimately strives for zero occupational health and safety incidents, our aim is to reduce the incident rate by at least half in FY2021.

Training and Education

As part of our commitment to equip our staff with relevant skills and knowledge, we provide opportunities for the upgrading of skills and training through participation in trainings and seminars.

Periodic reviews on employee performances and appraisals are also carried out to provide Management and employees with a two-way communication channel to better understand each other and to identify skills and opportunities for future growth.

For FY2020, all of our employees (including production workers) have taken part in our annual appraisal process.

Materials

We provide corrosion protection to steel products used in a variety of industries as part of our ongoing operations. As such, it is essential that we take a consistent approach when handling these materials used by, and generated from our operations, so as to create a safer and greener world.

We continue to ship all of the by-products generated from our operations (including zinc ash and zinc dross) for recycling. As the recovery rate of zinc from these by-products are close to 100%, adopting this practice will help to reduce the overall energy consumed and environmental disruption caused by our mining and refining operations.

Moving forward, the Group will continue to send its zinc by-products for recycling. Additionally, the Group intends to explore more sustainable raw material sources by encouraging suppliers to disclose their source of materials and energy usage data. Finally, we will strive to keep ourselves abreast of the latest technological developments that could optimise the galvanizing process and ensure the long-term sustainability of the industry.

Sustainability Report

Environmental Compliance

We have an established set of policies in place to manage our emissions, effluents and waste generated from our day-to-day business operations. Apart from these policies, we constantly keep ourselves updated with practices and guidelines developed by the relevant environmental regulators.

We are pleased to announce that there were no reports on non-compliance with environmental laws and regulations for FY2020.

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

Closing Remarks

This Report is an important annual milestone which provides a snapshot of our sustainable development journey. We will continue to build on the various initiatives that we have in-place, placing the interests of our stakeholders as priority. We also remain committed to operating responsibly and strive to make a positive impact for the wider global ecosystem. We look forward to sharing our experience in this journey for the years to come.

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 our ESG performance. The GRI content index can be found on pages 25 to 28 of this Report.

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

Report Scope

This Report covers the sustainability practices and efforts of our Group's operations in Singapore for FY2020.

Report Contact and Feedback

We welcome any feedback as part of continuous improvement to the reporting of our Group's sustainability efforts and performance. Should you wish to do so, 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 adopts a comprehensive approach to sustainability. The Board of Directors, senior management and key stakeholders are actively involved in the establishment, review and monitoring of the Group's sustainability initiatives. The Board of Directors oversees the overall sustainability framework and direction of the Group, and incorporates sustainability considerations when formulating business strategies. On the other hand, senior management monitors the performance of its ongoing initiatives via periodic reviews that are submitted 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.

Stakeholder Selection

The Group engages various parties along its value chain(s) that have significant impact on regulatory requirements as well as business impact. Priority is given to stakeholders that are willing to create opportunities for dialogue, and are transparent and responsive when the Group communicates its sustainability topics in the context of economic objectives.

Stakeholder Engagement

For FY2020, AGV continues to actively engage its stakeholders. This allows the Group to comprehensively understand various perspectives regarding its sustainable practices. Engagement with stakeholders is carried out by the Group in both an informal and formal manner.

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

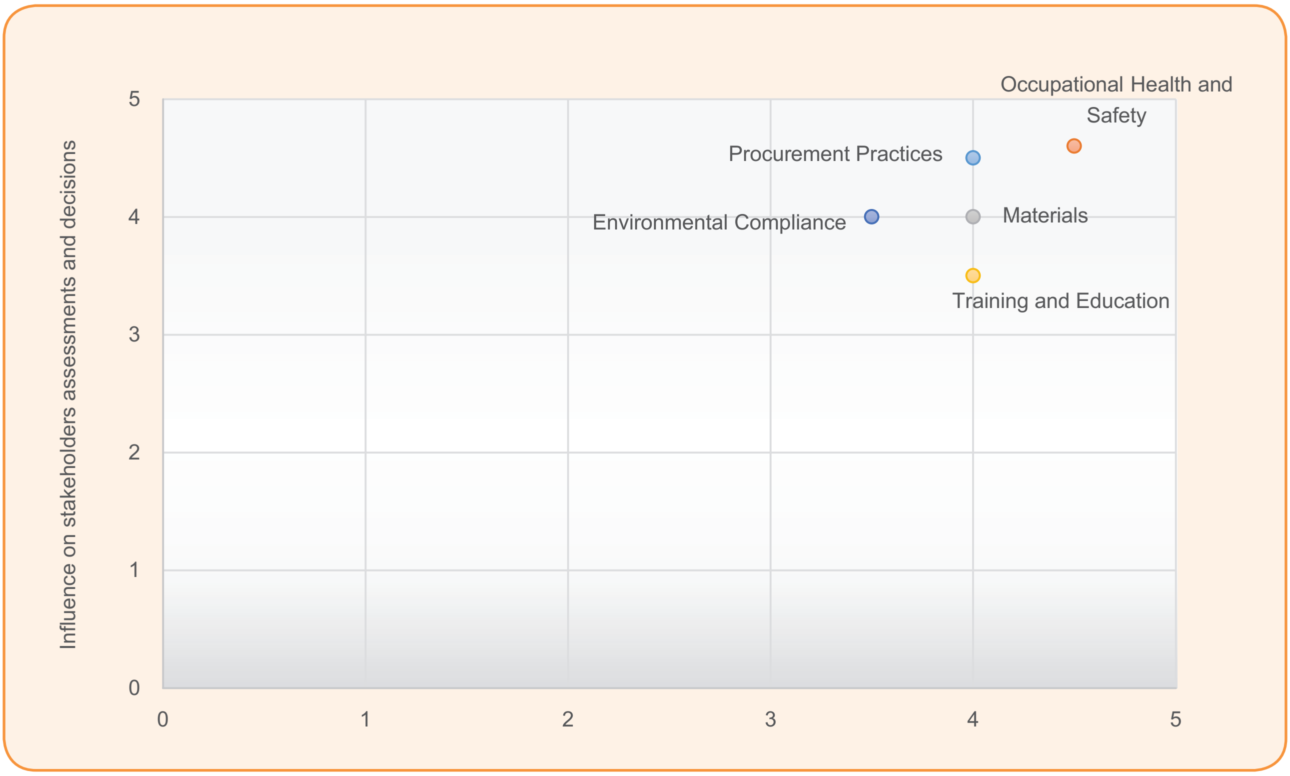
Stakeholder Group	Engagement Activities	Key Concerns
Shareholders	■ AGMs and EGMs ■ Annual and interim reports ■ Circulars and news releases to shareholders ■ Corporate website	■ Profitability ■ Transparency ■ Timely reporting
Customers	■ Daily interactions with dedicated account teams ■ Regular visits ■ Enquiry and feedback channels ■ Customer surveys	■ Quality products ■ Timely delivery of goods ■ Effective customer service ■ After-sales service
Employees	■ Annual employee performance appraisal ■ Regular team meetings ■ Staff communication sessions ■ Seminars, training sessions and orientation program for new staff ■ Whistle-blowing hotline	■ Staff rights and welfare ■ Safe and conducive working environment ■ Career development pathways

Sustainability Report

Stakeholder Group	Engagement Activities	Key Concerns
Directors & Top Management	■ Board meetings and reporting ■ Monthly meeting with management staff	■ Long-term goals and short-term objectives ■ Directives toward established goals
Business Partners	■ Frequent discussions and meetings	■ Partnership opportunities to spur growth
Suppliers	■ Periodic supplier evaluation ■ Comparison of quotes ■ Periodic discussions ■ Compliance with terms and conditions of transactions ■ Plant tours	■ Compliance with terms and conditions of purchasing policies and procedures ■ Maintenance of ethical standards (including conforming to various regulators' standards)
Government and Regulators	■ Email and phone interactions ■ Seminars	■ Compliance with regulations ■ Timely reporting and resolution of issues

Material Topics

Based on the feedback gathered from both our internal and external stakeholders, AGV has re-evaluated and identified relevant material topics which would have significant economic, environmental and social impact. The five topics reported for FY2019 remains relevant to our business in FY2020, and are reflected in our materiality matrix below:



Significance of economic, environmental and social impacts

Sustainability Report

Material Topics for FY2020

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

The Group will review and re-evaluate these material topics on an annual basis, so as to ensure its relevance to its stakeholders and prevailing business landscape.

Sustainability Report

ECONOMIC

Procurement Practices

At AGV, we adopt proper procurement practices to maximise operational efficiency and minimise costs without compromising on quality. Furthermore, our procurement standards are aligned with our stance on improving the sustainability of our supply chain and minimising the impact on our collective environment. As such, we prefer to work with suppliers that have incorporated sustainable practices within their operations.

As a provider of hot-dip galvanizing services to the steel and iron fabrication industries, zinc (along with other pre-treatment chemicals) is one of the main raw materials we use. As zinc is a globally traded commodity, we are able to constantly monitor its market price on the global commodity markets. This practice helps us to make more informed decisions and forge better deals with our suppliers. Furthermore, this practice allows us to minimise the inherent risks associated with purchasing commodities.

We also perform regular evaluations of both new and existing suppliers to ensure that they are able to meet our strict procurement requirements. This includes an analysis of their cost effectiveness, timeliness, transactional accuracy, quality and overall service standards. By enforcing stringent procurement requirements, the additional value generated in the form of cost savings and higher quality products can be passed on to our customers and various stakeholders.

Our standard practice of increasing the number of supplier contacts helps us to make better price and quality comparisons during the sourcing process. For raw materials and services that we regularly procure, we added seven or an approximate 20% increase in new supplier contacts in FY2020. On the other hand, we strive to make our purchases from local companies wherever possible as a way of giving back to our local community. For FY2020, our local purchases made up approximately 8% of our total raw materials procured, while foreign purchases made up the remaining 92%.

Looking ahead, we have plans to gradually incorporate new sustainability factors such as environmentally-friendly packaging, green production methods and proper waste management in our selection.

<u>Subsequent reporting for FY2021</u>

For FY2021, we plan to increase our supplier contacts by approximately 20%. This will increase the level of competitiveness amongst our suppliers, thereby enhancing the overall robustness of our supply chain.

Sustainability Report

SOCIAL

Occupational Health and Safety

At AGV, we understand the importance of having high standards of occupational health and safety to prevent work place incidents at our offices and work sites. As a provider of galvanising services, the safety measures that we have in-place have been crucially tailored to the conditions and setting of our working environment.

The Group has a comprehensive Health and Safety Policy which is communicated to all employees and workers of the organisation. We believe that the effective management of occupational health and safety contributes to higher employee morale and increased productivity levels. Subsequently, this translates to better overall service quality.

In addition to our well-established Health and Safety Policy, we proactively engage in tracking and monitoring any incidents that occur at our offices and production facilities. For FY2020, weekly reports on Workplace Health and Safety were also furnished by our outsourced consultant, SRD Pte Ltd. A summary of the scope of these audits are detailed in the table below. The full reports were reviewed by our Work, Safety and Health ("WSH") supervisor and endorsed by our production and maintenance head.

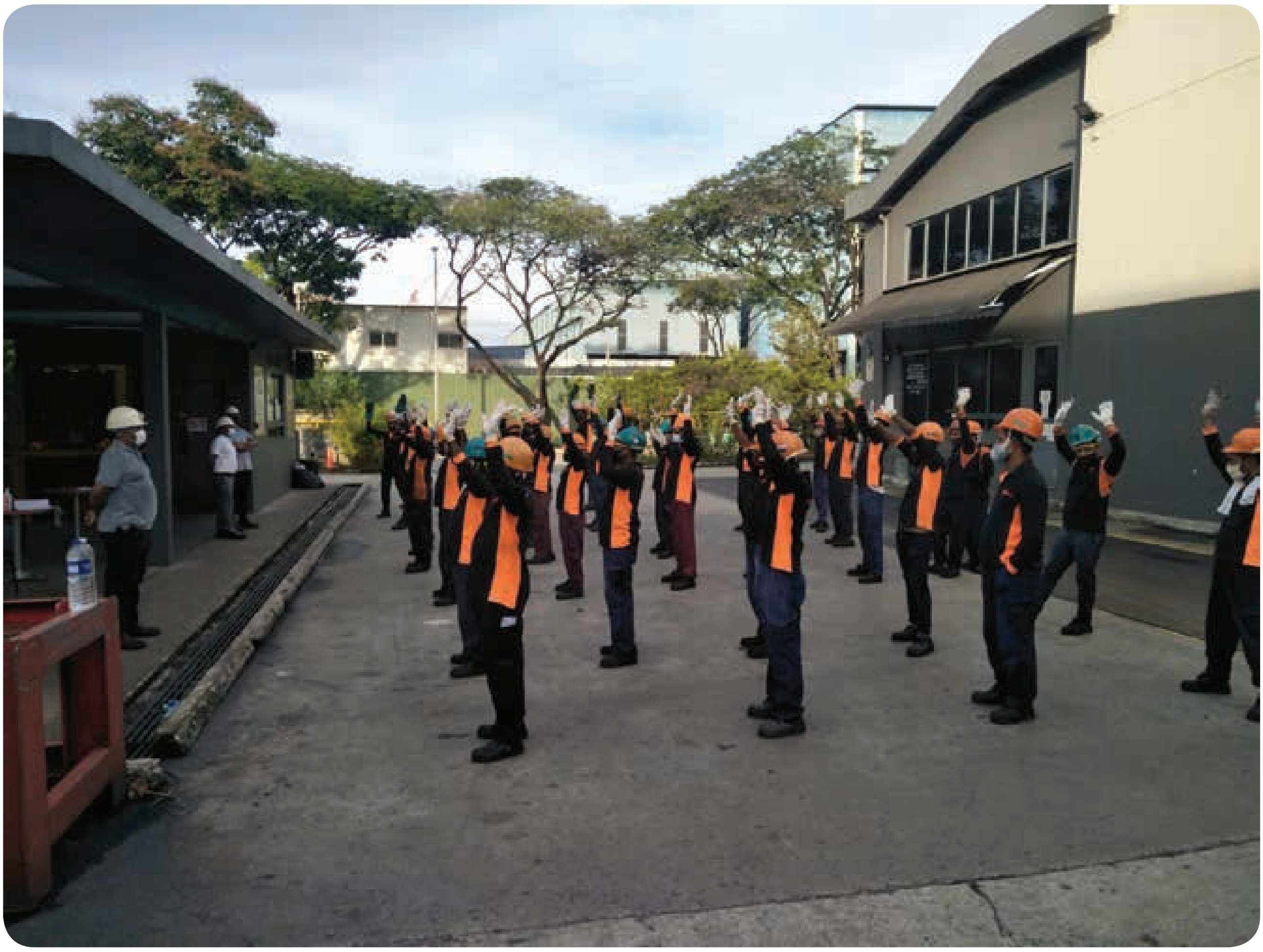
Scope and objective	Summary of audits
	List of Authorities enforcement
	Accident and incident analysis
Safety planning	In-house rules and regulations (stipulating which workers are given warning letters for breach of safety rules)
	Committees and meetings (i.e. toolbox meeting; Work, Health and Safety supervisor inspection etc.)
	Types of training programs (i.e. safe forklift operation; evacuation and fire drills etc.)
	Promotions, 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 is any availability of Safety Data Sheets (SDS)
	Maintenance regime on 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

For FY2020, safety initiatives such as mandatory fire drills were held every six (6) months with a 100% participation rate. Weekly Personal Protection Equipment ("PPE") inspections were also carried out to ensure workers are properly equipped with the appropriate safety gear that is suitable for their scope of work.

