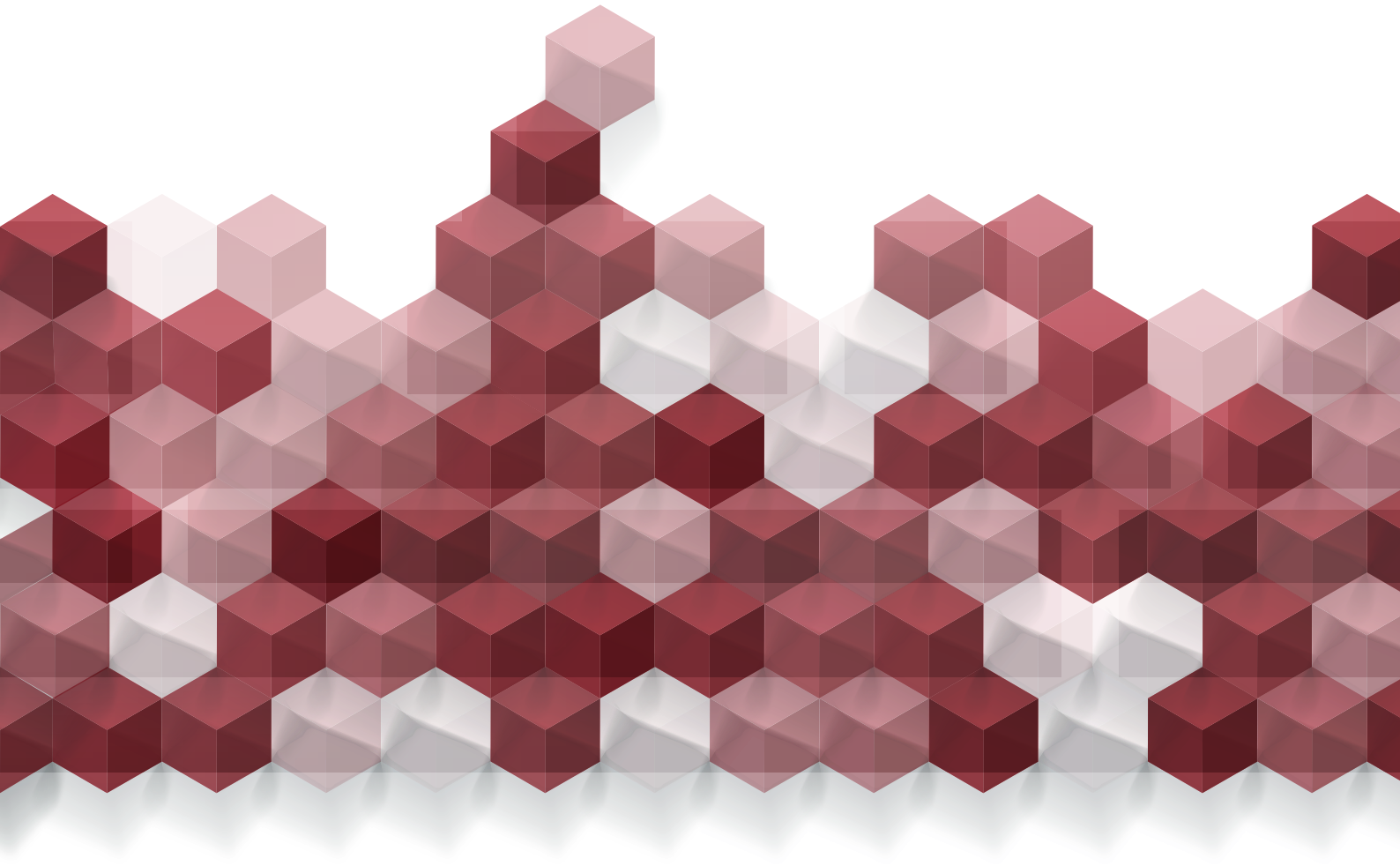
CHINESE GLOBAL INVESTORS GROUP LTD.
華人環球投資集團有限公司



ANNUAL REPORT 2018

VISION & MISSION

Under the leadership of the Management, our financial services and investment businesses shall step up to form our core business strategy to achieve the long-term goal of

- Sustaining long term profitability
- Maximising shareholders' value through the provision of recurring and diversified returns

Our investment philosophy is guided by the principles of Integrity, Accountability, Alignment, Professionalism and Transparency.

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

CORPORATE PROFILE



Over the years, the Company has diversified beyond the waterproofing and building protection business into new areas of business as opportunities emerged. The Company and its subsidiaries are principally engaged in two business segments, namely (i) provision of quality waterproofing and building protection solutions and products; and (ii) financial services and investment.

The Company was incorporated in Singapore on 14 June 1966 under the name W Graham Hitchins (Far East) Pte Ltd. W Graham Hitchins was founded in England in 1932, whose core business is to provide integrated solutions for the waterproofing and protection of building and concrete structures — from materials research and development to manufacturing and installation of waterproofing and concrete protection products. In 1989, the UK parent company underwent a worldwide restructuring, leading to a management buy-out for the Group's businesses located in Singapore, Malaysia and Brunei.

On 23 January 2003, the Company was listed on the SGX-SESDAQ, now known as the Catalist board of the Exchange under the name of Hitchins Group Ltd ("Hitchins").

In January 2007, after M.E. Development L.L.C. of Dubai acquired a strategic stake in Hitchins, the Company was renamed as Middle East Development Singapore Ltd ("MEDS"). In collaboration with this strategic investor, MEDS expanded into project and construction management contracts in the Middle East.

In January 2009, Germir Group Limited ("Germir") first acquired a 14.66% interest in the Company and subsequently increased its stake to 34.65% via purchase of new shares issued on 23 July 2009. With the addition of Germir as a major shareholder, the Company then expanded into the businesses of coal, metals and other natural resources in the People's Republic of China ("PRC").

In December 2009, the Company was renamed as Auswin Holdings Limited.

On 8 October 2010, Germir sold its 26% interest in the Company to Horwood Capital Pte Limited. Following this, on 2 February 2011, upon the approval by shareholders, the Company was renamed as Chinese Global Investors Group Ltd. to reflect its diversification into financial services and investment activities. Through one of its major subsidiaries, CGI (Offshore) Limited, the Company acquired 100% equity interest in CGI Financial Services Limited and CGI (HK) Limited as the Company's intermediate investment holding entities.

Waterproofing and Building Protection

Our waterproofing business is marketed under the Hitchins® trademark. As an ISO 9001:2000 and ISO 14001:2004 certified organisation, we are one of Asia's leading waterproofing specialists with expertise in preservation, restoration and maintenance of buildings and concrete structures.

With our cutting-edge green technology in developing and manufacturing specialty building materials, we have preserved many historical and modern buildings from deterioration and restored them to their original splendor. We are committed to building a green and sustainable future.

Financial Services and Investment

The Company, through its subsidiaries, provides a broad range of financial services engaging in proprietary investing activities.

> *"On 2 February 2011, the Company was renamed as Chinese Global Investors Group Ltd. to reflect its diversification into financial services and investment activities."*

CORPORATE **MILESTONES**

2003

January
Listed on SGX-SESDAQ, now known as Catalist under the name **Hitchins Group Ltd**

2007

January
The Company was renamed as **Middle East Development Singapore Ltd.**

2009

January
Germir Group Limited acquired a 14.66% interest in the Company and subsequently increased its stake to 34.65% via purchase of new shares issued on 23 July 2009

December
The Company was renamed as **Auswin Holdings Limited**

2010

October
Cessation of substantial shareholdings, Germir Group Limited

November
Acquisition of the entire equity interests in CGI Financial Services Limited, CGI (HK) Limited and CGI (Offshore) Limited

December
- Listing and quotation of 90,000,000 new ordinary shares in the capital of Auswin Holdings Limited at an issue price of S$0.06 per share
- Acquisition of 19.41% shareholding interest in Hong Kong Building and Loan Agency Limited

2011

February
- The Company was renamed as **Chinese Global Investors Group Ltd.**
- Acquisition of CGI Management Limited

March
Incorporation of Fame Giant Investment Limited to carry out regulated activities in Hong Kong

May
Acquisition of 51% equity interest in CGI Capital Limited

July
Disposal of 100% of the total issued share capital of Win King Investment Limited

August
Incorporation of a wholly-owned indirect subsidiary, CGI Special Transaction Limited

December
- Acquisition of 33% equity interest in Fortune Business Holdings Limited
- Acquisition of 318,438,000 ordinary shares in PME Group Ltd.
- Listing and quotation of 91,000,000 new ordinary shares in the capital of Chinese Global Investors Group Ltd. at an issue price of S$0.05 per share
- Listing and quotation of 100,000,000 new ordinary shares in the capital of Chinese Global Investors Group Ltd. at an issue price of S$0.06 per share

2012

January
Disposal of 100% of the total issued share capital of MEDS Investment Pte. Ltd.

May
Established Chinese Global Investments (Cayman) Limited to carry out fund management business

July
Disposal of 51% of the total issued share capital of CGI Capital Limited

November
Placement of 100,000,000 shares in PME Group Ltd by CGI (HK) Limited

2013

May
Disposal of 33% equity interest in the Incorporation of Financial Technicians Limited (formerly known as Fortune Business Holdings Limited)

2015

August
Proposed disposal of 1,775,572 issued and paid-up ordinary shares in the share capital of Hitchins International Pte Ltd.

October
Acquisition of 55,000,000 issued and paid up ordinary shares in the share capital of Success Finance Limited by CGI (HK) Limited

November
Disposal of 40% interest in associate, Fame Giant Investments Limited

2016

March
Extension of long stop date on proposed disposal of Hitchins International Pte. Ltd.

2017

March
Disposal of indirect wholly-owned subsidiary, Success Finance Limited.

June
Further extension of long stop date on proposed disposal of Hitchins International Pte. Ltd.

October
Additional condition precedent on the proposed disposal of Hitchins International Pte. Ltd.

2018

January
Further extension of long stop date on proposed disposal of Hitchins International Pte. Ltd.

CHAIRMAN'S STATEMENT



U Keng Tin
Acting Chairman

Dear Shareholders,

We are pleased to present the annual report for the financial year ended 30 June 2018 ("**FY2018**"). FY2018 has been a challenging year for Chinese Global Investor's Group Limited (the "**Company**"). As of 30 June 2018, the Singapore Straits Times Index (STI) was marginally up from the previous financial year by 1.3% to 3268 points and the Hong Kong Hang Seng Index (HSI) was up by 11% to 28955 points. We are looking to the new year with optimism and determination.

PERFORMANCE REVIEW

It has been a year of ups and downs. The waterproofing segment of the business reported a reduction in turnover from $10.99 million for FY2017 to $8.71 million for FY2018. Revenue decreased largely due to lesser contracts being secured. The majority of our revenue came once again from Singapore at 82.5% of segmental turnover. Competition is the main pressures we face within the waterproofing industry. Our profit has decreased from 19.7% for FY2017 to 14.9% for FY2018 and our total net loss for FY2018 increased slightly (from $3.04 million in 2017 to $3.29 million in FY2018). On a brighter note, we have reduced expenses, in some cases by half. Our revenue has most noticeably dropped in India, China, and Malaysia. These reductions and the increase of cost of materials have also put pressure on the company over this financial year. While the revenue of waterproofing segment has declined by 20.8% compared to last year, overall this financial year has been a relatively steady one for the group.



CORPORATE GOVERNANCE

The Board once again is prioritising Corporate Governance and Regulatory Compliance. We as a company are proud of our honesty and transparency in business dealings. The Board is committed to deliver sustainable growth, without losing our principles.

BOARD OF DIRECTORS

The financial year 2018 has been a year of little change when it comes to the Board of Directors. We thank them all for their tireless efforts and dedication to the company in this past year. In the upcoming year we will be welcoming Mr. Chin Chi Ling Alexander as an Independent Non-Executive Director, we look forward to working with our new team member.

FUTURE OUTLOOK AND A WORD OF THANKS AND APPRECIATION

The company has overcome various competitive situations this year to stand strongly prepared to face any upcoming future challenges.

Once again, I would like to take this opportunity to thank our loyal shareholders and employees who have whole-heartedly shown their support, dedication and unwavering patience with the Group.

U Keng Tin
Acting Chairman



GROUP CFO'S **MESSAGE**



Kemmy Koh
Group Chief Financial Officer

Chinese Global Investors Group or the **"Company"**, along with its subsidiaries, collectively the "**Group**" started off the financial year ended 30 June 2018 ("**FY2018**") with a need to identify new business opportunities and funding solutions to remain operationally viable. Despite our failure in sourcing for a suitable and successful business, the Group managed to tighten our operating cashflow to keep the business operationally sustainable.

FY2018 FINANCIAL PERFORMANCE

FY2018 has been a year of adversity and competition for the Group. The Group has been consolidating its business, so that we are now primarily involved in two business segments: waterproofing and building protection and financial services and investment. Waterproofing and building protection is our core business. It is mainly comprised of the sale of waterproofing materials and contract services.

FY2018 has been a year where Singapore has become our major source of revenue by a much larger margin. An increase in competition has seen the Group record a net loss of S$3.44 million and achieved consolidated net sales of S$8.71 million for FY2018. The Group's loss per share increased to 0.38 Singapore cents in FY2018 from 0.32 Singapore cents last year. Our share price closed this FY2018 at 0.7 Singapore cents per share, up 0.1 Singapore cents from the end of the FY2017.

While the waterproofing business saw a decrease in sales, there were nil sales from our Hong Kong fund management business due to the disposal of our quoted shares in FY2017.

WATERPROOFING BUSINESS

The construction sector is experiencing the adverse spill over effects from 2017 of the slowdown in private-sector construction activities. In addition, intense competition from our counterparts exacerbated declining trend for the construction sector. However, we are still very optimistic about the waterproofing business given our long history of experience. Our expertise allows us to maintain a business with a stable margin, despite having lesser contracts secured during the year. The prevailing competitive nature has indeed had an impact on our business, but in spite of this, we have remained relatively steady.

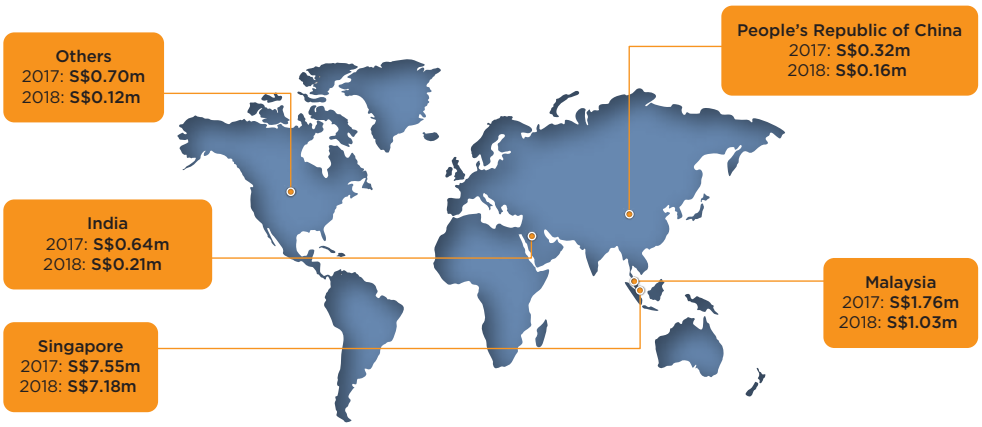
FUND AND INVESTMENT BUSINESS

We are currently in a consolidation stage in this segment of business. In the context of the lack of cash liquidity last year, the Group concentrated on our Waterproofing business and we did not assign any new resources to this segment during FY2018.

REVENUE BY REGION

Among the different geographical markets, Singapore remained the Groups highest revenue generator with a significant contribution of 82.5% to its turnover, while other markets contributed the remaining 17.5 %.

Malaysia continued its pivotal role as the region's second highest contributor (11.9% of FY2018 revenue), however for the Malaysian location as a whole, this was a significant reduction of 41.4 % to S$1.03 million in FY2018 from S$1.76 million in FY2017. Unfortunately FY2018 continued to see a slowdown in the People's Republic of China ("**PRC**") (1.8% of Group's FY2108 revenue) which resulted in a significant decrease in revenue of 50.6% to S$0.16 million from S$0.32 million in FY2017. The reasons for this decline was mainly due to the nature of the industry as the revenue from the sale of the development project was only recognised at handover. The remaining markets had a decrease in revenue and contributed 3.8% to Groups total revenue.



Revenue 2018 by Geographical Location



Our gross profit decreased 39.9% from S$2.16 million in FY2017 to S$1.3 million in FY2018 in tandem with the decrease in waterproofing business income. Meanwhile our gross profit margin declined by 4.8% yoy from 19.7% in FY2017 to 14.9% in FY2018. This was a result of a shift in revenue mix in the waterproofing segment. There was lower revenue because we needed to reduce our margins to maintain our market competitiveness and secure more contracts.

Other income increased by approximately 4.9% to S$0.25 million in FY2018, due to a one-off write off of other payables of S$17,477 and a gain on the disposal of our equipment of S$47,195. In addition, we earned S$23,086 in interest derived from our fixed deposit pledge in bank.

Distribution expenses declined 8.5% to S$0.91 million in FY2018, primarily due to lower commission incurred on our development projects and lower oversea travel expenses by our sales and marketing team.

Administrative expenses declined by 10.2% to S$2.91 million in FY2018. The headcount for our subsidiary in Hong Kong was reduced, in addition to a reduction in rental expenses, as the Group streamlined our financial services operation in Hong Kong. To better manage our operating cashflow, we have reduced our auditor's fees, directors' fees and entertainment expenses during the year.

Other expenses fell by 8.4% to S$0.88 million in FY2018. A loss on disposal of held-for-trading investments was absent this year, as we liquidated all of our equities trading in FY2017. However, the increasing shift of impairment from our waterproofing overseas customers has resulted in a higher allocation of allowances for doubtful debts from S$0.08 million in FY2017 to S$0.85 million in FY2018.

Finance costs rose by 16.4% to S$0.28 million in FY2018. This was due to the interest on the unsecured interest-bearing loans from unrelated third party lenders, along with interest expenses on loans extended by banks during the financial year.

In FY2018, we recorded a tax expense of S$2,966 as compared to S$230 in FY2017. This was mainly a result of an over-provision of tax in FY2017 offset by higher deferred tax expense during the year. A significant proportion of the Group's earnings related to our waterproofing subsidiairies.

Correspondingly, our operating loss declined further to S$3.44 million in FY2018 on the back of less revenue despite lowering overall expenses by 8.4%.

LIQUIDITY AND RESOURCES

As of 30 June 2018, the Group has cash and cash equivalents of S$0.84 million, an increase of 44.9% from S$0.58 million as of 30 June 2017. The improved cash position was due to our net cash generated from financing activities of S$1.22 million.

Operating cash outflows decreased by 7.2% relative to the prior year to S$0.98 million. This was primarily due to the timing of the settlements in our waterproofing project that were in progress at FY2018 being completed and not settled.

Investing cash flows primarily related to proceeds from the disposal of our equipment of S$0.09 million. In addition, there were cash outflow of S$0.09 million in respect of capital expenditure on equipment in FY2018.

Financing cash inflows include the proceeds of short term loan of S$1.71 million offset against our repayments associated with the Company's interest-bearing liabilities. The financing cash outflows were the repayment of lease obligations of S$0.06 million and short term borrowing of S$0.45 million.

2018 FINANCIAL POSITION

Total assets were S$7.43 million as of June 30, 2018, a decrease of S$1.12 million compared with the end of the previous fiscal year. Current assets as of June 30,2018 decreased by S$1.14 million compared with the end of the previous fiscal year to S$7.03 million. This was a result of trade and other receivables decreased by 23.9% to S$3.95 million due to an impairment of S$0.44 million from our Malaysian subsidiary for an expired retention sum and amount past due.

Total liabilities as of June 30, 2018 increased by S$2.17 million compared with the end of the previous fiscal year to S$10.2 million, mainly due to an increase in trade payables, amount due to contract customers and interest-bearing debt. The balance of interest-bearing debt amounted to S$3.58 million, an increase of S$1.25 million from the end of the previous fiscal year.



As a result, the owner's deficit equity as of June 30, 2018 was S$2.75 million.

	FY2018 S$'000	FY2017 S$'000
Non-current assets	394	377
Current assets	7,033	8,169
Less : Current liabilities	6,912	6,006
Less : Non-current liabilities	3,265	1,999

GEARING

As of 30 June 2018, our total borrowings increased to S$3.92 million from S$2.66 million as of 30 June 2017. Borrowing consisted of short term borrowings of S$0.4 million, bank overdrafts of S$0.23 million, finance leases of S$0.11 million and long term borrowings of S$3.18 million.

