

CTG FIBERSWAY INTERNATIONAL LIMITED
(Incorporated in Cayman Islands)
(ARBN 622 412 186)

**INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 MAY 2018**

CTG FIBERSWAY INTERNATIONAL LIMITED
(Incorporated in Cayman Islands)
ARBN 612 412 186

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 MAY 2018

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CTG FIBERSWAY INTERNATIONAL LIMITED

STATEMENT BY DIRECTORS

I, SHENG, ZEJUN, the Director of CTG FIBERSWAY INTERNATIONAL LIMITED, state that, in my opinion, the financial statements set out on pages 3 to 22 are drawn up in accordance with IAS 34 Interim Financial Reporting so as to give a true and fair view of the financial position of the Group as at 31 May 2018 and of financial performance and cash flows of the Group for the financial period ended on that date.

Signed on behalf of the Board of the Directors,

SHENG, ZEJUN
Director



People's Republic of China
13 August 2018

**REVIEW REPORT
TO THE MEMBERS OF
CTG FIBERSWAY INTERNATIONAL LIMITED
(ARBN 622 412 186)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position as at 31 May 2018 and the interim condensed statement of comprehensive income, interim condensed statement of changes in equity and interim condensed statement of cash flows for the six months period then ended. The Directors are responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements is not prepared, in all material aspects, in accordance with IAS 34.



HML & CO.
AF 1325
Chartered Accountants
Kuala Lumpur
13 August 2018

CTG FIBERSWAY INTERNATIONAL LIMITED

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2018**

	Note	Group A\$
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6	2,208,360
Intangible assets	7	1,739,024
Goodwill on consolidation	8	<u>2,930,152</u>
		<u>6,877,536</u>
CURRENT ASSETS		
Inventories	9	1,477,135
Trade receivables		4,230,543
Other receivables and prepayments	10	1,767,001
Other assets		4,727
VAT recoverable		530,340
Cash and bank balances		<u>794,512</u>
		<u>8,804,258</u>
TOTAL ASSETS		<u><u>15,681,794</u></u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	11	4,500,000
Retained earning		<u>39,404</u>
SHAREHOLDERS' EQUITY		<u>4,539,404</u>
CURRENT LIABILITIES		
Trade payables		4,441,139
Other payables		2,035,241
Borrowings	12	4,648,368
Tax payable		<u>17,642</u>
		<u>11,142,390</u>
TOTAL LIABILITIES		<u>11,142,390</u>
TOTAL EQUITY AND LIABILITIES		<u><u>15,681,794</u></u>

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

CTG FIBERSWAY INTERNATIONAL LIMITED

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 DECEMBER 2017 TO 31 MAY 2018**

	Note	Group A\$
Revenue	13	9,271,549
Cost of sales		(7,901,456)
Gross profit		<u>1,370,093</u>
Other operating income		57,272
Administration expenses		(816,612)
Sales and marketing costs		(250,274)
Other operating expenses		<u>(2,772)</u>
Profit from operations	14	357,707
Finance cost		<u>(308,492)</u>
Profit before tax		49,215
Income tax expense		<u>(9,811)</u>
Profit for the period		<u><u>39,404</u></u>
Earning per share (cent)	15	<u><u>0.02</u></u>

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

CTG FIBERSWAY INTERNATIONAL LIMITED

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 DECEMBER 2017 TO 31 MAY 2018**

	Share capital	Retained earning	Total
	A\$	A\$	A\$
GROUP			
As at incorporation	4,500,000	-	4,500,000
Profit for the period	<u>-</u>	<u>39,404</u>	<u>39,404</u>
As at 31 May 2018	<u><u>4,500,000</u></u>	<u><u>39,404</u></u>	<u><u>4,539,404</u></u>

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

CTG FIBERSWAY INTERNATIONAL LIMITED

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 DECEMBER 2017 TO 31 MAY 2018**