In addition to the safety trainings conducted for our employees and workers (more details under "Training and Education" on page 21 to 22 of this Report), regular toolbox meetings and safety drills were conducted to facilitate discussion on health and safety, so as to inculcate a "Safety First" culture amongst all. Group briefings were also conducted to ensure that our workers are made aware of the potential hazards of the work setting, as well as the various safety measures in place. Furthermore, safety posters, banners and signages have been put up at various workstations and shared areas to maintain a high level of safety awareness.

Apart from conducting health and safety initiatives on haze monitoring and dengue/zika controls, an extensive set of COVID-19 safe management measures were also implemented in FY2020. Supported by the guidelines and measures enforced by AGV to ensure the health and safety of its employees are maintained during this period, there were zero cases of COVID-19 infection reported amongst AGV employees and production workers since the beginning of the COVID-19 outbreak.



Sustainability Report

The Group remains in compliance with statutory safety requirements. Apart from adopting leading practices established by the relevant regulatory bodies and statutory boards, we have always kept ourselves abreast of industry best practices through our participation in various associations.

In FY2020, we improved our Quality Management System to ISO 45001 which is a more structured, rigorous, proactive and comprehensive approach in managing risks related to occupational health and safety. We are also ISO 45001 certified for our Occupational Safety and Health Management and were recipients 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.

In FY2020, there were six reportable workplace accidents and injuries.

Subsequent reporting for FY2021

The Group will continue to invest in the occupational safety and health of our workers and aim to reduce workplace incidents by at least half in FY2021. We will also review and improve our existing occupational health and safety programmes, as well as conduct regular safety training and educational sessions for our employees.

Training and Education

We believe that our employees are pivotal to the sustainable growth and success of the Group. As such, we take great effort in providing training opportunities for our staff to upgrade their skillsets. This includes their participation in various training programs and seminars. Due to the investments we make in our workforce, our staff are equipped with the relevant skills and knowledge. More importantly, they are aligned with the long-term direction of AGV and are more inclined to grow together with the Group.

As of 30 September 2020, the Group has a total staff strength comprising 110 full-time employees.

Training and education for new hires

In addition to the on-the-job training and guidance provided by our experienced employees, new hires are required to go through a series of training workshops including safety induction trainings. On-the-job training allows our employees to familiarise themselves with various work processes and procedures, while gaining technical know-how from their more experienced counterparts.

Training and education for experienced hires

We strive to ensure that our employees are able to adapt to new industrial requirements and standards through their participation in educational programs or training sessions. The majority of sessions typically conducted are on workplace proficiencies including boom lift, overhead crane and forklift operational trainings.

Training Hours in FY2020

Due to the onset of the COVID-19 pandemic and subsequent circuit-breaker measures imposed by the Singapore Government during the year, many training schools were inevitably closed. As such, there were limited options for staff training in FY2020.

Sustainability Report

Performance and Career Development review

The Group views performance and career development reviews as a crucial factor for success. Periodic reviews on employee performances helps employees understand how they fare in relation to the Group's requirements. This also aligns our employees' efforts with the Group's overall direction, objectives and goals.

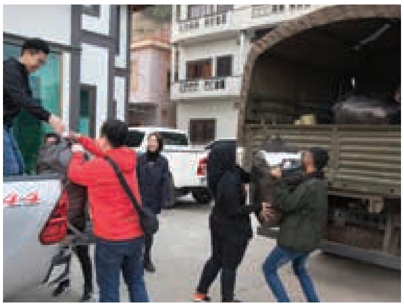
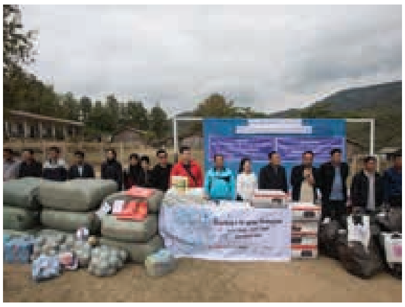
On the other hand, the appraisal process is a two-way communication channel between Management and employees, and serves to provide a framework for employees to identify skills and opportunities for future growth. For FY2020, all of our employees (including production workers) took part in our annual appraisal process.

Subsequent reporting for FY2021

Moving forward, the Group intends continue providing academic and workplace proficiency courses, from workplace safety and health, equipment and machinery operational courses, to supervisor courses. In addition, we plan to provide opportunities for production workers to upgrade their skillsets through attending Core Trade courses. AGV strives to maintain, if not increase, the average training hours per employee without compromising on the quality of trainings provided.

Corporate Social Responsibility ("CSR") Initiatives

From the 10th to 14th January 2020, AGV initiated, sponsored and participated in a cross-border CSR project in Sam Nuea, Laos, to provide essential supplies, including clothing and learning supplies, to children in a rural village school. With the support of several sponsors, the Group provided winter jackets to help these children through the winter season in Laos. Essential school supplies were also issued to children whose families were unable to afford them, while improvements were made to enhance the school's facilities. The site-visit was an important learning experience which allowed the team to better understand the specific needs that can help enhance the standard of living of the Sam Nuea community and its residents. As part of ongoing efforts to play its responsible part for society, the Group intends to continue giving back in future where possible.


Sustainability Report

ENVIRONMENT

Materials

As a provider of galvanising services, AGV's core business is to create a safer and greener world by providing corrosion protection to steel products used by a variety of industries. We have always taken a consistent approach when handling materials used by, and generated from our operations.

For FY2020, the total production volume and weight of materials that were used to produce our products are detailed below:

- Total Production Volume: 20,259 MT (100%)
- Total Zinc Consumption: 1,179 MT (5.82%)
  - Out of the 1,179 MT (5.82%), 337 MT (1.67%) are by-products and were recycled by third-parties.

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

Furthermore, the energy used to process zinc (for both mining and refining stages) is also very high. An estimated energy expenditure of 31kWh per metric ton of zinc ore is used to produce zinc concentrate, while an estimated 800kWh is required to produce one metric ton of zinc metal.

With this in mind, we intend to contribute greater efforts and play our part in the preservation of zinc supplies. We continue to ship all of the by-products generated from our operations (including zinc ash and zinc dross) for recycling. As the recovery rate of zinc from these by-products are close to 100%, adopting this practice will help to reduce the overall energy consumed and environmental disruption caused by our mining and refining operations. Last but not least, the Group also reuses other supplemental materials such as wooden pallets and spacers.

Subsequent reporting for FY2021

As part of our sustainability initiative, we will continue to send our zinc by-products for recycling. Additionally, we intend to explore more sustainable raw material sources by encouraging suppliers to disclose their source of materials and energy usage data. Finally, we will strive to keep ourselves abreast of the latest technological developments that could optimise the galvanizing process and ensure the long-term sustainability of our collective industry.

Sustainability Report

Environmental Compliance

We are committed to managing our impact on the environment while complying with all relevant laws and regulations, so as to maintain our reputation as an environmentally responsible organisation.

To do so, we have an established set of policies in place to manage our emissions, effluents and waste generated from our day-to-day business operations. Apart from these policies, we constantly keep ourselves updated with practices and guidelines developed by the relevant environmental regulators.

We are pleased to announce that there were no reports on non-compliance with environmental laws and regulations for FY2020.

Subsequent reporting for FY2021

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

Sustainability Report

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
General Disclosures			
Organisation Profile	102-1	Name of the organisation	AGV Group Limited
	102-2	Activities, brands, products, and services	AR Section "Corporate Profile"
	102-3	Location of headquarters	AR Section "Corporate Profile"
	102-4	Location of operations	AR Section "Corporate Profile"
	102-5	Ownership and legal structure	Incorporated in Singapore; listed on the Catalist Board of SGX-ST since 26 August 2016
	102-6	Markets Served	AR Section "Corporate Profile"
	102-7	Scale of the organisation	Page 5-6
	102-8	Information on employees and other workers	Page 19-21
	102-9	Supply chain	Page 18
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary principle or approach	Page 15-17
	102-12	External Initiatives	Singapore Code of Corporate Governance (2018) Singapore Financial Reporting Standards (International)
	102-13	Membership of associations	AR Section "Membership of Associations"
Strategy	102-14	Statement from senior decision maker	Page 11-13
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	AR Section "Corporate Government Report"
Governance	102-18	Governance structure	AR Section "Group Structure"

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<tr><td>102-56</td><td>External assurance</td><td>Page 14</td></tr>
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<tr><td colspan="4">Procurement Practices</td></tr>
<tr><td rowspan="3">Management Approach</td><td>103-1</td><td>Explanation of the material topics and its boundaries</td><td rowspan="4">Page 18</td></tr>
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GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
Specific Disclosures			
Occupational Health and Safety			
Management Approach	103-1	Explanation of the material topics and its boundaries	Page 19-21
	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, absenteeism and number of work-related fatalities	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	
Training and Education			
Management Approach	103-1	Explanation of the material topic and its boundaries	Page 21-22
	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	
Materials			
Management Approach	103-1	Explanation of the material topic and its boundaries	Page 23
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Materials	301-1	Materials used by weight or volume	

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GRI Standard		Disclosure	Page Reference/Reason for Omission, if any
Specific Disclosures			
Environmental Compliance			
Management Approach	103-1	Explanation of the material topic and its boundaries	Page 24
	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 maintaining a high level of corporate governance to promote greater transparency and safeguard the interests of shareholders, employees, and other stakeholders as well as to promote investors' confidence.

In accordance with Rule 710 of the Listing Manual – Section B: Rules of the Catalist (the "**Catalist Rules**"), this Corporate Governance report dated 13 January 2020 (the "**Report**") outlines the Company's corporate governance structures and practices that were in place during the financial year ended 30 September 2020 ("**FY2020**"), with specific reference made to the Principles and Provisions of the Code of Corporate Governance 2018 (the "**Code**") and the Practice Guidance, to protect and enhance the interests and values of its shareholders.

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.

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.

As at the date of this Annual Report, the Board comprises Mr Chua Wei Kee, Mr Chong Kwang Shih, Mr Choong Yoon Fatt and Mr Wee Meng Seng Aloysius.

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 Director. 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. Provision 1.1. of the Code

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. Provision 1.4 of the Code

The Board meets at least two (2) times in each financial year. Unscheduled meetings will also be convened on an ad-hoc basis where warranted by the circumstances. Teleconferencing and video conferencing at meetings is permitted under the Company's Constitution. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of written resolutions.

Corporate Governance Report

During the financial year ended 30 September 2020, the Board held seven (7) Board meetings, four (4) AC meetings, four (4) NC meetings and one (1) RC meeting.

Provision 1.5 of the Code

The attendance of the Directors at meetings of the Board and Committees during the financial year ended 30 September 2020 were as follows:

		Committee		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of Meetings held:	7	4	4	1
Name of Director				
Mr Chua Wei Kee[(1)]	7	2 (invited)	1 (invited)	–
Mr Ang Nam Wah Albert[(2)]	4	2 (invited)	1 (invited)	1 (invited)
Mr Ang Nam Heng James[(3)]	1	1 (invited)	1 (invited)	1 (invited)
Mr Chong Kwang Shih	7	4	4	1
Mr Choong Yoon Fatt	7	4	4	1
Mr Wee Meng Seng Aloysius	7	4	4	1

Notes:

(1) Mr Chua Wei Kee was re-designated as Executive Chairman and ceased to be a member of the Nominating Committee of the Company on 29 November 2019.

(2) Mr Ang Nam Wah Albert was re-designated as Executive Director (Singapore operations) on 14 January 2020. He had been placed on a leave of absence from 7 August 2020 and resigned as an Executive Director of the Company on 1 October 2020. Please refer to the Company's announcements released on SGXNet on 7 August 2020 and 1 October 2020 for more information.

(3) Mr Ang Nam Heng James resigned as an Executive Director of the Company with effect from 30 January 2020. He remains a Director of the Company's wholly-owned subsidiary, AGV Galvanizing (Singapore) Pte. Ltd.

The current Board members generally do not have more than three (3) directorships in other listed companies. Accordingly, the NC is satisfied that currently the Directors have been able to devote sufficient time and attention to the affairs of the Group and that they are able to satisfy their duties as Directors to the Company.

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;

Corporate Governance Report

(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:

Provision 1.3 of the Code

(a) major corporate policies on key areas of operations;

(b) corporate or financial restructuring;

(c) mergers and acquisitions, including investments;

(d) disposal of assets, including subsidiary and investments;

(e) transactions involving interest persons, related parties or conflict of interests;

(f) announcements of financial results;

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

(h) recommending dividend payments; and

(i) 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 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.

Provision 1.2 of the Code

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.

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.

Provision 1.6 of the Code

To enable the Board to better understand the Group's business as well as for them to discharge their respective duties, Management will provide regular business updates to the Board during its meetings. The Directors are also regularly briefed by Management on the business activities of the Group as they are responsible for the Company's strategic directions as well as its corporate practices. Accordingly, such briefings by Management allow the Directors to stay up to date on the day-to-day implementation of such strategic directions and corporate practices.

Provisions 1.2 and 1.6 of the Code

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.

Provision 1.7 of the Code

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 of the Board (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.

Corporate Governance Report

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this report, the Board comprises four (4) Directors, one (1) of whom is executive. All three (3) 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	–	–	–
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

Further information about the profiles of the Directors is set out on pages 7 to 8 of this Annual Report.

The Board and NC consider a Director to be "independent" if he is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent business judgement in the best interests of the Company. The Board and NC are of the opinion that the Independent Directors satisfy these criteria. 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.

Provision 2.1 of the Code

As the Chairman of the Board 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.

Provisions 2.2 and 2.3 of the Code

The Board, through the NC, reviews the size and composition of the Board to ensure that the size and composition of the Board is conducive for the purposes of effective discussion and decision-making. In addition, the Board, through the NC, also ascertains whether the Board has an appropriate mix of expertise, skill, knowledge, experience and gender diversity, and whether the Board collectively possesses the necessary core competencies required for the purposes of ensuring that it is able to function effectively and to make informed decisions for the Company. Based, on these requirements, the Board is of the opinion that, for FY2020, its current board size and composition is reasonably effective and efficient considering the nature, scope and size of the Group's business operations.

Provision 2.4 of the Code

Corporate Governance Report

In addition, the NC is of the view that the Board comprises Directors who as a group, provide an appropriate balance and diversity of skills, experience and knowledge of the Company, with core competencies such as accounting and finance, and business and management experience. 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.

To facilitate a more effective check on Management, the Non-Executive Directors are encouraged to meet regularly without the presence of Management. The Independent Directors also constructively challenge Management and participate in setting strategies and goals for the Company. They review and monitor Management's performance in the implementation of the agreed strategies and goals.

Provision 2.5 of the Code

The NC also reviews the independence of each Independent Director annually. In ascertaining the independence of each Independent Director, the NC has adopted the guidelines in the Code as well as Rule 406(3)(d) of the Catalist Rules (collectively, the "**Independence Criteria**") of what constitutes an Independent Director in its review of the independence of each Director. In this regard, after conducting a review, the NC is satisfied that there are no relationships identified by the Code which would deem any of them not to be independent.

In light of the foregoing, the Board and the NC are of the view that the Board can exercise independent judgement on corporate affairs and that no one individual or group(s) of individuals dominates any decision-making process. There is currently no Independent Director who has served on the Board for more than nine (9) years.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one has unfettered powers of decision-making.

The Executive Chairman of the Board as at the date of this report is Mr Chua Wei Kee. He is responsible for the Group's overall management, including overseeing our operations, setting directions for new growth areas and developing business strategies. In addition, he is responsible for the effective function of the Board as set out below.

Deviated from Provision 3.1 of the Code

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;

Corporate Governance Report

(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.

The Group believes that a single leadership structure will facilitate the decision-making process in relation to business opportunities and operational matters. Further to Provision 3.1 of the Code, 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.

