

COMBINED FINANCIAL STATEMENTS
CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
(Incorporated in The People's Republic of China)

For The Financial Period Ended 30 November 2014 And
For The Financial Years Ended 30 November 2015 and 30 November 2016

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CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
(Incorporated in the People's Republic of China)

STATEMENT BY LEGAL REPRESENTATIVE

I, Sheng, Zejun, being the legal representative of each of the following companies which constitute:-

- (a) CTG (Jiangsu) Electronics Co., Limited
- (b) Hangzhou Linan Xitianqi Import & Export Co., Limited

state that, in my opinion, the combined financial statements set out on pages 4 to 27 are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Combined Group as at 30 November 2014, 30 November 2015 and 30 November 2016 and of their financial performance and cash flows for the financial period/years then ended.

Sheng, Zejun
23 March 2017



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED**
(Incorporated in The People's Republic of China)

HML & CO.
CHARTERED ACCOUNTANTS AF 1325
1-23B Jalan Desa 1/3
Desa Aman Puri
52100 Kuala Lumpur
Malaysia.
Tel 603 – 6273 4543
Fax 603 – 6273 4542
Email audit@hml.com.my

Report on the Combined Financial Statements

We have audited the combined financial statements of CTG (Jiangsu) Electronics Co., Limited and Hangzhou Linan Xitianqi Import & Export Co., Limited (“the Combined Group”), which comprise the statements of financial position as at 30 November 2014, 30 November 2015 and 30 November 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Combined Group for the following financial period/years then ended:

(i) 30 November 2014

(ii) 30 November 2015

(iii) 30 November 2016

(the above is hereinafter referred to as “the Relevant Financial Periods”)

and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 27.

Management's Responsibility for the Combined Financial Statements

Management of the Combined Group are responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

It is our responsibility to form an independent opinion, based on our audit, on the combined financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Combined Group's preparation of combined financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Combined Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED**
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements have been properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Combined Group as at 30 November 2014, 30 November 2015 and 30 November 2016 and of their financial performance and cash flows for the Relevant Financial Periods then ended.

Other Matters

This report is made solely to the members of the Company and for no other purpose. We do not assume responsibility to any other person for the content of this report.



HML & CO.
AF 1325
Chartered Accountants

People's Republic of China
23 March 2017

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
(Incorporated in the People's Republic of China)

COMBINED STATEMENTS OF FINANCIAL POSITION
AT 30 NOVEMBER 2014, 2015 AND 2016

	Note	30.11.2014 RMB	30.11.2015 RMB	30.11.2016 RMB
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	8,645,987	8,332,324	8,660,236
Intangible assets	8	-	-	8,455,000
		<u>8,645,987</u>	<u>8,332,324</u>	<u>17,115,236</u>
CURRENT ASSETS				
Inventories	9	3,191,251	3,770,096	1,834,158
Trade receivables	10	10,163,916	1,421,665	18,756,068
Other receivables and prepayments	10	48,666,716	50,056,844	18,343,157
Other asset		-	-	13,656
Tax recoverable		1,827,395	726,084	2,446,934
Fixed deposit with licensed bank	11	1,941,000	170,000	170,000
Cash and bank balances	11	1,344,651	859,019	314,899
		<u>67,134,929</u>	<u>57,003,708</u>	<u>41,878,872</u>
TOTAL ASSETS		<u><u>75,780,916</u></u>	<u><u>65,336,032</u></u>	<u><u>58,994,108</u></u>
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	12	36,300,029	36,300,029	22,600,000
Reserves	13	31,300	-	-
Accumulated losses		<u>(16,761,281)</u>	<u>(16,257,660)</u>	<u>(14,845,459)</u>
SHAREHOLDERS' EQUITY		<u>19,570,048</u>	<u>20,042,369</u>	<u>7,754,541</u>
CURRENT LIABILITIES				
Trade payables	14	10,031,904	11,302,996	22,279,781
Other payables and accruals	14	11,039,074	2,306,892	3,298,625
Loans and borrowings	15	34,984,661	31,526,960	24,400,000
Current tax liabilities		155,229	156,815	1,261,161
		<u>56,210,868</u>	<u>45,293,663</u>	<u>51,239,567</u>
TOTAL LIABILITIES		<u>56,210,868</u>	<u>45,293,663</u>	<u>51,239,567</u>
TOTAL EQUITY AND LIABILITIES		<u><u>75,780,916</u></u>	<u><u>65,336,032</u></u>	<u><u>58,994,108</u></u>

