

**CHINESE GLOBAL INVESTORS GROUP LTD.**

(Incorporated in the Republic of Singapore)

(Company Registration No. 196600189D)

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**PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**

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*Unless otherwise defined, all capitalised terms shall bear the same meanings as the announcements made by Chinese Global Investors Group Ltd. on 31 August 2015, 31 March 2016, 26 October 2016, 20 June 2017, 2 October 2017, 19 January 2018 and 29 March 2019.*

**1. INTRODUCTION**

The board of directors ("**Board**" or "**Directors**") of Chinese Global Investors Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Hitchins International Pte Ltd ("**Vendor**") has on 31 December 2019 entered into a share sale agreement ("**SSA**") with YNK Holdings Private Limited ("**Purchaser**"), pursuant to which the Vendor has agreed to sell to the Purchaser 100% of the issued and paid-up ordinary shares in Hitchins-Da Sheng Holdings Pte. Ltd. ("**Hitchins-Da Sheng**") for S\$1 with effect from 31 December 2019, on the terms and subject to the conditions of the SSA ("**Proposed Disposal**").

**2. BACKGROUND INFORMATION**

**2.1. Information on Hitchins-Da Sheng**

Hitchins-Da Sheng is a wholly-owned subsidiary of the Vendor, which is in turn wholly-owned by the Company. The Vendor is the holding company of a group of companies ("**HIPL Group**") primarily engaged in the manufacturing, supplying, trading and applying waterproof materials for building and construction industries in Singapore, Malaysia, People's Republic of China and other nations in the Asia Pacific Region ("**Waterproofing Business**"). Hitchins-Da Sheng, along with its wholly-owned subsidiary, Shanghai Hitchins Da Sheng Waterproofing Materials Co., Ltd, is involved in the manufacture and supply of specialised building materials.

Hitchins-Da Sheng is a private company limited by shares and incorporated in Singapore, having its registered office at 30 Toh Guan Road #07-01 Singapore 608840. Hitchins-Da Sheng has a total issued and paid-up share capital of S\$286,000 comprising of 286,000 ordinary shares.

Based on the audited financial statements of Hitchins-Da Sheng for the financial year ended 30 June 2019 ("**FY2019**"), Hitchins-Da Sheng has a loss before taxation of S\$290,360 (excluding the inter-companies waiver of debts of S\$3.20 million), and is in a net liability position of S\$1.57 million.

**2.2. Information on the Purchaser**

The Purchaser is a private company limited by shares incorporated in Singapore, and having its registered office at 60 Paya Lebar Road, #10-37 Paya Lebar Square, Singapore 409051.

The ultimate shareholders and directors of the Purchaser are Mr Kim Leng Choon and Mr Yeo Hoon Seng. Mr Yeo Hoon Seng is currently the Managing Director of the Group's waterproofing division, overseeing the Group's Waterproofing Business undertaken by the HIPL Group, while Mr Kim Leng Choon is currently a Director of the Group's waterproofing division, responsible for the international aspects of the HIPL Group's business including marketing, manufacturing, trading and supplying waterproofing materials. Besides, he is also in charge of strategic growth of the HIPL Group.

Save as aforesaid, based on the information available to the Company, the Purchaser and its ultimate shareholders and directors are not related to any of the Company's directors, controlling shareholders, substantial shareholders or their respective associates.

### 2.3. Restructuring of the waterproofing and building protection business

The Company had previously announced its intention to dispose of the Waterproofing Business, in connection with which the Company had on 31 August 2015 entered into a sale and purchase agreement ("**HIPL SPA**") with the Purchaser for the proposed disposal of the entire issued and paid-up ordinary shares in the share capital of the Vendor for a consideration of S\$3,280,000 ("**HIPL Disposal**"). The HIPL Disposal was contemplated as a management buyout as Mr Yeo Hoon Seng and Mr Kim Leng Choon were (and currently are) the management of the HIPL Group.

Due to challenging conditions and competitive pressures faced in recent years in the waterproofing industry, the HIPL Group has been suffering losses, of which the losses suffered by Hitchins-Da Sheng have been significant and offsets the financial performance of the other subsidiaries within the HIPL Group. The Company is proposing to effect the Proposed Disposal as part of a restructuring of the Waterproofing Business.