As disclosed under Principle 1 set out on pages 29 to 32 of this Annual Report, major decisions that may affect the Group comes under the purview of the Board, thus, the Board is of the opinion there are adequate safeguards in place against an uneven concentration of power and authority in a single individual and 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.

Provision 3.3 of the Code

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 communication with the Chairman or Management are inappropriate or inadequate. 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 Principles and Provisions 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 Executive Director(s), and to provide any feedback to the Chairman after such meetings.

Corporate Governance Report

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board, taking into account the need for progressive renewal of the Board.

The Nominating Committee comprises Mr Wee Meng Seng Aloysius (Chairman), Mr Chong Kwang Shih and Mr Choong Yoon Fatt, all of whom are Non-Executive and Independent Directors.

Provisions 4.1 and 4.2 of the Code

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;

(b) review and approve any new employment of related persons and proposed terms of their employment;

(c) developing a process for evaluating the performance of the Board, its committees and Directors;

(d) reviewing training and professional development programs for the Board;

(e) making recommendations to the Board on the appointment and re-appointment of Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

(f) regularly reviewing the Board's structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;

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

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(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 has multiple board representations;

(k) assessing the effectiveness of the Board as a whole and in respect of the assessment of the contribution and commitment of individual Directors, this is done on an exception basis; and

(l) conducting a review on the performance of the Board and the Board committees as a whole.

Details of the appointment of the Company's current (as at the date of report) Directors including date of initial appointment and directorships in other listed companies, both current and for the preceding three (3) years, are set out below

Provision 4.5 of the Code

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	47	10 January 2019	SMTrack Berhad	N.A.	Chief Executive Officer of JD Resources Sdn. Bhd.
Chong Kwang Shih	54	20 June 2018	N.A.	N.A.	Independent Consultant
Choong Yoon Fatt	45	13 November 2018	N.A.	Oriental Group Ltd.	Public accountant practicing at SC & Co. and Managing Director of Integra Solutions Pte Ltd
Wee Meng Seng Aloysius	51	13 November 2018	Olive Tree Estate Limited (formerly known as Changjiang Fertilizer Holdings Limited) JES International Holdings Ltd	Shanghai Turbo Enterprises Ltd Singapore eDevelopment Ltd (formerly known as CCM Group Limited) Oriental Group Ltd.	Managing Partner of Aquinas Law Alliance LLP

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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 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 FY2020, 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.

Provision 4.5 of the Code

With regard to the retirement and re-election of Directors at every Annual General Meeting ("**AGM**"), the Company's Constitution provides that all Directors are to submit themselves for re-nomination and re-election at least once every three years and pursuant to Regulation 97 of the Company's Constitution, at least one-third of the Directors to retire from office by rotation. If new Directors are appointed during the year, they would be subject to retirement and re-election at the forthcoming AGM of the Company. The NC is responsible for the nomination of retiring Directors for re-election. In recommending a Director for re-election to the Board, the NC takes into account the composition and progressive renewal of the Board, and considers, amongst others, his performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). For FY2020, the Directors retiring at the AGM pursuant to Regulation 97 of the Constitution are Mr Chong Kwang Shih and Mr Choong Yoon Fatt (the "**Retiring Directors**"). After assessing the contributions of the Retiring Directors, the NC has recommended the re-election of the Retiring Directors at the forthcoming AGM. The Board has accepted the NC's recommendation that the Retiring Directors, who have given their consent for re-election at the forthcoming AGM, be put forth for re-election.

Information, as set out in Appendix 7F of the Catalist Rules, relating to the Retiring Directors who are retiring and offering themselves for re-election at the upcoming AGM can be found in "Disclosure of Information on Directors seeking Re-Election" on pages 147 to 153 of the Annual Report.

The NC is also tasked with assessing the independence of Independent Directors. This review is done annually, and as and when the circumstances require, in accordance with the Independence Criteria. Each Independent Director has submitted their confirmation of independence for the NC's review on an annual basis. The Independent Directors have confirmed their independence in accordance with the Independence Criteria for FY2020. The Board, after taking into account the views of the NC and having considered the confirmations of independence provided by the Independent Directors, is of the view that Mr Chong Kwang Shih, Mr Choong Yoon Fatt and Mr Wee Meng Seng Aloysius are independent. The NC also 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.

Provision 4.4 of the Code

Corporate Governance Report

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the proposed changes and will make the appropriate recommendations to the Board. In addition, the NC is also responsible for ensuring that the membership of the Board is refreshed progressively and in a systematic manner, to avoid losing institutional knowledge. The NC also reviews the succession plans for the key management personnel. The NC recognizes the importance of succession planning as part of corporate governance and reviews the succession plans for the key management personnel.

Provision 4.3 of the Code

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, amongst others, 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.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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 considers each Director's relevant experience, industry knowledge and functional expertise, and monitors the attendance and participation of each Director at Board and Committee meetings and availability for consultation and advice when required. The assessment will be conducted by the NC at least once a year. The Chairman of the NC will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate that new members be appointed to the Board. No external facilitator has been appointed by the Company.

Provision 5.1 of the Code

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.

Provision 5.2 of the Code

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

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(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 abstains from voting on any resolution in respect of the assessment of his performance or re-nomination as Director or any other matters in which he has an interest in.

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No director is involved in deciding his own remuneration.

The Remuneration Committee comprises the Independent Directors, namely, Mr Choong Yoon Fatt (Chairman), Mr Chong Kwang Shih, and Mr Wee Meng Seng Aloysius.

Provision 6.2 of the Code

The primary function of the RC is to advise the Board on compensation matters. The RC establishes remuneration policies that are in line with the Group's business strategies and risk policies as well as long-term interests of the Group and its shareholders, with a view to ensuring that the remuneration packages are sufficiently competitive to attract, retain and motivate Directors and the key management personnel with the appropriate experience and expertise.

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, as well as of employees related to any of the Directors, and reviewing and recommending the specific remuneration packages and terms of employment for each Director as well as the key management personnel and any such related employee; and

Provision 6.1 of the Code

(b) as part of its review, the RC shall ensure that:

Provision 6.3 of the Code

(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

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(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.

As part of its review, the RC will take into consideration the salary and employment conditions of similar roles within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the Executive Director and key management personnel. This remuneration framework is recommended by the RC to the Board to ensure that the structure is competitive and sufficient to attract, retain and motivate the Executive Director and the key management personnel to run the Company successfully in order to maximise the shareholder value.

There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in deciding his own remuneration. In addition, each member of the RC abstains from making any recommendation on or voting on any resolution in respect of his own Directors' fees payable to each of them, except for providing information and documents specifically requested by the RC to assist it in its deliberations. Further to this, with regard to the remuneration of other key management personnel, the RC reviews proposals which are made by the Executive Director based on the Company's performance, long-term interest and risk policies, as well as the responsibilities and performance of individual key management personnel.

The RC will also review the terms and conditions of the service agreement of the Executive Director(s) as well as the key management personnel before their execution. In the course of such review. The RC will consider, in particular, 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.

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 FY2020.

Provision 6.4 of the Code

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

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 the Executive Director(s). The recommendations of the RC are therefore submitted to the Board for its approval.

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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.

Provisions 7.1 and 7.3 of the Code

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Company's Constitution, which contain retirement and re-election provisions.

Independent Directors are paid Directors' fees which are recommended by the Board and RC based on factors such as the effort and time spent, as well as responsibilities as members of the various Committees. The fees are compared against market standards to ensure that they are in line with market norms and to ensure that their independence is not compromised. In addition, payment of the fees is subject to the approval of the shareholders at Annual General Meeting. For the avoidance of doubt, the Executive Director does not receive Director's fees.

Provision 7.2 of the Code

The remuneration for the Executive Director 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.

The Executive Director has entered into a service agreement with the Company.

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 Director's 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 Director(s) in the event of such breach of fiduciary duties.

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration framework is based on policies which are aligned with the interests of shareholders and to support the Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principles 6 and 7 above.

Provision 8.1 of the Code

Corporate Governance Report

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 FY2020 in accordance with Provision 8.1 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.

Provisions 8.1 and 8.3 of the Code

During the year under review, there were only two (2) 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 FY2020 are set out below:

Remuneration Band and Name	Directors' Fees (%)	Base/Fixed Salary(1)(2) (%)	Variable Bonus(2) (%)	Other Incentives(3) (%)	Total (%)
S$250,001 to S$500,001					
Chua Wei Kee	–	100	–	–	100
Ang Nam Wah Albert(4)(5)	–	88	–	12	100
Ang Nam Heng James(5)(6)	–	100	–	–	100
Below S$250,000					
Chong Kwang Shih	100	–	–	–	100
Choong Yoon Fatt	100	–	–	–	100
Wee Meng Seng Aloysius	100	–	–	–	100

Notes:
(1) Pertains to bonuses paid in respect of FY2020.
(2) The amounts for salary and variable bonus shown are inclusive of Provident Funds contributions.
(3) Other incentives include transport, benefits-in-kind, where applicable
(4) Mr Ang Nam Wah Albert received remuneration from 1 October 2019 to 30 September 2020, but has since resigned as an Executive Director of the Company on 1 October 2020.
(5) Mr Ang Nam Wah Albert and Mr Ang Nam Heng James are brothers.
(6) Mr Ang Nam Heng James received remuneration from 1 October 2019 to 30 September 2020. While he resigned as an Executive Director of the Company on 30 January 2020, he remains a Director of AGV Galvanizing (Singapore) Pte. Ltd.

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Key Management Personnel's Remuneration

Provisions 8.1 and 8.3 of the Code

Provision 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 two (2) key management personnel apart from Mr Ang Nam Heng James, a Director of AGV Galvanizing (Singapore) Pte. Ltd. (formerly an Executive Director of the Company). They are Mr Chiang Yi Shin, the Group Financial Controller, and Mr Goh Jay Ree, the General Manager. 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 FY2020 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 FY2020 are set out below:

Remuneration Band and Name	Fees (%)	Base/Fixed Salary[1][2] (%)	Variable Bonus[2] (%)	Other Incentives[3] (%)	Total (%)
Below S$250,000					
Yeap May Lin Michelle[4]	–	100	–	–	100
Chiang Yi Shin[5]	–	–	–	–	–
Goh Jay Ree	–	87	6	7	100

Notes:
(1) Pertains to bonuses paid in respect of FY2020.
(2) The amounts for salary and variable bonus shown are inclusive of Singapore's Central Provident Funds.
(3) Other incentives include transport and benefits-in-kind.
(4) Ms Michelle Yeap May Lin received remuneration from 16 March 2020 to 30 September 2020 for FY2020. Ms Michelle Yeap May Lin resigned as the Group Financial Controller with effect from 10 October 2020.
(5) Mr Chiang Yi Shin did not receive any remuneration for FY2020 as he was appointed as the Group Financial Controller with effect from 21 October 2020.

Provision 8.2 of the Code

Save as disclosed, none of the employees in the Group whose remuneration exceeds S$100,000 during FY2020 is an immediate family member of a Director or substantial shareholder of the Group. There were no employees who were immediate family members of the Directors employed by the Group whose remuneration for FY2020 exceeds S$100,000.

There are no termination, retirement and post-employment benefits granted to Directors or the key management personnel.

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Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders.

Provision 9.1 of the Code

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. 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.

Having considered the Company's business operations and taking into account its nature, scope and scale, as well as the existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Notwithstanding this, 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. Further to this, the Board also notes that there is no risk management and internal controls systems that could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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 Director and Management in relation to the financial information for FY2020.

Provision 9.2 of the Code

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

(a) that the financial records have been properly maintained and the financial statements for FY2020 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.

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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 29 of the financial statements.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors, reviews performed by Management and representations from the Executive Chairman and the Group Financial Controller, the Board, with the concurrence of the AC, 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 FY2020.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

The Audit Committee 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. Provision 10.2 of the Code

The details of the relevant expertise and experience of the members of the AC are set out on pages 7 to 8 of this Annual Report. The members of the AC collectively have the necessary expertise and experience in financial management and are qualified to discharge the AC's responsibilities.

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: Provision 10.1 of the Code

(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;

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(iii) their audit report; and

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

(b) reviewing the half-year and annual financial statements before submission to the Board for approval and monitoring the integrity of the financial information provided by the Group, in particular by reviewing the relevance and consistency of the accounting standards used by the Group, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirement;

(c) reviewing the statement of financial position and statement of comprehensive income of the Company and the statements of financial position and consolidated statement of comprehensive income of the Group, before approval by the Board;

(d) reviewing the assurance from the Executive Director and the Group Financial Controller on the financial records and financial statements;

(e) 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;

(f) 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;

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

(h) 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;

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

(j) 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;

(k) 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;

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(l) 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;

(m) 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;

(n) 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;

(o) 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;

(p) reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(q) undertaking such other reviews and projects as may be requested by the Board;

(r) 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;

(s) reviewing the adequacy, effectiveness, scope and results of the external audit, and the independence and objectivity of the external auditors;

(t) 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;

(u) 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;

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

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

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

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

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

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

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

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

(z) 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;

(aa) reviewing the existing internal controls implemented by Management so that anti-fraud programmes are adequately established within the Group; and

(bb) 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 Board has delegated to the AC the authority to investigate any matter within its terms of reference. The AC has full access to and cooperation of Management. It has full discretion to invite any Director or Executive Officer, including any Director from any subsidiary board within the Group, to attend its meetings and has various resources, including external consultants, to enable it to discharge its responsibilities adequately.

The AC has full access to and the co-operation of Management as well as reasonable resources to enable it to discharge its functions properly. The AC meetings are held with both external auditors and internal auditors (if required) and by invitation, any Director and representatives from Management. In addition, the AC also meets with the external auditors and the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have. The auditors, both internal and external, have unrestricted access to the AC. Further to this, to assist the AC in discharging its duties, the external auditors also brief the AC members on the developments in accounting standards (where applicable) during AC meetings to keep the AC members abreast of changes to the accounting standards and issues which may impact the financial statements.

Provision 10.5 of the Code

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As part of the annual review on the independence and objectivity of the external auditors, the AC will review the performance of the external auditors and the volume of non-audit services provided by them. In this regard, 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 FY2020 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 FY2020 is S$95,500. The amount of fees due to Mazars LLP in relation to non-audit fees for FY2020 is S$29,400. This outstanding amount relates to non-audit services provided by Mazars LLP to the Group in FY2020.

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.

Provision 10.3 of the Code

The Company is in compliance with Rules 712 and 715 of the Catalist Rules. None of the AC members was a previous partner of or has any financial interest in the Company's existing audit firm.

The Board recognizes that it is the Board's responsibility to maintain a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. In this regard, taking into consideration the risks which the Group is exposed to, the likelihood of occurrence of such risks, the costs of implementing the corresponding controls and the environmental and social interactions within the communities in which the Group operates, the AC has also set in place certain internal controls policies and procedures (for example, setting approval limits for various expenditures and having different bank signatories), risk management practices and sustainability practices. These internal controls are subjected to periodic review and testing in order to ensure that the control mechanisms in place is working in the intended manner for which it is designed for.

Provision 10.4 of the Code

While the importance of effective internal controls cannot be discounted, the Board also recognized that due to the size of the Group, it is not cost-effective to have an internal audit function and team within the organizational setup. Accordingly, the Company has outsourced its internal audit functions to Nexia TS Risk Advisory Pte Ltd since the financial year ended 30 September 2016. The engagement team who performed the internal audits are professionals with relevant experience and qualifications. It comprises the engagement partner, a manager and two senior associates. The engagement partner has more than 12 years of professional experience leading internal audits and internal control reviews for companies listed on the SGX-ST, multi-national corporations as well as public sector agencies. He is a Chartered Accountant of Singapore and a member of the Institute of Internal Auditors Singapore. 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.