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

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
(Incorporated in the People's Republic of China)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014
AND FINANCIAL YEAR ENDED 30 NOVEMBER 2015 AND 2016

	Note	1.1.2014 to 30.11.2014 RMB	1.12.2014 to 30.11.2015 RMB	1.12.2015 to 30.11.2016 RMB
Revenue	16	43,449,774	40,690,548	64,843,260
Cost of sales		(39,190,911)	(34,238,628)	(58,037,531)
Gross profit		4,258,863	6,451,920	6,805,729
Other operating income	17	801,652	1,155,793	1,196,142
Distribution costs		(795,905)	(962,455)	(1,056,817)
Administration expenses		(1,926,125)	(2,160,717)	(1,974,455)
Other operating expenses		(650)	(3,048)	-
Profit from operation		2,337,835	4,481,493	4,970,599
Finance costs		(3,115,414)	(3,481,529)	(3,293,934)
(Loss)/Profit before taxation		(777,579)	999,964	1,676,665
Income tax expense	18	(71,620)	(496,343)	(264,464)
(Loss)/Profit after taxation		(849,199)	503,621	1,412,201

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

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
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COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014
AND FINANCIAL YEAR ENDED 30 NOVEMBER 2015 AND 2016

	Share capital RMB	Reserves RMB	Accumulated loss RMB	Total RMB
As at 1 January 2014	36,300,029	31,300	(15,912,082)	20,419,247
Loss for the period	<u>-</u>	<u>-</u>	<u>(849,199)</u>	<u>(849,199)</u>
As at 30 November 2014	36,300,029	31,300	(16,761,281)	19,570,048
Profit for the year	-	-	503,621	503,621
Changes in reserves	<u>-</u>	<u>(31,300)</u>	<u>-</u>	<u>(31,300)</u>
As at 30 November 2015	36,300,029	-	(16,257,660)	20,042,369
Profit for the year	-	-	1,412,201	1,412,201
Capital repayment during the year	<u>(13,700,029)</u>	<u>-</u>	<u>-</u>	<u>(13,700,029)</u>
As at 30 November 2016	<u>22,600,000</u>	<u>-</u>	<u>(14,845,459)</u>	<u>7,754,541</u>

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

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
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COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014
AND FINANCIAL YEAR ENDED 30 NOVEMBER 2015 AND 2016

	1.1.2014 to 30.11.2014 RMB	1.12.2014 to 30.11.2015 RMB	1.12.2015 to 30.11.2016 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax	(777,579)	999,964	1,676,665
Adjustment for:			
Depreciation of property, plant and equipment	720,623	827,909	878,874
Interest income	(151,789)	(90,070)	(16,099)
Interest expenses	2,848,404	3,304,620	3,877,055
Operating profit before working capital changes	2,639,659	5,042,423	6,416,495
(Increase)/Decrease in inventories	(1,091,774)	(578,845)	1,935,938
Decrease/(Increase) in trade receivables	16,828,284	11,904,718	(13,332,880)
(Increase)/Decrease in other receivables and prepayments	(10,519,321)	(1,390,128)	31,713,687
Increase in other assets	-	-	(13,656)
Decrease in bill receivables	200,000	-	-
(Decrease)/Increase in trade payables	(4,216,499)	(1,891,375)	6,975,262
(Decrease)/Increase in other payables and accruals	(7,470,413)	(8,732,182)	991,733
Net cash (used in)/from operations	(3,630,064)	4,354,611	34,686,579
Interest received	151,789	90,070	16,099
Tax refund/(paid)	1,028,844	606,554	(880,968)
Interest paid	(2,848,404)	(3,304,620)	(3,877,055)
Net cash (used in)/from operating activities	(5,297,835)	1,746,615	29,944,655
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(7,924)	(514,246)	(1,206,786)
Acquisition of intangible asset	-	-	(8,455,000)
Net cash used in investing activities	(7,924)	(514,246)	(9,661,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	3,102,684	-	-
Decrease in reserves	-	(31,300)	-
Proceeds from/(Repayment of) borrowings	1,826,686	(3,457,701)	(7,126,960)
Capital repayment	-	-	(13,700,029)
Net cash from/(used in) financing activities	4,929,370	(3,489,001)	(20,826,989)