POST FY2018 REVIEW

Overall 2018 continued to be a landscape filled with challenges along with reassuring signs. The decline in China and increase in competition has thrown a lot of adversity towards the market in general. Our company has remained relatively stable in the face of this due to cost cutting and forward planning. The cornerstones of our business remain to be Singapore and Malaysia. Our Waterproofing business has suffered minor knocks this year, however our experience in the industry has seen us hold steady. Malaysia has also shown itself to be a successful location in that it was the second highest contributor in the region.

We have learnt a lot from the past fiscal year and feel it has been a year of consolidation and of proving our viability.

STRIVING AHEAD

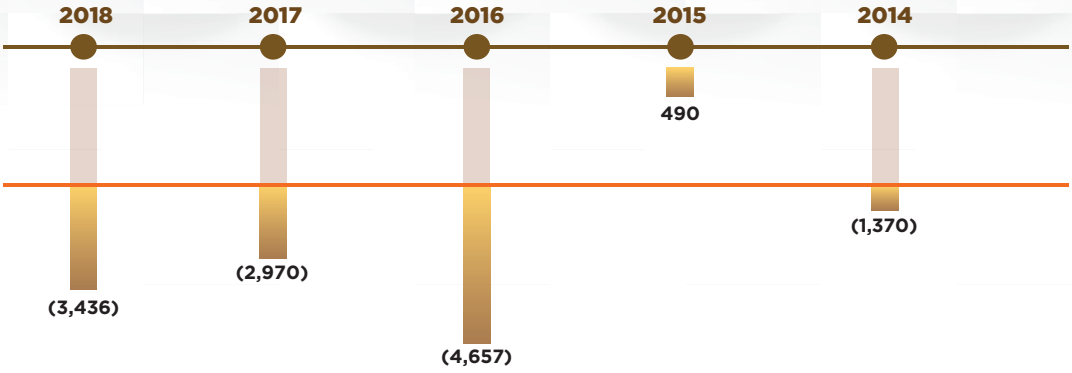
2018 was challenging and 2019 will likely be the same. Our group strongly believes in the direction we are headed. That direction is one of optimising growth opportunities. We remain positive heading into the coming fiscal year, as we have successfully reduced costs and maintained competitiveness in a challenging market. Our focus is to grow sustainably and with integrity.

I would like to take this opportunity to thank all our shareholders, customers and business partners for your unfailing support.

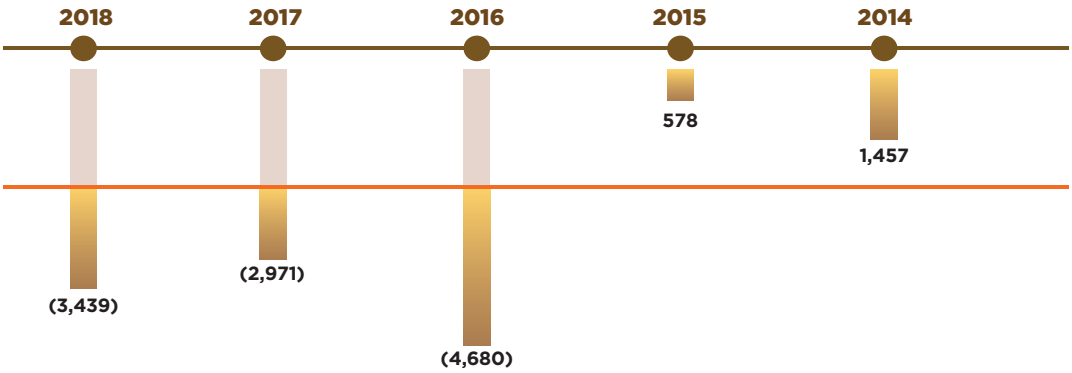
Kemmy Koh
Group Chief Financial Officer

PERFORMANCE AT A GLANCE

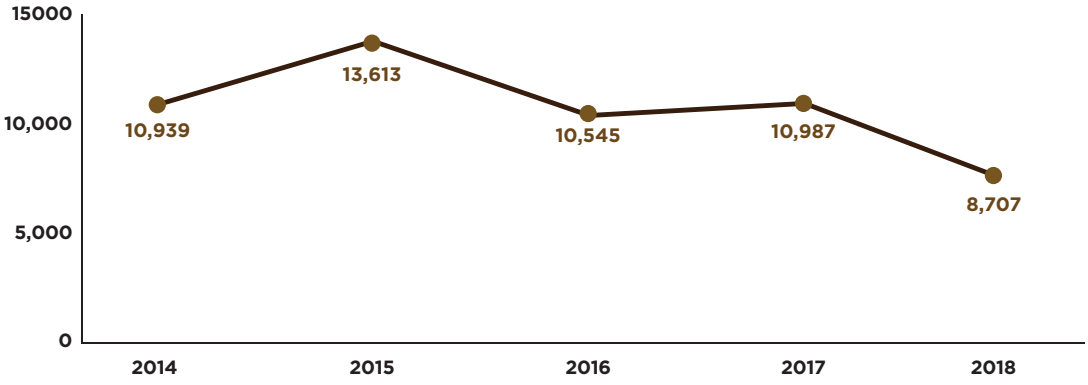
Profit Before Tax (S$'000)



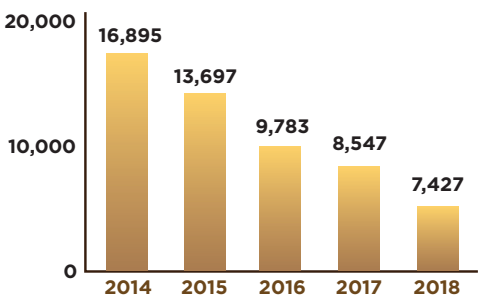
Profit After Tax (S$'000)



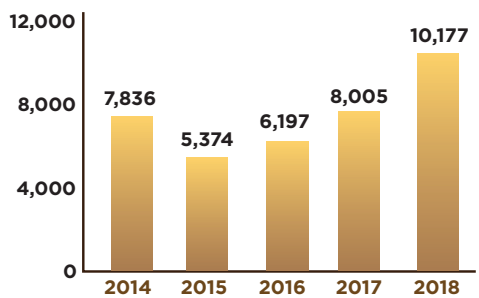
Revenue (S$'000)



Total Assets (S$'000)



Total Liabilities (S$'000)



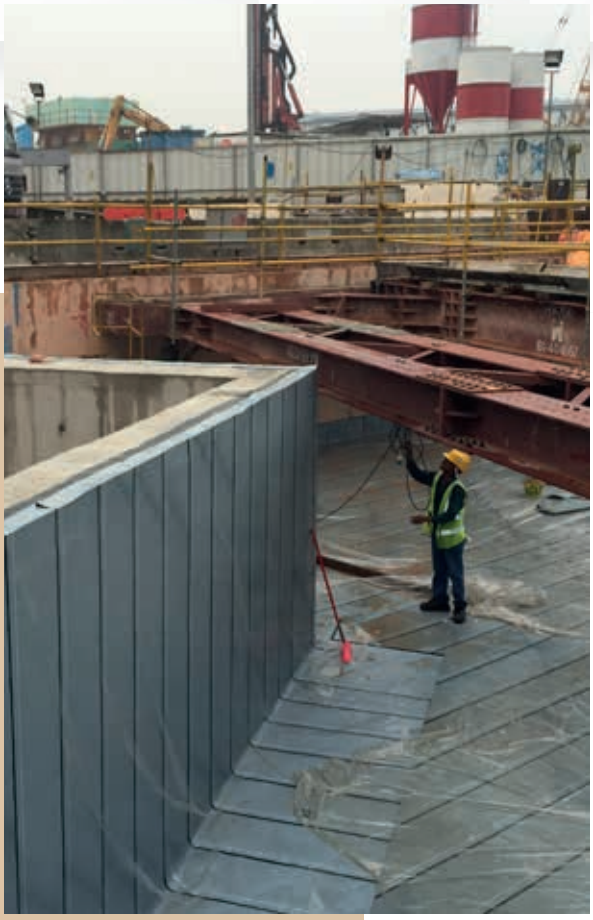
GROUP FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL HIGHLIGHTS

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Financial Performance (S$'000)					
Revenue	**8,707**	10,987	10,545	13,613	10,939
Gross profit	**1,300**	2,161	2,770	4,304	2,413
EBITDA	**(3,025)**	(2,605)	(4,339)	810	1,623
Profit/(Loss) before tax	**(3,436)**	(2,970)	(4,657)	490	1,370
Profit/(Loss) after tax	**(3,439)**	(2,971)	(4,680)	578	1,457
Financial Position (S$'000)					
Total assets	**7,427**	8,547	9,783	13,697	16,895
Total liabilities	**10,177**	8,005	6,197	5,374	7,836
Cash and short-term deposits	**1,820**	1,550	1,254	1,513	1,193
Short-term debt	**(651)**	(667)	(1,038)	(429)	(654)
Net current (liabilities)/assets	**121**	2,613	2,782	7,737	8,468
(Deficit)/Equity	**(2,750)**	542	3,586	8,323	9,060
Cash Flows (S$'000)					
Operating activities	**(976)**	(1,052)	(851)	(1,853)	(4,626)
Investing activities	**(2)**	(65)	25	2,469	5,875
Financing activities	**1,225**	1,273	884	(82)	(2,466)

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Financial Ratios					
Profitability					
Revenue growth (%)	**(20.75%)**	4,19%	(22.54%)	24.44%	(7.21%)
Profit/(Loss) after tax movement (%)	**15.77%**	(36.50%)	(909.86%)	(60.33%)	(232.58%)
Return on assets (%) (Loss after tax/Total assets)	**(46.3%)**	(34.76%)	(47.84%)	4.22%	8.62%
Return on equity (%) (Loss after tax/Equity)	**(125.07%)**	(548.15%)	(130.51%)	6.94%	16.08%
Liquidity					
Current ratio (times)	**1.0**	1.4	1.5	2.5	2.1
Cash as per share ($)	**0.0020**	0.0017	0.0014	0.0017	0.0013
Net tangible assets per share ($)	**(0.0030)**	0.0006	0.0039	0.0091	0.0099
Leverage					
Total debt to equity ratio (times) (Total debt/Total equity)	**(1.4)**	4.9	0.3	0.6	0.9
Interest cover (times) (EBITDA/Finance cost)	**10.8**	10.8	62.0	(4.3)	(13.6)
Investors' Ratio					
(Losses)/Earnings per share (cents)					
- Basic	**(0.38)**	(0.32)	(0.51)	0.06	0.16
- Fully diluted	**(0.38)**	(0.32)	(0.51)	0.06	0.16

ABOUT HITCHINS BUSINESS





Asia's Leading Building Protection Specialist

We were among the first in the industry to be ISO certified for our quality management services. Our products are based on researches, experiments and field trials conducted by our R&D team to ensure durability and reliability. These products are also subjected to stringent quality controls so that they can best suit local requirements. In addition, our products are fully warranted.

The Green Label certification by the Singapore Green Labelling Scheme, a member of the International Global Eco-Labelling Network, bears testimony to our continuing drive towards protecting and enhancing the constructed environment. Our products certified with the Green Label are Traffigard, Formak 629, Formdex Uniflex, Sealflex, Formdex Admix and Formdex Plus.

We are involved in the following activities:

- Research & Development
- Manufacturing
- Marketing & Distribution
- Application of Waterproofing Systems & Coatings
- Concrete Repair and Grouting
- Maintenance & Defects Investigation
- Technical Consultation & Services

The solutions we offer include:

- Roof, basement and wall waterproofing systems
- Decorative and weather-resistance coatings
- Chemical-resistant wall and floor finishes
- Structural and waterproofing grouting systems
- Concrete repair and protection systems
- Concrete joint treatments
- Roof gardens systems

> *"We specialise in Waterproofing Systems, Building Protection, Restoration and are committed to providing the best quality, design and controlled installation of our products."*

Hitchins since 1932

032 003
Environmentally Friendly
Paint/Coating

ABOUT **HITCHINS PRODUCTS**



Specialty Products
- Formrok 220
- Formrok 335
- Flexin Injection System
- Vandex Expaseal Expanding Waterstop

Non-Insulated Deck

Liquid Membrane
- Formdex Uniflex/Formdex Uni
- Formak 629 Elastomeric Waterproof Membrane

Preformed Membrane
- Formceal 3000X
- Formceal P-3-PL
- Nuraplan

Roof Waterproofing

Liquid Membrane
- Traffigard Waterproofing System
- Formak 629 Elastomeric Waterproof Membrane
- Metalcoat M80
- Deckgard

Preformed Membrane
- Formceal P-3-PL/PLA Waterproofing System
- Formceal 3000X Waterproofing System
- Nuraplan
- KB-Len
- Noraprufe 415

Basement Waterproofing
- Formdex Cementitious Systems
- Vandex Super
- Vandex BB75
- Formceal 3000X

Wall Waterproofing
- Sealflex Elastomeric Waterproofing System
- Formwal 622 Coating System

Daku Roof Garden
- Nuraplan Waterproofing Membrane
- Daku Element
- Daku Stabilfilter
- Daku Substrate

Sewage Treatment
- Vandex Unimortar 1 Z
- Vandex BB75 Z
- Vandex Polycem Z

Toilets And Wet Areas
- Formdex Cementitious Systems

Swimming Pools & Water Tanks
- Formdex Cementitious Systems
- Vandex BB75
- Vandex Super

MARKET COVERAGE



MARKET COVERAGE

SINGAPORE

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ODC Districentre
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Facsimile : (65) 6863 4240
Email : hitchins@hitchins.com

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CGI Financial Services Limited
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Facsimile : (852) 2110 0830

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Facsimile : (673-2) 65 2563

MALAYSIA

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Hitchins (Malaysia) Sdn. Bhd.
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Selangor, Malaysia
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Email : hitchins@streamyx.com

CHINA

Shanghai Hitchins Da Sheng
Waterproofing Materials Co., Ltd

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BOARD OF **DIRECTORS**



Mr. U Keng Tin

Acting Chairman and Executive Director

Mr. U was appointed as an Executive Director of the Company on 19 December 2013 and the Group's Acting Chairman since 24 October 2016. He serves as a member of the Investment Committee. Before joining the Board, he was an associate director of CGI Management Limited in Hong Kong since May 2011, overseeing the investment business of the Group's subsidiaries in Hong Kong. Mr. U is an Independent Non-Executive Director of China Ever Grand Financial Leasing Group Co., Ltd., a company listed on the Hong Kong Stock Exchange. Mr. U possesses more than 34 years of experience in the finance sector in Hong Kong and the South East Asia region.

Mr. U graduated from the University of San Francisco, USA, with a Master's Degree in Economics.



Mr. So Yuen Chun

Executive Director

Mr. So was appointed as an Executive Director of the Company on 18 October 2010. He serves as a member of the Audit, Investment and Risk Management Committee.

He had previously served as the financial controller of various organisations, and possesses more than 20 years of experience in the fields of auditing, accounting and finance.

Mr. So is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.



Mr. Chin Chi Ling Alexander

Independent Director

Mr. Chin has been appointed to the board as an Independent Director of the Company in July 2018. He serves as a member of the Audit, Nominating and Remuneration Committee. Mr. Chin has over 30 years experience in various fields including Government Contracts, Waste Treatment (water, waste and waste water) projects, Garments and Fertilizer manufacturing and IT online frame work. He holds a Bachelor of Business (Management) R.M.I.T. Melbourne Australia.

BOARD OF **DIRECTORS**



Dato' Peter Yong
Independent Director

Dato' Peter Yong was appointed as an Independent Director of the Company on 27 June 2017. He serves as a member of the Audit, Nominating and Remuneration Committees.

Dato' Yong is a Barrister-at-law (Middle Temple) who was called to the English Bar in 1978, and called to the Sabah Bar (High Court of Sabah & Sarawak) in 1979. Dato' Yong joined Jayasuriya Kah & Co, one of the largest law firms in Sabah, in 1979 and soon became a senior partner in the firm. Dato' Yong's experience in legal practice was mainly in privatization, mergers and acquisitions, corporate matters, commercial contracts, loan documentation, syndicated loan financing, land matters and conveyancing, making him one of the leading lawyers in his field. Dato' Yong remains a consultant with the firm after almost 40 years of legal practice.

Dato' Yong is the former Chairman of the Sabah Shooting Association (Kota Kinabalu Branch), Sabah, and is currently a Trustee of the Sabah Shooting Association. Dato' Yong was also a Board Member of Kota Kinabalu High School.

Dato' Yong is also a former Director of S. P. Satria Sdn Bhd which is a subsidiary of Suria Capital Holdings Berhad, the former Deputy Chairman and Board Member of Sabah Forestry Development Authority (SAFODA), a Statutory Body established under the SAFODA Enactment, Sabah, as well as a former Director of Sabah Finance Berhad (a financial institution under the Banking and Financial Institutions Act).



Professor Cao Yong
Independent Director

Dr. Cao has been appointed as an Independent Director of the Company since 8 July 2010. He serves as Chairman of the Audit Committee and is a member of the Nominating and Remuneration Committees.

Dr. Cao is currently a professor at Nanjing University and a senior fellow with the Division of Banking and Finance at the Nanyang Business School, Nanyang Technological University ("NTU").

Between 1985 and 1987, Dr. Cao was the Head of the Division of Development Economics at the Chinese Academy of Social Sciences. Between 1992 and 1993, Dr. Cao was a research fellow at the Bureau of Industrial Economics in Australia. Between 1994 and 1998, Dr. Cao was the Head of the Chinese Economic Study Unit of the Asian Commerce and Economic Studies Centre at NTU. Between 2004 and 2006, Dr. Cao held the position of Vice-Dean of the Nanyang Business School, NTU. Dr. Cao is currently a consultant for various projects on risk management at banking institutions and of Asian economies.

Dr. Cao graduated from Sichuan University with a Bachelor's Degree in Economics in July 1982. In September 1985, he obtained a Master's Degree in Economics from the Chinese Academy of Social Sciences in Beijing, and subsequently obtained a Master's Degree in Economics of Development and a PhD in Economics from the Australian National University in January 1990 and January 1993, respectively.

SENIOR MANAGEMENT



Ms. Kemmy Koh

Group Chief Financial Officer

Ms. Koh is a finance professional with over 20 years of experience. She joined the Group in 2011 and brings with her a wealth of experience in corporate finance, accounting and financial advisory.

She is responsible for the overall planning, directing and controlling of financial activities of our Group. This includes direct control of all accounting, finance, forecasting, strategic planning, regulatory and legal compliance of the Group. As a key member of the executive management team and a member of the Risk Management Committee, she provides vital planning information to the Chairman and Board of Directors.

In her previous role, she was based in Jiangsu Province, China as the Group CFO and member of the executive management committee of a group of companies engaged in forgings production, providing strategic, analytical and financial perspectives of the operations to the Board in addition to managing and steering the holding company's pre-IPO preparation process.

From 2006 to 2008, she was the Group Financial Controller of Midsouth Holdings Ltd (a company listed on Mainboard of SGX-ST), where she managed all the statutory reporting, financial announcements and investor relations activities.

Ms. Koh holds a Bachelor of Accounting degree from Curtin University of Technology, Australia and is a member of CPA, Australia.



Mr. Yeo Hoon Seng

Managing Director, Waterproofing Division

Mr. Yeo joined the Group in 1994 and oversees the Group's waterproofing business. He sits on the boards of various subsidiaries of the Company and is a member of the Risk Management Committee. Mr. Yeo has about 30 years of experience in the installation operations of the waterproofing business.

Mr. Yeo is a member of the Marketing Institute of Singapore. He holds a Technician Diploma in Building from Singapore Polytechnic, a Diploma in Marketing from Chartered Institute of Marketing, United Kingdom and a Diploma in Sales & Marketing from Marketing Institute of Singapore.



Mr. Kim Leng Choon

Director, China Operations

Mr. Kim joined the Group in 1996. He is currently the General Manager of Shanghai Hitchins Da Sheng Waterproofing Materials Co. Ltd, responsible for the Group's manufacturing and marketing operations in China.