Corporate Governance Report

The AC approves the appointment, removal, evaluation and compensation of the internal auditor. In terms of reporting, the internal auditors report functionally to the AC and administratively to the Executive Chairman and the Group Financial Controller. For the avoidance of doubt, the internal auditors are independent of Management. 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 internal auditors' scope of work (which covers key aspects of the Group's internal controls established to address financial, operational, compliance and information technology risks) for the purposes of ensuring the adequacy of the internal audit function. The AC also 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.

In a letter from the Singapore Exchange Regulation ("**SGX RegCo**") dated 6 February 2020 (and in view of the revised Rule 705(2) of the Catalist Rules), SGX RegCo informed the Company that it is required to start performing quarterly reporting with effect from 7 February 2020 in view of the modified opinion and expression of a material uncertainty relating to going concern issued by the Company's external auditor based on the latest financial statements. Pursuant to Rule 705(2A), the Company is, however, given a grace period of one year to comply with the revised quarterly reporting requirement, such grace period commencing on the date which the condition in Rule 705(2) is met. Therefore, the Company is required to report its first set of quarterly financial statements for its third quarter financial period from April 2021 to June 2021 by 14 August 2021.

Whistle-blowing 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 FY2020.

Corporate Governance Report

Principle 11: Shareholder Rights and Conduct of General Meetings

The Company should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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.

Provision 11.3 of the Code

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. General meetings are attended by the Directors, Management, the Company Secretary and if necessary, the external and internal auditors. The Company's external auditors will be present at the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. During the AGM of the Company held on 30 January 2020 and the extraordinary general meeting of the Company held on 8 May 2020, the Management, as well as the Chairmen of the Board, AC, RC and NC were present and available to address all comments or queries raised by shareholders.

Deviated from Provision 11.5

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.

Provision 11.1 of the Code

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.

Provision 11.2 of the Code

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one (1) significant proposal and only where there are reasons and material implications justifying the same are explained. In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of shareholders will be put to vote by poll, using poll slips, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of shareholders.

Corporate Governance Report

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

Provision 11.4 of the Code

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"), the Company's extraordinary general meeting on 8 May 2020 had been held by electronic means and shareholders who wished to exercise their voting rights had been required to appoint the Chairman of the AGM as their proxy to attend, speak and vote on their behalf at the extraordinary meeting. The forthcoming AGM will similarly also be held by electronic means, pursuant to the Order.

Deviated from Provision 11.4 of the Code

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.

Provision 11.6 of the Code

Taking into consideration the difficult circumstances faced by the Company for FY2020, the Board, after much deliberation and consideration, has decided not to recommend to the Company to declare any dividends for FY2020.

Principle 12: Engagement with Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Board values dialogue with shareholders and believes in regular, effective and fair communication with them and is committed to hearing shareholders' view and addressing their concerns where possible. Accordingly, it is the Board's policy that all shareholders should be informed in an equal and timely manner of all major developments that impact the Group. In this regard, information is communicated to shareholders on a timely basis via SGXNET through, amongst others:

Provision 12.1 of the Code

(a) annual reports that are issued to all shareholders;

(b) half-yearly financial results containing a summary of the financial information and affairs of the Group (in the financial year ending 30 September 2021, the Company will commence reporting its quarterly financial results, as mentioned under Principle 9);

Corporate Governance Report

(c) timely announcements and disclosures made pursuant to the Catalist Rules;

(d) notices of general meetings; and

(e) circulars or letters to shareholders to provide the shareholders with more information on transaction which require shareholders' approval.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Catalist Rules. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that the stakeholders and the public have fair access to the information.

Provision 12.1 of the Code

The Company currently does not have a formalized written investor relations policy but has in place designated investor relations personnel and considers advice from its legal counsel and other professionals on appropriate disclosure requirements and regularly conveys pertinent information to shareholders to allow for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Shareholders may contact the Company with questions and the Company may respond to such questions via the Company's investor relations email at ir@agvgroup.com.

Provisions 12.2 and 12.3 of the Code

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Group has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. The Group identify stakeholders as groups that have an impact, or have the potential to be impacted by the Group's business, as well as external organisations that have expertise in aspects that the Group considers material. The feedback the Group receives from stakeholders helps to determine the Group's material topics and identify focus areas. Stakeholders of the Company include, but are not limited to, customers, employees, suppliers and subcontractors, community and shareholders and investors.

Provision 13.1 of the Code

The Company's strategy and key focus areas in relation to the management of stakeholder relationships during the year will also be set out in the Company's sustainability report set out on pages 11 to 28 of this Annual Report.

Provision 13.2 of the Code

The Company maintains a current corporate website at http://www.agvgroup.com/ to communicate and engage with stakeholders.

Provision 13.3 of the Code

Corporate Governance Report

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. When the Company commences quarterly reporting, the prohibition from dealing in the securities of the Company will also be applied during the period commencing two weeks before the announcement of the Company's quarterly results (for each of the first three quarters of its financial year) and ending on the date of announcement of the relevant results;

– officers and employees are not to deal in its securities on short-term considerations;

– 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;

– Directors are required to report securities dealings to the Company Secretary who will assist in making the necessary public announcements.

Material Contracts

Save as set out below and for the service agreement between the Company and the Executive Chairman, there were no material contracts entered into between the Company and its subsidiaries involving the interests of any director or controlling shareholder either still subsisting as at 30 September 2020 or if not then subsisting, entered into since the end of the previous financial year:

(a) the loan agreement dated 21 February 2020 entered into between the Company and GRW Capital Limited in relation to the interest-free advance of S$2,500,000 extended by GRW Capital Limited, in relation to the renounceable non-underwritten rights issue undertaken by the Company, with listing and quotation of the rights shares on 8 July 2020 (the "**Rights Issue**"); and

(b) the offsetting agreements dated 20 May 2020 entered into between the Company and each of Mr Chua Wei Kee and Mr Ch'ng Ban Bee in relation to the setting off of the subscription monies payable by each of them for the rights shares subscribed for by each of them in the Rights Issue, against up to S$6,692,658 in aggregate of debts owing by the Company to Mr Chua Wei Kee and Mr Ch'ng Ban Bee.

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.

Corporate Governance Report

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.

The Company had obtained shareholders' approval for the renewal of a general mandate (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) at its annual general meeting held on 30 January 2020. 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 13 January 2021.

During the financial year ended 30 September 2020, 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$3,814

Utilisation of Proceeds from Rights Issue

The Company has in July 2020 completed the Rights Issue.

As announced by the Company on 5 January 2021, as a result of the Movement Control Order implemented in Malaysia since March 2020, the Group's subsidiary, AGV Galvanizing (M) Sdn Bhd, was only able to commence operations on or around December 2020. In light of the aforesaid, the Board has determined that it is in the best interests of the Group to re-allocate S$450,000 from working capital and the capital expenditure for the Group's operations in Malaysia to increase the general working capital of the Group's Singapore operations in order to support the increased sales activities of Singapore operations (the "**Re-Allocation**").

Corporate Governance Report

Accordingly, the Group has fully utilised the net proceeds of S$5,158,000 summarised as follows:

Use of net proceeds	Original allocation of net proceeds S$'000	Original allocation of net proceeds as a percentage %	Revised allocation of net proceeds[1] S$'000	Revised allocation of net proceeds as a percentage %	Net proceeds utilised as at date of the Annual Report S$'000	Net proceeds utilised as at the date of the Annual Report as a percentage %
General working capital – Administrative expenses – Manpower costs – Continuing listing expenses – Trade and other payables	2,138	41.9	2,638	51.1	2,638	51.1
Working capital and capital expenditure for the Group's operations in Malaysia – Manpower costs – Administrative expenses – Other operating expenses – Capital expenditure (including purchase of new or upgrading existing machinery for zinc galvanizing purposes)	2,970	58.1	2,520	48.9	2,520	48.9
Net Proceeds[2]	**5,108**	**100.0**	**5,158**	**100.0**	**5,158**	**100.0**

Notes:

(1) The net proceeds for the general working capital for the Group's Singapore operations has now been increased to take into account the Re-Allocation and Goodwill Discount (as defined below).

(2) The original net proceeds of S$5,108,000 was based on estimated costs and expenses of S$228,000 as set out in the Group's earlier announcements relating to the Rights Issue (the "**Earlier Announcements**") and the offer information statement dated 12 June 2020 (the "**Offer Information Statement**"). However, the Group received a one-time goodwill discount from the professionals engaged for the Rights Issue (the "**Goodwill Discount**") and the actual costs and expenses for the Rights Issue has been reduced to approximately S$178,000. Accordingly, the net proceeds from the Rights Issue is S$5,158,000 with the difference of S$50,000 allocated to general working capital for the Group's Singapore operations.

For reasons as stated above, the utilisation of the net proceeds raised from the Rights Issue deviated from the intended use of net proceeds disclosed in the Offer Information Statement and the Earlier Announcements.

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 FY2020.

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 2020 and the statement of financial position of the Company as at 30 September 2020.

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:

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 1.10.2019	At 30.09.2020	At 1.10.2019	At 30.09.2020
AGV Group Limited				
No. of ordinary shares				
Ang Nam Wah Albert (Resigned on 1 October 2020)	–	–	23,106,440	23,106,440
Chua Wei Kee	15,000,000	199,800,000	–	–

There was no change in any of the above mentioned interests between the end of the financial year and 21 October 2020.

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.

Directors' Statement

6. Audit committee (Continued)

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;
- 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

Chong Kwang Shih
Director

Singapore
8 January 2021

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 2020, 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 68 to 138.

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 2020 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

As at 30 September 2020, the Group reported net liabilities of S$3,520,000 and net current liabilities of S$1,048,000. The Group also reported net loss of S$2,781,000 and operating cash outflows of S$124,000 for the financial year then ended. Meanwhile, as described in Note 2.2, as the COVID-19 situation continues to impact the world, the economic outlook remains volatile and it remains uncertain on how the Group might be impacted. 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 judgements 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 2020, the Group recorded property, plant and equipment with carrying amount of S$13,307,000 (2019: S$13,197,000), which represented approximately 68% (2019: 69.4%) 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 delayed commencement 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. In determining the value-in-use, the Group has considered the expected and estimated impact of COVID-19 on the key inputs and assumptions. For its Malaysian subsidiary, the Group engaged professional valuers 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. The independent valuation reports have highlighted estimation uncertainty arising from the COVID-19 outbreak and a higher degree of caution should be exercised when relying upon the valuation as the valuations may change significantly and unexpectedly over a short period of time. Consequent to its assessment, there were no further impairment losses in relation to its property, plant and equipment during the financial year ended 30 September 2020. 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 carrying amount of property, plant and equipment, 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; • Assessed the reasonableness of the bases and key assumptions used by management, with reference to information including the historical trend and performance, the latest budgets approved by management and industry and business outlook; • Performed sensitivity test to determine the available headroom of the cash generating unit, where a reasonably possible change in the assumptions could cause the recoverable amount to be less than the carrying amount; • In consultation with our in-house valuation specialist team, 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

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.

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.

Independent Auditors' Report

To the Members of AGV Group Limited

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.

- 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.

Independent Auditors' Report

To the Members of AGV Group Limited

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

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.

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
8 January 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 September 2020

	Note	Group 2020 S$'000	Group 2019 S$'000
Revenue	4	**10,265**	6,498
Other item of income			
Other income	5	**1,037**	784
Items of expense			
Consumables used	6	**(4,458)**	(3,260)
Employee benefits expense	7	**(3,406)**	(2,905)
Operating lease expense	8	**(7)**	(500)
Other expenses		**(2,687)**	(4,706)
Finance costs	9	**(1,389)**	(1,828)
Depreciation expense	14	**(2,007)**	(1,756)
Loss before income tax	10	**(2,652)**	(7,673)
Income tax expense	11	**(129)**	(731)
LOSS FOR THE YEAR		**(2,781)**	(8,404)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translating foreign operation		**27**	2
Other comprehensive income for the year		**27**	2
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,754)**	(8,402)
Loss attributable to:			
Owners of the Group		**(2,281)**	(6,793)
Non-controlling interests		**(500)**	(1,611)
		(2,781)	(8,404)
Total comprehensive loss attributable to:			
Owners of the Group		**(2,267)**	(6,792)
Non-controlling interests		**(487)**	(1,610)
		(2,754)	(8,402)
Loss per share attributable to the owners of the Company (cents)			
Basic and diluted loss per share	12	**(0.77)**	(3.88)

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 2020

	Note	Group		Company	
		2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
ASSETS					
Non-current assets					
Subsidiaries	13	**–**	–	**16,707**	9,189
Property, plant and equipment	14	**13,307**	13,197	**33**	4
Deferred tax assets	23	**326**	378	**–**	–
Total non-current assets		**13,633**	13,575	**16,740**	9,193
Current assets					
Cash and bank balances	15	**1,487**	141	**480**	34
Pledged fixed deposit	15	**367**	338	**–**	–
Trade and other receivables	16	**2,069**	2,642	**1,436**	7,027
Inventories	17	**1,914**	2,276	**–**	–
Prepayments		**86**	53	**20**	22
Total current assets		**5,923**	5,450	**1,936**	7,083
Total assets		**19,556**	19,025	**18,676**	16,276
EQUITY AND LIABILITIES					
Equity					
Share capital	18	**26,161**	14,587	**26,161**	14,587
Accumulated losses		**(23,819)**	(21,538)	**(15,939)**	(18,989)
Other reserve	19	**(2,565)**	(2,565)	**–**	–
Translation reserve	20	**38**	24	**–**	–
(Capital deficiency)/equity attributable to owners of the Company		**(185)**	(9,492)	**10,222**	(4,402)
Non-controlling interests		**(3,335)**	(2,848)	**–**	–
Total (capital deficiency)/equity		**(3,520)**	(12,340)	**10,222**	(4,402)
Non-current liabilities					
Lease liabilities	21	**1,373**	360	**–**	–
Borrowings	22	**8,242**	9,320	**271**	328
Trade and other payables	24	**6,448**	13,262	**6,012**	12,566
Deferred tax liabilities	23	**42**	72	**–**	–
Total non-current liabilities		**16,105**	23,014	**6,283**	12,894
Current liabilities					
Trade and other payables	24	**3,699**	5,412	**2,041**	7,685
Provision for reinstatement cost		**100**	100	**–**	–
Lease liabilities	21	**477**	249	**24**	–
Borrowings	22	**2,695**	2,590	**106**	99
Total current liabilities		**6,971**	8,351	**2,171**	7,784
Total liabilities		**23,076**	31,365	**8,454**	20,678
Total equity and liabilities		**19,556**	19,025	**18,676**	16,276

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

Consolidated Statement of Changes In Equity

As at 30 September 2020

	Attributable to owners of the Company						
	Share Capital (Note 18) S$'000	Accumulated losses S$'000	Other reserve (Note 19) S$'000	Translation reserve (Note 20) S$'000	Total equity S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 1 October 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 loss for the year	–	(6,793)	–	1	(6,792)	(1,610)	(8,402)
Issuance of ordinary shares (Note 18)	1,134	–	–	–	1,134	–	1,134
Balance at 30 September 2019	14,587	(21,538)	(2,565)	24	(9,492)	(2,848)	(12,340)
Loss for the year	–	(2,281)	–	–	(2,281)	(500)	(2,781)
Other comprehensive income:							
Exchange differences on translating foreign operations	–	–	–	14	14	13	27
Total comprehensive loss for the year	–	(2,281)	–	14	(2,267)	(487)	(2,754)
Issuance of ordinary shares pursuant to right issue (net) (Note 18)	11,574	–	–	–	11,574	–	11,574
Balance at 30 September 2020	**26,161**	**(23,819)**	**(2,565)**	**38**	**(185)**	**(3,335)**	**(3,520)**

