Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Main +65 6221 0338
Fax +65 6221 1080
www.crowe.sg

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), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, 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. <u>Going concern assumption</u>

For the current financial year ended 30 June 2019, the Group reported loss after tax and negative operating cash flow of $1,399,727 and $1,142,561 (2018: $3,439,273 and $1,806,940) respectively. As at 30 June 2019, the Group was in a net liabilities position of $4,659,248 (2018: $2,749,810) and the Company's current liabilities also exceeded its current assets by $480,919 (2018: $333,279). As disclosed in Note 2 to the financial statements, the Group proposed to dispose of 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 $887,912 (2018: $1,201,888) for the current financial year. As at 30 June 2019, the Remaining Business was in a net liabilities position of $5,261,189 (2018: $4,019,164).

As disclosed in Note 2, notwithstanding the factors above, management has considered the measures taken by the Group and prepared these financial statements on a going concern basis on the following assumptions:

(i) the Group will successfully execute the proposed disposal of 45% of the ordinary shares in the capital of Hitchins (F.E.) Marketing Pte Ltd and 100% of the ordinary shares in the capital of Hitchins Da-Sheng Holdings Pte Ltd and its subsidiaries to secure necessary cash resources for general working capital purposes;

(ii) the Group will acquire a new core business and submit trade resumption proposal to the Singapore Exchange ("SGX"), for approval by both the Company's shareholders and SGX;

(iii) the Group is able to complete the disposal of the Proposed Disposal Group by the latest Long Stop Date on 31 December 2020, as described in Note 5(i) to the financial statements;

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

Basis for Disclaimer of Opinion (Continued)

1. Going concern assumption (Continued)

(iv) 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

(v) the Group is able to obtain continuing support from a substantial shareholder and certain lenders as and when necessary. As at the reporting date, the Group has also obtained irrevocable undertakings from certain lenders in not demanding for repayment of those loans (included in the non-current liabilities as at balance sheet date) prior to 30 June 2020 and these lenders have also undertaken not to cancel, revoke or withdraw from these 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:

(a) the successful acquisition of a new core business, which will in turn affect the completion of the disposal of the Proposed Disposal Group by the Long Stop Date on 31 December 2020. The acquisition of the new core business is subject to the approvals of the Company's shareholders and SGX;

(b) 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

(c) the financial abilities of the substantial shareholder and certain 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.

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

Basis for Disclaimer of Opinion (Continued)

2. Assessment of the classification and presentation requirements under SFRS(I) 5 in relation to the Proposed Disposal of Hitchins International Pte Ltd and its subsidiaries (waterproofing business) ("Proposed Disposal Group")

As disclosed in Note 2(ii) and 5(i) to the financial statements, the consolidated financial statements of the Group include the financial statements of the Proposed Disposal Group, which have not been classified as held for sale and discontinued operations as management is of the view that the criteria to be classified as such have not been met under SFRS(I) 5 – *Non-Current Assets Held for Sale and Discontinued Operations*. Specifically, the Board of Directors is of the view that the Proposed Disposal was not highly probable, having regard to the current status of identification of a new core business, the possibility of the Company's shareholders and SGX approving the Proposed Disposal, and the likelihood of completing the Proposed Disposal prior to 30 June 2020. As a result, the statement of financial position and results of the Proposed Disposal Group were not presented as held for sale and discontinued operations respectively.

However, it is noted that:

(i) During the current financial year, management executed and completed a disposal of a wholly-owned subsidiary, CRG Contractor Pte Ltd ("CRG") with the parent company of the Purchaser under the Sale and Purchase Agreement (see Note 5(ii) to the financial statements). CRG was one of the significant entities within Proposed Disposal Group.

(ii) In addition, the Company has plans and intention to execute further piecemeal disposals of entities within the Proposed Disposal Group. On 17 December 2019, the Company announced, in response to some SGX's queries, that the Group was in discussion to further dispose of certain assets (45% and 100% equity interest in Hitchins (F.E.) Marketing Pte Ltd and Hitchins Da-Sheng Holdings Pte Ltd respectively), and in discussion for an injection of a new profitable business.