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

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
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COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014
AND FINANCIAL YEAR ENDED 30 NOVEMBER 2015 AND 2016

	1.1.2014 to 30.11.2014 RMB	1.12.2014 to 30.11.2015 RMB	1.12.2015 to 30.11.2016 RMB
Net decrease in cash and cash equivalents	(376,389)	(2,256,632)	(544,120)
Cash and cash equivalents at beginning of the period/year	<u>3,662,040</u>	<u>3,285,651</u>	<u>1,029,019</u>
Cash and cash equivalents at end of the period/year	<u><u>3,285,651</u></u>	<u><u>1,029,019</u></u>	<u><u>484,899</u></u>
Cash and cash equivalents comprise:			
Fixed deposits with licensed bank	1,941,000	170,000	170,000
Cash and bank balances	<u>1,344,651</u>	<u>859,019</u>	<u>314,899</u>
	<u><u>3,285,651</u></u>	<u><u>1,029,019</u></u>	<u><u>484,899</u></u>

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

CTG (JIANGSU) ELECTRONICS CO., LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014
AND FINANCIAL YEAR ENDED 30 NOVEMBER 2015 AND 2016

1 GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated under the Company Law of the People's Republic of China ("the PRC"). The principal place of businesses are as follows:-

- (a) #207, 84 Road, Jinhu Industry Zone
Jinhu City, Jiangsu Province,
The People's Republic of China
- (b) #248, Linglong Industry Zone,
Linan City, Hangzhou,
Zhengjiang Province,
The People's Republic of China

2 COMBINED GROUP AND BASIS OF PREPARATION OF COMBINED FINANCIAL STATEMENTS

The manner of the presentation of the combined financial statements is to reflect the economic substance of the combining companies, which were under common control ("common control") throughout the financial period ended 30 November 2014, and the financial years ended 30 November 2015 and 30 November 2016 ("Relevant Financial Periods"), presented as a single economic enterprise, although the legal parent-subsidiary relationships were not established as at the respective balance sheet dates.

The combined financial statements are therefore represented by the following entities:

- (a) CTG (Jiangsu) Electronics Co., Limited;
- (b) Hangzhou Linan Xitianqi Import & Export Co., Limited.

The above is hereinafter referred to as "the Combined Group".

The objective of the combined financial statements is to show what the historical information might have been had the Combined Group (as described above) been in place since 1 January 2014.

For the Relevant Financial Periods, these combined financial statements of the Combined Group are a combination or aggregation of the financial statements of the entities in the Combined Group.

CTG (JIANGSU) ELECTRONICS CO., LIMITED
HANGZHOU LINAN XITIANQI IMPORT & EXPORT CO., LIMITED
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3 PRINCIPAL ACTIVITIES

The principal activities of the entities under the Combined Group are as follows:-

Entities	Country of incorporation	Principal activities
(a) CTG (Jiangsu) Electronics Co., Limited	The PRC	Manufacture of fibre optic cable
(b) Hangzhou Linan Xitianqi Import & Export Co., Limited	The PRC	Trading of cable

There have been no significant changes in the nature of these activities during the Relevant Financial Periods.

4 FINANCIAL INSTRUMENTS

The Combined Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and price risk), credit risk, liquidity and cash flow risks, and capital risk management. The Combined Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Combined Group's financial performance.

(a) Financial Risk Management Policies

The Combined Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Combined Group's businesses whilst managing its market, credit, liquidity and cash flow risks. The Combined Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(a) Foreign Currency Risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk is primarily U.S. Dollar ("USD").

(b) Interest Rate Risk

Interest rate risk comprises interest price risk that results from borrowing at fixed rates and interest cash flow risk that results from borrowing at variable rates. Short term receivables and payables are not significantly exposed to interest rate risk.

(c) Price Risk

The Combined Group does not have any quoted investments and hence is not exposed to price risk.