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 2020

	Note	Group 2020 S$'000	Group 2019 S$'000
Operating activities			
Loss before income tax		**(2,652)**	(7,673)
Adjustments for:			
Depreciation expense	14	**2,007**	1,756
Interest expense	9	**1,389**	1,395
Interest income	5	**(1)**	–
Inventories written off	10	**62**	226
Allowance for impairment of receivables	10	**97**	160
Bad debts written off	10	**23**	54
Day-1 gain on initial measurement of financial liabilities	5	**–**	(717)
(Gain)/Loss, net, on extinguishment of original and recognition of new financial liabilities	5,9	**(76)**	433
Impairment of property, plant and equipment	10	**–**	1,599
Long term payables written off	5	**(84)**	–
Modification gain	5	**(296)**	–
Property, plant and equipment written off	10	**1**	–
Reversal of doubtful debts	5	**(5)**	(24)
Unrealised currency translation loss		**47**	8
Operating cash flows before movements in working capital		**512**	(2,783)
Movements in working capital			
Inventories		**300**	(1,553)
Trade and other receivables		**458**	(1,614)
Prepayments		**(33)**	34
Trade and other payables		**(1,254)**	228
Cash used in operations		**(17)**	(5,688)
Income taxes paid		**(107)**	(105)
Net cash used in operating activities		**(124)**	(5,793)
Investing activities			
Acquisition of property, plant and equipment	14	**(360)**	(6)
Interest received		**1**	–
Net cash used in investing activities		**(359)**	(6)
Financing activities			
Increase in pledged deposit		**(29)**	–
(Repayment to)/Loan from directors		**(245)**	4,167
(Repayment to)/Proceeds from third parties		**(50)**	3,605
Proceeds from issuance of equity	18	**5,158**	1,134
Repayment of borrowings		**(1,660)**	(2,527)
Repayment of lease liabilities		**(678)**	(370)
Repayment of payables to non-controlling shareholders		**(719)**	(146)
Loan from a related company		**52**	–
Net cash generated from financing activities		**1,829**	5,863
Net increase in cash and cash equivalents		**1,346**	64
Cash and cash equivalents at beginning of year		**141**	77
Cash and cash equivalents at end of year	15	**1,487**	141

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 2020

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$'000	Non-cash movements: Day-1 gain on initial measurement of financial liabilities S$'000	Non-cash movements: Modification/extinguishment (gain)/loss S$'000	Non-cash movements: Debt novation S$'000	Non-cash movements: Acquisition S$'000	Non-cash movements: Foreign exchange difference S$'000	Non-cash movements: Offsetting with right issuance of share proceeds S$'000	At end of financial year S$'000
2020										
Asset										
Pledged fixed deposit	**(338)**	**(29)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(367)**
Liabilities										
Loans from third parties	**7,645**	**(50)**	**345**	**–**	**(340)**	**–**	**–**	**–**	**(2,391)**	**5,209**
Amount due to directors	**4,934**	**(245)**	**171**	**–**	**(32)**	**–**	**–**	**–**	**(4,025)**	**803**
Amount due to non-controlling interest	**994**	**(719)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**275**
Amount due to a related company	**–**	**52**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52**
Lease liabilities	**2,299**	**(678)**	**141**	**–**	**–**	**–**	**88**	**–**	**–**	**1,850**
Borrowings	**11,910**	**(1,660)**	**687**	**–**	**–**	**–**	**–**	**–**	**–**	**10,937**
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

[1] Net of proceeds from borrowings, proceeds from deposit pledged, repayment of interest-bearing borrowings and repayment of 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 2020

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 2020 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)s ("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.

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I)s INT that are relevant to its operations and effective for annual periods beginning on or after 1 October 2019. Other than SFRS(I) 16 *Leases* ("SFRS(I) 16"), the adoption of these new or revised SFRS(I)s and SFRS(I)s INT did not result in changes to the Group's and Company's accounting policies, and has no material effect on the current or prior year's financial statement and is not expected to have a material effect on future periods. The effects of adopting SFRS(I) 16 is disclosed in Note 32.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

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) 1-1, 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, 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
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) 17	Insurance Contracts	1 January 2021
SFRS(I) 16	Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions*	1 June 2020
SFRS(I) 1-1	Amendment to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 3	Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
SFRS(I) 1-16	Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37	Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of fulfilling a Contract*	1 January 2022
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 2018-2020	1 January 2022
Various	Amendments to SFRS(I) 17	1 January 2023

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. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern

The Coronavirus Disease (the "COVID-19") outbreak began as a viral pneumonia of unknown cause when it was reported by the People's Republic of China to the World Health Organisation on 31 December 2019. On 30 January 2020, the World Health Organisation ("WHO") officially declared the outbreak as a "Public Health Emergency of International Concern".

The impact of COVID-19 is pervasive and severe as it caused countries, including Singapore, to impose travel restrictions of varying severity on outgoing and incoming travellers as well as lock-down measures within their countries of different severity. This caused unprecedented economic disruption which negatively affected the Group's results for the financial year ended 30 September 2020 when the Singapore operations temporarily ceased for a few months when the Circuit Breaker measures were implemented and are recovering, and operations in Malaysia remained halted up till 30 September 2020.

In the last quarter of the financial year ended 30 September 2020, the Singapore operations re-commenced and have resumed gradually since then. As of the date of authorisation of the issuance of the financial statements, the Malaysian operations have re-commenced. Nonetheless, as the COVID-19 situation continues to impact the world, the economic outlook remains volatile and it remains uncertain on how the Group might be impacted.

During the financial year ended 30 September 2020, the Group entered into various different arrangements with its institutional, corporate and individual lenders and vendors, as applicable, to further amend the terms and conditions of payables owing to the respective parties. The amendments, as applicable, include the deferment/extension of the payment period of liabilities and the setup of instalment plans for certain liabilities. The Group also undertook right issue exercise, which allotted and issued 481,157,817 new ordinary shares pursuant to the rights issue exercise, at a right issue price of S$0.025 for each Right Share on the basis of 5 Rights Shares for each ordinary share in the capital of the Company held by each shareholder. The proceeds from issuance of 267,706,317 shares were offset by loans, in full or in part, from a director and an individual lender.

Consequent to the above arrangements, as disclosed in Note 29 to the accompanying financial statements, the Group is expecting cash outflows of S$24,102,000 (2019: S$33,324,000) subsequent to the reporting date to settle its financial liabilities, of which S$7,026,000 (2019: S$8,791,000) is expected to be settled within a year from the reporting date.

As at 30 September 2020, the Group reported net liabilities of S$3,520,000 and net current liabilities of S$1,048,000. The Group also reported net loss of S$2,781,000 and operating cash outflows of S$124,000 for the financial year then ended.

The aforementioned 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern (Continued)

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;

- Financial support from the chairman of the Group; and

- Potential new injections of capital.

As of 30 September 2020, the chairman of the Group provided a letter of undertaking that he will provide financial support of S$5.9 million in the form of working capital to the Group, as and when the Group requires, for the next 12 months. Should the Group tap on this source of finance, the chairman undertakes not to demand for repayment of the balances prior to 31 December 2021.

On 19 November 2020, the Group entered into an agreement in relation to AGV Galvanizing (M) Sdn. Bhd.'s ("AGVM") property (the "Property") located at Pasir Gudang, Johor Bahru with a third-party Purchaser. In the agreement, AGVM would transfer the title of the Property to the Purchaser for consideration of RM12 million (equivalent to S$3,934,000), which is expected to be paid during the financial year ending 30 September 2021. As of the date of authorisation of the issuance of the financial statements, the Group has received RM840,000 as deposit. Subsequent to the completion of the agreement, through another agreement, AGVM would lease the Property back from the Purchaser, with the option to purchase the Property between the first day of the commencement of the sixth year of tenancy and the end of the ninth year of the tenancy. The Group is still determining the financial effect of the transactions.

Should the Group be unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation (Continued)

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiaries and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to 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* ("SFRS(I) 9") 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Income tax (Continued)

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.10 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2020

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

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 21.

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

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.

For the financial years before 1 October 2019, 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Property, plant and equipment (Continued)

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.

2.13 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 29.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities (Continued)

Financial guarantee contracts

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.

Derecognition of financial liabilities

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

Where applicable, when equity instruments are issued to a creditor in their capacity as creditor to extinguish all or part of the financial liability, the Group shall measure the equity instruments at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured. Where applicable, the equity instruments would be then be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss. Otherwise, the equity instruments would be measured at the carrying amount of the financial liability extinguished.

2.15 Inventories

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

2.16 Cash and 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 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a lease*.

<u>The Group as a lessee from 1 October 2019</u>

These accounting policies are applied on and after the initial application date of SFRS(I) 16 (i.e. 1 October 2019).

At inception of a contract, the Group assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

Right-of-use assets are presented within “property, plant and equipment”.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

The Group as a lessee from 1 October 2019 (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments less any lease incentive receivable,

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

– amounts expected to be payable under a residual value guarantee,

– the exercise price under a purchase option that the Group is reasonably certain to exercise, and

– payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

<u>The Group as a lessee before 1 October 2019</u>

At the lease commencement date, the Group assess and classify each lease as either a finance lease or operating lease.

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

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

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

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

2.19 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Group's accounting policies

Determination of functional currency

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

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

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

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, including of their best estimate of the impact of COVID-19, 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 2020 is S$128,000 (2019: S$448,000) (Note 16, 29).

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. In determining the value-in-use, the Group has considered the expected and estimated impact of COVID-19 on the key inputs, including the discount rate and growth rate, as well as key assumptions applied. The Company's carrying amount of investment in subsidiaries as at 30 September 2020 was approximately S$16,707,000 (2019: S$9,189,000) (Note 13).

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 2020 was approximately S$1,914,000 (2019: S$2,276,000) (Note 17).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

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

3.2 Key sources of estimation uncertainty (Continued)

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 2020 was approximately S$13,307,000 (2019: S$13,197,000) (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. In determining the value-in-use, the Group has considered the expected and estimated impact of COVID-19 on the key inputs and assumptions. For its Malaysian subsidiary, the Group engaged professional valuers 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. The independent valuation reports have highlighted estimation uncertainty arising from the COVID-19 outbreak and a higher degree of caution should be exercised when relying upon the valuation as the valuations may change significantly and unexpectedly over a short period of time. 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 2020 was approximately S$13,307,000 (2019: S$13,197,000) (Note 14).

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

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 (Continued)

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, taking into consideration the impact of COVID-19 on key inputs and assumptions applied. 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 deferred tax assets and deferred tax liabilities as at 30 September 2020 were approximately S$326,000 (2019: S$378,000) and S$42,000 (2019: S$72,000) respectively.

4. REVENUE

	Group	
	2020	**2019**
	S$'000	**S$'000**
Revenue from contracts with customers		
– Galvanising service	**9,588**	6,120
– Sales of zinc ash and dross	**677**	378
	10,265	6,498

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

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

	Galvanising service		Sale of zinc ash and dross		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Geographical market[a]						
Singapore	**9,588**	6,120	**566**	378	**10,154**	6,498
Malaysia	**–**	–	**111**	–	**111**	–
	9,588	6,120	**677**	378	**10,265**	6,498

[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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

5. OTHER INCOME

	Group	
	2020 S$'000	2019 S$'000
Extinguishment gain	**76**	–
Government grant	**506**	23
Interest income	**1**	–
Long term payables written off	**84**	–
Day-1 gain on initial measurement of financial liabilities	**–**	717
Modification gain	**296**	–
Reversal of doubtful debts	**5**	24
Miscellaneous income	**69**	20
	1,037	784

Included in government grant comprised of S$226,000 (2019: S$Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS") and S$217,000 pertains to foreign worker levy rebate. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees. The foreign worker rebate is extended to support firms in the Construction, Marine Shipyard and Process sectors.

6. CONSUMABLES USED

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

7. EMPLOYEE BENEFITS EXPENSE INCLUDING DIRECTORS' REMUNERATION (Note 27)

	Group	
	2020 S$'000	2019 S$'000
Salaries, wages, bonuses and other staff benefits	**3,205**	2,755
Contribution to defined plans	**201**	150
	3,406	2,905

Included in the employee benefits expense are labour costs directly associated with the generation of revenue of approximately S$967,000 (2019: S$814,000) for the financial year ended 30 September 2020.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

8. OPERATING LEASE EXPENSE

	Group	
	2020	**2019**
	S$'000	**S$'000**
Rental of leasehold land	**–**	170
Rental of equipment	**5**	123
Rental of dormitory	**1**	18
Rental of vehicles	**1**	174
Rental of office	**–**	15
	7	500

9. FINANCE COSTS

	Group	
	2020	**2019**
	S$'000	**S$'000**
Interest expenses		
– bank borrowings	**668**	823
– leases	**141**	58
– third parties	**409**	374
– directors	**171**	140
Loss, net, on extinguishment of original financial liabilities and recognition of new financial liabilities	**–**	433
	1,389	1,828

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	
	2020	**2019**
	S$'000	**S$'000**
Allowance for impairment of receivables	**97**	160
Bad debts written off	**23**	54
Entertainment expenses	**115**	16
Impairment loss of property, plant and equipment	**–**	1,599
Inventories written off	**62**	226
Property, plant and equipment written off	**1**	–
Upkeep of plant and equipment	**210**	168
Upkeep of motor vehicles	**58**	54
Utilities	**534**	543
Waste disposal	**235**	156
Audit fees paid to auditors:		
– Auditors of the Company	**96**	100
– Other auditors of subsidiaries	**8**	7

The above expenses are included in "Other expenses" in the Group's profit or loss for the financial year ended 30 September 2020 and 30 September 2019.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

11. INCOME TAX EXPENSE

	Group	
	2020	**2019**
	S$'000	**S$'000**
Current income tax		
– Under provision in respect of prior year	**107**	178
Deferred income tax		
– Current financial year	**20**	704
– Under/(Over) provision in respect of prior year	**2**	(151)
Total income tax expense	**129**	731

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

	Group	
	2020	**2019**
	S$'000	**S$'000**
Loss before income tax	**(2,652)**	(7,673)
Income tax at statutory rate of 17%	**(451)**	(1,304)
Add/(Less):		
Effect of expenses not deductible for tax purpose	**488**	1,045
Effect of income not taxable	**(107)**	(59)
Effect of different tax rate of subsidiary operating in other jurisdiction	**22**	(217)
Under provision in respect of prior year	**109**	27
Temporary differences not recognised	**97**	1,297
Others	**(29)**	(58)
Total income tax expense	**129**	731

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

11. INCOME TAX EXPENSE (CONTINUED)

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:

	2020 S$'000	2019 S$'000
Unutilised business losses	**8,966**	8,769
Unabsorbed capital allowances	**3,250**	2,878
	12,216	11,647

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2020 S$'000	2019 S$'000
Loss used in calculating basic and dilutive loss per share	**(2,281)**	(6,793)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share ('000)	**297,691**	175,261
Basic and diluted loss per share (cents)	**(0.77)**	(3.88)

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	
	2020 S$'000	2019 S$'000
Unquoted equity shares, at cost		
At beginning of financial year and end of financial year	**9,189**	9,189
Addition during the year	**7,518**	–
At end of financial year	**16,707**	9,189

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

13. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation	Issued and paid-up share capital S$'000	Effective equity interest attributable to the Company 2020 %	2019 %	Principal activities
Directly held by the Company					
AGV Galvanizing (Singapore) Pte. Ltd. (formerly known as Asia Galvanizing (S) Pte. Ltd.)(1)	Singapore	14,139	**100**	100	Hot dip galvanising
AGV Investment (Vietnam) Pte.Ltd. (formerly known as AGV Property Investment Pte. Ltd.)(1)	Singapore	1	**100**	100	Investment holding
AGV Investment (Indonesia) Pte. Ltd. (formerly known as AGV Investment Pte. Ltd.)(1)	Singapore	1	**100**	100	Investment holding
AGV Investment (Malaysia) Pte. Ltd. (formerly known as AGV Holdings Pte. Ltd.)(1)	Singapore	1	**100**(3)	–	Investment holding
Directly held by AGV Galvanizing (Singapore) Pte. Ltd.					
AGV C&S Pte. Ltd.	Singapore	1	**100**	100	In the process of striking off
AGV Investment (Malaysia) Pte. Ltd. (formerly known as AGV Holdings Pte. Ltd.)(1)	Singapore	1	**–**(3)	100	Investment holding
Held through AGV Investment (Malaysia) 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.
(3) During the financial year ended 30 September 2020, one of its subsidiaries, AGV Galvanizing (Singapore) Pte. Ltd. has transferred its entire interest in one of its subsidiaries, AGV Investment (Malaysia) Pte. Ltd., to the Company as a result of an internal restructuring exercise.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

13. SUBSIDIARIES (CONTINUED)

For the financial year ended 30 September 2020

On 31 March 2020, the sum of S$7,517,562 due and owing from AGV Galvanizing (Singapore) Pte. Ltd. ("AGVS") was capitalised and such capitalised sum was utilised in payment of the total consideration payable for 7,517,562 ordinary shares in the capital of the AGVS.