As at the date of this announcement, the HIPL Disposal has not been effected or completed, and the Waterproofing Business remains as the core business segment of the Group. In the audited financial statements of the Group for FY2019, the HIPL Group is not classified as held-for-sale investment (please refer to page 88 to 90 of the Company's annual report for FY2019 for further details); the HIPL Group achieved profit after tax of S\$1.30 million; basic earnings per share from HIPL Group attributable to owners of the Company was 0.14 cents; and net assets of HIPL Group was positive (after taking into account the waiver of liabilities owing by Hitchins-Da Sheng to the CGI Group as detailed in section 4.1 below) with cash and bank balances of \$1.38 million.

The Company has on 30 December 2019 received a confirmation from the Purchaser that, *inter alia*, it has no objection to the Proposed Disposal prior to the completion of the HIPL SPA.

## 3. RATIONALE FOR THE PROPOSED DISPOSAL

The Company and its subsidiaries are engaged in two business segments namely (1) Waterproofing Business; and (2) financial services and investment, with the former being carried out by the HIPL Group.

The Group's financial results in recent years has been adversely impacted by both the challenging financial market conditions and competitive business landscape within the waterproofing industry and in the financial services industry.

The Proposed Disposal will sever the losses and the net liability position of Hitchins-Da Sheng that offsets the financial performance of the other subsidiaries within the HIPL Group. To facilitate the Proposed Disposal, the Group waived certain amounts owing by Hitchins-Da Sheng to the Company and HIPL Group (as disclosed in paragraph 4.1 below) as the Company is unlikely to find any buyer who will take up such liabilities.

The Proposed Disposal will not give rise to any potential conflicts of interest or competing interests as the principal nature of businesses of Hitchins-Da Sheng and its wholly-owned subsidiary, Shanghai Hitchins Da Sheng Waterproofing Materials Co., Ltd are mainly in the manufacture and supply of specialised building materials which the HIPL Group is able to purchase from third party suppliers in Malaysia and around the region. The remaining subsidiaries of the HIPL Group, being Hitchins (F.E.) Marketing Pte. Ltd., Hitchins (Malaysia) Sdn. Bhd., Renesco Injection (Waterproofing) Pte. Ltd., and Ampero (Malaysia) Sdn. Bhd., are mainly in the business of distribution and supply of specialised building materials, waterproofing services, and construction. Hitchins Borneo Sdn. Bhd. is inactive. Following the Proposed Disposal, Hitchins-Da Sheng will cease to be a subsidiary of the Group.

The Board is confident that the Waterproofing Business, after the completion of the Proposed Disposal as well as the other transactions contemplated as part of the restructuring of the Waterproofing Business, is a viable and profitable business. In light of the above, it is in the best interest of the Group and the shareholders as a whole to dispose of Hitchins-Da Sheng.

#### 4. SALIENT TERMS OF THE PROPOSED DISPOSAL

A summary of the principal terms of the Proposed Disposal as set out in the SSA is provided below:

##### 4.1. Consideration

The consideration for the Proposed Disposal shall be a nominal sum of S\$1 for the total issued and paid-up ordinary shares in Hitchins-Da Sheng ("**Consideration**"), which shall be paid in cash on the Completion Date (as defined below).

The Consideration was determined on a willing-buyer-willing-seller basis after arm's length negotiations between the Company and the Purchaser, and taking into account, *inter alia*, the audited net liability position of Hitchins-Da Sheng of approximately S\$1.57 million, as at 30 June 2019, which includes the liabilities due to the Group of S\$3.2 million and trade and other payables of S\$1.97 million.

In connection with the Proposed Disposal, certain amounts owing by Hitchins-Da Sheng to the Company amounting to S\$1.34 million and certain net amounts owing by Hitchins-Da Sheng to the HIPL Group amounting to S\$1.85 million, or in aggregation of approximately S\$3.20 million (collectively the "**Waived Advances Amount**") have been waived on 30 June 2019.

Based on the Group's audited financial statements for FY2019, the net liabilities of Hitchins-Da Sheng is approximately S\$1.57 million. The Consideration represents an excess of approximately S\$1.57 million over the book value of Hitchins Da-Sheng.

The Group will realise a gain of approximately S\$1.57 million from the Proposed Disposal, after taking into account the Waived Advances Amount, which had been fully impaired in the Group's audited account for FY2019.

##### 4.2. Completion

Subject to the terms and conditions of the SSA, completion shall take place on a date as mutually agreed by the Purchaser and Vendor ("**Completion Date**").