(iii) Further, on 19 December 2019, the Group entered into the Seventh Supplemental Sale and Purchase Agreement to extend the Long Stop Date of the Proposed Disposal to 31 December 2020.

The above factors, in our view, appear to suggest that the Proposed Disposal may be highly probable under SFRS(I) 5.

Notwithstanding the above, we have not been able to obtain satisfactory explanations from management on their assessment of the impact of these factors that might have on the probability or prospect of the Proposed Disposal, in particular, when they are considered together with those assumptions adopted by the management in assessing the going concern basis of financial statements of the Group and the Company, as set out in Note 2 to the financial statements. The basis for not presenting the financial information relating to CRG as discontinued operations is also unclear. In view of these uncertainties, we are unable to ascertain the appropriateness and robustness of the management's conclusion for not classifying and presenting the financial information of the Proposed Disposal Group as held for sale and discontinued operation. Should the Proposed Disposal Group be classified as held for sale and discontinued operation, it would have been excluded from continuing operations and presented separately on the face of the accompanying financial statements.

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

Basis for Disclaimer of Opinion (Continued)

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

As at 30 June 2019, the carrying amount of the Company's investment in relation to the Proposed Disposal Group was $963,340 (after impairment loss of $812,233) (2018: $963,340 (after impairment loss of $812,233) and amount due from Proposed Disposal Group was $238,718 (after impairment loss of $1,034,031) (2018: $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 (2018: $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 (2018: $963,340) in the Proposed Disposal Group as well as the recoverability of the amounts due from subsidiaries of the Proposed Disposal Group of $238,718 (2018: $235,718) as at 30 June 2019.

Our report for financial year 2018 contained a similar disclaimer of opinion due to the same reason.

4. 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 2019, SHDS's total assets and liabilities included in the consolidated statement of financial position amounted to $280,179 and $1,847,592 (2018: $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 $935,883 and $286,180 (2018: $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 complete 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 2019 in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"); and whether any adjustments and/or additional disclosures in the consolidated financial statements in respect of SHDS were necessary.

Our report for financial year 2018 contained a similar disclaimer of opinion due to the similar reason.

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

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 Singapore Companies Act, Chapter 50 (the Act) and SFRS(I), 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.

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

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation 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

8 January 2020

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 30 Toh Guan Road, #07-01, Singapore 608840.

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 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 8 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

For the current financial year, the Group reported loss after tax and negative operating cash flow of $1,399,727 and $1,142,561 (2018: $3,439,273 and $1,806,940) respectively. As at 30 June 2019, the Group was in a net liabilities position of $4,659,248 (2018: $2,749,810) and the Company's current liabilities also exceeded its current assets by $480,919 (2018: $333,279). As disclosed in this note, 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 $887,912 (2018: $1,201,888) for the current financial year. As at 30 June 2019, the remaining business was in net liabilities position of $5,261,189 (2018: $4,019,164).

The Company's shares have been suspended from trading since 8 October 2018. Subject to the requirement of Rule 1304 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual, the Company is required to submit resumption proposals to the SGX-ST with a view to resuming trading in its securities by 7 October 2019 ("Resumption Plan") and to implement the resumption proposals within 6 months from the date of SGX-ST approves the same. If the Resumption Plan has not been implemented within the stipulated timeline, the SGX-ST may remove the Company from the Official List.

On 10 October 2019, the Company submitted an application to the SGX-ST to seek for its consent to extend the respective deadlines for the Company (i) to hold its annual general meeting for the financial year ended 30 June 2019; (ii) to release its unaudited financial results for the first quarter ended 30 September 2019; and (iii) to submit a resumption proposal by 7 October 2020 (the "Waivers").

