

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
CHINESE GLOBAL INVESTORS GROUP LTD.****Report on the Audit of the Financial Statements*****Disclaimer of Opinion***

We were engaged to audit the financial statements of Chinese Global Investors Group Ltd. (the Company) and its subsidiaries (the Group), set out on pages 10 to 81, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion of these financial statements.

***Basis for Disclaimer of Opinion*****1. Going concern assumption**

For the current financial year, the Group reported loss after tax and negative operating cash flow of \$2,970,503 and \$1,051,905 respectively. As at 30 June 2017, the Company's current liabilities exceeded its current assets by \$435,417. As disclosed in Note 2 to the financial statements, the Group proposed to dispose its core business in the waterproofing operation ("Proposed Disposal Group"), with the latest Long Stop Date of the Sale and Purchase Agreement extended to 29 December 2017. In the event that the Proposed Disposal Group is successfully disposed, the Group will have no core business other than investment holding ("remaining business"). The remaining business incurred a net cash outflow from operating activities of \$1,347,861 for the current financial year. As at 30 June 2017, the remaining business is in a net liability position of \$2,738,120.

As disclosed in Note 2, management has prepared these financial statements on a going concern basis on the assumption that:

- (i) the Group is able to identify and acquire a new core business as approved by shareholders and Singapore Exchange ("SGX");
- (ii) the Group is able to complete the disposal of the Proposed Disposal Group as described in Note 5 (ii) to the financial statements;
- (iii) the Company would not be a cash company under Rule 1017 of the Catalist Rules pursuant to the disposal of the Proposed Disposal Group, failing which may result in a restriction on the utilisation of cash and cash equivalents of the Group; and
- (iv) the Group is able to obtain continuing support from its substantial shareholder and third-party lenders as and when necessary. As at the date of this report, the Group secured credit facilities from third-party lenders of HK\$ 7,000,000 (approximately \$1,200,000), of which, HK\$3,880,000 (approximately \$680,000) was drawdown.

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***Basis for Disclaimer of Opinion (Continued)***

1. Going concern assumption (Continued)

These facts and circumstances indicate the existence of multiple material uncertainties that may cast significant doubts over the ability of the Group and of the Company to continue as going concern. As at the date of this report, we were not able to obtain sufficient audit evidence to ascertain the following:

- (i) the successful identification of a new core business, which in turn affect the completion of the disposal of the Proposed Disposal Group, subject to the obtaining the shareholders and SGX approval of the new core business to be acquired by the Company;
- (ii) the likelihood that the Company would not be a cash company under Rule 1017 of the Catalist Rules after completion of the disposal of the Proposed Disposal Group; and
- (iii) the financial abilities of the substantial shareholder and the third-party lenders to provide financial support to the Group as and when necessary.

Consequently, we were unable to conclude as to the appropriateness of the use of going concern basis in the preparation of the accompanying financial statements. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their 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 and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities which may arise. No such adjustments have been made to these financial statements.

2. Disposal of a subsidiary

Our audit report dated 4 October 2016 on the financial statements for the previous year ended 30 June 2016 was disclaimed in respect of appropriateness of the impairment of goodwill of \$212,863 arising from acquisition of a subsidiary (Success Finance Limited).

During the current financial year, the Company disposed off Success Finance Limited, resulting in a gain on disposal of \$175,597 (as disclosed in Note 5 to the financial statements). Any adjustment to the opening balance of the carrying amount of the goodwill arising from the disclaimer of opinion in the previous financial year as stated would have had consequential effects on the current financial year's financial performance, including the recorded gain on disposal, and the related disclosures in the accompanying financial statements.

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***Basis for Disclaimer of Opinion (Continued)***

3. Impairment of trade and other receivables

As disclosed in Note 9 to financial statements, the Group's trade and other receivables amounted to \$5,914,810 as at 30 June 2017. Included in trade and other receivables are amounts due from trade debtors and third parties of \$ 599,656 and \$96,180 respectively that are past due. The Group has not provided for impairment on these balances as the directors of the Group are of the view that the amounts are recoverable and there has not been a significant change in credit quality.

We were unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the trade and other receivables of \$ 599,656 and \$96,180 respectively as at 30 June 2017 and therefore unable to determine whether any impairment loss was necessary as required by FRS 36 Impairment of Assets. Any impairment loss which might have been necessary on the trade and other receivables as at 30 June 2017 would have increased the loss for the period and reduced the net assets as at that date by the same amount.

4. Impairment testing on investment in subsidiaries and amount due from subsidiaries

As at 30 June 2017, the carrying amount of the Company's investment in relation to the Proposed Disposal Group was \$963,339 (after impairment loss of \$2,068,480) and amount due from Proposed Disposal Group was \$232,718. As disclosed in Note 5 (ii) and Note 9 to financial statements, management has determined the recoverable amounts of the abovementioned amounts to be an aggregate of \$3,280,000, being the disposal consideration as provided for in the Sale and Purchase Agreement for the Proposed Disposal Group. In view of the uncertainties surrounding the completion of the disposal, management has neither reversed the impairment previously provided for nor provided for additional impairment for both the cost of investments in subsidiaries as well as the amount due from the subsidiaries of the Proposed Disposal Group. Accordingly, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the carrying amounts of the cost of investment in subsidiaries of \$963,339 in the Proposed Disposal Group as well as the recoverability of the amounts due from subsidiaries of the Proposed Disposal Group of \$232,718 as at 30 June 2017.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINESE GLOBAL INVESTORS GROUP LTD. (Continued)**

### ***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 auditor's report.

Our opinion on the financial statements does not cover the other information and we do 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Disclaimer Opinion section above, we were unable to obtain sufficient appropriate audit evidence to express an opinion whether the financial statements are properly drawn for the financial year ended 30 June 2017 in accordance with the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs). Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

### ***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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.



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**Report on Other Legal and Regulatory Requirements**

In our opinion, except for the matters described in Basis for Disclaimer of Opinion section of our report, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We have not commenced our statutory audits of certain Singapore incorporated subsidiaries as identified in Note 5, as we have been informed of management's intention to change auditors. We are in the process of obtaining approval from Accounting and Corporate Regulatory Authority (ACRA) to resign as their statutory auditors. Consequently, except for these subsidiaries, the accounting and other records of the remaining subsidiary corporations for 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 auditor's report is Angeline Tan Lay Hong.

**Crowe Horwath First Trust LLP**  
Public Accountants and  
Chartered Accountants  
Singapore

9 October 2017