#### 5. USE OF PROCEEDS

The Parties have mutually agreed that no valuation was carried out on Hitchins-Da Sheng in connection with the Proposed Disposal, given that Hitchins-Da Sheng has been making losses over the years and is currently in net liability position. As the Consideration of the Proposed Disposal is for a nominal sum of \$1, it will not be meaningful to disclose the intended use of such proceeds.

#### 6. RELATIVE FIGURES FOR THE PROPOSED DISPOSAL UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures in relation to the Proposed Disposal are computed on the applicable bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**") based on the financial statements for FY2019, being the latest announced audited financial statements of the Group as at the date of the SSA.

Rule 1006	Bases	Relative Figures
(a)	Net asset value of assets (liabilities) to be disposed of, compared with the Group's net asset (liabilities) value	59.8% <sup>(1)</sup>
(b)	Net profits (losses) <sup>(2)</sup> attributable to the assets (liabilities) to be disposed of compared with the Group's net profits (losses)	39.4% <sup>(3)</sup>
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	65.1% <sup>(4)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of securities previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) The relative figure is derived using aggregated net liabilities value of CRG of S\$1.22 million as at 31 December 2018 and Hitchins-Da Sheng of S\$1.57 million as at 30 June 2019 amounting to S\$2.79 million and the net liabilities value of the Group of S\$4.66 million as at 30 June 2019.
- (2) Net profits (losses) refers to profits (losses) before income tax, minority interests and extraordinary items.
- (3) The relative figure is derived using aggregated net loss attributable to CRG of S\$261,341 for the period ended 31 December 2018 and the net loss attributable to Hitchins-Da Sheng of S\$290,360 for the year ended 30 June 2019 amounting to S\$551,701 and the audited net losses attributable to the Group for the financial year ended 30 June 2019 of S\$1.40 million.
- (4) Computed based on the Consideration of S\$1 together with the Waived Advances Amount attributable to CRG of S\$0.92 million for the period ended 31 December 2018 and Hitchins-Da Sheng of S\$3.2 million for the year ended 30 June 2019 amounting to approximately S\$4.12 million and the market capitalisation of the Company of approximately S\$6.41 million, which is determined by multiplying the issued shares of the Company of 915,977,500 shares with the volume weighted average price of such shares transacted on 5 October 2018 of S\$0.007 per share, being the last day on which the shares of the Company were traded, before the Company requested for a voluntary suspension of the trading of its shares.

As the relative figures computed on the basis set out in Rule 1006 exceed 50%, the Proposed Disposal constitutes a "Major Transaction" as defined under Chapter 10 of the Catalist Rules. Accordingly, the Proposed Disposal is subject to the approval of shareholders at a general meeting to be convened.

## 7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Group as set out below are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.

The financial effects of the Proposed Disposal on the Group as set out below are based on the Group's audited financial statements for FY2019 and the following assumptions: (i) the Proposed Disposal had been effected at the end of FY2019 for the computation of the effect on the Net Tangible Liabilities ("**NTL**") per share; (ii) the Proposed Disposal had been effected at the beginning of FY2019 for the computation of the effect on the Loss Per Share ("**LPS**") taking into account the Waived Advances Amount; (iii) no adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group; and (iv) expenses in connection with the Proposed Disposal, including but not limited to professional fees, have been disregarded for the purposes of calculating the financial effects.

### NTL

	Before the Proposed Disposal	After the Proposed Disposal
NTL attributable to equity holders of the Company (S\$'000)	4,659	3,090
Number of ordinary shares in issue ('000) (excluding treasury shares)	915,978	915,978
NTL per share (Singapore Cents)	0.51	0.34

### LPS

	Before the Proposed Disposal	After the Proposed Disposal
Loss attributable to equity holders of the Company (S\$'000)	1,399	1,109
Weighted average number of ordinary shares in issue ('000) (excluding treasury shares)	915,978	915,978
LPS per share (Singapore Cents)	0.15	0.12

## 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or controlling shareholder of the Company, and/or their respective associates have any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Disposal.

## 9. SERVICE CONTRACTS

No person will be appointed to the Board in connection with the Proposed Disposal and accordingly, no service contracts in relation thereto will be entered into by the Company.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SSA is available for inspection at the Company's office at 30 Toh Guan Road #07-05, Singapore 608840 during normal business hours for three (3) months from the date of this announcement.

## 11. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Orr Joseph Wai Shing  
Chief Executive Officer and Executive Director  
5 March 2020

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and Email: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*