On 1 April 2020, the Group had undertaken an internal restructuring exercise to streamline operations within the Group for greater administrative efficiency. The Company acquired S$1,000 registered and paid up capital, representing 100% equity interest of AGV Investment (Malaysia) Pte. Ltd. (formerly known as AGV Holdings Pte. Ltd.) ("AGVIM") from its subsidiary, AGVS. As a result of this acquisition, AGVIM became a wholly owned subsidiary of the Company. There is no change in the effective interest in the subsidiaries before and after the restructuring.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

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	
	2020	2019	2020	2019	2020	2019
	%	%	S$'000	S$'000	S$'000	S$'000
Subsidiary held by AGV Investment (Malaysia) Pte. Ltd.						
AGV Galvanizing (M) Sdn. Bhd.	**49**	49	**500**	1,611	**(3,335)**	(2,848)

Summarised financial information (before intercompany eliminations):

	AGV Galvanizing (M) Sdn. Bhd.	
	2020	2019
	S$'000	S$'000
Assets		
Non-current	**5,395**	5,489
Current	**1,594**	388
Liabilities		
Non-current	**(902)**	(8,238)
Current	**(15,343)**	(6,110)
Net liabilities	**(9,256)**	(8,471)
Revenue	**111**	–
Loss after income tax and total comprehensive loss	**(902)**	(3,221)
Net cash flow used in operation	**(202)**	(276)

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 2020

14. PROPERTY, PLANT AND EQUIPMENT

	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
Group							
Cost							
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
Recognition of right-of-use assets on initial application of SFRS(I) 16 (Note 32)	24	1,337	–	150	179	–	1,690
Adjusted balance at 1 October 2019	809	16,267	69	5,738	311	1,020	24,214
Additions	29	55	–	5	33	326	448
Write-off	–	–	–	(3)	–	–	(3)
Currency realignment	(1)	(15)	–	(6)	–	1	(21)
Balance at 30 September 2020	**837**	**16,307**	**69**	**5,734**	**344**	**1,347**	**24,638**
Accumulated depreciation							
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 1 October 2019	576	4,846	49	2,944	71	328	8,814
Depreciation	137	908	11	691	176	84	2,007
Write-off	–	–	–	(2)	–	–	(2)
Balance at 30 September 2020	**713**	**5,754**	**60**	**3,633**	**247**	**412**	**10,819**
Impairment loss							
Balance at 1 October 2018	–	–	–	–	–	–	–
Impairment loss	–	395	–	118	–	–	513
Balance at 1 October 2019	–	395	–	118	–	–	513
Currency realignment	–	(1)	–	–	–	–	(1)
Balance at 30 September 2020	**–**	**394**	**–**	**118**	**–**	**–**	**512**
Net carrying amount							
Balance at 30 September 2020	**124**	**10,159**	**9**	**1,983**	**97**	**935**	**13,307**
Balance at 30 September 2019	209	9,689	20	2,526	61	692	13,197

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold property S$'000	Computer and office equipment S$'000	Furniture and fittings S$'000	Total S$'000
Company				
Cost				
Balance at 1 October 2018	–	–	–	–
Additions	–	4	1	5
Balance at 30 September 2019	–	4	1	5
Recognition of right-of-use assets on initial application of SFRS(I) 16 (Note 32)	23	4	–	27
Adjusted balance at 1 October 2019	23	8	1	32
Additions	32	8	–	40
Balance at 30 September 2020	**55**	**16**	**1**	**72**
Accumulated depreciation				
Balance at 1 October 2018	–	(*)	(*)	(*)
Depreciation	–	(*)	(*)	(*)
Balance at 30 September 2019	–	1	(*)	2
Depreciation	33	4	(*)	37
Balance at 30 September 2020	**33**	**5**	**(*)**	**39**
Net carrying value				
At 30 September 2020	**22**	**11**	**(*)**	**33**
At 30 September 2019	–	3	1	4

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

As of 30 September 2020, property, plant and equipment of the Group and the Company includes right-of-use assets of S$2,202,000 and S$24,000 respectively which are presented together with the owned assets of the same class as the underlying assets. Details of the right-of-use assets are disclosed in Note 21(a).

During the financial year, the Group acquired property, plant and equipment for an aggregate of approximately S$448,000 (2019: S$6,000) of which S$88,000 (2019: S$Nil) was acquired by means of a lease.

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. Finance lease assets were pledged as securities for the related finance lease payables as set out in Note 21(c) to the financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At the reporting date, the carrying amount of property, plant and equipment which have been pledged for banking facilities as set out in Note 22 to the financial statements was as follows:

	Group	
	2020	**2019**
	S$'000	**S$'000**
Leasehold property	**10,159**	9,689
Renovation	**935**	692
Plant and equipment	**734**	1,047

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 delayed commencement 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 2020, the Group made judgements on certain key inputs and key assumptions, including, for example, discount rates and growth rates. In determining the value-in-use, the Group has considered the expected and estimated impact of COVID-19 on the key inputs and assumptions. No impairment loss was recognised during the financial year resulting from this exercise.

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.

The independent valuation reports have highlighted estimation uncertainty arising from the COVID-19 outbreak and a higher degree of caution should be exercised when relying upon the valuation as the valuations may change significantly and unexpectedly over a short period of time.

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For the Financial Year Ended 30 September 2020

15. CASH AND BANK BALANCES

	Group		Company	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Cash at bank	**1,480**	139	**480**	33
Cash in hand	**7**	2	**–**	1
Cash and bank balances	**1,487**	141	**480**	34
Pledged fixed deposit	**367**	338	**–**	–
Cash and bank balances	**1,854**	479	**480**	34
Less: Pledged fixed deposit	**(367)**	(338)	**–**	–
Cash and cash equivalents	**1,487**	141	**480**	34

The fixed deposit denominated in SGD is placed for a period of 12 months (2019: 12 months) and bears an effective interest rate of 1.31% (2019: 1.31%) per annum during the financial year ended 30 September 2020 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	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Singapore dollar	**1,324**	83	**477**	34
Malaysian ringgit	**133**	38	**–**	–
United States dollar	**30**	20	**3**	–
	1,487	141	**480**	34

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Trade receivables				
– third parties	**1,747**	2,861	**–**	–
Loss allowance (Note 29)	**(128)**	(448)	**–**	–
	1,619	2,413	**–**	–
Other receivables				
– third parties	**4**	128	**–**	–
– subsidiaries	**–**	–	**12,216**	22,391
– related company	**1**	–	**–**	–
Refundable deposits	**264**	71	**3**	–
Grant receivable	**161**	–	**29**	–
GST receivables	**20**	30	**20**	30
Loss allowance (Note 29)	**–**	–	**(10,832)**	(15,394)
	450	229	**1,436**	7,027
Total trade and other receivables	**2,069**	2,642	**1,436**	7,027

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Refundable deposits mainly pertains to deposit for the purchase of equipment.

The average credit period on provision of galvanising services is 0 to 60 days (2019: 0 to 60 days).

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

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

	Group		Company	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Singapore dollar	**1,849**	2,184	**1,436**	7,027
Malaysian ringgit	**220**	162	**–**	–
United States dollar	**–**	296	**–**	–
	2,069	2,642	**1,436**	7,027

17. INVENTORIES

	Group	
	2020 S$'000	2019 S$'000
Consumables	**1,575**	1,933
Consumables-in-transit	**339**	343
	1,914	2,276

18. SHARE CAPITAL

	Group		Company	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At 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
At 1 October 2019	185,946	14,587	185,946	14,587
Issuance of ordinary shares pursuant to right issue	481,158	11,753	481,158	11,753
Share issue expenses	–	(179)	–	(179)
At 30 September 2020	**667,104**	**26,161**	**667,104**	**26,161**

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For the Financial Year Ended 30 September 2020

18. SHARE CAPITAL (CONTINUED)

On 6 July 2020, the Company allotted and issued 481,157,817 new ordinary shares pursuant to the rights issue exercise, at a right issue price of S$0.025 for each Right Share on the basis of 5 Rights Shares for each ordinary shares in the capital of the Company held by each shareholder. The total cash proceeds from the right issuance amounted to S$5,158,000. The proceeds from issuance of 267,706,317 shares were offset by loans, in full or in part, from a director and an individual lender. Accordingly, the Group recognised gain on extinguishment of liabilities of S$76,000.

On 3 December 2018, the Company issued and allotted 60,000,000 new ordinary shares at 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.

19. 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".

20. 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.

21. THE GROUP AS A LESSEE

The Group leases land under a 15-year lease arrangement, with no option to renew the lease after that date. Lease payments are made annually and are subjected to revision every year based on the prevailing market rate but any increase will not exceed 5.5% of the annual rent in the immediate preceding year.

The Group leases motor vehicles and certain equipment for one to seven years. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The Group leases motor vehicles and certain equipment for four to five years which were previously classified as finance leases under SFRS(I) 1-17.

Extension option

The Group has some lease contracts with extension options exercisable by the Group up to 1 to 2 months before the end of the non-cancellable contract period. These extension options are exercisable by the Group and not by the lessor. The extension options are used by the Group to provide operation flexibility in terms of managing the assets used in the Group's operation.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

21. THE GROUP AS A LESSEE (CONTINUED)

Recognition exemptions

The Group has certain office equipment with lease terms of 12 months or less and/or of low value. For such leases, the Group has elected not to recognise right-of use assets and lease liabilities.

21(a) Right-of-use assets

The carrying amount of right-of-use assets by class of underlying asset classified within property, plant and equipment as follows:

	Leasehold property S$'000	Plant and equipment S$'000	Motor vehicles S$'000	Computer and office equipment S$'000	Total S$'000
Group					
At 1 October 2019	1,337	1,168	241	24	2,770
Additions	55	–	33	–	88
Depreciation	(191)	(270)	(176)	(14)	(651)
Currency realignment	–	(5)	(*)	(*)	(5)
At 30 September 2020	**1,201**	**893**	**98**	**10**	**2,202**
Company					
At 1 October 2019	23	–	–	4	27
Additions	32	–	–	–	32
Depreciation	(33)	–	–	(2)	(35)
At 30 September 2020	**22**	**–**	**–**	**2**	**24**

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

The total cash outflow for leases during the financial year ended 30 September 2020 is S$678,000.

21(b) Lease liabilities – 2020

	Group 2020 S$'000	Company 2020 S$'000
Lease liabilities – non-current	**1,373**	–
Lease liabilities – current	**477**	24
	1,850	24

The maturity analysis of lease liabilities is disclosed in Note 29.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

21. THE GROUP AS A LESSEE (CONTINUED)

21(b) Lease liabilities – 2020 (Continued)

Lease liabilities are denominated in the following currencies as at the reporting date:

	Group 2020 S$'000	Company 2020 S$'000
Singapore dollar	**1,329**	24
Malaysia ringgit	**521**	–
	1,850	24

21(c) Finance lease liabilities – Comparative information under SFRS(I) 1-17

	Minimum lease payments S$'000	Future finance charges S$'000	Present value of minimum lease payments S$'000
Group			
2019			
Within one year	272	(23)	249
After one year but within five years	383	(23)	360
	655	(46)	609

The finance lease terms range from 1 to 3 years.

The effective interest rates charged during the financial year range from 6.36% to 8.17% per annum. Interest rates are fixed at the contract dates, and thus expose the Group to fair value interest rate risk. As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

21. THE GROUP AS A LESSEE (CONTINUED)

21(c) Finance lease liabilities – Comparative information under SFRS(I) 1-17 (Continued)

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

	Group 2019 S$'000
Singapore dollar	31
Malaysia ringgit	578
	609

21(d) Amounts recognised in profit or loss

	Group 2020 S$'000
Interest expense on lease liabilities	**141**
Lease expense	**7**

22. BORROWINGS

	Group		Company	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Secured				
Bank overdrafts	**635**	664	**–**	–
Term loans	**9,924**	10,819	**–**	–
Unsecured				
Term loan	**378**	427	**377**	427
	10,937	11,910	**377**	427
Total				
Due for repayment within one financial year	**2,695**	2,590	**106**	99
Due for repayment after one financial year	**8,242**	9,320	**271**	328
	10,937	11,910	**377**	427

Bank overdrafts are repayable on demand.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

22. BORROWINGS (CONTINUED)

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 29). 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$1,020,000 (2019: S$1,187,000) as of 30 September 2020 is repayable within 2 years (2019: 2 years) (Note 29).

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	%	**%**	**%**	**%**
Secured				
Bank overdrafts	**5.95 – 7.20**	4.75 – 5.25	**–**	–
Term loans	**4.59 – 7.74**	4.95 – 7.34	**–**	–
Unsecured				
Term loans	**4.71**	4.95 – 23	**4.71**	4.95 – 18

As at 30 September 2020 and 2019, 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 2020, included in the credit facilities, a letter of guarantee was secured by a charge on the Group's deposit of approximately S$367,000 (2019: S$338,000).

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Facilities granted	**10,959**	14,237	**377**	427
Facilities utilised	**10,937**	11,910	**377**	427

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

22. BORROWINGS (CONTINUED)

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore dollar	**9,282**	9,817	**377**	427
Malaysia ringgit	**1,655**	2,093	**–**	–
	10,937	11,910	**377**	427

23. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020	**2019**
	S$'000	**S$'000**
Deferred tax assets	**326**	378
Deferred tax liabilities	**(42)**	(72)

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

	Group	
	2020	**2019**
	S$'000	**S$'000**
Unutilised business losses	**326**	378
Property, plant and equipment	**(42)**	(72)

Deferred tax assets

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

	Group	
	2020	**2019**
	S$'000	**S$'000**
At beginning of financial year	**378**	988
Expense to profit or loss	**(50)**	(761)
(Under)/Overprovision in prior financial years	**(2)**	151
At end of financial year	**326**	378

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

23. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax liabilities

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

	Group	
	2020 S$'000	2019 S$'000
At beginning of financial year	**(72)**	(129)
Credit to profit or loss	**30**	57
At end of financial year	**(42)**	(72)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Current				
Trade payables				
– third parties	**670**	970	**–**	–
– related company	**17**	997	**–**	–
Other payables				
– third parties	**1,854**	1,808	**287**	449
– non-controlling interest	**275**	994	**–**	–
– related company	**52**	–	**–**	–
– directors	**–**	38	**–**	35
– subsidiaries	**–**	–	**1,629**	6,998
Accrued expenses	**660**	580	**106**	203
Deferred grant income	**88**	–	**19**	–
GST payable	**83**	25	**–**	–
Current trade and other payables	**3,699**	5,412	**2,041**	7,685
Non-current				
Trade payables				
– third parties	**365**	550	**–**	–
Other payables				
– third parties	**71**	171	**–**	25
– loans from third parties	**5,209**	7,645	**5,209**	7,645
– directors	**803**	4,896	**803**	4,896
Non-current trade and other payables	**6,448**	13,262	**6,012**	12,566
Trade and other payables	**10,147**	18,674	**8,053**	20,251

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

24. TRADE AND OTHER PAYABLES (CONTINUED)

The normal credit period granted to the Group for trade purchases ranges from 30 days to 60 days (2019: 30 to 60 days). Other than as disclosed below, current trade and other payables of S$3,200,000 (2019: S$4,848,000) are unsecured, interest-free and repayable on demand.