CTG (JIANGSU) ELECTRONICS CO., LIMITED
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(ii) Credit Risk

The Combined Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Combined Group. The Combined Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The trade receivables recognised in the financial statements include amounts that are past due at the end of the financial year for which the Combined Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The age analysis of receivables of the Combined Group is as follows:

	2014	2015	2016
	RMB	RMB	RMB
a) Not past due and not impaired	4,099,790	(6,656,653)	10,512,236
b) Overdue but not impaired:			
- less than 1 month	4,956,163	8,632,994	4,795,479
- between 1 to 2 months	741,941	(1,263,689)	4,488,680
- between 2 to 3 months	1,119,142	634,038	8,738,185
- more than 3 months	2,409,347	2,349,652	(5,378,323)
Total trade receivables	<u>13,326,383</u>	<u>3,696,342</u>	<u>23,156,357</u>

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(iii) Liquidity and Cash Flow Risks

Liquidity and cash flow risks arise mainly from general funding and business activities. The Combined Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are all within 1 year.

(b) Capital Risk Management

The Combined Group manages its capital to ensure that entities in the Combined Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation equity balance.

The capital structure of the Combined Group consists of debts, which include the borrowings disclosed in Note 15 to the financial statements, cash and cash equivalents and equity attributable to equity holders of the Combined Group, comprising issued capital, retained profits and statutory reserves.

The Combined Group's policy is to maintain a strong capital base by having low gearing. The Combined Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity.

The gearing ratio of the Relevant Financial Periods was as follows:-

	2014	2015	2016
	RMB	RMB	RMB
Debts (Borrowings)	34,984,661	31,526,960	24,400,000
Less: Cash and cash equivalents	(3,285,651)	(1,029,019)	(484,899)
Net debt	<u>31,699,010</u>	<u>30,497,941</u>	<u>23,915,101</u>
Equity	<u>19,570,048</u>	<u>20,042,369</u>	<u>7,754,541</u>
Net debt to equity ratio	<u>1.62</u>	<u>1.52</u>	<u>3.08</u>

(i) Debts relate to borrowings are disclosed in Note 15 to the financial statements.

(ii) Equity includes all capital and reserves of the Combined Group.

CTG (JIANGSU) ELECTRONICS CO., LIMITED
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(c) Fair Value Estimation

All financial instruments are carried at amounts not materially different from their fair values as at the balance sheet dates.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

5 BASIS OF PREPARATION

In addition to the explanation as set out in Note 2, the financial statements of the Combined Group are prepared under the historical cost convention, and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with International Financial Reporting Standards ("IFRS"). In the preparation of the combined financial statements, the Combined Group has adopted all the IFRSs and Interpretation to IFRS that are relevant to its operations and effective for the Relevant Financial Periods presented in the combined financial statements.

The Combined Group has not applied in advance the following accounting standards, amendments and interpretations but are not yet effective for the Relevant Financial Period:-

Reference	Description	Effective for annual periods beginning on or after
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 And IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 And IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IFRS 10 IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 7	Statement of Cash Flow	1 January 2017
Amendments to IAS 12	Income Taxes	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers Lease	1 January 2018
IFRS 16	Leases	1 January 2019

The management anticipate that the adoption of the above IFRSs and interpretations do not have a material financial impact on the financial statements. It will only impact the content if disclosures presented in the financial statements.

6 SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these combined financial statements, the following summaries 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 and significant judgements made in the process of applying the Combined Group's accounting policies:-

(i) Depreciation of property, plant and equipment

The Combined Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Combined Group intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The Combined Group depreciated property, plant and equipment in accordance with the accounting policies stated in Note ().

(ii) Inventories

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales volumes and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess volumes will be made

(iii) Income taxes

The Combined Group is subject to income taxes in the PRC. The Combined Group recognises liabilities for anticipated tax issues based on estimations of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such determinations are made.

(b) Functional And Foreign Currencies

(i) Functional and Presentation of Currency

The individual financial statements of each utility in the Combined Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. The combined financial statements are presented in RMB, which is the Combined Group's functional currency.

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(ii) Functional and Presentation of Currency

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated into RMB at foreign exchange rates ruling at those dates. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates that existed when the values were determined. Foreign exchange differences arising from translation are recognised in the combined statements of comprehensive income.

(c) Basis of Combination

The combined financial statements comprise the financial statements of the CTG (Jiangsu) Electronics Co., Limited and Hangzhou Linan Xitianqi Import & Export Co., Limited for the Relevant Financial Periods. Consistent accounting policies are applied for like transactions and events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The combined financial statements of the Combined Group for the Relevant Financial Periods have been prepared in accordance with the principles of pooling of interest method.