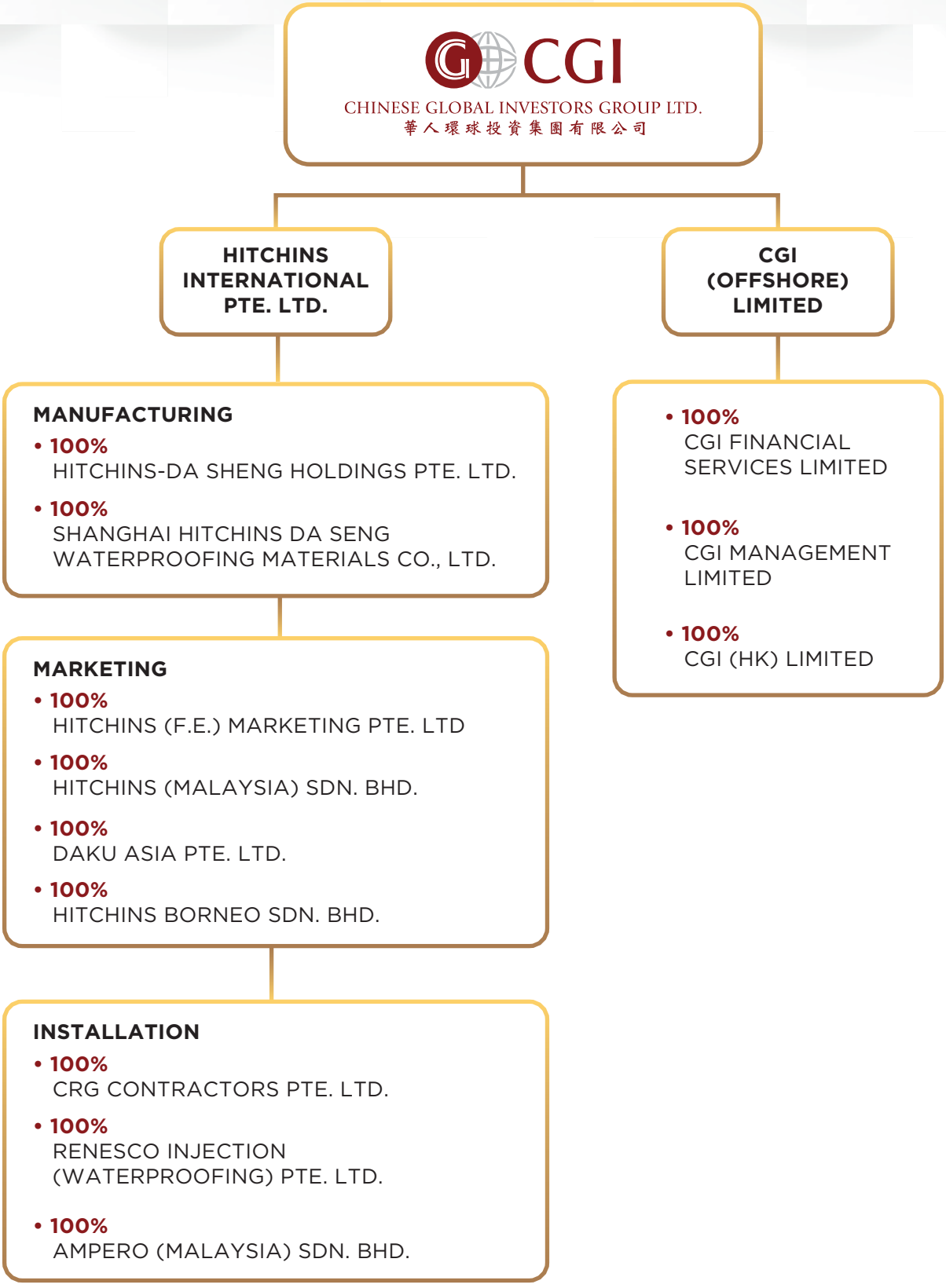
Mr. Ng Kim Khuan

Director, Malaysia Operations

Mr. Ng joined the Group in 1989 and he sits on the boards of various subsidiaries of the Company. With over 30 years of commercial experience, Mr. Ng is responsible for the Group's operations in Malaysia.

Mr. Ng has a Masters (Honours) in Business Administration from Oklahoma City University. He also holds a Diploma from the Chartered Institute of Marketing and a Graduate Diploma from the Institute of Commercial Management in the United Kingdom.

CORPORATE STRUCTURE



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CORPORATE **GOVERNANCE REPORT**

Chinese Global Investors Group Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to setting in place corporate governance practices which are in line with the recommendations of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholder value are met. The Board of Directors of the Company (the "**Board**") is pleased to confirm that the Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

This report describes the Company's corporate governance practices during the financial year ended 30 June 2018 ("**FY2018**") with specific reference to the principles and guidelines of the Code and the Guide. The Board and the management of the Company (the "**Management**") will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code and the Guide.

(A) BOARD MATTERS

Board's Conduct of Its Affairs

Principle 1: 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. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Primary Functions of the Board

The primary role of the Board of Directors (the "Board") is to lead and control the Company's operations and affairs and to protect and enhance long-term shareholder value. To assist the Board in the execution of its responsibilities, the Board is supported by five committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**"), the Investment Committee ("**IC**") and the Risk Management Committee ("**RMC**") (collectively, the "**Board Committees**"). Each Committee has its own defined terms of reference and operating procedures. The compositions of the Board Committees are set out in the later sections of this report.

The principal roles and responsibilities of the Board include:

(i) Protecting and enhancing long-term value and return to its shareholders;

(ii) Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives;

(iii) Establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;

(iv) Ensuring the effectiveness and integrity of the Management;

(v) Monitoring the Management's achievement of these goals;

(vi) Conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;

(vii) Approving nominations to the Board and appointment of key management personnel;

(viii) Ensuring the Group's compliance with all relevant and applicable laws and regulations; and

(ix) Assuming responsibility for the corporate governance of the Group.

Each member of the Board has a fiduciary duty to discharge his duties and responsibilities in the best interests of the Company at all times.

Board Processess

Formal Board meetings are held at least four times a year to approve the quarterly and full year results announcements and to oversee the business affairs of the Group. The Board is free to seek clarification and information from the Management on all matters within their purview. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via telephone or video conference are permitted by the Company's Constitution.

Directors' Attendance for Board and Board Committees Meetings

The number of Board and Board Committee meetings held during the financial year and the attendance thereat are as follows:

	Board	AC	NC	RC	IC	RMC
No. of meetings held	**4**	**4**	**1**	**1**	**4**	**–**
No. of meetings attended by respective Directors						
Mr. So Yuen Chun	4	4	1*	1*	4	–
Mr. U Keng Tin	4	4*	1*	1*	4	–
Mr. Peter Yong	3	3	1	1	N/A	–
Dr. Cao Yong	4	4	1	1	N/A	–
Mr. Chin Chi Ling Alexander[(1)]	N/A	N/A	N/A	N/A	N/A	–

Notes:

(1) Mr. Chin Chi Ling Alexander was appointed as an independent director on 1 July 2018.

* Attendance at meetings held on a 'By Invitation' basis.

Material Transactions Requiring Board Approval

The Group has adopted a set of internal guidelines setting forth financial authorization and approval limits for investments, acquisitions, disposals, capital expenditures, capital borrowings and financial commitments and material interested person transactions. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

In this regard, matters that require the Board's approval include, amongst others, the following:

- Overall Group business and budget strategy;
- Capital expenditures exceeding certain material limits;
- Investments or divestments;
- All capital-related matters including capital issuance;
- Significant policies governing the operations of the Company;
- Corporate strategic development and restructuring;
- Interested person transactions exceeding the S$100,000 threshold; and
- Risk management strategies.

Board Orientation and Training

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarize them with the Group's business operations, strategic directions, directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet

management staffs to gain a better understanding of the Group's businesses. Newly appointed Directors will receive appropriate training, if required.

All new Directors appointed on the Board, if any, will be provided with a formal letter of appointment setting out the director's duties and obligations. For new members, terms of reference will be given to them. However, as the terms of reference would still need to be reviewed, nothing was given to the new member.

Directors are at liberty to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business matters from Management.

The Board values on-going professional development and recognizes that it is important that all Directors to receive regular training to serve efficiently on and contribute to the Board. To ensure Directors can fulfill their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Such training costs are borne by the Company.

Directors are regularly updated with the latest professional developments in relation to the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and other applicable regulatory updates or amendments to relevant laws, rules and regulations to ensure compliance.

The Group provides extensive background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises Directors on the business activities of the Company during Board meetings.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Independent Directors

As at the date of this report, the Board comprises five Directors, three of whom are independent, which complies with the Code's guidelines that independent directors make up at least half of the Board. The list of Directors is as follows:

Executive Directors
Mr. So Yuen Chun
Mr. U Keng Tin (Acting Chairman of the Board)

Independent Directors
Dr. Cao Yong
Mr. Peter Yong
Mr. Chin Chi Ling Alexander (appointed on 1 July 2018)

Review of Directors' Independence

The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, as defined under guideline 2.3 of the Code. The NC also considers independence based on the length of service.

The Board, taking into account the views of the NC, had reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors had also confirmed their independence in accordance with the Code. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and taken into account the long-term interests, not only of the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business; reviewing of the performance of the Management in meeting agreed goals and objectives; and monitoring of the reporting of performance. The NC considers its Independent Directors to be of sufficient calibre and number and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

Non-Executive Director Meetings in Absence of Management

The Independent Directors have met once in the absence of Management and Executive Directors in FY2018.

Duration of Independent Directors' Tenure

There are no Independent Directors who have served on the Board beyond nine (9) years since the date of his first appointment.

Board Diversity

The Board through the NC has reviewed the size and composition of the Board. It is satisfied that after taking into account, the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective.

The NC has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board and the Board Committees to be effective.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Segregation of the Role of Chairman and the CEO

The Acting Chairman of the Board ("**Chairman**") and Executive Director is Mr. U Keng Tin. Apart from providing guidance on the corporate direction of the Group, the Chairman chairs Board meetings, and controls the quality, quantity and timeliness of information flow between the Board and the Management. He also assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of Independent Directors. The Chairman ensures Board meetings are held as and when necessary. As an Executive Director, he has been instrumental in the execution of the Company's corporate and business strategies and policies, and was responsible for the conduct of the Group's business. He was also responsible for the overall management and day-to-day operations of the Group. Mr. U Keng Tin will remain as Acting Chairman of the Board whilst the Company continues to seek for alternative business and/or refresh the Board as and when appropriate in the interest of the Company.

The performance of the Chairman and his appointment to the Board are reviewed periodically by the NC. His remuneration package is reviewed periodically by the RC. Both NC and RC comprised only Independent Directors in FY2018.

In view of the proposed disposal of Hitchins International Pte Ltd and current cost rationing exercise undertaken by the Group, the Group's daily operation is currently overseen by the Executive Directors, Mr. So Yuen Chun and Mr. U Keng Tin, as well as the Group Chief Financial Officer ("**Group CFO**") of the Company, Ms. Kemmy Koh Ai Ping. Nevertheless, the Board will continue to search for and identify a suitable candidate for the position of a CEO, to support, the Group's strategy operationally when such appointment will be in the interest of both the Company and shareholders.

Mr. So Yuen Chun, Mr. U Keng Tin and Ms. Kemmy Koh Ai Ping are not related.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee

As at the date of this report, the NC comprises the following members, all of whom are independent:

Mr. Chin Chi Ling Alexander	Chairman	(Independent Director)
Dr. Cao Yong	Member	(Independent Director)
Mr. Peter Yong	Member	(Independent Director)

Its role is to establish a formal and transparent process for:

(a) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and its subsidiaries;

(b) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive, Non-Executive and Independent Directors to ensure that the Board has the right blend of relevant experiences and core competencies to effectively manage the Company;

(c) Procuring that at least one-third of the Board shall comprise Independent Directors;

(d) Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each annual general meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;

(e) Determining whether a Director is independent; and

(f) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board and the contribution of each Director to the effectiveness of the Board.

Board Representations

The NC is responsible for identifying and recommending new Board members to the Board, after considering the necessary and desirable competencies. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary. Recommendations for new Board members are put to the Board for its consideration and approval.

The Company's Constitution requires one-third of the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting ("AGM"). A retiring Director is eligible for re-election by Shareholders at the AGM. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years.

The Company's Constitution further stipulates that the Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an additional to the Board. But any Director so appointed shall hold office only until the next AGM of the Company, and shall be eligible for re-election. The NC has recommended to the Board that Dr. Cao Yong and Mr. Chin Chi Ling Alexander be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the overall contribution and performance of the two Directors, in accordance with the performance criteria set by the Board. The NC would also consider the current needs of the Board.

The Board has accepted the recommendations and the aforesaid Directors will be offering themselves for re-election. Dr. Cao Yong will upon re-election as a Director, remains as an Independent Director and the Chairman of the Audit Committee, a member of the Nominating and Remuneration Committees. Mr. Chin Chi Ling Alexander will upon re-election as a Director, remains as an Independent Director and the Chairman of the Nominating Committee, a member of the Audit and Remuneration Committees. The Board considers Dr. Cao and Mr. Chin to be independent for the purposes of Rule 704(7) of the Catalist Rules. Saved as disclosed, neither Dr. Cao Yong and Mr. Chin Chi Ling Alexander, has any other relationships between themselves, the Company and its 10% Shareholders.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments.

The NC has reviewed the time spent and attention given by each Director to the Company's affairs, taking into account the multiple directorships and other principal commitments of each Director (if any), and is satisfied that all Directors have adequately discharged their duties as Directors and as respective members of the Board Committees in FY2018.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors including whether such commitment is a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The Company does not have any alternate Directors.

The following key information relating to the Directors of the Company can be found at the following pages of the Annual Report:

(a) pages 34 & 35 – Academic and professional qualifications, date of first appointment as director, date of last re- election or last re-appointment as director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) page 36 – Shareholdings in the Company and its related corporations.

Investment Committee ("IC")

As at the date of this report, the IC comprises the following members:

Mr. So Yuen Chun	Member (Executive Director)
Mr. U Keng Tin	Member (Acting Chairman of the Board and Executive Director)

The principal objectives of the IC are, among others:

(a) to capture opportunities for capital gain;
(b) to maintain sufficient liquidity for the Group's operational needs;
(c) to consider the investment risks involved;
(d) to make quality investments that would maximize the shareholder's return;
(e) to achieve returns on investments at no less than the market average; and
(f) to ensure that the investments made are in compliance with the regulations of various authorities.

Investment funds would be managed in accordance with internal investment guidelines. The IC shall manage the portfolio with the aim of maximising shareholder returns, with particular emphasis on, among others, strengthening the earnings per share and the net asset value per share of the Group, while complying with all applicable rules and regulations imposed by the relevant authorities, including, but not limited to the Catalist Rules and the Monetary Authority of Singapore.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Performance Criteria

The NC has established a formal process for assessing annually, the effectiveness of the Board as a whole and the Board committees, as well as the contribution by each Director to the effectiveness of the Board and the Board Committees. During the financial year, Directors were requested to complete a Board Performance Evaluation Questionnaires to assess the overall effectiveness of the Board and the Board Committees. The results of the evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board and the Board Committees to discharge their duties more effectively. The appraisal process focused on evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with senior management and Directors' standard of conduct.

The Board and the NC have endeavored to ensure that Directors appointed to the Board and Board Committees possesses the experiences, knowledge and expertise critical to the Group's business and relevant to the Board Committees that they are members of. The NC also reviews the contribution by each individual Director to the effectiveness of the Board as a whole and to its Board Committees having regard to the Director's performance and contribution (for example, attendance, preparedness, participation and candour).

Each Board member will be required to complete an evaluation form to be returned to the NC member for evaluation.

The NC, having reviewed the overall performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the performance of the Board has been satisfactory in FY2018 and that the Board has met its performance objectives in FY2018. All NC members have abstained from the voting or review process of any matters in connections with his performance.

The Board has not engaged any external facilitator in conducting the assessment of the performance of the Board and Board Committees. Where relevant, the NC will consider such engagement.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Provision of Information

To enable the Board to fulfill its responsibility, the Management strives to provide Directors with complete, adequate and timely information for Board and Board Committee meetings on an on-going basis. Board and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. Board and Board Committees papers include financial, business and corporate matters of the Group are prepared for Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. The types of information provided by the Management to Directors include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, management accounts, internal audit reports etc. Directors are given separate and independent access to the Management and the Company Secretary to address any enquiries.

Company Secretary

The Company Secretary or his representative administers, attends and prepares minutes of Board and Board Committees meetings, and assists the Chairman in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and Board Committees function effectively. The Company Secretary also ensures good information flows within the Board and its Committees and between senior management and Independent Directors. Directors may seek professional advice in furtherance of their duties and the costs will be borne by the Company. The appointment and removal of the Company Secretary are subject to the approval of the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

As at the date of this report, the RC comprises the following members, all of whom are independent:

Mr. Peter Yong	Chairman	(Independent Director)
Mr. Chin Chi Ling Alexander	Member	(Independent Director)
Dr. Cao Yong	Member	(Independent Director)

The key duties of the RC, *inter alia*, include:

(a) To review and submit its recommendations for endorsement by the Board, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director and key management personnel; and

(b) To review and recommend annually the total remuneration of the Directors and key management personnel.

No Director has been involved in determining his own remuneration.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. No remuneration consultants were engaged by the Company in FY2018.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Remuneration Structure

The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

The RC reviewed the remuneration packages of Executive Directors and key management personnel and the Group's obligations arising in the event of termination to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The Independent Directors receive directors' fees. The Independent Directors shall not be over-compensated to the extent that their independence may be compromised. Directors' fees are recommended by the RC and are submitted for endorsement by the Board. Directors' fees to be paid to Independent Directors are subject to the approval of shareholders at the forthcoming AGM.

The remuneration for the Executive Directors and certain key management personnel comprise a basic salary component and a variable component, namely the annual bonus and the performance bonus. The performance bonus are based on the performance of the Group as a whole as well as the performance of the individuals. These are designed to align interests of Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

The performance of the key management personnel is overseen by the Group Executive Directors annually through a structured process of self-assessment and reviewed against previously established goals and objectives. In accordance with this process, a performance review was conducted in relation to each key management personnel's performance during the financial year. The performance of the Group Executive Directors and key management personnel is reviewed and overseen by the RC. The RC had reviewed and is satisfied that the performance conditions were met for FY2018.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Directors' Remuneration

(i) Details of the remuneration of the Company's Directors, and that of each of the top 5 key management personnel (who are not also Directors or the CEO) for FY2018 are set out below:

Remuneration Band and Name of Directors	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
Below S$250,000					
Mr. So Yuen Chun	92	8	0	0	100
Mr. U Keng Tin	92	8	0	0	100
Dr. Cao Yong	0	0	100	0	100
Mr. Peter Yong	0	0	100	0	100
Mr. Chin Chi Ling Alexander*	0	0	0	0	0

Note:

* Mr. Chin Chi Ling Alexander was appointed as an independent director on 1 July 2018.

Remuneration Band and Name of Top 5 Key Management Personnel	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
Below S$250,000					
Ms. Kemmy Koh Ai Ping	82	7	0	11	100
Mr. Yeo Hoon Seng	70	6	0	24	100
Mr. Kim Leng Choon	94	0	0	6	100
Mr. Perumal Naidu	77	12	0	11	100
Mr. Gee Kim Fah	92	0	0	8	100

(ii) Due to confidentiality reasons and the sensitivity of the Company's remuneration policies as well as the existing industry competition to retain and recruit key talent, the Board is of the opinion that it is in the best interests of the Group to disclose the remuneration details of the Directors and the Company's top 5 key management personnel in bands. The annual aggregate remuneration paid to the top 5 key management personnel of the Company (who are not Directors or the CEO) for the financial year ended 30 June 2018 was S$723,783.

(iii) No share awards or share options were granted to Directors and key management personnel in FY2018.

(iv) There was no employee of the Company or its subsidiaries who was an immediate family member of any Director or the CEO of the Company and whose remuneration exceeded S$50,000 for FY2018.

(v) There were no termination, retirement and post-employment benefits granted to the Directors or the top 5 key management personnel (who are not the Directors or the CEO) in FY2018.

(C) ACCOUNTABILITY AND AUDIT Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Assessment of Company's Performance, Position and Prospects

This accountability to our shareholders is demonstrated through the timely release of our annual reports, results announcements and all relevant announcements on the Group's business and operations, as well as the prompt fulfillment of statutory requirements so as to maintain shareholders confidence and trust in the Board's capability and integrity. All material information are released in a timely manner through various media, including announcements and press releases posted on the Company's website and disclosure via SGXNET.

The Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances. The Board also acknowledges its responsibility in relation to the preparation of the financial statements of the Group. The Board ensures that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance as well as the Management's achievements of the goals and objectives determined and set by the Board, and provide a balanced and understandable assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Management reviews and seeks to identify areas of significant business risks on an ongoing basis, and takes appropriate measures to control and mitigate such risks. The Management also reviews all significant control policies and procedures and highlights all significant matters to the Board. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems of the Company.

As part of the Group's efforts to put in place a systematic process of improving its risk management process, the Risk Management Committee ("RMC") comprising one Director, the Group CFO and key management personnel of the Group has been established to oversee the Group's risk management framework and policies, review the risk management and internal control systems, including financial, operational, compliance and information technology controls of the Group, and to advise the Board on strategies and measures to manage and mitigate such risks.