As of 30 September 2020, subsequent to the entering of various different arrangements with the individuals lenders, 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$499,000 (2019: S$564,000) and non-current trade and other payables to third parties of S$436,000 (2019: S$721,000) are unsecured, bear effective interest rates ranging from 0.8% to 6.8% (2019: 0.8% to 6.8%), and with credit term ranging from 5 months to 4 years;

- Non-current loans from third parties and directors are unsecured, interest-free, and with credit term ranging for 15 months from the reporting date.

As of 30 September 2020, consequent to further extension of the credit terms, the Group recognised modification gain of S$296,000.

As of 30 September 2019, consequent to various different rearrangement with creditors, 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%.

Deferred grant income pertains to the defrayment of the salary cost incurred during the seventeen months period of economic uncertainty from April 2020 to August 2021 for the grant provided by the Singapore Government under the Job Support Scheme.

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore dollar	**8,324**	15,123	**8,053**	20,251
Malaysian ringgit	**1,607**	1,950	**–**	–
United States dollar	**213**	1,598	**–**	–
Australian dollar	**3**	3	**–**	–
	10,147	18,674	**8,053**	20,251

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

25. COMMITMENTS

Operating lease commitments

In the financial year ended 30 September 2019, the Group leased land, equipment and motor vehicles under non-cancellable operating leases. The operating lease commitments were based on existing rental rates. The leases had lease terms ranging from 1 to 17 years and lease payments were usually revised at each renewal date to reflect the market rate.

At the end of financial year ended 30 September 2019, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group 2019 S$'000
Payable:	
Within one financial year	188
After one financial year but within five financial years	850
After five years	1,185
	2,223

Capital commitments

Capital expenditures contracted for at the end of the financial year but not recognised in the financial statements, are as follows:

	Group	
	2020 S$'000	**2019 S$'000**
Capital expenditure contracted but not provided for		
– Commitments for the acquisition of property, plant and equipment	**124**	–

26. 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$8.9 million (2019: S$9.4 million).

The Company has not recognised any liability in respect of the guarantee given to the bank for banking facilities granted to the subsidiary as the Company's directors have assessed that the likelihood of the subsidiary defaulting on repayment of its loan is remote.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

26. CONTINGENT LIABILITIES, UNSECURED (CONTINUED)

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.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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For the Financial Year Ended 30 September 2020

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Management fee charged to subsidiary	**–**	–	**240**	–
Purchase of zinc from a related company	**3,814**	2,105	**–**	–

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	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
– Short-term employee benefits	**1,176**	1,027	**767**	895
– Post-employment benefits	**99**	38	**37**	36
	1,275	1,065	**804**	931

28. 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	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Singapore	**10,154**	6,498	**7,895**	7,708
Malaysia	**111**	–	**5,412**	5,489
	10,265	6,498	**13,307**	13,197

Notes to the Financial Statements

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29. 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.

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 2020

29. 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Note 2. Significant increase in credit risk (Continued)

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.

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 2020, the Group wrote off S$440,000 (2019: S$104,000) 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 no reasonable expectation of recovery.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Note 4. Write off (Continued)

With reference to Note 26, the Company provided 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 16)

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

Trade receivables (Note 16) (Continued)

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 2020						
Expected credit loss rates	**0%**	**5%**	**7%**	**17%**	**38%**	
Trade receivables (gross) (S$'000)	**856**	**460**	**187**	**6**	**238**	**1,747**
Loss allowance (S$'000)	**–**	**22**	**14**	**1**	**91**	**128**
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

Other receivables and refundable deposits (Note 16)

As of 30 September 2020, the Group recorded other receivables and deposits paid of S$269,000 (2019: S$199,000). 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 16)

As of 30 September 2020, the Company recorded amounts due from subsidiaries of S$1,384,000 (2019: S$6,997,000) 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$10,832,000 (2019: S$ 15,394,000) on the bases of offsetting against payables to these subsidiaries and the receivables were repayable on demand.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

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:

	Trade receivables				Other receivables and refundable deposits	
	Note (i)	Category 4	Category 5	Total	Category 1	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
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	–	–
Financial assets repaid	–	(5)	–	(5)	–	–
Increase in loss allowance recognised in profit or loss	75	27	–	102	–	–
Reclassification between categories	–	(417)	417	–	–	–
Write-off of receivables	–	–	(417)	(417)	–	–
At 30 September 2020	**99**	**29**	**–**	**128**	**–**	**–**
Gross carrying amount						
At 30 September 2019	2,437	424	–	2,861	199	199
At 30 September 2020	**1,718**	**29**	**–**	**1,747**	**269**	**269**
Net carrying amount						
At 30 September 2019	2,413	–	–	2,413	199	199
At 30 September 2020	**1,619**	**–**	**–**	**1,619**	**269**	**269**

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 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Credit risk (Continued)

	Amounts due from subsidiaries Category 3 S$'000	Total S$'000
Company		
Loss allowance		
At 1 October 2018	–	–
Increase in loss allowance recognised in profit or loss	15,394	15,394
At 30 September 2019	15,394	15,394
Decrease in loss allowance recognised in profit or loss	(4,562)	–
At 30 September 2020	**10,832**	**15,394**
Gross carrying amount		
At 30 September 2019	22,391	22,391
At 30 September 2020	**12,216**	**12,215**
Net carrying amount		
At 30 September 2019	6,997	6,997
At 30 September 2020	**1,384**	**1,384**

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Foreign currency risks (Continued)

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	
	2020	**2019**
	S$'000	**S$'000**
Monetary assets		
USD	**30**	316
Monetary liabilities		
USD	**(213)**	(1,598)

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	
	2020	**2019**
	S$'000	**S$'000**
USD	**(18)**	(128)

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 21 and 22).

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Market risks (Continued)

Interest rate risks (Continued)

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

	Principal S$'000	Interest rate range
Group		
2020		
Borrowings from financial institutions	**10,937**	**4.59% – 7.44%**
2019		
Borrowings from financial institutions	11,910	4.94% – 6.20%

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 2020 of the Group would decrease/increase by S$91,000 (2019: S$99,000).

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. 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		
	Effective interest rate %	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	More than 1 year S$'000
Group					
2020					
Financial assets					
Trade and other receivables		**1,888**	**1,888**	**1,888**	**–**
Cash and bank balances		**1,487**	**1,487**	**1,487**	**–**
Pledged fixed deposit	Note 15	**367**	**370**	**370**	**–**
		3,742	**3,745**	**3,745**	**–**
Financial liabilities					
Trade and other payables	Note 24	**9,976**	**10,367**	**3,532**	**6,835**
Borrowings	Note 22	**10,937**	**11,621**	**2,957**	**8,664**
Lease liabilities	4.59 – 6.80	**1,850**	**2,114**	**537**	**1,577**
		22,763	**24,102**	**7,026**	**17,076**
Total net undiscounted financial liabilities		**(19,021)**	**(20,357)**	**(3,281)**	**(17,076)**
2019					
Financial assets					
Trade and other receivables		2,612	2,612	2,612	–
Cash and bank balances		141	141	141	–
Pledged fixed deposit	Note 15	338	341	341	–
		3,091	3,094	3,094	–
Financial liabilities					
Trade and other payables	Note 24	18,649	19,478	5,397	14,081
Borrowings	Note 22	11,910	13,191	3,122	10,069
Lease liabilities	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 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

			Contractual undiscounted cash flows		
	Effective interest rate %	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	More than 1 year S$'000
Company					
2020					
Financial assets					
Trade and other receivables		**1,387**	**1,387**	**1,387**	**–**
Cash and bank balances		**480**	**480**	**480**	**–**
		1,867	**1,867**	**1,867**	**–**
Financial liabilities					
Trade and other payables	Note 24	**8,034**	**8,420**	**2,022**	**6,398**
Borrowings	Note 22	**377**	**411**	**126**	**285**
Lease liabilities	4.59	**24**	**24**	**24**	**–**
		8,435	**8,855**	**2,172**	**6,683**
Total net undiscounted financial liabilities		**(6,568)**	**(6,988)**	**(305)**	**(6,683)**
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 24	20,251	21,058	7,685	13,373
Borrowings	Note 22	427	470	119	351
		20,678	21,528	7,804	13,724
Total net undiscounted financial assets		(13,647)	(14,497)	(773)	(13,724)

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 22 to these financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Liquidity risks (Continued)

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	
	2020 S$'000	2019 S$'000	2020 S$'000	2019 S$'000
Financial assets at amortised cost				
Cash and cash equivalents	**1,487**	141	**480**	34
Pledged fixed deposit	**367**	338	**–**	–
Trade and other receivables	**1,888**	2,612	**1,387**	6,997
	3,742	3,091	**1,867**	7,031
Financial liabilities at amortised cost				
Trade and other payables	**9,976**	18,649	**8,034**	20,251
Lease liabilities	**1,850**	609	**24**	–
Borrowings	**10,937**	11,910	**377**	427
	22,763	31,168	**8,435**	20,678

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.

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.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

30. 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.

31. 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 2020 and 30 September 2019.

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	
	2020	**2019**
	S$'000	**S$'000**
Trade and other payables	**10,147**	18,674
Borrowings	**10,937**	11,910
Lease liabilities	**1,850**	609
Cash and cash equivalents	**(1,487)**	(141)
Net debt	**21,447**	31,052
Total equity	**(3,520)**	(12,340)
Total capital	**17,927**	18,712
Gearing ratio	**120%**	166%

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

32. INITIAL APPLICATION OF SFRS(I) 16 LEASES

SFRS(I) 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short- term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

The details of the accounting policies under SFRS(I) 16 and SFRS(I) 1-17 are disclosed in Note 2.18.

The Group applied SFRS(I) 16 using the modified retrospective approach and recognised the cumulative effect of initial application on 1 October 2019, being the date of initial application of SFRS(I) 16. Accordingly, the comparative information presented were not restated and is presented as previously reported under SFRS(I) 1-17 and its related interpretations.

<u>Practical expedients applied</u>

The Group applied the following practical expedients when applying SFRS(I) 16 for the first time.

– Not to reassess whether a contract is, or contains, a lease at 1 October 2019 and instead relied on the assessment previously made using SFRS(I) 1-17 Leases and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*;

– 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;

– Not to recognised right-of-use assets and lease liabilities for leases for which the underlying asset is of low value; and

– Use of hindsight for contracts which contain an option to extend or terminate a lease.

Leases classified as operating leases under SFRS(I) 1-17

The Group previously classified its lease of land, factory premise and certain office equipment as operating leases under SFRS(I) 1-17. Under SFRS(I) 16, the Group recognised, for each lease,

(a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 October 2019; and

(b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 October 2019.

In the determination of lease liabilities, the Group applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 October 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

32. INITIAL APPLICATION OF SFRS(I) 16 LEASES (CONTINUED)

Leases classified as finance leases under SFRS(I) 1-17

The Group previously classified certain leases as finance leases under SFRS(I) 1-17. The carrying amount of the lease asset and lease liability recognised under SFRS(I) 1-17 immediately before 1 October 2019 is recognised as the carrying amount of the right-of-use asset and the lease liability under SFRS(I) 16.

The effects of adopting SFRS(I) 16 at 1 October 2019 is summarised as follows:

	30 September 2019 SFRS(I) 1-17 S$'000	Reclassification S$'000	Remeasurement S$'000	1 October 2019 SFRS(I) 16 S$'000
Property, plant and equipment	13,197	–	1,690	14,887
Finance lease payables	609	(609)	–	–
Lease liabilities	–	609	1,690	2,299

The effects to deferred tax is immaterial. Therefore, the Group did not recognise make any adjustment to deferred tax at 1 October 2019.

The Group uses incremental borrowing rates at 1 October 2019 to discount the remaining lease payments at 1 October 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate applied by the Group at 1 October 2019 is 4.59%.

The lease liabilities at 1 October 2019 can be reconciled to the operating lease commitment as at 30 September 2019 as follows:

	At 1 October 2019 S$'000
Operating lease commitments at 30 September 2019 under SFRS(I) 1-17 as disclosed in the Group's consolidated financial statements	2,223
Discounted using the incremental borrowing rate at 1 October 2019	1,690
Finance lease liabilities recognition at 30 September 2019	609
Lease liabilities at 1 October 2019	2,299

Notes to the Financial Statements

For the Financial Year Ended 30 September 2020

33. COVID-19 PANDEMIC AND THE AFTERMATH

In the beginning of 2020, the COVID-19 has spread widely across the globe resulting in several actions taken by different countries to contain the virus. Such actions include, among others, restrictions of people agglomeration and travels. Furthermore, the situation brought severe market volatility and is widely expected to adversely impact the global gross domestic product in 2020. The economic uncertainties have created questions about the uncertainties relating to the impairment or recoverability of certain assets (including loss allowances for receivables) and the completeness or valuation of certain assets and liabilities reflected in the financial statements. The management has assessed that the Group will be able to continue as a going concern taking into consideration available resources and will proactively manage the business and take the necessary actions to ensure that its long-term business remain robust.

34. SUBSEQUENT EVENTS

On 19 November 2020, the Group entered into an agreement in relation to AGV Galvanizing (M) Sdn. Bhd.'s ("AGVM") property (the "Property") located at Pasir Gudang, Johor Bahru with a third-party Purchaser. In the agreement, AGVM would transfer the title of the Property to the Purchaser for consideration of RM12 million (equivalent to S$3,934,000), which is expected to be paid during the financial year ending 30 September 2021. As of the date of authorisation of the issuance of the financial statements, the Group has received RM840,000 as deposit. Subsequent to the completion of the agreement, through another agreement, AGVM would lease the Property back from the Purchaser, with the option to purchase the Property between the first day of the commencement of the sixth year of tenancy and the end of the ninth year of the tenancy. The Group is still determining the financial effect of the transactions.

As of the date of authorisation of the financial statements, the Malaysia operations have re-commenced.