The assets and liabilities of the combining entity are recorded at their carrying amounts reported in the combined financial statements of the parent company. Any difference between the consideration paid and the share capital of the combining entity is reflected within equity as merger reserve or merger deficit. The statement of comprehensive income reflects the results of the combining entity for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Leasehold land is amortised in equal instalments over the terms of the lease period of 50 years. Depreciation is provided on a straight-line method so as to write off the cost or valuation of the assets net of the estimated residual values over their estimated useful lives, as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Leasehold land	50 years	Nil
Buildings	20 years – 50 years	2% or Nil
Computer and software	3 years	Nil
Furniture and fittings	10 years	20%
Motor vehicles	4 years	5% or 20%
Office equipment	3 years – 20 years	20% or Nil
Plant and machinery	10 years	10%

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The carrying value of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

(e) Impairment of Non-Financial Assets

At each reporting date, the Combined Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Combined Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Loan and Receivable

Loan and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost using effective interest rate method.

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(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, together with deposits that are subject to an insignificant risk of changes in value.

(i) Financial Liabilities

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using effective interest rate method, with interest expenses recognised on an effective yield basis.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Combined Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

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(j) Provisions

Provision are recognised when the Combined Group has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the Combined Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(k) Revenue

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

(l) Foreign Currency

Transactions in foreign currencies are initially translated at the exchange rate at the dates of the transactions.

At the reporting date, foreign currency monetary assets and liabilities are translated into Chinese Yuan or the Renminbi at the exchange rate ruling at that date. Exchange differences arising on the settlement or translation of monetary items are recognised in statements of comprehensive income.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates at the date of the transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

The closing rates of exchange of the foreign currencies used as at the end of the financial period/years are as follow:

	2014	2015	2016
	RMB	RMB	RMB
United States dollar	6.1457	6.3957	6.8973

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(m) Employment Benefits

The employees of the Combined Group are required to participate in a central pension scheme operated by the government. The Combined Group are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Combined Group's obligations under these plans are limited to the fixed percentage contributions payable.

(n) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount VAT, except where the amount of VAT incurred is not recoverable from the Tax Office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown as inclusive of VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

(o) Income Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Combined Group's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

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, and are accounted for using the balance sheet liability method. 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 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 the tax rates that have been enacted or substantively enacted by the balance sheet. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in 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 tax levied by the same taxation authority and the Combined Group intends to settle its current tax assets and liabilities on a net basis.

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(p) Related Parties

A party is related to the Combined Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the Combined Group; or
 - (b) has an interest in the Combined Group that gives it significant influence over the Combined Group; or
 - (c) has joint control over the Combined Group;
- (ii) the party is an associate of the Combined Group;
- (iii) the party is a joint venture in which the Combined Group is a venture;
- (iv) the party is a member of the key management personnel of the Combined Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Combined Group, or of any entity that is a related party of the Combine Group.

Amounts owing by/to related parties are classified as loans and receivables, and financial liabilities respectively at amortised cost.

Key Management Personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Combined Group.

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7 PROPERTY, PLANT AND EQUIPMENT

Combined Group (30 November 2014)

	As at 1 January 2014 RM	Additions RM	Disposals RM	As at 30 November 2014 RM
<u>Cost</u>				
Leasehold land	3,429,900	-	-	3,429,900
Buildings	2,579,386	-	-	2,579,386
Computer and software	146,883	-	-	146,883
Furniture and fittings	259,656	2,240	-	261,896
Motor vehicles	896,695	-	-	896,695
Office equipment	413,693	-	-	413,693
Plant and machinery	3,684,399	5,684	-	3,690,083
	11,410,612	7,924	-	11,418,536

	As at 1 January 2014 RM	Charges for the year RM	Disposals RM	As at 30 November 2014 RM
<u>Accumulated Depreciation</u>				
Leasehold land	245,809	68,598	-	314,407
Buildings	305,606	81,816	-	387,422
Computer and software	119,289	15,066	-	134,355
Furniture and fittings	136,485	45,401	-	181,886
Motor vehicles	125,349	171,161	-	296,510
Office equipment	130,236	34,192	-	164,428
Plant and machinery	989,152	304,389	-	1,293,541
	2,051,926	720,623	-	2,772,549

	2014 RM	2013 RM
<u>Carrying Amounts</u>		
Leasehold land	3,115,493	3,184,091
Buildings	2,191,964	2,273,780
Computer and software	12,528	27,594
Furniture and fittings	80,010	123,171
Motor vehicles	600,185	771,346
Office equipment	249,265	283,457
Plant and machinery	2,396,542	2,695,247
	8,645,987	9,358,686