The composition of the RMC is as follows:

Mr. So Yuen Chun	Member	(Executive Director)
Ms. Kemmy Koh Ai Ping	Member	(Group CFO)
Mr. Yeo Hoon Seng	Member	(Group key management personnel)

The Group seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks, where applicable. The RMC reviews all significant control policies and procedures and highlights any significant matters to the AC. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, at least annually.

The Board has also received a letter of assurance from the two Executive Directors and the Group CFO confirming, inter alia, that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances for FY2018 ; and

(b) the Company's risk management and internal control systems in place are effective.

The Board notes that no system of internal controls can provide absolute assurance against or eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. However, by identifying and managing risks that may arise on a regular basis, the Group believes that it will be better placed to mitigate risks such as material financial misstatements or losses, and to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices and the identification and management of business risks.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the date of this report, the AC comprises the following members:

Dr. Cao Yong	Chairman (Independent Director)
Mr. Peter Yong	Member (Independent Director)
Mr. Chin Chi Ling Alexander	Member (Independent Director)

All AC members are independent and non-executive directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the existing auditing firm within the last 12 months and each AC member does not hold any financial interest in any auditing firm.

The Company has adopted and complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC, where applicable.

The Board is of the view that the AC members are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their responsibilities.

The AC, which has written terms of reference, performs the following delegated functions:

(i) to review with the external auditors:

  (a) the audit plan, including the nature and scope of the audit before the audit commences;

  (b) their evaluation of the system of internal accounting controls;

  (c) their audit report;

  (d) the assistance given to them by the Company's officers;

  (e) the balance sheet and profit and loss account of the Company;

  (f) their management letter and the Management's responses; and

  (g) any suspected fraud, irregularity or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company's operations, results or financial position.

(ii) to discuss with the external auditors any problems or concerns arising from their interim and final audits, and any other matters which the external auditors may wish to discuss;

(iii) to ensure co-ordination where more than one audit firm is involved;

(iv) to monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors annually and give recommendations to the Board and the Company in general meeting regarding the appointment, re-appointment and removal of the external

auditors;

(v) to ensure at least annually that the internal audit function has adequate resources and appropriate standing within the Company and the adequacy of the internal audit function;

(vi) to appoint any person(s) to carry out the internal audit function;

(vii) to ensure that the internal auditor meets or exceeds 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;

(viii) to review the quarterly, half-yearly and full year financial statements of the Company and of the Group, including announcements relating thereto, to shareholders and the SGX-ST, and thereafter to submit them to the Board for approval;

(ix) to review interested person transactions as defined in the Catalist Rules and report its findings to the Board;

(x) to undertake such other reviews and projects as may be requested by the Board or as the AC may consider appropriate; and

(xi) to undertake such other functions and duties as may be required by law or by the Catalist Rules, as amended from time to time.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position, and to review its findings.

Whistle-blowing Policy

The AC has also put in place a whistle-blowing policy, whereby staff of the Group and external parties may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensures that arrangements are in place for independent investigations of such matters and appropriate follow up actions. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the AC Chairman, Dr. Cao Yong (aycaoy@ gmail.com).

The AC has full access to and co-operation of the Management. It has full discretion to invite any Director or executive to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

Meeting between Audit Committee and Auditors

The AC has met with the external auditors, without the presence of the Management, once in FY2018, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors. With the exception of the Group's dormant subsidiaries, the Company engages the same auditing firm based in Singapore to audit its accounts and its significant foreign incorporated subsidiaries.

The Group's dormant subsidiaries, namely Hitchins-Da Sheng Holdings Pte. Ltd., Daku Asia Pte. Ltd., Hitchins Borneo Sdn. Bhd., and Renesco Injection(Waterproofing) Pte. Ltd., audit were perform by a separate auditing firm. The external auditors will perform the necessary audit work scope to satisfy the audit requirements of the Group. The Board and AC have reviewed that the accounting records for its overseas subsidiaries were satisfied that it would not compromise the standard and effectiveness of the audit of the Group. The Company confirms that Rules 712 and 715 of the Catalist Rules have been complied with.

Independence of External Auditor

The Group's external auditors, Crowe Horwath First Trust LLP, is an accounting firm registered with ACRA. The AC is satisfied that Crowe Horwath First Trust LLP and the audit engagement partner assigned to the

audit have adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Listing Rules 712 and 715.

The AC is briefed by the external auditors of changes and amendments to accounting standards and issues which have a direct impact on financial statements so as to enable members of AC to keep abreast of such changes and issues which have a direct impact on financial statements.

The AC, from time to time, considers the appropriateness of continuing with the existing external auditors or appointment of new external auditors and factors taken into consideration include performance of the auditors, the technical competence of the audit team and the audit firm, ability to communicate issues and concerns to the AC, ability to meet deadlines and ability to work with Management while maintaining independence and objectivity.

None of the AC members were previous partners or directors of the existing auditing firm within the last 12 months and each AC member does not hold any financial interest in any auditing firm.

The AC has reviewed and is satisfied that the independence and objectivity of the external auditors has not been compromised by the provision of non-audit services. Accordingly, the AC has recommended to the Board the nomination of the external auditors, Crowe Horwath First Trust LLP, for re-appointment at the forthcoming AGM to be held on 30 October 2018.

A breakdown of the fees paid to the external auditors of the Group for FY2018 is as follows:

	S$	% of total fees
Audit fees	140,976	91.7
Non-audit fees	12,677	8.3
Total	153,653	100.0

Internal Audit

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

For FY2018, the Company did not perform any internal audit work in view of the proposed disposal of Hitchins International Pte. Ltd. and the current cost rationing program undertaken by the Group. The Board is of the view that the current size and scope of the Group's operations does not warrant having a separate internal audit function. Nonetheless, the Company has in place a system of risk management and internal controls which have been endorsed by the AC and approved by the Board.

Where necessary, the Group would undertake a review of its internal control processes so as to cope with, address and mitigate any potential risks associated with the Group's businesses. In addition, the RMC has been established to review the adequacy and effectiveness of risk management of the Group. The RMC's main role is to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

Notwithstanding that there were no physical meetings between the members of the RMC, the RMC plays a significant role in contributing to the establishment of a more conducive risk management environment. The RMC oversees the development of general risk policies and procedures to monitor and evaluate the numerous risks that may arise from the various business activities of the Group. The Group has implemented a set of standard operating procedures relating to risk management, investment, cash management, robust capital expenditure and capital disposal.

The Management assists the AC in ensuring that the Company maintains a sound system of internal controls through regular monitoring of key controls and procedures, ensuring their effectiveness, undertaking investigations as directed by the AC and conducting regular audits of high-risk areas.

(D) SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company believes in treating all shareholders fairly and equitably. It will keep all shareholders and other stakeholders and analysts in Singapore and beyond informed of its corporate activities, including changes (if any) in the Company or its businesses which are likely to materially affect the price or value of its shares, on a timely and consistent manner.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. Shareholders are also given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

Currently, the Company's Constitution allows all shareholders (members) to appoint up to two proxies to attend any general meeting and vote on their behalf. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.

(E) COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practise selective disclosure and recognises the need to communicate with shareholders on all material matters affecting the Group. Price sensitive information is publicly released on an immediate basis where required under the Catalist Rules and members of the public will be informed promptly of all major developments of the Group. Information is communicated to the shareholders on a timely basis via annual reports, notices of general meetings, quarterly and full-year financial results and other announcements are released on a timely basis through SGXNet.

The shareholders' meetings of the Company remain the principal forum for dialogue with shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures that govern the general meetings of shareholders. All shareholders of the Company are sent a copy of the Annual Report and notice of the AGM. The notice of AGM which sets out all items of business to be transacted at the AGM, is also advertised in a local newspaper and made available on SGXNET within the mandatory period. Shareholders are encouraged to participate in the proceedings and raise any queries they may have on the resolutions proposed at the shareholders' meetings, as well as the operations and major developments of the Group. The Company maintains open communication with investors and shareholders and will strive to attend to their queries directly, whether verbals or written. The Company also maintains a website (www.chineseglobalinvestors.com.sg) where the public can access information on the Group. The Company's main forum for dialogue with shareholders takes place at its AGMs, where members of the Board, senior management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask the Directors or the Management questions regarding the Company.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

The Company does not have a fixed dividend policy. The Board considers a number of factors, including current and forecast earnings, capital expenditure requirements, growth options and the Company's debt/equity position and other factors as the Board deems appropriate. The Company did not propose any dividend for FY2018 due to the losses incurred during the financial year.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend personally and are entitled to appoint proxy(ies) to attend the general meetings.

All directors, including the Acting Chairman and the respective chairman of each Board Committee (if applicable) are in attendance at the general meeting of the shareholders to address shareholders' questions at these meetings. Senior management is also present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised. The external auditors are also invited to attend the AGM to assist the directors to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report, if necessary.

Each item of special business included in the notice of the general meetings will be accompanied by a full explanation of the effects of a proposed resolution. All resolutions are put to vote by poll and the detailed results of the number of votes cast for and against each resolution and the respective percentages are announced for each resolution. The Company will make an announcement via SGXNet on the results after the conclusion of the general meeting and minutes to the general meeting can be made available to shareholders upon their request within a reasonable time frame after the general meeting.

(F) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1204(19) of the Catalist Rules, the Company has adopted the Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results, or when they are in possession of unannounced price-sensitive information of the Group.

The Code of Best Practices also states that officers of the Company should not deal in the Company's securities on short- term considerations.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions. All interested person transactions are subject to review by the AC to ensure that they were done on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

There was no interested person transaction that is of a value of S$100,000 and above in FY2018. The Group does not have a general mandate for IPTs.

(H) MATERIAL CONTRACTS

Except as disclosed in the audited financial statements, there is no material contract entered into by the Company or its subsidiaries during the financial year ended 30 June 2018, or still subsisting as at 30 June 2018, which involved the interests of any Director or controlling shareholder of the Company.

(I) NON-SPONSOR FEES (RULE 1204(21)) OF THE CATALIST RULES

No non-sponsor fees were paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2018.

(J) SUSTAINABILITY REPORTING

The Company is working towards the issuance of its first sustainability report by 30 June 2019 and such report will be made available to Shareholders on the SGXNet and the Company's website.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non-Executive/ Independent	Date First Appointed	Date Last Re-elected/ (Last Re-appointed)	Directorship/ Chairmanships in other listed companies (Present & held over the preceding three years) & Other Principal Commitments
So Yuen Chun	Fellow member of the Association of Chartered Certified Accountants; Member of the Hong Kong Institute of Certified Public Accountants	Executive Director Member of Investment Committee and Risk Management Committee	18 October 2010	26 October 2016	Other Listed Companies *Present:* Nil *Over Preceding 3 Years:* The Hong Kong Building and Loan Agency Limited Other Principal Commitments Nil
U Keng Tin	Bachelor of Arts in Economics (Honor) Master of Liberal Arts in International Economics	Executive Director and Acting Chairman of the Board Member of Investment Committee	19 December 2013	30 October 2017	Other Listed Companies *Present:* China Ever Grand Financial Leasing Group Co., Ltd. *Over Preceding 3 Years:* Nil Other Principal Commitments Director of Full Fill Services Co., Limited
Dr. Cao Yong	Bachelor's Degree in Economics; Master's Degree in Economics; Master's Degree in Economics of Development; PhD in Economics	Independent Director Chairman of Audit Committee Member of Nominating Committee and Remuneration Committee	8 July 2010	29 October 2015	Other Listed Companies *Present:* Dasin Retail Trust *Over Preceding 3 Years:* Nil Other Principal Commitments 1. Professor, Business School Nanjing University, PRC 2. Adj. Associate Professor, Nanyang Business school, Nanyang Technological University, Singapore

Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non-Executive/ Independent	Date First Appointed	Date Last Re-elected/ (Last Re-appointed)	Directorship/ Chairmanships in other listed companies (Present & held over the preceding three years) & Other Principal Commitments
Peter Yong	Inns of Court, School of Law (Middle Temple)	Independent Director Chairman of Remuneration Committee Member of Audit Committee and Nominating Committee	27 June 2017	30 October 2017	Other Listed Companies *Present:* Nil *Over Preceding 3 Years:* Nil Other Principal Commitments 1. Jayasuriya Kah & Co
Chin Chi Ling Alexander	Bachelor Business Management; RMIT Melbourne Australia	Independent Director Chairman of Nominating Committee Member of Audit Committee and Remuneration Committee	1 July 2018	N/A	Other Listed Companies *Present:* Nil *Over Preceding 3 Years:* Nil Other Principal Commitments 1. H.A.M. Consortium Sdn. Bhd. 2. Unirepute Sdn. Bhd. 3. Syarikat Ciricahaya Sdn. Bhd.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The directors present their statement to the members together with the audited financial statements of Chinese Global Investors Group Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 30 June 2018 and the statement of financial position as at 30 June 2018 and the statement of changes in equity of the Company for the financial year then ended.

In the opinion of the directors,

(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 45 to 106 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2018 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, with the financial support from a substantial shareholder and undertakings from certain third-party lenders not to demand repayment in the next 12 months from the end of current financial year as described in Note 2 of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

U Keng Tin	(Acting Chairman)
So Yuen Chun	
Cao Yong	
Peter Yong	
Chin Chi Ling Alexander	(appointed on 1 July 2018)

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year and on 21 July 2018 had any interest in the shares or debentures of the Company or its related corporations.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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 "Share Options" of this report.

Share options

Auswin Holdings Limited ("AUSWIN") Share Plan

The AUSWIN Share Plan (the "Plan") of the Company was approved by its members at an Extraordinary General Meeting held on 26 October 2007.

It is a share incentive plan and is an integral part of employee incentive compensation in the Company's variable wage system. The Plan will give the participants an opportunity to have a personal equity interest in the Company.

The participants of the Plan are not required to pay for the grant of awards or for the shares allotted or allocated. The Plan is for a period of 10 years commencing on the effective date.

The following persons are eligible to participate in the Plan:

- Employees of the Group;
- Employees of the Company's associated companies; and
- Non-executive directors of the Company.

The aggregate number of new shares over which the committee may grant awards on any date, when added to the number of new shares issued and issuable in respect of all shares granted under the Plan and any other existing share schemes or share option schemes implemented or to be implemented by the Company, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

Awards to be issued represent the right conferred by the Company on a participant. It may be granted at any time during the period the Plan is in force, provided always that in the event that an announcement on any matter involving unpublished price sensitive information is made, awards may only be granted after the second Market Day following the aforesaid announcement. Acceptance of the grant shall be within 30 days from the date of grant.

An award shall be released:

(a) After 1st anniversary of date of grant: maximum of 30% of award granted;
(b) After 2nd anniversary of date of grant: maximum of 30% of award granted; and
(c) After 3rd anniversary of date of grant: maximum of 40% of award granted.

No award of shares has been granted since the approval of the plan and the plan has lapsed on 25 October 2017.

Except as disclosed above, no option to take up unissued shares of the Company or any corporation in the Group was granted.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

- Cao Yong (Chairman and Independent Director)
- Peter Yong (Member and Independent Director)
- So Yuen Chun (Member and Executive Director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2018 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited. Further details regarding the Audit Committee are disclosed in the Annual Report on Corporate Governance.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

U KENG TIN
Director

SO YUEN CHUN
Director

5 October 2018

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 45 to 106, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, 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 $3,439,273 and $976,170 (2017: $2,970,503 and $1,051,905) respectively. As at 30 June 2018, the Group was in a net liabilities position of $2,749,810 (2017: net assets of $541,971) and the Company's current liabilities also exceeded its current assets by $333,279 (2017: $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"). Other than the Proposed Disposal Group, the Group's remaining core business is investment holding ("remaining business"). The remaining business incurred a net cash outflow from operating activities of $1,346,875 (2017: $1,347,861) for the current financial year. As at 30 June 2018, the remaining business was in a net liabilities position of $4,019,164 (2017: $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 by the latest Long Stop Date at 31 December 2018, as described in Note 5(i) 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 a substantial shareholder and certain third-party lenders as and when necessary. As at 30 June 2018, the Group has drawn down loans from third-party lenders amounting to HK$18,303,000 (approximately $3,183,000) and further drawn down HK$1,820,000 (approximately $316,000) subsequent to the current financial year end; and

(v) the Group has obtained the third-party lenders' irrevocable undertaking not to demand for repayment of those loans included in the non-current liabilities as at balance sheet date prior to 30 June 2019 and not to cancel, revoke or withdraw from those loans and/or require immediate full repayment and discharge of these loans.

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 by the Long Stop Date at 31 December 2018, subject to the obtaining the shareholders and SGX approval of the new core business to be acquired by the Company;

Basis for Disclaimer of Opinion (Continued)

1. Going concern assumption (Continued)

(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 continuous 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. Impairment testing on investment in subsidiaries and amount due from subsidiaries

As at 30 June 2018, the carrying amount of the Company's investment in relation to the Proposed Disposal Group was $963,340 (after impairment loss of $812,233) and amount due from Proposed Disposal Group was $235,718 (after impairment loss of $$2,598,348). As disclosed in Note 5(i) to the 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 $963,340 in the Proposed Disposal Group as well as the recoverability of the amounts due from subsidiaries of the Proposed Disposal Group of $235,718 as at 30 June 2018.

Our report for financial year 2017 contained a similar disclaimer of opinion due to the same reason.

3. Limitation of scope on audit of a subsidiary

As disclosed in Note 5 to the financial statements, the consolidated financial statements of the Group included the unaudited financial result and position of an overseas subsidiary, Shanghai Hitchins Da Sheng Waterproofing Material Co., Ltd ("SHDS"). As at 30 June 2018, SHDS's total assets and liabilities included in the consolidated statement of financial position amounted to $907,604 and $1,972,432, respectively. SHDS's revenue and loss for the year included in the consolidated statement of profit or loss and other comprehensive income amounted to $146,894 and $496,713, respectively. These financial information included in the consolidation are based on the management accounts which have not been audited nor reviewed by us for the purpose of consolidation. We were unable to carry out procedures necessary to satisfy ourselves as to whether the financial statements of SHDS are in the form and content appropriate and proper for inclusion in the consolidated financial statements for the financial year ended 30 June 2018 in accordance with Financial Reporting Standards in Singapore (FRSs); and whether any adjustments and/or additional disclosures in the consolidated financial statements in respect of SHDS were necessary.

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.

Other Information (Continued)

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 of 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 2018 in accordance with the Companies Act, Chapter 50 (the Act) and 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.