	Note	Group A\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		49,215
Adjustments for:		
Depreciation of property, plant and equipment		144,086
Loss on disposal of property, plant and equipment		<u>2,713</u>
Operating profit before working capital changes		196,014
(Increase)/Decrease in working capital:		
Inventories		53,905
Trade receivables		9,067,498
Other receivables and prepayments		1,116,944
Other assets		1,028
VAT recoverable		(39,449)
Trade payables		(6,165,303)
Other payables		<u>(1,338,651)</u>
Net cash from operations		2,891,986
Tax paid		<u>(63,563)</u>
Net cash from operating activities		<u>2,828,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(256,136)
Proceeds from disposal of property, plant and equipment		206
Cash used in acquisition of subsidiaries	4.12	<u>(3,850,957)</u>
Net cash used in investing activities		<u>(4,106,887)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares		4,500,000
Repayment of borrowings		<u>(2,427,024)</u>
Net cash from financing activities		<u>2,072,976</u>
Net increase in cash and cash equivalents		794,512
Cash and cash equivalents at incorporation date		<u>-</u>
Cash and cash equivalents at end of the period		<u><u>794,512</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances		<u><u>794,512</u></u>

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

CTG FIBERSWAY INTERNATIONAL LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 DECEMBER 2017 TO 31 MAY 2018

1 GENERAL CORPORATE INFORMATION AND NATURE OF OPERATIONS

The interim condensed financial statements is for the six months ended 31 May 2018 and are presented in Australian Dollars (“A\$”). It has been prepared in accordance with *IAS 34 Interim Financial Reporting*. It does not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”), and were authorised for issue in accordance with the resolution of the Board of the Directors on the date of this report.

CTG FIBERSWAY INTERNATIONAL LIMITED is a public company limited by shares incorporated in Cayman Islands and listed in National Stock Exchange of Australia with the register office in Australia located Level 1, Office F, 1139 Hay Street, West Perth WA 6005, Australia.

The Company is an investment holding company and do not actively carry on business since its incorporation on 23 October 2017 to the date of this report.

2 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARD

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), except for the adoption of the following accounting standards, amendments and interpretations but are not yet effective for the financial period:

2.1 ADOPTION OF NEW AND AMENDED IFRSs

The adoption of the following amendments to IFRSs that came into effect 1 December 2017 did not have significant impact on the interim condensed financial statements upon their initial application.

- (a) Amendments to IAS 7, Disclosure Initiative
- (b) Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
- (c) Annual Improvement to IFRS Standards 2014 – 2016 Cycle: Amendments to IFRS 12, Disclosure of Interest in Other Entities

2.2 NEW AND REVISED IFRSs ISSUED BUT ARE NOT YET EFFECTIVE IFRSs

The Group did not adopt an earlier application of the following new and revised IFRSs which are not yet effective for current financial period ended 31 May 2018.

IASs and IFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 December 2018

- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- IFRS 15, Revenue from Contracts with Customers
- Classifications to IFRS 15, Revenue from Contracts with Customers

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- IFRS 9, Financial instruments
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40, Transfers of Investment Property
- Annual Improvement to IFRS Standards 2014 – 2016 Cycle: Amendments to IFRS 12, Disclosure of Interest in Other Entities

IASs and IFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 December 2019

- IFRS 16, Leases
- IFRIC 23, Uncertainty Over Income Tax Treatments
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9, Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

IASs and IFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 December 2021

- IFRS 17, Insurance contract

IASs, IFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed.

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Group will adopt the above IFRSs in the respective financial years when they become effective. The Directors expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application

3 BASIS OF PREPARATION

The financial statements of the Group have been prepared on the historical cost basis other than as disclosed in Note 4.

The Directors has used judgments, estimates and assumptions in recognising and measuring the reported amounts of assets and liabilities (including disclosures of contingent assets and contingent liabilities) at the end of the reporting period and the reported amounts of revenues and expenses during the reported period. As judgments and assumptions are applied in the measurement, the actual results may not coincide with the reported amounts. The areas involving significant judgments and estimation uncertainties are disclosed in Note 5.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY, PLANT AND EQUIPMENT

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services or for administrative purposes, are recognised as property, plant and equipment when the Group obtains control of the asset. The assets are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised.

All items of property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for the Group's intended use.

Subsequent to initial recognition, property, plant and equipment are stated at cost 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.

Other property, plant and equipment are depreciated 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	Nil or 10%
Computer and software	3 years	Nil
Electrical equipment	3 years	5%
Furniture and fittings	5 years	5%
Motor vehicles	4 years	5%
Office equipment	3 years - 20 years	5% - 10%
Plant and machinery	10 years	10%
Renovation	3 years	Nil

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.