Statistics of Shareholdings

As at 4 January 2021

Issued and paid-up capital	:	S$27,151,345.43
Number of shares	:	667,104,257
Class of shares	:	Ordinary shares with equal voting rights
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Percentage of treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDING

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	8	2.04	4,600	0.00
1,001 – 10,000	21	5.34	137,900	0.02
10,001 – 1,000,000	317	80.66	61,727,200	9.25
1,000,001 AND ABOVE	47	11.96	605,234,557	90.73
TOTAL	**393**	**100.00**	**667,104,257**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	223,148,100	33.42
2	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	120,139,600	18.01
3	PHILLIP SECURITIES PTE LTD	52,648,600	7.89
4	CH'NG BAN BEE	26,706,317	4.00
5	ASIAGALV CAPITAL LLP	23,106,440	3.46
6	LIM BOON WAN	16,000,000	2.40
7	UOB KAY HIAN PRIVATE LIMITED	13,637,300	2.04
8	SEM ANG NGI	11,380,600	1.71
9	ANG GHEE ANN	9,000,000	1.35
10	CITIBANK NOMINEES SINGAPORE PTE LTD	8,723,800	1.31
11	POH LEONG TUCK	7,560,000	1.13
12	PEH TUAN	6,059,600	0.91
13	CLARENCE CHAN CHIN KIM	6,000,000	0.90
14	ONG SOON YAN	6,000,000	0.90
15	TAN WEIREN VINCENT (CHEN WEIREN VINCENT)	4,800,000	0.72
16	LAI KAY KEE	4,000,000	0.60
17	TANG CHOON CHAI	4,000,000	0.60
18	TOR TECK GEE	4,000,000	0.60
19	YEOH CHIN ENG	4,000,000	0.60
20	NG KIM CHOON	2,700,000	0.40
	TOTAL	**553,410,357**	**82.95**

Substantial Shareholders

As at 4 January 2021

Name of Substantial Shareholder	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
Chua Wei Kee[(1)]	–	–	199,800,000	29.25
GRW Capital Limited[(2)]	500,000	0.07	100,000,000	15.00
Alvin Poh Hsien Yang[(3)]	–	–	100,500,000	15.07

Note:

(1) Chua Wei Kee is deemed interested in the 199,800,000 ordinary shares held through his nominee, OCBC Securities Private Limited.

(2) GRW Capital Limited is deemed interested in the 100,000,000 ordinary shares held through its nominee, CGS-CIMB Securities (Singapore) Pte Ltd.

(3) Alvin Poh Hsien Yang is deemed interested in the 100,500,000 ordinary shares held by GRW Capital Limited as he is the sole shareholder of GRW Capital Limited.

Percentage of shareholding held in the hands of the public

As at 4 January 2021, the percentage of shareholding in the Company held in the hands of the public is approximately 51.52%. At least 10% of the Company's equity securities are held by the public at all times and the Company is in compliance with Rule 723 of the Catalist Rules.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AGV Group Limited (the "**Company**") will be held by electronic means on Thursday, 28 January 2021 at 10.30 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 2020 together with the Auditors' Report thereon. ***Resolution 1***

2. To re-elect Mr Chong Kwang Shih pursuant to Regulation 97 of the Company's Constitution.

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

3. To re-elect Mr Choong Yoon Fatt pursuant to Regulation 97 of the Company's Constitution.

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

4. To approve the payment of Directors' fees of S$160,000 for the financial year ending 30 September 2021 (FY2020: S$180,000). ***Resolution 4***

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

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 (i) 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 6***

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 13 January 2021 (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 7***

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 13 January 2021

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Chong Kwang Shih will upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees of the Company.

(ii) Mr Choong Yoon Fatt will upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Remuneration Committee and member of the Audit and Nominating Committees of the Company.

(iii) The Ordinary Resolution 6 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 7 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.

Measures to minimize risk of community spread of COVID-19

On 3 April 2020, the Singapore Government announced the implementation of circuit breaker measures (enhanced safe distancing measures and closure of non-essential workplace premises) to curb the further spread of COVID-19.

The COVID-19 (Temporary Measures) Act 2020 was passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 was issued by the Minister of Law on 13 April 2020 which provide, amongst others, legal certainty to enable issuers to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). A joint statement was also issued on the same day by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the Singapore Exchange Regulation providing guidance for listed and non-listed entities on the manner in which general meetings are to be conducted during the period when elevated safe distancing measures are in place.

In light of the above developments, the Company is arranging for a live webcast of the Annual General Meeting proceedings (the "**Live AGM Webcast**") which will take place on 28 January 2021 at 10.30 a.m. **Shareholders will be able to watch the AGM proceedings through the Live AGM Webcast, and the Company will not accept any physical attendance by shareholders.**

Notice of Annual General Meeting

Shareholders will be able to participate in the AGM in the following manner set out in the paragraphs below.

Live AGM Webcast:

1. Shareholders may watch the AGM proceedings through the Live AGM Webcast. To do so, shareholders will need to register by emailing:
   (a) their Full Name (as per CDP/Scrip/CPF/SRS Records);
   (b) Full NRIC/Passport/Company Registration Number;
   (c) Contact Number; and
   (d) Registered Address

   to RSVP@boardroomlimited.com (the "**Registration Email**") by 10.30 a.m. on 25 January 2021 (the "**Registration Deadline**") to enable the Company to verify their status.
2. Shareholders who hold their Shares through a Depository Agent (e.g. with a nominee company) and wish to:
   (a) watch the live webcast of the meeting should approach their respective Depository Agents by 5:00 p.m. on 22 January 2021 in order to allow sufficient time for their respective Depository Agents to register on their behalf by 10:00 a.m. on 25 January 2021.
   (b) submit questions related to the AGM should approach their respective Depository Agents by 5:00 p.m. on 22 January 2021 in order to allow sufficient time for their respective Depository Agents to submit the questions on their behalf by 10:00 a.m. on 25 January 2021.
3. Following verification, authenticated shareholders will receive an email by 10.30 a.m. on 27 January 2021 containing a link to access the live audio-visual webcast of the AGM proceedings as well as a toll-free telephone number to access the live audio-only stream of the AGM proceedings.
4. Shareholders must not forward the abovementioned link or telephone number to other persons who are not shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast.
5. Shareholders who register by the Registration Deadline but do not receive an email response by 1.00 p.m. on 27 January 2021 may contact the Company's Share Registrar at +65 6536 5355 between 9:00 a.m. to 5:00 p.m. or by email to RSVP@boardroomlimited.com.

Submission of Proxy Forms to Vote:

1. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf. Shareholders are advised to specify their votes for the respective resolutions.
2. The Proxy Form (a copy of which is also attached hereto), duly completed and signed, must be submitted in the following manner:
   (a) If submitted by post, be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
   (b) If submitted electronically, be submitted via email to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd. at RSVP@boardroomlimited.com

   by no later than 10.30 a.m. on 25 January 2021, being 72 hours before the time fixed for the AGM.
3. The instrument for the appointment of proxy, being the proxy form, may be accessed at the Company's website via the following link: https://agvgroup.listedcompany.com/newsroom.html. Where a member (whether individual or corporate) appoints the Chairman as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of the resolution in the proxy form, failing which the appointment of the Chairman as proxy for the resolution will be treated as invalid. The Chairman, as proxy, need not be a member of the Company.
4. A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In view of the current COVID-19 situation and in light of the advisories issued by the relevant authorities in Singapore as well as the related safe distancing measures in Singapore which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

Notice of Annual General Meeting

5. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 10.30 a.m. on 19 January 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

6. The Company shall be entitled to, and will, treat any proxy forms appointing persons other than the Chairman of the AGM as invalid.

7. **Please note that shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

Submission of Questions:

1. To ensure orderly proceedings during the Live AGM Webcast, Shareholders should submit questions relating to the items on the agenda of the AGM, at the same time as their pre-registration, via the Registration Email. All questions must be submitted by 10.30 a.m. on 25 January 2021. Please note that to avoid any technical disruptions or overload to the Live AGM Webcast, shareholders will not be allowed to raise questions at the Live AGM Webcast.

2. The Company will endeavour to address the substantial and relevant questions at or before the AGM. The responses to such questions from shareholders, together with the minutes of the AGM, will be posted on the SGXNet and the Company's website within one month from the date of the AGM.

Notes:

1. (a) The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument of proxy must be executed under seal or the hand of its duly authorised officer or attorney.

   (b) A member of the Company who is a relevant intermediary must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

   "**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 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 hours before the time appointed for holding the Meeting.

4. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to attend and vote at the AGM.

5. The AGM will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM and the accompanying documents (including the Annual Report and the Addendum) will not be sent to members. Instead, this Notice of AGM and the accompanying documents will be published on SGXNet and the Company's website at https://agvgroup.listedcompany.com/newsroom.html.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or by attending the AGM, 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 AGM 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 Chong Kwang Shih and Mr Choong Yoon Fatt are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 28 January 2021 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

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

Name	**Chong Kwang Shih**	**Choong Yoon Fatt**
Date of Appointment	20 June 2018	13 November 2018
Date of last re-appointment	30 March 2019	30 March 2019
Age	54	45
Country of principal residence	Singapore	Singapore
The Board's comments on this re-election	The Board has accepted the Nominating Committee's recommendation, which has reviewed and considered Mr Chong Kwang Shih's contribution and performance as the Lead Independent Director of the Company. Mr Chong will upon re-election remain as Lead Independent Director, Chairman of Audit Committee, and a member of the Nominating and Remuneration Committees.	The Board has accepted the Nominating Committee's recommendation, which has reviewed and considered Mr Choong Yoon Fatt's contribution and performance as an Independent Director of the Company. Mr Choong will upon re-election remain as Chairman of Remuneration Committee, and a member of the Audit and Nominating Committees.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Lead Independent Director • Audit Committee, Chairman • Nominating Committee, Member • Remuneration Committee, Member	• Independent Director • Audit Committee, Member • Nominating Committee, Member • Remuneration Committee, Chairman

Disclosure of Information on Directors Seeking Re-Election

Name	Chong Kwang Shih	Choong Yoon Fatt
Professional qualifications	• Bachelor of Commerce and Administration, majoring in Accountancy, Victoria University of Wellington, New Zealand	• Bachelor of Commerce, Griffith University, Australia • Chartered Accountant of Singapore • Member of CPA Australia • Accredited Tax Professional (Income Tax)
Working experience and occupation(s) during the past 10 years	• September 2008 to August 2010 Chief Financial Officer of Jade Technologies Holdings Ltd • January 2011 to March 2012 Independent Consultant • April 2012 to February 2014 Chief Financial Officer of Fast Offshore Supply Pte Ltd • March 2014 to July 2015 Finance & Admin Director of Trinity Offshore Pte Ltd • July 2015 to January 2017 Chief Financial Officer of OEL (Holdings) Ltd • February 2017 to September 2019 Independent Consultant • September 2019 to January 2020 Group Chief Financial Officer at DLF Holdings Limited • January 2020 to Present Independent Consultant	• December 2000 to December 2012 Associate Director – Corporate Restructuring and Senior Manager – Audit of KPMG Singapore • 2012 to 2013 Public accountant practising at Reliance Audit LLP • 2013 to Present Public accountant practising at SC & Co. • 2019 to Present Managing Director of Integra Solutions Pte. Ltd.

Disclosure of Information on Directors Seeking Re-Election

Name	Chong Kwang Shih	Choong Yoon Fatt
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries	None	None
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#		
Past (for the last 5 years)	• Director, We Care Community Services Limited • Director, Yahweh China Pte Ltd	• Independent Director, Oriental Group Ltd.
Present	• Independent Consultant • Director, Dew Corporate Advisory Pte Ltd	• Public accountant practicing at SC & Co. • Managing Director of Integra Solutions Pte. Ltd.

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Disclosure of Information on Directors Seeking Re-Election

Name		**Chong Kwang Shih**	**Choong Yoon Fatt**
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	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	No
(c)	Whether there is any unsatisfied judgment against him?	No	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	No

Disclosure of Information on Directors Seeking Re-Election

Name		Chong Kwang Shih	Choong Yoon Fatt
(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	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 her part?	No	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	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	No

Disclosure of Information on Directors Seeking Re-Election

Name			Chong Kwang Shih	Choong Yoon Fatt
(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 her from engaging in any type of business practice or activity?		No	No
(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	No	Yes. Mr Choong wishes to set out that he is an independent director of Oriental Group Ltd. ("**OGL**"). SGX-ST had on 29 June 2018 issued a reprimand letter to OGL in relation to certain breaches made by the past and present directors of OGL (the "**Reprimand**"). However, Mr Choong wishes to state for the record that he was not one of the directors who was a subject of the Reprimand and he was not a director of OGL during the period in which the breaches had taken place. The declaration made above is made only to the extent that he was a director of OGL when OGL had received the Reprimand.

Disclosure of Information on Directors Seeking Re-Election

Name			Chong Kwang Shih	Choong Yoon Fatt
	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	No	No
	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	No	No
	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	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	No

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AGV GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201536566H)

PROXY FORM

IMPORTANT:

1. The AGM will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and this Proxy Form will not be sent to members. Instead, the Notice of AGM and this Proxy Form will be sent to members by electronic means via publication on SGXNet and the Company's website via the following link: https://agvgroup.listedcompany.com/newsroom.html.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.
3. **In view of the current COVID-19 situation and the advisories issued by the relevant authorities in Singapore as well as the related safe distancing measures in Singapore, members and investors will not be able to attend the AGM in person. Members and investors will also not be able to vote online on the resolution to be tabled for approval at the AGM. A member (whether individual or corporate) who wishes to vote must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.**
4. 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.
5. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR THEIR INFORMATION ONLY**.

I/We, ______________________________ (full name in capital letters)

NRIC No./Passport No./Company No. ______________________________

of ______________________________ (full address)
being a member/members of AGV GROUP LIMITED (the "**Company**"), hereby appoint:

____

the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy to vote for me/us* on my/our* behalf at the AGM to be held by **electronic means** on **Thursday, 28 January 2021 at 10.30 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy to vote for or against, or to abstain from voting the Resolutions proposed at the AGM 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 will vote or abstain from voting at his/her* discretion, as he/she* will on any other matter arising at the AGM. 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" or "Abstain" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll)

	Resolutions relating to:	**For**	**Against**	**Abstain**
	Ordinary Business			
1.	Adoption of the Directors' Statement and the Audited Financial Statements for the financial year ended 30 September 2020 together with the Auditors' Report thereon			
2.	Re-election of Mr Chong Kwang Shih retiring by rotation pursuant to Regulation 97 of the Company's Constitution			
3.	Re-election of Mr Choong Yoon Fatt retiring by rotation pursuant to Regulation 97 of the Company's Constitution			
4.	Approval of Directors' fees of S$160,000 for financial year ending 30 September 2021.			
5.	Re-appointment of Mazars LLP as Auditors and authority to fix their remuneration			
	Special Business			
6.	Authority to allot and issue new shares.			
7.	Renewal of the Interested Person Transactions Mandate			

Dated this __________ day of ____________________ 2021

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

____

Signature(s) of Member(s)/Common Seal

*Delete where applicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. **In view of the current COVID-19 situation and in light of the advisories issued by the relevant authorities in Singapore as well as the related safe distancing measures in Singapore, members and investors will not be able to attend the AGM in person. Members and investors will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM (the "Chairman") as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The Chairman, as proxy, need not be a member of the Company. This proxy form may be accessed on SGXNet and the Company's website via the following link: https://agvgroup.listedcompany.com/newsroom.html.** Where a member (whether individual or corporate) appoints the Chairman as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of the resolution in the proxy form, failing which the appointment of the Chairman as proxy for the resolution will be treated as invalid.

2. 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, this proxy form shall be deemed to relate to all the shares held by you.

3. The instrument appointing the Chairman of the AGM as a proxy must be duly completed and signed and submitted office of the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 OR (ii) by email to RSVP@boardroom.com **no later than 10.30 am on 25 January 2021, being 72 hours before the time fixed for the AGM**. A member who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and in light of the advisories issued by the relevant authorities in Singapore as well as the related safe distancing measures in Singapore which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

4. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument 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 AGM.

5. Where an instrument appointing the Chairman of the AGM as proxy 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.

6. A Depositor's name must appear in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the AGM in order for him to be entitled to vote at the AGM.

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

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 AGM.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

AGV GROUP LIMITED

CREATE A BETTER TOMORROW

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