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Combined Group (30 November 2015)

	As at 1 December 2014 RMB	Additions RMB	Disposals RMB	As at 30 November 2015 RMB
<u>Cost</u>				
Leasehold land	3,429,900	-	-	3,429,900
Buildings	2,579,386	-	-	2,579,386
Computer and software	146,883	3,149	-	150,032
Furniture and fittings	261,896	-	-	261,896
Motor vehicles	896,695	283,800	-	1,180,495
Office equipment	413,693	57,274	-	470,967
Plant and machinery	3,690,083	170,023	-	3,860,106
	11,418,536	514,246	-	11,932,782

	As at 1 December 2014 RMB	Charges for the year RMB	Disposals RMB	As at 30 November 2015 RMB
<u>Accumulated Depreciation</u>				
Leasehold land	314,407	68,598	-	383,005
Buildings	387,422	87,150	-	474,572
Computer and software	134,355	9,868	-	144,223
Furniture and fittings	181,886	43,668	-	225,554
Motor vehicles	296,510	226,016	-	522,526
Office equipment	164,428	46,474	-	210,902
Plant and machinery	1,293,541	346,135	-	1,639,676
	2,772,549	827,909	-	3,600,458

	30.11.2015 RMB	30.11.2014 RMB
<u>Carrying Amounts</u>		
Leasehold land	3,046,895	3,115,493
Buildings	2,104,814	2,191,964
Computer and software	5,809	12,528
Furniture and fittings	36,342	80,010
Motor vehicles	657,969	600,185
Office equipment	260,065	249,265
Plant and machinery	2,220,430	2,396,542
	8,332,324	8,645,987

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Combined Group (30 November 2016)

	As at 1 December 2015 RMB	Additions RMB	Disposals RMB	As at 30 November 2016 RMB
<u>Cost</u>				
Leasehold land	3,429,900	-	-	3,429,900
Buildings	2,579,386	2,739	-	2,582,125
Computer and software	150,032	1,881	-	151,913
Furniture and fittings	261,896	5,950	-	267,846
Motor vehicles	1,180,495	-	-	1,180,495
Office equipment	470,967	81,259	-	552,226
Plant and machinery	3,860,106	1,114,957	-	4,975,063
	<u>11,932,782</u>	<u>1,206,786</u>	<u>-</u>	<u>13,139,568</u>

	As at 1 December 2015 RMB	Charges for the year RMB	Disposals RMB	As at 30 November 2016 RMB
<u>Accumulated Depreciation</u>				
Leasehold land	383,005	68,598	-	451,603
Buildings	474,572	87,205	-	561,777
Computer and software	144,223	4,304	-	148,527
Furniture and fittings	225,554	15,164	-	240,718
Motor vehicles	522,526	254,899	-	777,425
Office equipment	210,902	49,853	-	260,755
Plant and machinery	1,639,676	398,851	-	2,038,527
	<u>3,600,458</u>	<u>878,874</u>	<u>-</u>	<u>4,479,332</u>

	30.11.2016 RMB	30.11.2015 RMB
<u>Carrying Amounts</u>		
Leasehold land	2,978,297	3,046,895
Buildings	2,020,348	2,104,814
Computer and software	3,386	5,809
Furniture and fittings	27,128	36,342
Motor vehicles	403,070	657,969
Office equipment	291,471	260,065
Plant and machinery	2,936,536	2,220,430
	<u>8,660,236</u>	<u>8,332,324</u>

All property, plant and equipment held by Combined Group are located in the PRC.

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8 INTANGIBLE ASSET

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Trademark – at cost	<u>-</u>	<u>-</u>	<u>8,455,000</u>

9 INVENTORIES

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
At cost:			
Raw materials	652,683	472,927	774,804
Finished goods	<u>2,538,568</u>	<u>3,297,169</u>	<u>1,059,354</u>
	<u>3,191,251</u>	<u>3,770,096</u>	<u>1,834,158</u>

10 RECEIVABLES

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Trade receivables	10,163,916	1,421,665	18,756,068
Other receivables	42,911,938	44,671,970	13,929,924
Prepayments	<u>5,754,778</u>	<u>5,384,874</u>	<u>4,413,233</u>
	<u>58,830,632</u>	<u>51,478,509</u>	<u>37,099,225</u>

The Combined Group's normal trade credit term is 90 days. All trade and other receivables are denominated in RMB.