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 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 auditor's report is Angeline Tan Lay Hong.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

5 October 2018

STATEMENTS OF **FINANCIAL POSITION**

AS AT 30 JUNE 2018 (Amounts in Singapore dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
ASSETS					
Non-current assets					
Property, plant and equipment	3	387,943	366,003	–	–
Intangible assets	4	6,104	11,475	–	–
Subsidiaries	5	–	–	963,340	963,340
		394,047	377,478	963,340	963,340
Current assets					
Inventories	6	1,066,744	1,023,604	–	–
Gross amount due from contract customers	7	161,624	347,536	–	–
Trade and other receivables	8	3,950,546	5,194,810	256,676	254,973
Income tax recoverable		18,896	38,669	–	–
Available-for-sale investments	9	14,870	14,104	–	–
Cash and bank balances	10	1,820,084	1,550,365	1,454	1,935
		7,032,764	8,169,088	258,130	256,908
TOTAL ASSETS		7,426,811	8,546,566	1,221,470	1,220,248
LIABILITIES					
Current liabilities					
Trade and other payables	11	5,760,369	5,122,423	591,409	692,325
Provision for warranty	12	144,425	131,996	–	–
Gross amount due to contract customers	7	355,979	84,470	–	–
Lease obligations	13	29,669	33,610	–	–
Bank overdraft	10	228,376	245,865	–	–
Borrowings	15	393,430	387,706	–	–
		6,912,248	6,006,070	591,409	692,325

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF **FINANCIAL POSITION (Continued)**

AS AT 30 JUNE 2018 (Amounts in Singapore dollars)

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
Non-current liabilities					
Lease obligations	13	80,805	51,688	–	–
Deferred tax liabilities	14	676	4,144	–	–
Borrowings	15	3,182,892	1,942,693	–	–
		3,264,373	1,998,525	–	–
TOTAL LIABILITIES		10,176,621	8,004,595	591,409	692,325
NET (LIABILITIES) / ASSETS		(2,749,810)	541,971	630,061	527,923
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	40,310,404	40,310,404	40,310,404	40,310,404
Accumulated losses		(42,671,042)	(39,231,769)	(39,680,343)	(39,782,481)
Other reserves					
Statutory reserve	17	346,410	346,410	–	–
Foreign currency translation reserve		(751,288)	(898,780)	–	–
Fair value reserve	18	15,706	15,706	–	–
		(389,172)	(536,664)	–	–
TOTAL (DEFICIT) / EQUITY		(2,749,810)	541,971	630,061	527,923

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars)

	Note	2018	2017
		$	$
Continuing operations			
Revenue	19	8,707,226	10,987,148
Cost of sales		(7,407,704)	(8,826,054)
Gross profit		1,299,522	2,161,094
Other income	20	247,578	235,996
Distribution expenses		(908,618)	(993,383)
Administrative expenses		(2,914,634)	(3,246,348)
Other expenses	21	(879,920)	(960,770)
Finance costs	22	(280,205)	(240,675)
Loss before tax	23	(3,436,277)	(3,044,086)
Income tax expense	25	(2,996)	(230)
Loss for the year from continuing operations		(3,439,273)	(3,044,316)
Discontinued operation			
Gain from discontinued operation, net of tax	5 (iii)	–	73,813
Loss for the year		(3,439,273)	(2,970,503)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		147,492	(78,961)
Currency translation differences realised through disposal of a subsidiary		–	5,678
Other comprehensive income / (loss), net of tax		147,492	(73,283)
Total comprehensive loss for the year		(3,291,781)	(3,043,786)
Loss attributable to equity holders of the Company		(3,439,273)	(2,970,503)
Total comprehensive loss attributable to equity holders of the Company		(3,291,781)	(3,043,786)
Loss per share from continuing operations attributable to equity holders of the Company (cents)			
Basic and diluted	26	(0.38)	(0.33)
Loss per share from loss for the year attributable to equity holders of the Company (cents)			
Basic and diluted	26	(0.38)	(0.32)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars)

2018
Group

	Attributable to equity holders of the Company					
	Share capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Total equity / (deficit)
	$	$	$	$	$	$
Balance at 1 July 2017	40,310,404	346,410	(898,780)	15,706	(39,231,769)	541,971
Loss for the year	–	–	–	–	(3,439,273)	(3,439,273)
Other comprehensive income, net of tax						
- Currency translation differences arising from consolidation	–	–	147,492	–	–	147,492
Total comprehensive loss for the year	–	–	147,492	–	(3,439,273)	(3,291,781)
Balance at 30 June 2018	40,310,404	346,410	(751,288)	15,706	(42,671,042)	(2,749,810)

2017
Group

	Attributable to equity holders of the Company					
	Share Capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Total equity
	$	$	$	$	$	$
Balance at 1 July 2016	40,310,404	346,410	(825,497)	15,706	(36,261,266)	3,585,757
Loss for the year	–	–	–	–	(2,970,503)	(2,970,503)
Other comprehensive loss, net of tax						
- Currency translation differences arising from consolidation	–	–	(78,961)	–	–	(78,961)
- Currency translation differences realised through disposal of a subsidiary	–	–	5,678	–	–	5,678
Total comprehensive loss for the year	–	–	(73,283)	–	(2,970,503)	(3,043,786)
Balance at 30 June 2017	40,310,404	346,410	(898,780)	15,706	(39,231,769)	541,971

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY (Continued)**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars)

Company	Share capital	Accumulated losses	Total equity
	$	$	$
Balance at 1 July 2016	40,310,404	(39,883,850)	426,554
Profit for the year, representing total comprehensive income for the year	–	101,369	101,369
Balance at 30 June 2017	40,310,404	(39,782,481)	527,923
Balance at 1 July 2017	40,310,404	(39,782,481)	527,923
Profit for the year, representing total comprehensive income for the year	–	102,138	102,138
Balance at 30 June 2018	40,310,404	(39,680,343)	630,061

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars)

	Note	2018	2017
		$	$
Cash flows from operating activities			
Loss before tax – continuing operations		(3,436,277)	(3,044,086)
Gain before tax – discontinued operation		–	73,813
Loss before tax, total		(3,436,277)	(2,970,273)
Adjustments:			
Amortisation of intangible assets	4	5,371	4,990
Allowances for doubtful debts	30 (iii)	847,405	78,618
Bad debts recovered	30 (iii)	(9,198)	(75,734)
Bad debts written off		2,111	4,478
Write off of other payables		(17,477)	–
Depreciation of property, plant and equipment	3	125,856	119,949
Gain on disposal of a subsidiary	5 (iii)	–	(175,597)
(Gain) / Loss on disposal of property, plant and equipment		(47,195)	94,262
Loss on disposal of held-for-trading investments		–	782,617
Interest expense		280,205	240,675
Interest income		(23,086)	(12,824)
Provision for inventory obsolescence	6	–	13,836
Provision for warranty	12	64,521	72,348
Provision for foreseeable loss		–	24,000
Foreign exchange loss		33,253	4,886
Operating loss before working capital changes		(2,174,511)	(1,793,769)
Trade and other receivables		477,332	308,442
Gross amount due to / from contract customers		458,553	(173,318)
Inventories		(26,466)	(264,833)
Held-for-trading investments		–	139,196
Trade and other payables		474,699	1,000,078
Provision for warranty	12	(54,064)	(66,129)
Cash used in operations		(844,457)	(850,333)
Interest paid		(144,987)	(177,526)
Income tax paid		(41,667)	(24,046)
Income tax refund		54,941	–
Net cash used in operating activities		(976,170)	(1,051,905)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS (Continued)**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars)

	Note	2018	2017
		$	$
Cash flows from investing activities			
Net cash outflow from disposal of subsidiary	5 (iii)	–	(9,026)
Proceeds from disposal of property, plant and equipment		86,284	7,572
Purchase of property, plant and equipment (Note A)		(88,734)	(54,519)
Purchase of intangible assets	4	–	(13,750)
Amount due from a related party		–	4,000
Net cash used in investing activities		(2,450)	(65,723)
Cash flows from financing activities			
Repayments of lease obligations		(64,914)	(38,185)
Proceeds from borrowings		1,708,820	1,710,198
Repayment of borrowings		(454,940)	(401,897)
Withdrawal / (Placement) of fixed deposit pledged		13,260	(10,242)
Interest received		23,086	12,824
Net cash from financing activities		1,225,312	1,272,698
Net increase in cash and cash equivalents		246,692	155,070
Cash and cash equivalents at beginning of year		576,757	435,571
Effects of exchange rate changes in cash and cash equivalents		12,289	(13,884)
Cash and cash equivalents at end of year	10	835,738	576,757

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of $178,824 (2017: $54,519) of which $88,734 (2017: $54,519) was paid by cash and $90,090 (2017: Nil) was acquired by means of finance leases.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (Amounts in Singapore dollars unless otherwise stated)

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

1. GENERAL INFORMATION

Chinese Global Investors Group Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX – ST"). The address of the Company's registered office and principal place of business is at 3 Shenton Way, #11-10 Shenton House, Singapore 068805.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are shown in Note 5.

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 5 October 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

For the current financial year, the Group reported loss after tax and negative operating cash flow of $3,439,273 and $976,170 (2017: $2,970,503 and $1,051,905) respectively. As at 30 June 2018, the Group was in a net liabilities position of $2,749,810 (2017: net assets of $541,971) and the Company's current liabilities also exceeded its current assets by $333,279 (2017: $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"). Other than Proposed Disposal Group, the Group's remaining core business is investment holding ("remaining business"). The remaining business incurred a net cash outflow from operating activities of $1,346,875 (2017: $1,347,861) for the current financial year. As at 30 June 2018, the remaining business was in net liabilities position of $4,019,164 (2017: $2,738,120).

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. 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 by the latest Long Stop Date at 31 December 2018, as described in Note 5(i) 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 a substantial shareholder and certain third-party lenders as and when necessary. As at 30 June 2018, the Group has drawn down loans from third-party lenders amounting to HK$18,303,000 (approximately $3,183,000) and further drawn down HK$1,820,000 (approximately $316,000) subsequent to the current financial year end; and

(v) the Group has obtained the third-party lenders' irrevocable undertaking not to demand for repayment of those loans included in the non-current liabilities as at balance sheet date prior to 30 June 2019 and not to cancel, revoke or withdraw from those loans and/or require immediate full repayment and discharge of these loans.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("SFRS").

The preparation of the financial statements in conformity with SFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 July 2017, the Group adopted the new or amended SFRS and Interpretations of SFRS ("INT SFRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS and INT SFRS. The adoption of these new or amended SFRS and INT SFRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Amendments to SFRS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 13 and 15. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 13 and 15, the application of these amendments has had no impact on the Group's consolidated financial statements.

Standards issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards, Singapore Financial Reporting Standards (International) (SFRS(I)). The Group has adopted the new financial reporting framework on 1 July 2018. The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under *SFRS(I) 1 First-time Adoption of Financial Reporting Standards*.

In addition to the adoption of the new framework, the Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 15: *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
SFRS(I) 9: *Financial Instruments*	1 January 2018
Amendments to SFRS(I) 2: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to SFRS(I) 1-40: *Transfers of Investment Property*	1 January 2018
Improvements to IFRS Standards 2014-2016 cycle (December 2016)	
- SFRS(I) 1: *First-time Adoption of Financial Reporting Standards*	1 January 2018
- SFRS(I) 1-28: *Investments in Associates and Joint Ventures*	1 January 2018
SFRS(I) INT 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to SFRS(I) 4: *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts*	1 January 2018
SFRS(I) 16: *Leases*	1 January 2019
SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to SFRS(I)s 2015-2017 cycle (March 2018)	
- SFRS(I) 3: *Business Combinations*	1 January 2019
- SFRS(I) 11: *Joint Arrangements*	1 January 2019
- SFRS(I) 1-12: *Income Taxes*	1 January 2019
- SFRS(I) 1-23: *Borrowing Costs*	1 January 2019
Amendments to SFRS(I) 19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
SFRS(I) 17: *Insurance Contracts*	1 January 2021

Except for SFRS(I) 9, SFRS(I) 15, SFRS(I) INT 22, SFRS(I) 16 and SFRS(I) 23, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new or revised SFRSs are described below.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. SFRS(I) 9 also introduces a new forward-looking expected credit loss (ECL) impairment model and adds detailed guidance on impairment-related presentation and disclosures. SFRS(I) 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of SFRS(I) 9 or continue to apply the existing hedge accounting requirements in SFRS(I) 1-39 for all hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

SFRS(I) 9 *Financial Instruments (Continued)*

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. On adoption of SFRS(I) 9, the Group does not expect changes in measurement basis for the financial assets and liabilities. The Group plans to apply the simplified approach and record lifetime ECL on its trade and other receivables and is in the process of calculating the impact of SFRS(I) 9 on impairment allowance.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2018.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively but plan to apply practical expedients on completed contracts, variable considerations and contract modifications.

Identifying performance obligations

The Group currently recognises revenue for each long-term contract based on the different types of goods and services stipulated in its contracts. Under SFRS(I) 15, the Group is required to identify distinct performance obligations (PO) in bundled arrangements and account for each PO separately, unless it can be demonstrated that the Group provides a significant integrated service; and the goods or services within the contract are highly dependent on or highly integrated with other goods or services.

Timing of recognition

The Group currently recognises revenue from construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably (the percentage of completion method). Following the adoption of SFRS(I) 15, the Group is assessing each contract and apply judgement to determine whether the contracts will qualify for recognition over time and does not expect to have significant impact to the timing and amount of revenue recognised.

Amount of consideration

The Group's contracts may include variable considerations such as penalties, including liquidated damages for delays, or other similar terms. Under SFRS(I) 15, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

SFRS(I) 15 *Revenue from Contracts with Customers* (Continued)

Amount of consideration (Continued)

For contracts that contain a significant financing component, under SFRS(I) 15, the Group is required to adjust the transaction price for the effects of the time value of money. However, the Group will elect the practical expedient of not adjusting the transaction price if the period between payment and transfer of goods and/or services is less than one year.

Management anticipates that the adoption of SFRS(I) 15 in the future may result in more disclosures, however management does not anticipate that the application of SFRS(I) 15 will have any material impact on the timing and amounts of revenue recognised in the Group's and Company's financial statements.

SFRS(I) INT 22: *Foreign Currency Transactions and Advance Consideration*

FRS 21 requires a foreign currency transaction to be recorded using spot exchange rate at the date of transaction. This interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of transaction for the purpose of determining the transaction rate on initial recognition of the related asset, expense or income (or part of it) is the date on which the entity initially recognises the non-monetary asset or liability (such as prepayment or deferred income) arising from the advance consideration. As such, no exchange gain will arise from the transfer of non-monetary asset or liability recognised for advance consideration to the related asset, expense or income at initial recognition. The interpretation applies to annual periods beginning on or after 1 January 2018, which an entity may elect to apply either retrospectively or prospectively.

SFRS(I) 16 *Leases*

This new standard on leases supersedes the previous standard (IAS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, SFRS(I) 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged.

SFRS(I) 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply SFRS(I) 15 *Revenue from Contracts with Customers* at or before the date of initial application of this standard. The Group will apply the new SFRS(I) 16 when it becomes effective in 2019, which may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. Based on the Group's preliminary assessment, the operating leases (as lessee) as disclosed in Note 28 is expected to be leases within the scope of SFRS(I) 16 and the Group expects to recognise such leases as right-of-use assets with corresponding liabilities on the future minimum lease payments upon initial application of SFRS(I) 16.

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity considers whether it is probable that the tax authority will accept the entity's tax treatment. When it is probable, an entity determine the accounting tax position consistently with the tax treatment used or planned to be used in the entity's income tax filings. Otherwise, an entity should estimate the effect of uncertainty using either the most likely amount or the expected value method, whichever method better predicts the resolution of the uncertainty. Consistent judgements and estimates should be made for both current tax and deferred tax. The interpretation is effective for annual periods beginning on or after 1 January 2019. An entity can apply the interpretation using either full retrospective (without use of hindsight) or modified retrospective approach (without restating comparative information).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Acquisition of business

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets is classified as assets held for sale when the sale is highly probable and the assets or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These non-current assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("$"), which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold land and buildings	25 to 30 (lease term)
Leasehold improvements	5
Motor vehicles	2 to 10
Office equipment	2 to 10

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income / (expenses)".

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiary represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Goodwill on subsidiary is recognised separately and carried at cost less accumulated impairment losses (see the accounting policy for impairment in this Note).

Gains and losses on the disposal of subsidiary include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group if cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in this Note.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Acquired computer software licences and trademarks

Computer software licences and trademark were acquired separately and are amortised on a straight line basis over its finite useful life of 3 years and 10 years, respectively.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group has financial assets in the categories of loans and receivables and available-for-sale investments.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables and amount due from contract customers.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Construction contracts work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract. Contract costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The aggregate of costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amount due to customers for contract work.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the reporting date, there was no financial liability at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in an active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets and the financial liabilities are the current bid prices and the current asking prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

Leases

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability 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.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

(i) General

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Warranty provision

Provisions for warranty is made for the possible liability for project works on contracts undertaken by the Group. This provision is based on estimates derived from historical warranty claims associated with similar products and services for past years.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated cost can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sales of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- the Group had transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(i) Sales of goods (Continued)

- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Construction contracts

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts work-in-progress (see above).

(iii) Management fee income

Management fee income from subsidiaries is recognised on an accrual basis.

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

(a) Singapore

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme.

(b) Hong Kong

Subsidiaries, incorporated and operating in Hong Kong, make contributions to Hong Kong's Mandatory Provident Fund, a defined contribution pension scheme.

(c) Malaysia

The Company makes contribution to the Employees Provident Fund (EPF) Scheme in Malaysia, a defined contribution pension scheme.

(d) People's Republic of China ("PRC")

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is recognised on 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. 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 for taxable temporary differences arising on investments in subsidiaries, 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.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets 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 tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value 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 instalments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

When the grants relates to income, the government grant shall be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. For grants which compensate expenses which are incurred in the financial year such as Wage Credit Scheme by the Inland Revenue Authority of Singapore, it is recognised in the year of receipts. Grants related to income are presented as a credit in profit or loss, under "Other income".

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and deposits with financial institutions readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value. These also include bank overdraft that forms an integral part of the Group's cash management.

Related parties

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 the 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 the 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 or an entity 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. 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.

(a) Construction contracts work-in-progress

The Group uses the percentage-of-completion method in accounting for its contract revenue where it is probable that contract costs are recoverable. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. The Group estimates its contract revenue based on estimated floor area of the awarded contracts. The final contract sum depends on the final measurement of the construction area. In making these estimates, management relied on past experiences and the work of specialists.

If the estimated total contract costs increase / decrease by 10% (2017: 10%) from management's estimates, the Group's revenue and correspondingly the loss before tax will increase / decrease approximately by $326,000 (2017: $63,000).

Included in the carrying amounts of amount due from / to contract customers is a provision for foreseeable losses of $67,933 (2017: $67,933). If the estimated costs to complete on these loss-making projects increase / decrease by 10% (2017: 10%), the provision for foreseeable loss will increase by $66,000 (2017: $7,000) or decrease by $63,000 (2017: $7,000) and correspondingly the loss before tax will increase / decrease by the same amount.

The carrying amounts of amount due from / to contract customers are disclosed in Note 7.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade and others receivables and its related allowance for impairment loss are disclosed in Note 8 and Note 30 (iii) to the financial statements.

(c) Income tax

The Group is subject to income taxes in Singapore, Malaysia, Hong Kong and PRC. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(c) Income tax (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 management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As disclosed in Note 25, the Group has deductible temporary differences and unused tax losses carried forward amounting to $1,097,000 (2017: $688,000) and $10,938,000 (2017: $9,565,000) respectively. for which no deferred tax assets have been recognised. These tax losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, loss for the year would decrease by $2,289,000 (2017: $1,913,000).

(d) Impairment in investment of subsidiaries

When there is an indication that a subsidiary has suffered an impairment loss, for example the subsidiary is in capital deficit and has suffered operating losses; an assessment is made as to whether the investment in the subsidiary has suffered any impairment, in accordance with the stated accounting policy. An estimate is made of the future profitability of the subsidiary, and the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operating cash flows.

The carrying amount of the relevant investments in relation to the Proposed Disposal Group is $963,340 (2017: $963,340) which is stated after impairment loss of $812,233 (2017: $812,233) at the end of the reporting period.

As disclosed in Note 5(i), the recoverable amount of the investment in Proposed Disposal Group is determined by reference to Proposed Disposal. Changes in the outcome of the Proposed Disposal including any revision to the disposal consideration, would affect the impairment assessment of the Company's investment in subsidiaries.

(ii) Critical judgements in applying the entity's accounting policies

The following are judgements made by management in the process of applying the Group's accounting that have the most significant effect on the amounts recognised in the financial statements.

Proposed Disposal Group not classified as held-for-sale

In the previous financial years, the Company announced the decision of its Board of Directors to dispose Hitchins International Pte Ltd and its subsidiaries ("Proposed Disposal Group"). The negotiation with YNK Holdings Private Limited (the "Purchaser") had started since financial year 2014 and the Company had entered into a Conditional Sale and Purchase Agreement with the Purchaser on 31 August 2015. Since then, there were various supplemental agreements executed to extend the completion date ("Long Stop Date") and to revise the conditions precedent. On 29 September 2017, the contracting parties agreed to include an additional condition precedent that the Company shall not dispose the Proposed Disposal Group until a core business as approved by the SGX has been acquired by the Company. The revised salient terms of the agreement including the additional condition precedent are as disclosed in Note 5(i). During the current financial year, the Long Stop Date was extended to 31 December 2018 via the execution of the Fifth Supplemental Sale and Purchase Agreement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies (Continued)

Proposed Disposal Group not classified as held-for-sale (Continued)

As the date of this report, the Company is actively seeking to acquire a new core business to fulfil the condition precedent set out in the Sale and Purchase Agreement. The Proposed Disposal Group has not been classified as held for sale as management is of the view that the criteria to be classified as held for sale and discontinued operation has not been met. Specifically, the Board of Directors considered the requirements to fulfil all condition precedent under the Sale and Purchase Agreement, the current status of their identification of new core business and the possibility of the shareholders and SGX approving the disposal and concluded that the completion of disposal before the expiration of the latest Long Stop Date of 31 December 2018 as not probable. Accordingly, the statement of financial position and results of the Proposed Disposal Group were not presented as held for sale and discontinued operations respectively, due mainly to the uncertainties that existed as of reporting date affecting the probability of the disposal.

