Issuer: AGV Group Limited
Security: AGV Group Limited

Meeting details:
Date: 18 January 2017
Time: 10:00H
Venue: TKP Conference Center 137 Cecil Street, #04-01 Singapore 069537

Company Description

AGV Group Limited, together with its subsidiaries, provides hot dip galvanizing services to steel and iron fabrication industries in Singapore. The company also engages in consultation and contract works relating to galvanization. AGV Group Limited provides its products and services to utilities, public construction, telecommunications, transport, petrochemical, defense, aerospace, automotive, and general industrial markets. The company was incorporated in 2015 and is based in Singapore. AGV Group Limited is a subsidiary of MA Builders Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1A4)

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Q1. The Consolidated Statement of Profit or Loss (page 39 of the annual report) shows that the group made a profit of $0.623 million for the financial year 2016, down from $2.24 million in 2015. Revenue increased by just 7.8% to $20.23 million in 2016

Note 11 (Profit before income tax – page 64) shows that "Entertainment" expenses increased from $0.102 million in 2015 to $0.446 million in 2016, an increase of 337%.

a) **Can the company let shareholders know the breakdown of the "Entertainment" expenses?**
b) **On what basis is this disproportionately large increase in "Entertainment" expenses justified?**
c) **Going forward, would this expense item stay at this level or revert to the $100k level?**
d) **Does the board have in place any policies regarding the type of allowable expenses and the amount allowed under "Entertainment" expenses?**

To put things in perspective, the $446k entertainment expense is 72% of the reported profit of $0.623 million, and over 10% of the net proceeds from the IPO attributable to the company.

Q2. Can management elaborate on the challenges of the operations in Malaysia? Specifically:

a) **What is the current utilisation rate of the Johor Plant?**
b) **When would AGV Malaysia know if it has been successful in the securing contracts from the major oil and gas projects that are being rolled out in Johor (as mentioned in the annual report)?**
c) **Based on management's projection, how soon can the associate record "a positive operating profit"? Is it likely to be near 1-2 years' time, or longer?**
d) As disclosed in Note 15 (Associate – page 68), the group has "the option to call for 64% shareholding in the Associate within 24 months beginning from the day after the first month in which the Associate records a positive operating profit at a total exercise price of approximately S$2.0 million". **Under what circumstances would the group decide not to exercise its option to call for the 64% shareholding?**

Q3. As noted in the Corporate Governance report (page 15):

"As at 30 September 2016, the Board comprises eight directors, two of whom are Non-Executive, namely, Mr Yeong Chun Song and Mr Chng Weng Wah, and three of whom are Independent Directors, namely, Mr Jack Chia, Mr Toh Hock Ghim and Mr Benjamin Choo."

In addition, it was disclosed that: "Mr Jack Chia, Mr Chng Weng Wah, Mr Toh Hock Ghim and Mr Benjamin Choo were each appointed to the Board on 1 April 2016".

In the Remuneration Band for directors (page 23), it was shown that only the independent directors (namely Mr Jack Chia, Mr Toh Hock Ghim and Mr Benjamin Choo) received directors' fees.

a) **Please confirm that the two non-executive directors (Mr Yeong Chun Song and Mr Chng Weng Wah) would not be receiving any fees or benefits for the financial year ended 30 September 2016, from the company or from the group's associated and/or subsidiary companies.**

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b) In Resolutions 10 and 11, the proposed directors' fees are S$67,500 and S$195,000 for the financial year ended 30 September 2016 and 30 September 2017 respectively.

c) **Please confirm that the fees for the financial year ended 30 September 2016 are paid to the directors for the period from the date of appointment (1 April 2016) to the end of the financial year (30 September 2016).**

d) The proposed fee of $195,000 for the financial year ended 30 September 2017 is about triple the proposed fees for the financial year ended 30 September 2016. Even if the fees for FY2016 would be for the full year (as compared to 6 months), the fees would have increased by 50%. **Would the remuneration committee provide more transparency into the directors' remuneration for the financial year ended 30 September 2017 for which shareholders' approval is being sought (as resolution 11)?**

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