All receivables owing are not more than a period of one year.

11 CASH AND CASH EQUIVALENTS

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Fixed deposit with licensed bank	1,941,000	170,000	170,000
Cash and bank balances	<u>1,344,651</u>	<u>859,019</u>	<u>314,899</u>
	<u>3,285,651</u>	<u>1,029,019</u>	<u>484,899</u>

The 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, Combined Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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12 SHARE CAPITAL

The share capital of the Combined Group consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital.

Ordinary shares participate in dividends in proportion to the number of shares held.

At the Shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Paid-in capital:			
CTG (Jiangsu) Electronics Co., Limited	33,300,029	33,300,029	19,600,000
Hangzhou Linan Xitianqi Import & Export Co., Limited	3,000,000	3,000,000	3,000,000
	<u>36,300,029</u>	<u>36,300,029</u>	<u>22,600,000</u>

13 RESERVES

The statutory reserve represents amounts transferred from profit after taxation of the subsidiary established in the PRC under the PRC laws and regulations.

14 PAYABLES

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Trade payables	10,031,904	11,302,996	22,279,781
Other payables	10,780,156	2,018,282	2,910,000
Accruals	258,918	288,610	388,625
	<u>21,070,978</u>	<u>13,609,888</u>	<u>25,578,406</u>

The normal trade credit terms granted to the Combined Group range from 60 to 90 days. All trade and other payables are denominated in RMB.

All trade payables owing are not more than a period of one year.

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15 LOAN AND BORROWINGS

	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Current liabilities			
Secured bank loans	22,000,000	26,500,000	18,400,000
Unsecured bank loans	12,984,661	5,026,960	6,000,000
	<u>34,984,661</u>	<u>31,526,960</u>	<u>24,400,000</u>

The secured bank loans bear the interest rate range from 4.35% - 8.5%.

16 REVENUE

Revenue represents invoiced value of goods sold net discounts and returns.

17 OTHER INCOME

	1.1.2014	Year	Year
	to	Ended	Ended
	30.11.2014	30.11.2015	30.11.2016
	RMB	RMB	RMB
Gain on foreign exchange	-	540,711	221,366
Government subsidy	23,640	46,300	51,830
Interest income	151,789	90,070	16,099
Other income	626,223	478,712	906,847
	<u>801,652</u>	<u>1,155,793</u>	<u>1,196,142</u>

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18 INCOME TAX EXPENSE

Current tax represents PRC enterprise Income tax ("EIT"). The provision for PRC EIT is calculated based on the PRC statutory income tax rate 25%.

	1.1.2014 to 30.11.2014 RMB	Year Ended 30.11.2015 RMB	Year Ended 30.11.2016 RMB
Current income tax	<u>71,620</u>	<u>496,343</u>	<u>264,464</u>
(Loss)/Profit before tax	<u>(777,579)</u>	<u>999,964</u>	<u>1,676,665</u>
Tax calculated at the tax rate 25%	(194,395)	249,991	419,166
Expenses not deductible for tax purpose	25,450	79,340	30,688
Utilisation of unabsorbed tax losses brought forward	-	-	(185,390)
Other items	<u>240,565</u>	<u>167,012</u>	<u>-</u>
	<u>71,620</u>	<u>496,343</u>	<u>264,464</u>

19 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	1.1.2014 to 30.11.2014 RMB	Year Ended 30.11.2015 RMB	Year Ended 30.11.2016 RMB
Short term benefits	252,700	256,900	259,900
Other long term benefits	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>
	<u>259,900</u>	<u>263,500</u>	<u>267,100</u>

20 RELATED PARTY DISCLOSURES

The Combined Group has related party relationships with its directors, key management, entities of which the directors and/or by management have significant financial interest and entities of which are within the same Combined Group.

In addition to the information detailed elsewhere in this report, the Combined Group had the following transactions with its related parties as disclosed below:-

	30.11.2014 RMB	30.11.2015 RMB	30.11.2016 RMB
Trade receivables/(payables)	3,162,467	4,001,523	4,400,289
Purchases	<u>23,698,018</u>	<u>30,939,933</u>	<u>15,209,850</u>