The following are the financial position, results, and cash flows contribution of the Proposed Disposal Group that are included in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows. Should the Proposed Disposal Group be classified as held for sale and discontinued operation, it would have been excluded from continuing operation and be presented separately.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies (Continued)

Proposed Disposal Group not classified as held-for-sale (Continued)

Statement of financial position

The major classes of assets and liabilities of the Proposed Disposal Group and the related reserve as at 30 June 2018 and 30 June 2017 are as follows:

	Proposed Disposal Group	
	2018	2017
	$	$
Assets		
Inventories	1,066,743	1,023,604
Gross amount due from contract customers	161,624	347,537
Trade and other receivables	3,929,716	5,172,682
Available-for-sale investments	14,870	14,104
Income tax recoverable	18,895	38,669
Cash and bank balances	1,810,435	1,445,160
Current assets	7,002,283	8,041,756
Non-current assets	393,998	376,489
Assets of Proposed Disposal Group	7,396,281	8,418,245
Liabilities		
Trade and other payables	5,037,992	4,330,672
Gross amount due to contract customers	355,979	84,470
Lease obligations	29,669	33,610
Bank overdraft	228,376	245,865
Short term borrowings	393,430	387,705
Current liabilities	6,045,466	5,082,322
Non-current liabilities	81,481	55,832
Liabilities directly associated with Proposed Disposal Group*	6,126,927	5,138,154
Net assets of disposal group	1,269,354	3,280,091
Reserve		
Statutory reserve	346,410	346,410
Foreign currency translation reserves	(1,287,383)	(1,399,944)
Fair value reserve	15,706	15,706

* The liabilities do not include the liabilities owing to the Company amounting to $2,834,066 (2017: $3,059,445) which would be waived at the completion of the Proposed Disposal (Note 5(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies (Continued)

Proposed Disposal Group not classified as held-for-sale (Continued)

Statement of profit or loss and other comprehensive income

The results for the years ended 30 June of the Proposed Disposal Group are as follows:

	Proposed Disposal Group	
	2018	2017
	$	$
Revenue	8,707,226	10,987,148
Cost of sales	(7,407,704)	(8,826,054)
Gross profit	1,299,522	2,161,094
Other income	488,909	265,012
Distribution expenses	(908,618)	(993,383)
Administrative expenses	(1,885,666)	(1,950,844)
Other expenses	(860,046)	(205,950)
Finance cost	(29,152)	(25,791)
Loss before tax from Proposed Disposal Group	(1,895,051)	(749,862)
Income tax expense	(2,868)	(163)
Loss from Proposed Disposal Group, net of tax	(1,897,919)	(750,025)
Loss per share from Proposed Disposal Group attributable to owners of the Company (cents)		
Basic	(0.21)	(0.08)
Diluted	(0.21)	(0.08)

Statement of cash flows

The cash flows attributable to the Proposed Disposal Group are as follows:

	Proposed Disposal Group	
	2018	2017
	$	$
Operating activities	370,705	295,956
Investing activities	(2,450)	(42,072)
Financing activities	(28,568)	(48,426)
Net cash inflow	339,687	205,458

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Office equipment	Total
	$	$	$	$	$
Cost					
As at 1 July 2016	783,088	36,922	952,116	835,196	2,607,322
Additions	–	14,033	–	40,486	54,519
Disposals	(368,087)	–	(43,849)	(126,097)	(538,033)
Exchange differences	(5,120)	(1,714)	(6,838)	(5,679)	(19,351)
As at 30 June 2017	409,881	49,241	901,429	743,906	2,104,457
As at 1 July 2017	409,881	49,241	901,429	743,906	2,104,457
Additions	–	–	161,246	17,578	178,824
Disposals	–	–	(146,584)	–	(146,584)
Written off	–	–	–	(8,694)	(8,694)
Exchange differences	10,991	2,673	14,093	8,790	36,547
As at 30 June 2018	420,872	51,914	930,184	761,580	2,164,550
Accumulated depreciation					
As at 1 July 2016	554,832	36,922	683,017	792,691	2,067,462
Depreciation	9,463	428	84,083	25,975	119,949
Disposals	(267,813)	–	(43,849)	(124,537)	(436,199)
Exchange differences	(1,642)	(1,719)	(4,135)	(5,262)	(12,758)
As at 30 June 2017	294,840	35,631	719,116	688,867	1,738,454
As at 1 July 2017	294,840	35,631	719,116	688,867	1,738,454
Depreciation	5,969	2,877	84,583	32,427	125,856
Disposals	–	–	(107,495)	–	(107,495)
Written off	–	–	–	(8,694)	(8,694)
Exchange differences	6,377	2,017	11,806	8,286	28,486
As at 30 June 2018	307,186	40,525	708,010	720,886	1,776,607
Net carrying amount					
As at 30 June 2018	113,686	11,389	222,174	40,694	387,943
As at 30 June 2017	115,041	13,610	182,313	55,039	366,003

The carrying amount of the Group's motor vehicles includes an amount of $169,714 (2017: $159,296) secured in respect of assets held under finance leases (Note 13).

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Office equipment
	$
Cost	
As at 1 July 2016, 30 June 2017 and 30 June 2018	112,962
Accumulated depreciation	
As at 1 July 2016	112,560
Depreciation	402
As at 30 June 2017 and 30 June 2018	112,962
Net carrying amount	
As at 30 June 2017 and 30 June 2018	–

4. INTANGIBLE ASSETS

Group	Computer software	Trademark	Total
	$	$	$
Cost			
As at 1 July 2016	63,221	7,880	71,101
Additions	13,750	–	13,750
Write off	(58,721)	–	(58,721)
As at 30 June 2017 and 30 June 2018	18,250	7,880	26,130
Accumulated amortisation			
As at 1 July 2016	63,221	5,165	68,386
Write off	(58,721)	–	(58,721)
Amortisation for the year	4,202	788	4,990
As at 30 June 2017	8,702	5,953	14,655
As at 1 July 2017	8,702	5,953	14,655
Amortisation for the year	4,583	788	5,371
As at 30 June 2018	13,285	6,741	20,026
Net carrying amount			
As at 30 June 2018	4,965	1,139	6,104
As at 30 June 2017	9,548	1,927	11,475

5. SUBSIDIARIES

	Company	
	2018	2017
	$	$
Proposed Disposal Group (Note (i))		
– Unquoted equity shares, at cost	1,775,573	1,775,573
– Impairment loss	(812,233)	(812,233)
	963,340	963,340
Other subsidiaries		
– Unquoted equity shares, at cost	1	10,003
- Amount due from subsidiaries[g] (Note (ii))	–	1,256,247
– Impairment loss	(1)	(1,266,250)
	–	–

Name of companies	Principal activities	Country of incorporation and place of business	Percentage of equity held		Proportion of voting power held	
			2018	2017	2018	2017
			%	%	%	%
Held by the Company						
Hitchins International Pte Ltd* [e]	Investment holding	Singapore	100	100	100	100
MEDS Project Management Pte Ltd [g]	Struck off	Singapore	–	100	–	100
Marco Polo Global Capital Pte Ltd [g]	Struck off	Singapore	–	100	–	100
CGI (Offshore) Limited [b]	Investment holding	British Virgin Islands	100	100	100	100
Held by Hitchins International Pte Ltd						
Hitchins (F.E.) Marketing Pte Ltd*	Distribution of specialised building materials	Singapore	100	100	100	100
Hitchins-Da Sheng Holdings Pte Ltd* [e]	Investment holding and supply of specialised building materials	Singapore	100	100	100	100
CRG Contractors Pte Ltd*	Provision of waterproofing works and contractors for construction works of any kind	Singapore	100	100	100	100
Renesco Injection (Waterproofing) Pte Ltd* [e]	Supply of specialised building materials and waterproofing services	Singapore	100	100	100	100
Ampero (Malaysia) Sdn. Bhd.* [a]	Supply of specialised building materials and construction	Malaysia	100	100	100	100
Hitchins (Malaysia) Sdn. Bhd.* [a]	Supply of specialised building materials	Malaysia	100	100	100	100
Daku Asia Pte Ltd* [f]	Inactive	Singapore	100	100	100	100
Hitchins Borneo Sendirian Berhad* [d]	Inactive	Brunei Darussalam	98	98	98	98

5. SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of incorporation and place of business	Percentage of equity held		Proportion of voting power held	
			2018	2017	2018	2017
			%	%	%	%
Held by CGI (Offshore) Limited						
CGI (HK) Limited [(b)]	Investment holding	British Virgin Islands	100	100	100	100
CGI Financial Services Limited [(b)]	Inactive	Hong Kong	100	100	100	100
CGI Management Limited [(b)]	Inactive	Hong Kong	100	100	100	100
Held by Hitchins-Da Sheng Holdings Pte Ltd						
Shanghai Hitchins Da Sheng Waterproofing Materials Co., Ltd* [(c)]	Manufacture and supply of specialised building materials	People's Republic of China	100	100	100	100

All the companies are audited by Crowe Horwath First Trust LLP, Singapore except for the subsidiaries that are indicated as follows:

(a) Audited by Crowe Horwath AF 1018, Kuala Lumpur, Malaysia, a member of Crowe Horwath International.
(b) Audited by Crowe Horwath (HK) CPA Limited, Hong Kong, a member of Crowe Horwath International.
(c) Unaudited management accounts were used in consolidation. As at 30 June 2018, the entity's total assets and liabilities amounted to $970,604 and $1,972,432, respectively. The entity's revenue and loss for the year amounted to $146,894 and $496,713, respectively.
(d) Audited by Lee & Raman, Certified Public Accountant, Borneo.
(e) Audited by ASCENT Accounting Corporation PAC.
(f) Not audited as the subsidiary is inactive and immaterial to the Group.
(g) These companies have been struck off during the year.

* These subsidiaries form part of the Proposed Disposal Group as disclosed in Note 5(i).

(i) Proposed disposal of Hitchins Group

On 31 August 2015, the Company had entered into a Conditional Sale and Purchase Agreement ("CSPA") with YNK Holdings Private Limited (the "Purchaser") and Mr Kim Leng Choon and Mr Yeo Hoon Seng (collectively referred as the "Guarantors") to dispose of 1,775,572 issued and paid-up ordinary shares, representing the entire share capital of Hitchins International Pte Ltd and its subsidiaries ("Proposed Disposal Group") for a consideration of $3,280,000 ("Proposed Disposal").

The Guarantors are the ultimate shareholders and directors of the Purchaser, who are also the directors of the Disposal Group and key management personnel of the Group. As a result, the Purchaser is a related party to the Group (Note 27). The Guarantors shall jointly and severally guarantee the Purchaser's performance of the CSPA, and further, the Guarantors shall jointly and severally liable to the Company as primary obligor and not as mere surety for punctual settlement and discharge of all sums paid or payable to the Company under and/ or pursuant to the CSPA.

5. SUBSIDIARIES (Continued)

(i) Proposed disposal of Hitchins Group (Continued)

The consideration shall be paid by the Purchaser as follows:

	$
Deposit on or before 30 September 2015 * (collected and included in Note 11(ii)(c))	200,000
Second instalment at completion date *	800,000
Balance payment at first anniversary of the completion date	500,000
Balance payment at second anniversary of the completion date	500,000
Balance payment at third anniversary of the completion date	500,000
Balance payment at fourth anniversary of the completion date	780,000
	3,280,000

* The deposit shall be refunded to the Purchaser in the event of unsuccessful Proposed Disposal due to any failure to satisfy or fulfil the conditions precedent.

At the completion, the Company shall deliver to Purchaser an undertaking and / or confirmation executed by Company for waiving all sums due and owing by Proposed Disposal Group as at the completion date. As at 30 June 2018, the Proposed Disposal Group owed a total sum of $2,834,066 (2017: $3,059,445) to Company. The carrying amount on the Company's statement of financial position which is stated after allowances for impairment was $235,718 (2017: $232,718) (Note 8).

On 29 September 2017, the contracting parties agreed to include an additional condition precedent that the Company shall not dispose the Proposed Disposal Group until a core business as approved by the SGX has been acquired by the Company. As a result, the condition precedents of CSPA shall be revised as follows:

a) The Company had obtained the requisite approval of its shareholders for the Proposed Disposal;

b) All necessary approval, confirmation or consent of and in relation to the Proposed Disposal had been obtained from the SGX;

c) The Purchaser had conducted due diligence ("DD") investigations on financial, legal and any other relevant aspects of the Disposal Group and being reasonably satisfied with the result of the DD Investigation; and

d) A core business as approved by the SGX having been acquired by the Company.

On 29 December 2017, the Company has entered into a Fifth supplemental agreement with the Purchaser (referred to "Supplemental CSPA"). The Company and the Purchaser have agreed to extend the Long Stop Date from 29 December 2017 to 31 December 2018 or such other date as the parties may mutually agree in writing for fulfilment of the condition precedent in the CSPA.

As at the date of this report, the Company is actively seeking to acquire a new core business to fulfil the conditions precedents set out in the Sale and Purchase Agreement. For reason stated in Note 2 "Critical judgements in applying the entity's accounting policies", the Proposed Disposal Group has not been classified as held for sale in accordance with *FRS 105 – Non-Current Assets Held for Sale and Discontinued Operations* as at 30 June 2018.

5. SUBSIDIARIES (Continued)

(i) Proposed disposal of Hitchins Group (Continued)

Impairment testing

During the year, the management performed impairment review of the following carrying amounts on the Company's statement of financial position as at 30 June 2018 in relation to the Proposed Disposal Group:

(a) Cost of investment in subsidiaries amounting to $963,340 (2017: $963,340), which is stated after an impairment loss of $812,233 (2017: $812,233), and
(b) Amount due from subsidiaries amounting to $235,718 (2017: $232,718), which is stated after an impairment loss of $2,598,348 (2017: $2,589,706) (as stated in Note 8).

Management has determined the recoverable amounts of the above carrying amounts of the Company in relation to Proposed Disposal Group to be an aggregate of $3,280,000, being the disposal consideration as disclosed above. 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 the cost of investments in subsidiaries and amount due from subsidiaries.

(ii) Amount due from subsidiaries

The amount due from subsidiaries is deemed as part of net investment in the subsidiaries, which have been struck off during the year.

(iii) Disposal of a subsidiary, Success Finance Limited

On 27 March 2017, the Company entered into a deed of settlement ("Deed of Settlement") with a third party ("Vendor") to dispose 100% equity interest in Success Finance Limited ("SFL") and the Sale Loan (as defined below). Prior to the disposal, SFL is indebted to the Group in the sum of HK$2,271,596 (equivalent to $400,710) (the "Sale Loan"). Based on the Deed of Settlement, the Company and Vendor (collectively, the "Parties") agreed to terminate with no further effect upon execution of the Deed of Settlement. Both Parties shall be discharged and released from all their duties in respect of the Sale and Purchase Agreement and the Addendum Agreement by way of the settlement of the outstanding consideration in the amount of HK$3,363,288 (equivalent to $593,284) due to the Vendor ("Settlement Balance") in exchange for the transfer of 55,000,000 shares ("Sale Shares"), being the entire share capital of SFL; and the assignment of Sale Loan of HK$2,271,596 (equivalent to $400,710) to the Vendor for a nominal consideration of HK$1.00 each respectively.

Upon the execution of the Deed of Settlement, SFL ceased to be a subsidiary of the Group and accordingly the Group deconsolidated SFL from 27 March 2017. This resulted in a gain on disposal amounting to $175,597, which was included in the "Gain from discontinued operation" line item on the statement of profit or loss and other comprehensive income in the previous financial year.

The relevant disclosure of financial results of disposal of SFL and impact of the discontinued operation are included in the Note 5(iii) of previous year's financial statements.

6. INVENTORIES

	Group	
	2018	2017
	$	$
Raw materials	163,709	144,927
Finished goods	903,035	878,677
	1,066,744	1,023,604

The cost of inventories recognised as expense and included in 'cost of sales' amounted to $6,115,018 (2017: $6,969,596).

The movement in allowance for inventory obsolescence is as follows:

	Group	
	2018	2017
	$	$
At beginning of year	35,385	59,898
Allowance made	–	13,836
Allowance written off	–	(36,412)
Exchange differences	1,445	(1,937)
At end of year	36,830	35,385

7. GROSS AMOUNT DUE FROM / (TO) CONTRACT CUSTOMERS

	Group	
	2018	2017
	$	$
Construction contracts		
Amount due from contract customers	161,624	347,536
Amount due to contract customers	(355,979)	(84,470)
	(194,355)	263,066
Contract costs incurred plus recognised profits (less recognised losses to date)	2,675,979	2,472,870
Less: Progress billings	(2,870,334)	(2,209,804)
	(194,355)	263,066
Retention sums on construction contracts included in trade receivables (Note 8)	980,699	945,432

Included in the gross amount due from / (to) contract customers is a provision for foreseeable losses of $67,933 (2017: $67,933).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade receivables [(i)]				
Third parties	5,611,364	5,986,532	–	–
Less: Allowances for doubtful debts (Note 30 (iii))	(2,028,784)	(1,240,049)	–	–
	3,582,580	4,746,483	–	–
Other receivables				
Deposits	112,366	103,351	20,209	18,958
VAT/GST/tax recoverable	6,007	12,007	–	–
Third parties	255,021	261,612	–	322
Less: Allowances for doubtful debts	(101,400)	–	–	–
	153,621	261,612	–	322
Prepayments	56,905	32,428	749	2,975
Advances to staff	39,067	38,929	–	–
Subsidiaries [(ii)]	–	–	19,677,609	20,501,345
Less: Allowances for doubtful debts [(ii)]	–	–	(19,441,891)	(20,268,627)
	–	–	235,718	232,718
	367,966	448,327	256,676	254,973
Total trade and other receivables	3,950,546	5,194,810	256,676	254,973

Notes:

(i) Included in third parties trade receivables is retention monies receivable amounting to $980,699 (2017: $945,432).

(ii) Amount due from subsidiaries is non-trade in nature, unsecured and repayable on demand. All balances due from subsidiaries are interest-free, except for certain balances amounting to $19,645,751 (2017: $20,232,466) which are interest-bearing at 2% (2017: 2%) per annum. Certain subsidiaries remained dormant or continued to sustain losses during the financial year. Accordingly, the amounts due from Proposed Disposal Group amounting to $2,598,348 (2017: $2,589,706) and the amounts due from other subsidiaries amounting to $16,843,543 (2017: $17,678,921) were fully impaired, including interest receivables of $303,185 (2017: $320,958) from interest-bearing loans to certain subsidiaries.

Movement in allowance for impairment loss on amount due from subsidiaries at Company level was as follows:

	Company	
	2018	2017
	$	$
Balance at beginning of year	20,268,627	22,907,843
Allowance made during the year	8,642	8,642
Allowance written back during the year	(598,357)	(662,684)
Allowance written off during the year	(237,021)	(1,985,174)
Balance at end of year	19,441,891	20,268,627

9. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2018	2017
	$	$
Quoted equity instruments:		
– Malaysia	14,870	14,104

The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

10. CASH AND BANK BALANCES AND BANK OVERDRAFT

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Fixed deposits	1,379,750	986,720	–	–
Cash at bank and in hand	440,334	563,645	1,454	1,935
Cash and bank balances	1,820,084	1,550,365	1,454	1,935
Less: Bank overdraft [(i)]	(228,376)	(245,865)		
Restricted cash [(ii)]	(755,970)	(727,743)		
Cash and cash equivalents for the purpose of consolidated statement of cash flows	835,738	576,757		

Notes:

(i) Bank overdraft is denominated in Singapore dollars and bears interest at 6.5% (2017: 6.5%) per annum during the financial year. The facility is secured by the fixed deposit placed with the same bank.

(ii) Restricted cash relates to fixed deposits with maturity periods ranging from 1 month to 8 months (2017: 1 month to 6 months), which are pledged to bankers as securities for banking facilities granted to the subsidiaries. The rates of interest for fixed deposits for the Group are between 0.15% to 3.05% (2017: 0.15% to 3.20%) per annum.

As at 30 June 2018, the Group has cash and cash equivalents placed with banks in the People's Republic of China denominated in Chinese Renminbi ("RMB") amounting to approximately to RMB211,146 equivalent to $43,538 (2017: RMB268,188 equivalent to $54,496). RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade payables [(i)]				
Third parties	2,050,656	2,050,913	–	–
Other payables				
Third parties	2,056,318	1,188,003	59,300	118,610
Related parties [(ii)]	1,031,475	932,028	356,330	356,330
Accrued expenses	529,876	838,212	175,779	217,385
Advances received from customers	3,000	9,268	–	–
Net GST and withholding tax payable	89,044	103,999	–	–
	3,709,713	3,071,510	591,409	692,325
Total trade and other payables	5,760,369	5,122,423	591,409	692,325

Notes:

(i) The average credit period taken to settle trade payables of the Group is 30 to 90 days (2017: 30 to 90 days). The other payables are repayable within the next 12 months and their carrying amounts approximate the fair values.