On 9 December 2019, the Company received a letter from SGX-ST informing the Company that the Waivers have been rejected and that as it has failed to comply with Catalist Rule 1304(1) by failing to submit a resumption proposal by the due date of 8 October 2019 and will consequently face delisting. The Company is also required to make a reasonable exit offer to its shareholders in compliance with the requirements of Catalist Rule 1308.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

On 17 December 2019, in response to some SGX's queries, the Company announced its plans and intention to (a) dispose of certain assets by 31 January 2020, (b) acquire a new core business under joint venture arrangement by 28 February 2020, and (c) submit resumption proposal to SGX-ST for listing of trade suspension by early July 2020.

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 and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the Directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 June 2019 is appropriate after taking into consideration the following factors:

(i) the Group is able to execute the Share Sale Agreement by 31 December 2020 to dispose of 45% of the ordinary shares in the capital of Hitchins (F.E.) Marketing Pte Ltd and 100% of the ordinary shares in the capital of Hitchins Da-Sheng Holdings Pte Ltd and its subsidiaries to secure necessary cash resources for general working capital purposes;

(ii) the Group is able to identify and acquire a new core business and submit resumption plan to the Singapore Exchange ("SGX"), for approval by both the shareholders and SGX;

(iii) the Group is able to complete the disposal of the Proposed Disposal Group by the latest Long Stop Date on 31 December 2020, as described in Note 5(i) to the financial statements;

(iv) 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;

(v) the Group is able to obtain continuing support from a substantial shareholder and certain lenders as and when necessary; and

(vi) the Group has also obtained irrevocable undertakings from certain lenders in not demanding for repayment of those loans (included in the non-current liabilities as at balance sheet date) prior to 30 June 2020 and these lenders have also undertaken not to cancel, revoke or withdraw from these loans and/or require immediate full repayment and discharge of these loans.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Impairment in investment of subsidiaries (Continued)

The carrying amount of the relevant investments in relation to the Proposed Disposal Group is $963,340 (2018: $963,340) which is stated after impairment loss of $812,233 (2018: $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.

<u>Proposed Disposal Group not classified as held-for-sale</u>

In the previous financial years, the Company announced the decision of its Board of Directors to dispose of 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 conditions precedent that the Company shall not dispose of 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 conditions precedent are as disclosed in Note 5(i). Subsequent to 30 June 2019, the Long Stop Date was extended to 31 December 2020 via the execution of the Seventh Supplemental Sale and Purchase Agreement.

As at the date of this report, the Company is actively seeking to acquire a new core business to fulfil one of the conditions 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 have not been met. Specifically, the Board of Directors is of the view that the Proposed Disposal was not highly probable, having regard to the current status of identification of a new core business, the possibility of the Company's shareholders and SGX approving the Proposed Disposal, and the likelihood of completing the Proposed Disposal prior to 30 June 2020. As a result, the statement of financial position and results of the Proposed Disposal Group were not presented as held for sale and discontinued operations respectively.

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 operations and be presented separately.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2019 and 30 June 2018 are as follows:

	Proposed Disposal Group	
	2019	2018
	$	$
		(Restated)
		(Note 34)
Assets		
Inventories	836,661	1,066,743
Contract assets	242,353	161,624
Trade and other receivables	3,489,593	3,929,716
Available-for-sale investments	-	14,870
Financial assets, FVOCI	14,377	-
Income tax recoverable	22,754	18,895
Cash and bank balances	1,384,022	1,810,435
Current assets	5,989,760	7,002,283
Non-current assets	292,784	393,998
Assets of Proposed Disposal Group	6,282,544	7,396,281
Liabilities		
Trade and other payables	3,532,646	3,550,220
Contract liabilities	17,798	355,979
Lease obligations	22,408	29,669
Bank overdraft	245,784	228,376
Short term borrowings	275,660	1,881,202
Current liabilities	4,094,296	6,045,446
Non-current liabilities	1,586,307	81,481
Liabilities directly associated with Proposed Disposal Group *	5,680,603	6,126,927
Net assets of Proposed Disposal Group	601,941	1,269,354
Reserves		
Statutory reserve	346,410	346,410
Foreign currency translation reserve	(1,327,123)	(1,287,383)
Fair value reserve	15,706	15,706