4.2 BASIS OF CONSOLIDATION

The consolidation financial statements comprises the financial statements of the Group as at 31 May 2018. Control is achieved when the Group is exposed, or has rights, to variable returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- i)* Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ii)* Exposure, or rights, to variable returns from its involvement with the investee; and
- iii)* The ability to use its power over the investee to affect its returns.

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a controlled entity begins when the Group obtains control over the subsidiary and ends when the Group loses control of the subsidiary.

All-intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.3 IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

At each reporting date, the 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 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 impairment 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 statements of comprehensive income, 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.

4.4 INTANGIBLE ASSETS

The cost of trademarks acquired represents its fair value as at the date of acquisition. Following initial recognition, trademarks are carried at cost less any accumulated impairment losses. Trademarks, which are considered to have indefinite useful lives, are not amortised but tested for impairment, annually or more frequently when indicators of impairment are identified. The useful lives of trademarks are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

4.5 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.

4.6 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND DISTRIBUTIONS

The Group classifies and presents an issued financial instrument (or its component parts), on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

(a) Share Capital

Ordinary shares and non-redeemable preference shares issued that carry no mandatory contractual obligation: (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from retained profits in equity, net of any related income tax benefit

(b) Compound Financial Instruments

The Group evaluates the terms of an issued financial instrument to determine whether it contains both a liability and an equity component. The proceeds of a convertible bond or other compound instruments are allocated to the liability component measured at fair value, using the discounted cash flow method, and balance to the equity component. Transaction costs are allocated pro rata based on the relative carrying amounts. Any tax effect arising from temporary differences of the liability component is charged or credited to the equity component.

(c) Distributions

The Group establishes a distribution policy whereby cash dividends can only be paid out of retained profits.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Directors declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders.

4.7 FINANCIAL INSTRUMENTS

(a) Initial Recognition and Measurement

The Group recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group becomes a party to the contractual provisions of the instrument.

If a contract, whether financial or non-financial, contains an embedded derivative, the Group assesses whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group becomes a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial asset out of the fair value through profit or loss category.

On initial recognition, all financial assets and financial liabilities (including government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) Derecognition of Financial Instruments

For derecognition purposes, the Group first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(c) Subsequent measurement of financial assets and financial liabilities

For the purpose of subsequent measurement, the Group classifies trade and other receivables, advances to related parties, and cash and cash equivalents in the category of loans and receivables. The Group has no other categories of financial assets.

After initial recognition, the Group measures financial assets in the loans and receivables category as at amortised cost using the effective interest method; and

The Group's financial liabilities comprise trade and other payables and advances from related parties. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method.

(d) Recognition of Gains and Losses

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(e) Impairment and Uncollectibility of Financial Assets

The Group applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidence of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payment; (iii) granting exceptional concession to a customer, (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation, (v) the disappearance of an active market for that financial asset because of financial difficulties; or (vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at its original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in an allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

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For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group's experience of loss ratio in each class, taking into consideration current market conditions.

4.8 CASH AND CASH EQUIVALENTS

Cash and bank balances comprise cash in hand and at bank that are subject to an insignificant risk of changes in value.

4.9 PROVISIONS

Provision are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, and it is probable that the 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.

4.10 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.

4.11 EMPLOYMENT BENEFITS

Salaries, wages, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Group.

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

These contributions are charged to the statements of comprehensive income in the period to which the contributions relate. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

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4.12 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.

4.13 ACQUISITION OF SUBSIDIARIES

On 20 November 2017, the Company acquired 100% of the ordinary shares of the subsidiary companies as listed in Note 16. The Company has elected to measure the acquisition of subsidiaries at share of net asset value method.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the subsidiaries is equal to the carrying value of net assets as at the date of acquisition:

	A\$
Assets	
Property, plant and equipment	2,099,229
Intangible assets	1,739,025
Inventories	1,531,040
Trade receivables	13,298,041
Other receivables and prepayments	2,883,945
Other assets	5,755
VAT recoverable	490,891
Fixed deposit with licensed bank	240,646
Cash and bank balances	408,397
	<u>22,696,969</u>
Liabilities	
Trade payables	(10,606,442)
Other payables and accruals	(3,373,892)
Borrowings	(7,075,392)
Tax payables	(71,395)
	<u>(21,127,121)</u>
Total identifiable net assets at carrying value (Assets – liabilities)	1,569,848
Considerations	<u>(4,500,000)</u>
	<u>(2,930,152)</u>
<u>Net cash flows from the acquisition of the subsidiaries:</u>	

	Group A\$
The total consideration of investment in subsidiaries	4,500,000
The cash and bank balances from the acquisition of subsidiaries	<u>(649,043)</u>
	<u>3,850,957</u>

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect in determining the amount recognised in the financial statements include the following:

5.1 LOSS ALLOWANCES OF FINANCIAL ASSETS

The Group recognises impairment losses for receivables using the incurred loss model. At the end of each reporting period, the Group assesses whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The actual eventual losses may be different from the allowance made and this may affect the Group's financial position and results.

5.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciated method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

5.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). NRV for finished goods and work-in-progress are assessed with reference to existing prices at the reporting date less the estimated direct cost necessary to make the sale, which represent the Group's best estimation of the value recoverable through sale.

5.4 MEASUREMENT OF INCOME TAXES

Significant judgment is required in determining the Group's provision for current and deferred taxes. When the final outcome of the taxes payable is determined with the tax authorities, the amount might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

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6 PROPERTY, PLANT AND EQUIPMENT

Group	As at 1 December 2017/ Acquisition of subsidiaries A\$	Additions A\$	Disposals A\$	As at 31 May 2018 A\$
<u>Cost</u>				
Leasehold land	705,462	-	-	705,462
Buildings	791,955	-	-	791,955
Computer and software	44,724	11,462	-	56,186
Electrical equipment	9,554	13,021	-	22,575
Furniture and fittings	69,115	18,924	-	88,039
Motor vehicles	242,804	-	(58,372)	184,432
Office equipment	16,234	-	-	16,234
Plant and machinery	1,186,625	165,423	-	1,352,048
Renovation	171,375	47,306	-	218,681
	<u>3,237,848</u>	<u>256,136</u>	<u>(58,372)</u>	<u>3,435,612</u>

	As at 1 December 2017/ Acquisition of subsidiaries A\$	Additions A\$	Disposals A\$	As at 31 May 2018 A\$
<u>Accumulated Depreciation</u>				
Leasehold land	106,995	7,055	-	114,050
Buildings	193,532	17,476	-	211,008
Computer and software	34,264	4,210	-	38,474
Electrical equipment	1,186	1,308	-	2,494
Furniture and fittings	52,148	12,141	-	64,289
Motor vehicles	214,095	19,640	(55,453)	178,282
Office equipment	10,716	125	-	10,841
Plant and machinery	497,120	48,623	-	545,743
Renovation	28,563	33,508	-	62,071
	<u>1,138,619</u>	<u>144,086</u>	<u>(55,453)</u>	<u>1,227,252</u>

	31.5.2018 A\$
<u>Carrying Amounts</u>	
Leasehold land	591,412
Buildings	580,947
Computer and software	17,712
Electrical equipment	20,081
Furniture and fittings	23,750
Motor vehicles	6,150
Office equipment	5,393
Plant and machinery	806,305
Renovation	156,610
	<u>2,208,360</u>

CTG FIBERSWAY INTERNATIONAL LIMITED

7 INTANGIBLE ASSETS

	Group A\$
Trademark – at cost	<u>1,739,024</u>

8 GOODWILL ON CONSOLIDATION

	At acquisition date A\$
Consideration	4,500,000
Net assets at fair value in subsidiaries at acquisition date	<u>(1,569,848)</u>
Goodwill	<u>2,930,152</u>

9 INVENTORIES

	Group A\$
Raw material	535,169
Finished goods	<u>941,966</u>
	<u>1,477,135</u>
Inventories recognised as an expense in statement of comprehensive income	<u>3,210,745</u>

There were no impairment losses or reversals of impairment losses in statement of comprehensive income.