(ii) Related parties represent:

(a) an amount of $688,156 (2017: $685,618) owing to a trust in which certain directors of subsidiaries are the trustees. The trust is established for the purpose of indemnifying on a voluntary basis dealing with independent contractors against loss or damage. The amount is unsecured, interest-free and repayable on demand;

(b) an amount of $143,319 (2017: $46,410) due to directors of subsidiaries. The amount is unsecured, interest-free and repayable on demand; and

(c) a deposit of $200,000 (2017: $200,000) received from a related party in relation to the Proposed Disposal (Note 5(i)). The deposit shall be refunded to the related party in the event that the Proposed Disposal is unsuccessful due to any failure to satisfy or fulfil the conditions precedent, as stated in Note 5(i) to the financial statements.

12. PROVISION FOR WARRANTY

	Group	
	2018	2017
	$	$
At beginning of year	131,996	127,477
Exchange differences	1,972	(1,700)
Provision during the year	64,521	72,348
Amount utilised during the year	(54,064)	(66,129)
At end of year	144,425	131,996

Certain subsidiaries of the Group provide 10 years warranty on waterproofing services undertaken by the Group. The provision is based on estimates derived from historical warranty claims associated with similar products and services for the past years.

13. LEASE OBLIGATIONS

Group	Minimum lease payments	Interest	Present value of payments
	$	$	$
2018			
Non-current portion:			
– Later than 1 year and not later than 5 years	93,872	(13,067)	80,805
Current portion:			
– Not later than 1 year	34,440	(4,771)	29,669
	128,312	(17,838)	110,474
2017			
Non-current portion:			
– Later than 1 year and not later than 5 years	58,783	(7,095)	51,688
Current portion:			
– Not later than 1 year	38,598	(4,988)	33,610
	97,381	(12,083)	85,298

The Group leases certain motor vehicles under finance leases. Lease terms range from 4 to 7 years (2017: 4 to 7 years). Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

13. LEASE OBLIGATIONS (Continued)

Reconciliation of liabilities arising from financing activities:

	As at 1 July 2017	New lease during the year	Financing cash flow - repayment	As at 30 June 2018
	$	$	$	$
Lease obligations	85,298	90,090	(64,914)	110,474

14. DEFERRED TAX LIABILITIES

	Group	
	2018	2017
	$	$
At beginning of year	(4,144)	(5,354)
Recognised in the profit or loss (Note 25)		
– Relates to origination and reversal of temporary differences	755	761
– Over provision of prior years	2,748	419
Exchange differences	(35)	30
At end of year	(676)	(4,144)

15. BORROWINGS

	Group	
	2018	2017
	$	$
Short term borrowings:		
Due within one year		
Loan 1	393,430	387,706
Long term borrowings:		
Due after one year and within 5 years [(i)]		
Loan 2	507,440	638,215
Loan 3	356,495	423,360
Loan 4	2,318,957	881,118
	3,182,892	1,942,693

15. BORROWINGS (Continued)

Notes:

(i) These long term borrowings pertain to the unsecured borrowings drawdown from third-party lenders, who have committed to provide continuous financial support to the Group as and when necessary. On 30 June 2018, the Group re-negotiated the repayment terms with these third-party lenders and they have since agreed to grant a further extension of 12 months from the original repayment dates. The lenders also undertaken not to demand for repayment of any existing loan prior to 30 June 2019 and not to cancel, revoke or withdraw from any existing loan and/or require immediate full repayment and discharge of any existing loan. As a result, these loans are classified as non-current liabilities as at 30 June 2018.

Loan 1

Loan 1 was obtained by a subsidiary of the Group from a third party and denominated in Renminbi. The loan bears a fixed interest rate at 4.35% (2017: 4.35%) per annum and is unsecured and repayable within 12 months from reporting date. During the year, the loan was renewed for 1 year on the same terms.

Loan 2

Loan 2 was obtained by a subsidiary of the Group from a third party and denominated in Hong Kong dollar. The loan bears a fixed interest rate at 12% (2017: 12%) per annum and is unsecured and repayable within 12 months from drawdown dates. On 30 June 2018, the lender undertook to extend the loan from original repayment dates ranging from August 2018 to May 2019 for another 12 months.

Loan 3

Loan 3 was obtained by a subsidiary of the Group from a third party and denominated in Hong Kong dollar. The loan bears a fixed interest rate at 10% (2017: 10%) per annum and is unsecured and repayable within 12 months from drawdown date on quarterly basis. On 30 June 2018, the lender undertook to extend the loan with original repayment dates ranging from October 2018 to November 2018 by another 12 months.

Loan 4

Loan 4 was obtained by a subsidiary of the Group during the year from a third party and denominated in Hong Kong dollar. The loan bears a fixed interest rate at 10% (2017: 10%) per annum and is unsecured and repayable within 12 months from drawdown dates. On 30 June 2018, the lender undertook to extend the loan with original repayment dates ranging from July 2018 to June 2019 by another 12 months.

Reconciliation of liabilities arising from financing activities:

			Non-cash changes	
	As at 1 July 2017	Financing cash flows (i)	Foreign exchange movement	As at 30 June 2018
	$	$	$	$
Borrowings – Loans	2,330,400	1,253,880	(7,958)	3,576,322

(i) The cash flows is the net amount of proceeds from borrowings and repayments of borrowings presented in the consolidated statement of cash flows.

16. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of ordinary shares	$	Number of ordinary shares	$
Issued and paid up				
At beginning and end of year	915,977,500	40,310,404	915,977,500	40,310,404

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

17. STATUTORY RESERVE

The Company's subsidiary in PRC, Shanghai Hitchins Da Sheng Waterproofing Materials Co., Ltd is required by the relevant PRC regulations and its Articles of Association to allocate where applicable certain percentage of profit after taxation after deducting accumulated losses as determined in accordance with PRC accounting standards and regulations to the statutory reserve surplus fund until such reserve reaches 50% of the subsidiary's registered capital subject to certain restriction set out in the Company Law of the PRC, and the subsidiary's Articles of Association.

The non-distributable reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The subsidiary is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

18. FAIR VALUE RESERVE

	Group	
	2018	2017
	$	$
At beginning and end of year	15,706	15,706

The fair value reserve arising from available-for-sale investments is non-distributable.

19. REVENUE

	Group	
	2018	2017
	$	$
Sales of waterproofing materials	5,709,008	7,201,083
Revenue from contract services	2,998,218	3,786,065
	8,707,226	10,987,148

20. OTHER INCOME

	Group	
	2018	2017
	$	$
Foreign exchange gain, net	–	7,054
Government grants	27,201	29,334
Gain on disposal of property, plant and equipment	47,195	–
Interest income	23,086	12,824
Bad debts recovered (trade)	9,198	75,734
Write off of other payables	17,477	–
License fees income	75,000	72,500
Sundry income	48,421	38,550
	247,578	235,996

Government grant mainly relates to grants received from Inland Revenue Authority of Singapore (IRAS) under Wage Credit Scheme (WCS) and Ministry of Manpower (MOM). There are no unfulfilled conditions or contingencies attached to these grants.

21. OTHER EXPENSES

	Group	
	2018	2017
	$	$
Allowances for doubtful debts	847,405	78,618
Loss on disposal of held-for-trading investments	–	782,617
Bad debts written off	2,111	4,478
Loss on disposal of property, plant and equipment	–	94,262
Sundry expense	–	795
Foreign exchange loss, net	30,404	–
	879,920	960,770

22. FINANCE COSTS

	Group	
	2018	2017
	$	$
Interest on obligations under finance leases	7,498	5,631
Interest on borrowings	263,465	227,541
Interest on bank overdraft	9,242	7,503
	280,205	240,675

23. LOSS BEFORE TAX

This is determined after charging the following:

	Group	
	2018	2017
	$	$
Amortisation of intangible assets (Note 4)	5,371	4,990
Audit fees		
– Auditors of the Company	105,550	141,216
– Other auditors	35,426	48,002
Depreciation of property, plant and equipment (Note 3)	125,856	119,949
Directors' remuneration (Note 27)		
– Directors of the Company	130,000	130,000
– Directors of subsidiaries	625,695	687,609
Directors' fees (Note 27)		
– Directors of the Company	50,003	53,359
– Directors of subsidiaries	3,017	2,972
Non-audit fees		
– Other auditors	12,677	21,683
Operating lease expenses	445,530	487,906
Personnel expenses (Note 24) *	3,363,611	3,592,306

* This includes the amount shown as directors' remuneration.

24. PERSONNEL EXPENSES

	Group	
	2018	2017
	$	$
Wages, salaries and bonuses	2,925,702	3,199,774
Employer's contribution to defined contribution plans	437,909	392,532
	3,363,611	3,592,306

25. INCOME TAX EXPENSE

Major components of income tax expense / (credit) for the year ended 30 June were:

	Group	
	2018	2017
	$	$
Current tax		
– Current year	10,150	64,696
– Over provision in prior years	(3,651)	(63,286)
	6,499	1,410
Deferred tax		
– Relates to origination and reversal of temporary differences	(755)	(761)
– Over provision in prior years	(2,748)	(419)
	(3,503)	(1,180)
	2,996	230

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

	Group	
	2018	2017
	$	$
Pre-tax accounting loss		
– Continuing operations	(3,436,277)	(3,044,086)
– Discontinued operation (Note 5(iii))	–	(101,784)
	(3,436,277)	(3,145,870)
Gain on disposal of discontinued operation (pre- and post-tax) (Note 5(iii))	–	175,597
	(3,436,277)	(2,970,273)

25. INCOME TAX EXPENSE (Continued)

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

	Group	
	2018	2017
	$	$
Tax at the applicable tax rate of 17% (2017: 17%)	(584,167)	(504,946)
Tax effect of		
– different tax rates in other countries	(66,424)	(27,881)
– expenses not deductible for tax purposes	396,910	272,702
– income not subject to tax	(82,443)	(29,814)
– tax exemption	(16,743)	–
– tax incentives	–	(8,534)
– deferred tax asset not recognised	376,464	365,559
– others	(14,202)	(3,151)
– over provision in prior years	(6,399)	(63,705)
Tax expense	2,996	230

The Company and Singapore subsidiaries

The Company and these subsidiaries are subject to an applicable tax rate of 17% (2017: 17%).

Hong Kong

The subsidiaries are subject to an applicable tax rate of 16.5% (2017: 16.5%).

British Virgin Islands (BVI) and Cayman Islands

The subsidiaries incorporated under the laws of BVI and Cayman Islands are exempted from income tax.

PRC

The subsidiary is subject to an applicable rate of 25% (2017: 25%) and withholding tax of 5% (2017: 5%) respectively.

Malaysia

The subsidiaries are subject to an applicable tax rate of 24% (2017: 24%).

Brunei Darussalam

The subsidiary is subject to an applicable tax rate of 18.5% (2017: 18.5%).

25. INCOME TAX EXPENSE (Continued)

Unrecognised temporary differences

The Group has deductible temporary differences and unused tax losses of $1,097,000 (2017: $688,000) and $10,938,000 (2017: $9,565,000) respectively for which no deferred tax asset is recognised due to uncertainty of its recoverability.

	2018	2017
	$	$
Unused tax losses:		
– Singapore (no expiry)	2,564,000	1,749,000
– Malaysia (no expiry)	62,000	–
– PRC (expiring in 2019 to 2023)	2,388,000	1,892,000
– Hong Kong (no expiry)	5,924,000	5,924,000
	10,938,000	9,565,000

The use of the unused tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries and has no expiry date except for the subsidiary in People's Republic of China. The tax losses of the PRC subsidiaries expire by end of 5 years from the year losses were recorded.

26. LOSS PER SHARE

Basic and diluted loss per share

Basic loss per share is calculated by dividing the net (loss) / gain attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2018	2017
	$	$
Net (loss) / gain attributable to equity holders of the Company ($)		
– Continuing operations	(3,439,273)	(3,044,316)
– Discontinued operation	–	73,813
	(3,439,273)	(2,970,503)
Weighted average number of ordinary shares outstanding for basic earnings per share	915,977,500	915,977,500
Basic and diluted (loss) / earnings per share (cents per share) [(i)]		
– Continuing operations	(0.38)	(0.33)
– Discontinued operation	–	0.01
	(0.38)	(0.32)

26. LOSS PER SHARE (Continued)

Basic and diluted loss per share (Continued)

(i) The Company has no dilutive potential ordinary shares for the financial year ended 30 June 2018 and 2017, as there was no ordinary share that may be issued upon the exercise of any share option outstanding as at 30 June 2018 (30 June 2017: Nil).

27. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

	Group	
	2018	2017
	$	$
Advances from directors of subsidiaries	96,909	33,453
Receipts on behalf of a trust in which certain directors of subsidiaries are the trustees	2,538	44,987

Outstanding balances of the above transactions at 30 June 2018 and the terms arising from the above transactions by the Group are disclosed in Note 11(ii).

	Group	
	2018	2017
	$	$
Key management personnel compensation		
Wages, salaries and bonus	881,075	915,127
Employer's contribution to defined contribution plans	59,387	86,664
	940,462	1,001,791
Directors' fees	53,020	56,331
Total compensation paid / payable to key management personnel	993,482	1,058,122

The management determines that the key management personnel of the Group comprises the directors and the senior management of the Group. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

28. OPERATING LEASE ARRANGEMENTS

The Group has various operating lease agreements for equipment and offices. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Future minimum lease payments				
– Not later than 1 year	542,573	446,007	75,910	79,721
– Later than 1 year and not later than 5 years	468,476	198,344	120,593	196,503
	1,011,049	644,351	196,503	276,224

29. SEGMENT INFORMATION

In the previous financial years, the Group was engaged in (i) waterproofing business, which relates to manufacturing, installation and sales of waterproofing and concrete protection materials; (ii) loan financing business in Hong Kong; and (iii) financial services and investment business. During the previous year, the Group disposed off Success Finance Limited as disclosed in Note 5 (iii), which was engaged in the loan financing business, and also ceased its financial services and investment business.

Accordingly, results from loan financing segment were classified as discontinued operation in the statement of profit or loss and other comprehensive income for the financial year ended 30 June 2017. As the Group operates solely in the waterproofing business (with ancillary investment holding activities), no segmental information is presented.

Geographical information

	Continuing operations (Waterproofing and investment holding)		Discontinued operation (Loan financing)	
	2018	2017	2018	2017
	$	$	$	$
Revenue				
Singapore	7,180,706	7,554,931	–	–
Malaysia	1,033,056	1,761,965	–	–
People's Republic of China	160,511	324,661	–	–
Hong Kong	–	–	–	56,674
Indian sub-continent	213,535	642,810	–	–
Others	119,418	702,781	–	–
	8,707,226	10,987,148	–	56,674

29. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Continuing operations (Waterproofing and investment holding)		Discontinued operation (Loan financing)	
	2018	2017	2018	2017
	$	$	$	$
Non-current asset				
Singapore	213,137	187,380	–	–
Malaysia	140,517	137,762	–	–
People's Republic of China	40,343	51,347	–	–
Hong Kong	50	989	–	–
	394,047	377,478	–	–

Sales to external customer disclosed above are based on the geographical location of its customer. Non-current assets are based on the location of these assets and consist of property, plant and equipment and intangible assets.

Two major customers in waterproofing business in Singapore, contributed revenue amounting to $813,526 and $750,643 (2017: $981,102 and $737,911) respectively to the Group.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Board of Directors.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk

(a) Foreign exchange risk

The Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions that are denominated in currencies other than the respective functional currencies of Group entities, primarily with respect to Singapore dollars, Hong Kong dollars, Malaysian ringgit, Renminbi and others. Other currencies includes United States dollars and Indonesian rupiah. The Group does not have a policy to hedge its exposure to foreign exchange risk. The Company is not exposed to foreign currency exchange risk.

Group 2018	Singapore dollars	Hong Kong dollars	Malaysian ringgit	Renminbi	Others	Total
	$	$	$	$	$	$
Financial assets						
Cash and bank balances	542,598	8,196	1,215,010	54,280	–	1,820,084
Trade receivables	2,515,200	–	868,918	198,462	–	3,582,580
Other receivables	105,849	–	8,099	191,106	–	305,054
Gross amount due from contract customers	149,489	–	12,135	–	–	161,624
Available-for-sale investments	–	–	14,870	–	–	14,870
Intragroup receivables	23,815,042	4,430,309	555,640	–	–	28,800,991
	27,128,178	4,438,505	2,674,672	443,848	–	34,685,203
Financial liabilities						
Trade payables	1,825,372	–	148,856	63,509	12,919	2,050,656
Other payables	1,568,349	275,395	259,740	1,514,185	–	3,617,669
Lease obligations	110,474	–	–	–	–	110,474
Bank overdraft	228,376	–	–	–	–	228,376
Borrowings	–	3,182,892	–	393,430	–	3,576,322
Intragroup payables	23,815,042	4,430,309	555,640	–	–	28,800,991
	27,547,613	7,888,596	964,236	1,971,124	12,919	38,384,488
Net financial (liabilities) / assets	(419,435)	(3,450,091)	1,710,436	(1,527,276)	(12,919)	(3,699,285)
Less: Net financial (liabilities) / assets denominated in the respective entities functional currencies	(16,152,108)	3,450,091	(1,710,436)	1,527,276	–	(12,885,177)
Foreign currency exposure	(16,571,543)	–	–	–	(12,919)	(16,584,462)

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2017	Singapore dollars	Hong Kong dollars	Malaysian ringgit	Renminbi	Others	Total
	$	$	$	$	$	$
Financial assets						
Cash and bank balances	461,131	103,267	863,758	64,656	57,553	1,550,365
Trade receivables	2,994,974	–	1,547,571	203,938	–	4,746,483
Other receivables	104,439	–	104,224	195,229	–	403,892
Gross amount due from contract customers	291,585	–	55,951	–	–	347,536
Available-for-sale investments	–	–	14,104	–	–	14,104
Intragroup receivables	24,636,660	4,061,249	890,747	–	8	29,588,664
	28,488,789	4,164,516	3,476,355	463,823	57,561	36,651,044
Financial liabilities						
Trade payables	1,745,120	–	223,255	69,848	12,690	2,050,913
Other payables	1,529,649	231,422	316,306	880,866	–	2,958,243
Lease obligations	85,298	–	–	–	–	85,298
Bank overdraft	245,865	–	–	–	–	245,865
Borrowings	–	1,942,693	–	387,706	–	2,330,399
Intragroup payables	24,636,660	4,061,249	890,747	–	8	29,588,664
	28,242,592	6,235,364	1,430,308	1,338,420	12,698	37,259,382
Net financial assets / (liabilities)	246,197	(2,070,848)	2,046,047	(874,597)	44,863	(608,338)
Less: Net financial assets / (liabilities) denominated in the respective entities functional currencies	(17,445,923)	2,070,848	(2,046,047)	874,597	–	(16,546,525)
Foreign currency exposure	(17,199,726)	–	–	–	44,863	(17,154,863)

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 3% increase and decrease in the Singapore dollars against the relevant foreign currencies. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 3% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the Singapore dollars strengthens by 3% (2017: 3%) against the relevant functional currencies, with all other variables held constant, loss and other comprehensive loss for the year will increase / (decrease) by:

Group	Singapore dollars	Others
	$	$
2018		
Loss for the year	(6,772)	322
Other comprehensive loss for the year	505,306	–
2017		
Loss for the year	(5,993)	1,117
Other comprehensive loss for the year	504,640	–

A 3% weakening of foreign currencies against the respective functional currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remains constant.

The Group is also exposed to currency translation risk arising from its net investment in its foreign operation in other countries mainly Malaysia and Hong Kong. The Group's net investment in Malaysia and Hong Kong is not hedged as currency positions in Malaysian ringgit and Hong Kong dollars are considered to be long-term in nature.

(b) Interest rate risk

The Group obtains additional financing through bank borrowings and loans from third parties. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 30 June 2018, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Note 8, Note 10, Note 15 and part (ii) of this note.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk (Continued)

Interest in financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The interest rate for the Group's fixed deposits and bank overdraft, interest bearing financial assets, interest bearing borrowings and finance lease payable are fixed rate and hence, are not exposed to any movements in market interest rates.

Interest risk sensitivity

The interest risk sensitivity of the company has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates.

The Group's exposure to interest risk is not significant and relates primarily to interest bearing fixed deposit, interest bearing financial assets, interest on finance lease, interest on bank overdrafts and interest on borrowings, which are subject to fixed interest rates.