* The liabilities do not include the liabilities owing to the Company amounting to $1,272,749 (2018: $2,834,066) 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	
	2019	2018
	$	$
Revenue	11,730,300	8,707,226
Cost of sales	(9,295,641)	(7,407,704)
Gross profit	2,434,659	1,299,522
Other income	2,002,767	488,909
Distribution expenses	(942,231)	(908,618)
Administrative expenses	(1,803,797)	(1,885,666)
Impairment loss of financial assets	(135,696)	(847,405)
Other expenses	(218,367)	(12,641)
Finance cost	(25,998)	(29,152)
Profit / (Loss) before tax from Proposed Disposal Group	1,311,337	(1,895,051)
Income tax expense	(7,727)	(2,868)
Profit / (Loss) from Proposed Disposal Group, net of tax	1,303,610	(1,897,919)
Profit / (Loss) per share from Proposed Disposal Group attributable to owners of the Company (cents)		
Basic	0.14	(0.21)
Diluted	0.14	(0.21)

Statement of cash flows

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

	Proposed Disposal Group	
	2019	2018
	$	$
Operating activities	(254,649)	(605,052)
Investing activities	(24,060)	(2,450)
Financing activities	(126,692)	947,189
Net cash (outflow) / inflow	(405,401)	339,687

5. SUBSIDIARIES (Continued)

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) The management accounts of this Shanghai entity for the financial year ended 30 June 2019 is not audited but used for the purpose of consolidation. As at 30 June 2019, this subsidiary's total assets and liabilities amounted to $280,179 and $1,847,592 (2018: $907,604 and $1,972,432), respectively. The subsidiary's revenue and loss for the year amounted to $935,883 and $286,180 (2018: $146,894 and $496,713), respectively.
(d) Audited by Lee & Raman, Certified Public Accountant, Borneo.
(e) Audited by ASCENT Accounting Corporation PAC.
(f) This subsidiary has been struck off during the year.
(g) This subsidiary has been disposed during the year, as disclosed in Note 5(ii).

* 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 28). 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.

The consideration shall be paid by the Purchaser as follows:

	$
Deposit on or before 30 September 2015 * (collected and included in Note 12[ii](b))	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.

5. SUBSIDIARIES (Continued)

(i) Proposed disposal of Hitchins Group (Continued)

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 2019, the Proposed Disposal Group owed a total sum of $1,272,749 (2018: $2,834,066) to Company. The carrying amount on the Company's statement of financial position which is stated after allowance for impairment was $238,718 (2018: $235,718) (Note 8).

On 29 September 2017, the contracting parties agreed to include an additional conditions 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 conditions precedent 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 19 December 2019, the Company has entered into a Seventh supplemental agreement with the Purchaser (referred to "Supplemental CSPA"). The Company and the Purchaser have agreed to extend the Long Stop Date from 31 December 2019 to 31 December 2020 or such other date as the parties may mutually agree in writing for fulfilment of the conditions precedent in the CSPA.

As at the date of this report, the Company is actively seeking to acquire a new core business to fulfil one of the conditions precedent set out in the CSPA. 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 and discontinued operations in accordance with SFRS(I) 5 – *Non-Current Assets Held for Sale and Discontinued Operations* as at 30 June 2019.

<u>Impairment testing</u>

During the year, management performed impairment review of the following carrying amounts on the Company's statement of financial position as at 30 June 2019 in relation to the Proposed Disposal Group:

(a) Cost of investment in subsidiaries amounting to $963,340 (2018: $963,340), which is stated after an impairment loss of $812,233 (2018: $812,233), and
(b) Amount due from subsidiaries amounting to $238,718 (2018: $235,718), which is stated after an impairment loss of $1,034,031 (2018: $2,598,348) (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.