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group A\$
Other receivables	1,038,777
Prepayments	<u>728,224</u>
	<u>1,767,001</u>

CTG FIBERSWAY INTERNATIONAL LIMITED

11 SHARE CAPITAL

31.5.2018

Number of shares	<u>200,000,000</u>
Issued and paid up (A\$)	<u>4,500,000</u>

12 BORROWINGS

**Group
A\$**

Term loans	<u>4,648,368</u>
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The term loans are unsecured and interest charged in the current year range from 5.50% to 8.50% per annum.

13 REVENUE

**Group
A\$**

Revenue comprises of:	
- Sales of goods	<u>9,271,549</u>

14 PROFIT FROM OPERATIONS

Profit from operations is derived after charging the following expenses, classified by nature:

**Group
A\$**

Depreciation of property, plant and equipment	144,086
Employee benefits	21,843
Loss on disposal of property, plant and equipment	<u>2,713</u>

15 EARNING PER SHARE

The earnings per share is calculated by taking the profit for the period of A\$39,404 and dividing it by 200,000,000 ordinary shares in issue and outstanding throughout the financial period.

CTG FIBERSWAY INTERNATIONAL LIMITED

16 GROUP INFORMATION

	Country of incorporation	Group effective interest	Principal activities
Fibersway Singapore Pte. Ltd.	Singapore	100%	Investment holding
Zhejiang CTG Communication Technology Co., Ltd	China	100%	Investment holding
Hangzhou Fibersway Communication Technology Co., Ltd	China	100%	Manufacture and sale of optic fibre cables and ancillary products
Hangzhou Linan Xitianqi Import and Export Co., Ltd	China	100%	Sale and marketing of networking cables and optic fibre cables and ancillary products
CTG (Jiangsu) Electronics Co., Ltd	China	100%	Manufacture and sale of networking cables and ancillary products and services

17 FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables (“LR”); and
- Other financial liabilities measured at amortised cost (“OL”)

	Carrying Amount A\$	LR/(OL) A\$
31.5.2018		
Financial Assets		
Trade receivables	4,230,543	4,230,543
Other receivables	1,038,777	1,038,777
Cash and bank balances	794,512	794,512
	<u>6,063,832</u>	<u>6,063,832</u>
Financial Liabilities		
Trade payables	(4,441,139)	(4,441,139)
Other payables	(2,035,241)	(2,035,241)
Borrowings	(4,648,368)	(4,648,368)
	<u>(11,124,748)</u>	<u>(11,124,748)</u>

CTG FIBERSWAY INTERNATIONAL LIMITED

18 RELATED PARTY DISCLOSURE

18.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Group
	A\$
Short term benefits	<u>21,843</u>

Key management personnel comprises of Directors of the Company and other persons in the Group having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

18.2 OTHER RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at term agreed between the parties during the financial period.

During the period, the Group has entered into the following transactions with the related parties:

	Group
	A\$
<u>With the key management personnel</u>	
Advances from key management personnel	<u>1,384</u>

As at the end of the period, the Group has following outstanding balances with the related parties:

	Group
	A\$
Amount owing to key management personnel	
- non trade	<u>1,384</u>

The outstanding amounts are unsecured, carries no interest chargeable and repayable on demand.

19 SEGMENT INFORMATION

(a) Business segment

The Group's activities are primarily in one industry segment of manufacturing and sale of networking cables, optic fibre cables and ancillary products and services.

CTG FIBERSWAY INTERNATIONAL LIMITED

(b) Geographical information

The Group's geographical information is based on the location of the Group's assets. Sale to external customers disclosed in the geographical information is based on the geographical location of the customers.

Revenue and non-current assets information based on the geographical location of customers and assets respectively:

	Revenue	Non-current asset
	A\$	A\$
China	2,273,378	6,877,536
Overseas	6,998,171	-
	<u>9,271,549</u>	<u>6,877,536</u>

20 SEASONAL/CYCLICAL FACTORS

The operations of the Group were not significantly affected by seasonality and cyclical factors.

21 DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayments of debt and equity securities during the six months ended 31 May 2018.

22 DIVIDEND PAID

No dividend paid during the reporting period.

23 COMPARATIVE FIGURES

This is the first interim financial statements of the Group, there are no comparative figures for the corresponding half yearly and year to date in preceding financial year available as no interim financial report was prepared for the comparative financial period concerned.