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay and include both interest and principal cash flows.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Group	Weighted average effective interest rate	On demand or not later than 1 year	Later than 1 year and not later than 5 years	Total
	%	$	$	$
2018				
Non-derivative instruments				
Trade and other payables		5,668,325	–	5,668,325
Bank overdraft	6.50	228,376	–	228,376
Lease obligations	4.86	34,440	93,872	128,312
Borrowings	4.35 – 12.00	796,289	3,626,818	4,423,107
		6,727,430	3,720,690	10,448,120
2017				
Non-derivative instruments				
Trade and other payables		5,113,155	–	5,113,155
Bank overdraft	6.50	245,865	–	245,865
Lease obligations	5.82	38,598	58,783	97,381
Borrowings	4.35 – 12.00	404,571	2,378,996	2,783,567
		5,802,189	2,437,779	8,239,968

Company	On demand or not later than 1 year
	$
2018	
Non-derivative instruments	
Other payables	591,409
2017	
Non-derivative instruments	
Other payables	692,325

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Cash and bank balances are placed with reputable local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due.

The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

Credit exposure to each counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management on a regular basis. Trade receivables consist of a large number of customers, spread across diverse geographical areas. On-going credit evaluation is performed on the financial condition of customers.

The Group's trade receivables comprise 5 debtors (2017: 5 debtors) from waterproofing business that represented 31% (2017: 29%) of trade receivables, which are the main contractors in Singapore and China (2017: Singapore and China). The Group has no significant concentration of credit risk except for majority of customers are in the construction industry. The concentration by geographical areas are disclosed below.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the country in which customers operate also has an influence on credit risk but to a lesser extent.

The average credit period on sales of goods is 30 to 120 days (2017: 30 to 120 days). No interest is charged on overdue trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2018	2017
	$	$
By geographical areas (location of customers) and type of counterparties		
Corporations		
– Singapore	2,344,349	2,354,846
– Malaysia	868,919	1,547,571
– People's Republic of China	198,462	203,938
– Indian sub-continent	93,604	213,212
– Other countries	77,246	426,916
	3,582,580	4,746,483

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The amounts presented in the statements of financial position are net of allowance for impairment losses of trade receivables, estimated by management based on prior experience and the current economic environment. The age analysis of trade receivables is as follows:

	Group	
	2018	2017
	$	$
Not past due and not impaired	2,248,330	2,298,059
Past due but not impaired		
- Past due 0 to 3 months	727,723	692,867
- Past due 3 to 6 months	265,327	576,362
- Past due over 6 months	341,200	1,179,195
	1,334,250	2,448,424
Impaired trade receivables	2,028,784	1,240,049
Less: Allowance for impairment loss	(2,028,784)	(1,240,049)
	3,582,580	4,746,483

The amounts that are neither past due nor impaired represents balances arising from companies (for waterproofing business) with good credit standing with the Group and these amounts are deemed fully recoverable. Included in these balances are retention monies receivables amounting to $980,699 (2017: $945,432) that are recoverable after defects liability period or based on terms stated in the constructions contract and classified under “Not past due and not impaired”.

Included in the Group’s trade receivables are debtors with a total carrying amount of $1,334,250 (2017: $2,448,424) which are past due at the reporting date for which the Group has not provided for impairment as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

There is no other class of financial assets that is past due and / or impaired except for trade and other receivables.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The movement in allowance for impairment loss is as follows:

	Group	
	2018	2017
	$	$
Trade receivables		
At beginning of year	1,240,049	1,989,226
Disposal of a subsidiary	–	(84,473)
Exchange differences	57,177	(15,160)
Allowance written back during the year	(9,198)	(75,734)
Allowance written-off during the year	(5,249)	(652,428)
Allowance made during the year	746,005	78,618
At end of year	2,028,784	1,240,049

As at the reporting date, the Group provided an impairment allowance of an aggregate amount of $2,028,784 (2017: $1,240,049) on trade receivables. The receivables were individually determined to be impaired at the reporting date related to debtors that are in significant financial difficulties and have defaulted on payments as well as by reference to past default experience.

(iv) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Loans and receivables	5,869,342	7,048,276	257,381	253,933
Available-for-sale investments	14,870	14,104	–	–
	5,884,212	7,062,380	257,381	253,933
Financial liabilities at amortised cost	9,583,497	7,670,718	591,409	692,325

30. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of interest-bearing debt, which includes the borrowings disclosed in Note 10, Note 13 and Note 15 and the equity attributable to equity holders of the Company, comprising issued capital and reserves.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

Gearing ratio is calculated as net debt divided by total equity. The Group's and Company's gearing ratio as at 30 June 2018 and 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Total debts	3,915,172	2,661,562	–	–
Total equity	(2,749,810)	541,971	630,061	527,923
Gearing ratio	(1.42)	4.91	–	–

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for a subsidiary of the Group in PRC. As disclosed in Note 17, a subsidiary of the Group is required by the relevant PRC regulations and its Articles of Association to allocate where applicable certain percentage of profit after taxation after deducting accumulated losses as determined in accordance with PRC accounting standards and regulations to the statutory reserve surplus fund until such reserve reaches 50% of the subsidiary's registered capital subject to certain restriction set out in the Company Law of the PRC, and the subsidiary's Articles of Association. This externally imposed capital requirement has been complied with by the above mentioned subsidiary for the financial year ended 30 June 2018 and 2017.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classified fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value of financial instruments that are carried at fair value (Continued)

Fair value hierarchy (Continued)

The following financial instruments are carried at fair value determined based on closing quoted market price at the reporting date in active markets for identical instruments (Level 1 Fair Value hierarchy):

	Note	Group	
		2018	2017
		$	$
Financial asset			
Available-for-sale investments	9	14,870	14,104

There were no transfers between Level 1 and Level 2 during the financial years ended 30 June 2018 and 2017.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other current receivables and payables, provision and borrowing (current) at floating rates are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The non-current portion of borrowings of the Group (Note 15) which is carried at amortised cost and bear a fixed interest rate. Fair value information is not disclosed as there is a lack of market information of comparable instruments with similar characteristics and risk profile.

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 SEPTEMBER 2018

No. of shares in issue	:	915,977,500
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury shares	:	Nil
Subsidiary holding	:	Nil

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	106	5.31	2,337	0.00
100 - 1,000	33	1.65	27,881	0.00
1,001 - 10,000	461	23.09	3,515,635	0.38
10,001 - 1,000,000	1,343	67.25	145,689,759	15.91
1,000,001 and above	54	2.70	766,741,888	83.71
Total	**1,997**	**100.00**	**915,977,500**	**100.00**

Twenty Largest Shareholders

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	HORWOOD CAPITAL PTE LIMITED	150,000,000	16.38
2	PME INVESTMENTS (BVI) CO., LTD.	100,000,000	10.92
3	SPLENDID DIAMOND HOLDINGS LIMITED	91,000,000	9.93
4	HONOR HOLDINGS LIMITED	90,000,000	9.83
5	RHB SECURITIES SINGAPORE PTE. LTD.	70,020,000	7.64
6	CITIBANK NOMINEES SINGAPORE PTE LTD	49,576,300	5.41
7	WONG SEONG KHUEN @KWAN SEONG KHUEN	23,120,000	2.52
8	NG TIAN HUAT	19,348,500	2.11
9	DBS NOMINES (PRIVATE) LIMITED	18,501,620	2.02
10	OCBC SECURITIES PRIVATE LIMITED	16,059,118	1.75
11	PHILLIP SECURITIES PTE LTD	15,377,410	1.68
12	NG KIM KHUAN	12,929,250	1.41
13	UNITED OCWESEAS BANK NOMINEES(PRIVATE) LIMITED	11,502,100	1.26
14	LIM HUN CHING	8,968,000	0.98
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,959,500	0.98
16	TAN LYE SENG	6,354,400	0.69
17	SCE ENTERPRISE PTE. LTD.	5,550,000	0.61
18	YEO HOON SENG	4,350,000	0.47
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,625,400	0.40
20	KIM LENG CHOON	3,050,500	0.33
	Total	**708,292,098**	**77.32**

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 SEPTEMBER 2018

SUBSTANTIAL SHAREHOLDERS AS AT 13 SEPTEMBER 2018

(As recorded in the Register of Substantial Shareholders)

	Direct Interest No. of Shares	% of Issued Share Capital	Deemed Interest No. of Shares	% of Issued Share Capital
Horwood Capital Pte Limited[1]	150,000,000	16.38	–	–
Chen Muhua	–	–	150,000,000	16.38
PME Investments (BVI) Co., Ltd.	100,000,000	10.92	–	–
Splendid Diamond Holdings Limited[2]	91,000,000	9.93	–	–
Liu Yi Dong	–	–	91,000,000	9.93
Kok Jian Pei	–	–	91,000,000	9.93
Honor Holdings Limited[3]	90,000,000	9.83	–	–
Long Ding An	–	–	90,000,000	9.83

Notes:

(1) Horwood Capital Pte Limited is wholly owned by Ms. Chen Muhua. Ms. Chen Muhua is deemed to be interested in the 150,000,000 shares of the Company held by Horwood Capital Pte Limited.

(2) Each of Mr. Liu Yi Dong and Mr. Kok Jian Pei is entitled to exercise 50% of the votes attached to the voting shares in Splendid Diamond Holdings Limited. Mr. Liu Yi Dong and Mr. Kok Jian Pei are deemed to be interested in the 91,000,000 shares of the Company held by Splendid Diamond Holdings Limited, respectively.

(3) Honor Holdings Limited is wholly owned by Mr. Long Ding An. Mr. Long Ding An is deemed to be interested in the 90,000,000 shares of the Company held by Honor Holdings Limited.

SHAREHOLDING HELD IN THE HANDS OF THE PUBLIC

Based on information available to the Company, the percentage of shareholdings in the hands of the public was approximately 52.14% as at 13 September 2018. Accordingly, the Company has been in compliance with Rule 723 of the Listing Manual, Section B: Rules of Catalist of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Chinese Global Investors Group Ltd. (the "**Company**") will be held at 168 Robinson Road, FTSE Room, Level 9, Capital Tower, Singapore 068912 on Tuesday, 30 October 2018 at 2.00 p.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2018 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$60,000 for the financial year ending 30 June 2019 to be paid quarterly in arrears. (FY2018: S$50,000) **(Resolution 2)**

3. To re-elect Dr. Cao Yong, being a Director who retires by rotation pursuant to Article 107 of the Constitution of the Company, and being eligible, offering himself for re-election. **(Resolution 3)**
[Please see Explanatory Note (i)]

4. To re-elect Mr. Chin Chi Ling Alexander, being a Director who retires pursuant to Article 117 of the Constitution of the Company, and being eligible, offering himself for re-election. **(Resolution 4)**
[Please see Explanatory Note (ii)]

5. To re-appoint Messrs Crowe Horwath First Trust LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:
Authority to issue shares in the capital of the Company pursuant to Section 161 of the Act and Rule 806 of the Listing Manual, Section B: Rules of Catalist (the "Catalist Rules") of Singapore Exchange Securities Trading Limited ("SGX-ST") **(Resolution 6)**

That pursuant to Section 161 of the Act, and Rule 806 of the Catalist Rules of the SGX-ST, the Directors of the Company be authorised and empowered to:

(a) (1) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(2) 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 and 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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed hundred per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other

than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the 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:

(i) new shares arising from the conversion or exercise of the Instruments;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with part VIII of the Chapter 8 of the Catalist Rules of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate 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 earlier.

[Please see Explanatory Note (iii)]

BY ORDER OF THE BOARD

Shawn Chan Changyun
Company Secretaries

Singapore, 15 October 2018

Explanatory Notes:

(i) Dr. Cao Yong will, upon re-election as a Director of the Company, remain as Independent Director, and the Chairman of the Audit Committee, a member of the Nominating and Remuneration Committees. The Board considers Dr. Cao to be independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST. Key information on Dr Cao is found on pages 17 and 37 of the Annual Report. There are no relationships (including immediate family relationships) between Dr. Cao and the other Directors, the Company or its 10% shareholders of the Company.

(ii) Mr. Chin Chi Ling Alexander will, upon re-election as a Director of the Company, remain as Independent Director, and the Chairman of the Nominating Committee, a member of the Audit and Remuneration Committees. The Board considers Mr. Chin to be independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST. Key information on Mr. Chin is found on pages 15 and 38 of the Annual Report. There are no relationships (including immediate family relationships) between Mr. Chin and the other Directors, the Company or its 10% shareholders of the Company.

(iii) The Ordinary Resolution 6 proposed 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, hundred per cent. (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per cent. (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

For 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 and subsidiary holdings) in the capital of the Company at the time the 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 Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member of the Company who is not a Relevant Intermediary (as defined in Note 3 below) shall be entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting in his/her stead.

2. A Member of the Company who is a Relevant Intermediary (as defined in Note 3 below) is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting in his/her/its stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her/it.

3. Pursuant to Section 181 of the Act, a "Relevant Intermediary" means:-

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. A proxy need not be a member of the Company. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no

proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as alternate to the first named or at the Company's option to treat this proxy form as invalid.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or by his attorney duly authorized in writing. Where the member is a corporation, the instrument appointing the proxy or proxies must be executed under its seal or the hand of its attorney or duly authorised officer.

6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Shenton Way, #11-10 Shenton House, Singapore 068805 not less than forty-eight (48) hours before the time appointed for holding the AGM.

7. A member of the Company which is a corporation is entitled to appoint its authorized representatives or proxies to vote on its behalf.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

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, 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 or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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.

CHINESE GLOBAL INVESTORS GROUP LTD.

(Company Registration No. 196600189D)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Proxy Form)

IMPORTANT
Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the AGM.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy/ proxies and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated [15 October 2018].

I/We*, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members* of CHINESE GLOBAL INVESTORS GROUP LTD. (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing whom, the Chairman of the Annual General Meeting (the "AGM" or "Meeting") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the AGM to be held at **168 Robinson Road, FTSE Room, Level 9, Capital Tower, Singapore 068912** on Tuesday, 30 October 2018 at 2.00 p.m., and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against 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 AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

(**Note**: If you wish to exercise 100% of your votes For or Against a resolution, please tick with [√] in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes **For** and /or **Against** that resolution.)

No.	**Ordinary Resolutions:**	**For**	**Against**
1	**Ordinary Business:** Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018 together with the Independent Auditors' Report thereon		
2	Approval of Directors' fees of S$60,000 for financial year ending 30 June 2019 to be paid quarterly in arrears (FY2018: S$50,000)		
3	Re-election of Dr. Cao Yong as a Director of the Company		
4	Re-election of Mr. Chin Chi Ling Alexander as a Director of the Company		
5	Re-appointment of Messrs Crowe Horwath First Trust LLP as Independent Auditors and to authorise the Directors to fix their remuneration		
6	**Special Business:** Authority to allot and issue Shares		

Dated this _____ day of _____ 2018

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

_____
Signature(s) of Member(s)
Or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. 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 Securities and Futures Act (Cap 289) of Singapore, 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 entered against 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company who is not a Relevant Intermediary (as defined in Note (4) below) shall be entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.

3. A member of the Company who is a Relevant Intermediary (as defined in Note (4) below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM in his stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him.

4. Pursuant to Section 181(6) of the Companies Act (Cap. 50) of Singapore, a "Relevant Intermediary" means:-

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. A proxy need not be a member of the Company. Where a member (other than a Relevant Intermediary) appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as alternate to the first named or at the Company's option to treat this proxy form as invalid.

6. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

7. This Proxy Form must be deposited at the registered office of the Company at 3 Shenton Way, #11-10 Shenton House, Singapore 068805 not less than forty-eight (48) hours before the time appointed for holding the above AGM.

8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with this instrument.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, (Cap 50) of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

10. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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, 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 or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr. So Yuen Chun
Executive Director

Mr. U Keng Tin
Executive Director

Dr. Cao Yong
Independent Director

Mr. Peter Yong
Independent Director

Mr. Chin Chi Ling Alexander
Independent Director

AUDIT COMMITTEE

Dr. Cao Yong *(Chairman)*
Mr. Peter Yong
Mr. Chin Chi Ling Alexander

NOMINATING COMMITTEE

Dr. Cao Yong
Mr. Peter Yong
Mr. Chin Chi Ling Alexander

REMUNERATION COMMITTEE

Dr. Cao Yong
Mr. Peter Yong
Mr. Chin Chi Ling Alexander

INVESTMENT COMMITTEE

Mr. So Yuen Chun
Mr. U Keng Tin

RISK MANAGEMENT COMMITTEE

Mr. So Yuen Chun
Ms. Kemmy Koh
Mr. Yeo Hoon Seng

COMPANY SECRETARY

Mr. Shawn Chan Changyun

REGISTERED OFFICE

3 Shenton Way #11-10
Shenton House
Singapore 068805
Tel: (65) 6438 2286
Fax: (65) 6438 9789
www.chineseglobalinvestors.com

SHARE REGISTRAR

Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5335
Fax: (65) 6536 1360

AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way #05-01 AXA Tower
Singapore 068811
Audit Partner-in-charge: Ms. Angeline Tan Lay Hong
(Appointed with effect from financial year 2017)

CONTINUING SPONSOR

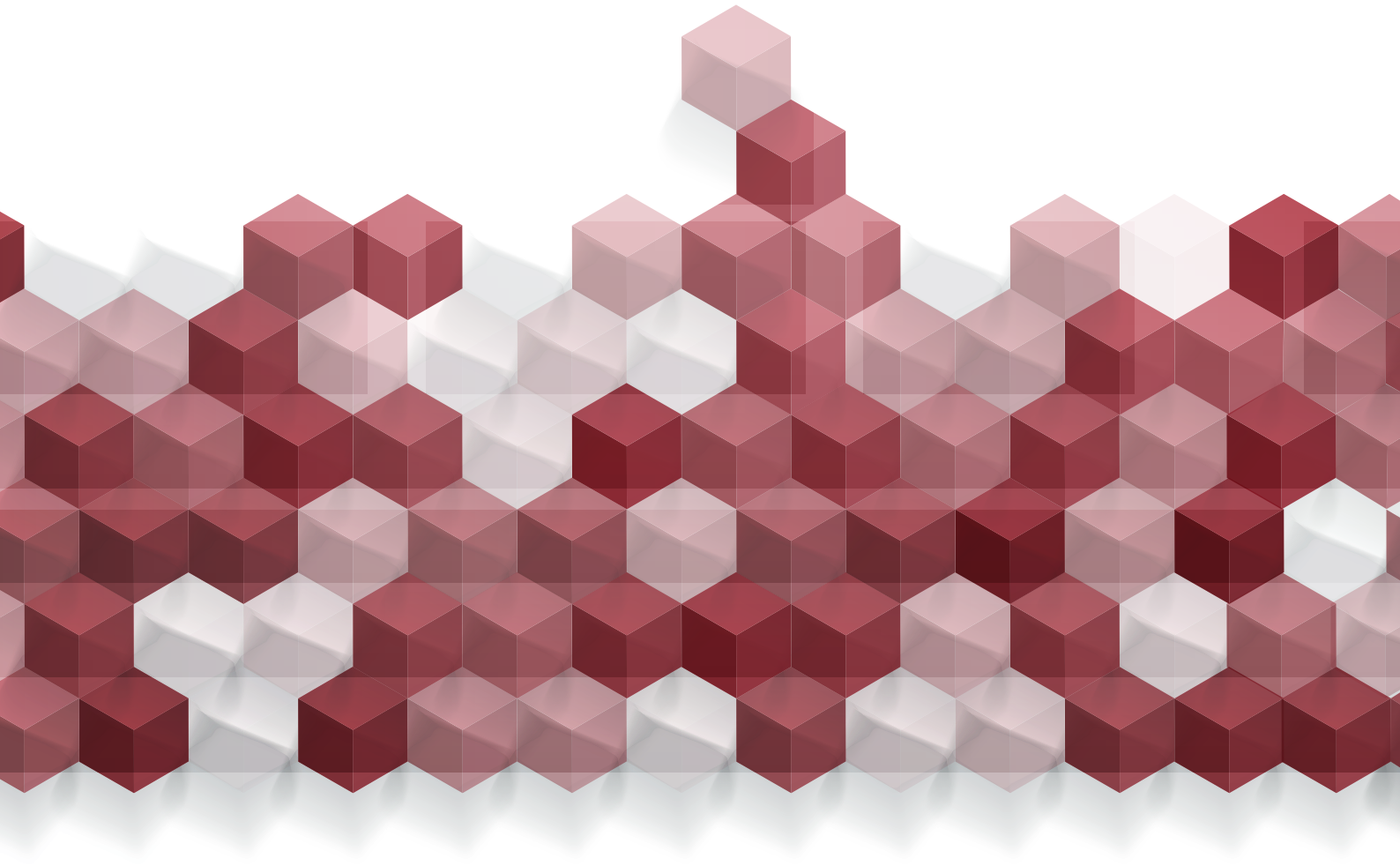
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay, #10-00
Income at Raffles, Singapore 049318

PRINCIPAL BANKERS

United Overseas Bank Limited

INVESTOR RELATIONS

Ms. Kemmy Koh
kemmykoh@cgigroup.com.sg



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