

Company No.: ARBN 622 412 186

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
(Incorporated in Cayman Islands)

**FINANCIAL STATEMENTS**

**30 NOVEMBER 2019**

**Registered office in Australia:**

Themis Corporate  
'Office F' Level 1,  
1139 Hay Street,  
West Perth WA 6005.

**Corporate office:**

No. 248, Linglong Street,  
Linglong Industrial Zone,  
Linan City, Hangzhou,  
Zhejiang Province,  
People's Republic of China.

Company No.: ARBN 622 412 186

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of CTG FIBERSWAY INTERNATIONAL LIMITED, which comprise the statements of financial position as at 30 November 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 49.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 November 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<b><u>Impairment of goodwill and intangible assets</u></b> Goodwill and intangible assets arise as a result of acquisitions by the Group. The Directors conducted their annual impairment tests to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to intangible assets.	We focused on this area as the impairment assessment performed by the Directors requires significant judgement as the timing and quantum of the cash flows are dependent on sales volume growth rate, and margin. Our audit procedures performed in these areas included, amongst others:



Key audit matters	How our audit addressed the key audit matter
<p><b><u>Impairment of goodwill and intangible assets</u></b></p> <p>The recoverable amount of the goodwill and intangible assets are determined based on value-in-use calculation. The value-in-use is based on the cash flows forecast model for each cash-generating unit and required the estimation of model assumptions, discount rate and growth rate. Accordingly, the impairment assessment of these assets is considered to be a key audit matter.</p> <p>No impairment was required as the recoverable amount of the goodwill and intangible assets were in excess of their carrying amount.</p>	<ul style="list-style-type: none"> <li>• Assessed the reliability of the Directors' forecast through the review of past trends of actual financial performances against previous forecasted results;</li> <li>• Checked the key assumptions used by the Directors in the value-in-use calculation on sales volume growth rate and margin by product comparing to business plans, historical results and market data;</li> <li>• Performed sensitivity analysis on sales volume growth rates and discount rate to evaluate impact on the impairment assessment; and</li> <li>• Assessed the adequacy and reasonableness of the disclosures in the financial statements.</li> </ul>
<p><b><u>Revenue recognition</u></b></p> <p>Revenue is recognised when the risks and rewards of the underlying products and services have been transferred to the customer.</p> <p>Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement due to the risk related to the recognition of revenue before risks and rewards have been transferred.</p>	<p>Our audit procedures, considering the significant risk of material misstatement related to revenue recognition, included amongst other:</p> <ul style="list-style-type: none"> <li>• Assessing the application of Group's accounting policies over revenue recognition and comparing the Group's accounting policies over revenue recognition with applicable accounting standards;</li> <li>• Identifying the nature of the revenues and identification of any unusual contract terms;</li> <li>• Testing the revenue recognised including testing of Group's controls on revenue recognition, when applicable. Our testing included tracing the information to agreements and payments;</li> <li>• Assessing the revenue recognised with substantive analytical procedures; and</li> <li>• Assessing the Group's disclosures on revenue recognition.</li> </ul>
<p><b><u>Significance of property, plant and equipment</u></b></p> <p>As at 30 November 2019, the Group had property, plant and equipment amounting to A\$2,459,002. The significance of the property, plant and equipment on the statements of financial position resulted in them being identified as a key audit matter.</p>	<p>Our audit procedures included testing of design, existence and operating effectiveness of internal control procedures implemented as well as test of detail to ensure completeness and accuracy of the property, plant and equipment through the following:</p>



Key audit matter	How our audit addressed the key audit matter
<b><u>Significance of property, plant and equipment</u></b> Leasehold land is measured at cost less any accumulated impairment losses. Other property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.	<ul style="list-style-type: none"> <li>• Ensured the estimated remaining useful lives and residual values of property, plant and equipment is reasonable, by comparing the Directors' estimates to the useful lives of assets with similar characteristics;</li> <li>• Reviewed the Group's depreciation policy for property, plant and equipment and verified the inputs to the calculation; and</li> <li>• Performed predictive tests on depreciation charge.</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, which is expected to be made available to us after the date of this auditors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.



### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





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We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other matters**

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

The engagement partner on the audit resulting in this independent auditors' report is Ho Mee Ling.



HML & CO.  
AF: 1325  
Chartered Accountants

Kuala Lumpur, Malaysia  
10 February 2020

Company No.: ARBN 622 412 186

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENT BY DIRECTORS**

In the opinion of the Directors of CTG FIBERSWAY INTERNATIONAL LIMITED, the financial statements set out on pages 7 to 49 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 Group and of the Company as at 30 November 2019 and of their financial performance and cash flows for the period then ended.

Signed on behalf of the Board of Directors,



SHENG, ZEJUN  
**Director**



SHENG, YANJUN  
**Director**

People's Republic of China  
10 February 2020



**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 NOVEMBER 2019**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	5	2,459,002	2,434,520	-	-
Intangible asset	6	1,775,043	1,665,128	-	-
Investment in subsidiaries	7	-	-	4,500,000	4,500,000
Goodwill	8	3,194,627	2,996,808	-	-
		<u>7,428,672</u>	<u>7,096,456</u>	<u>4,500,000</u>	<u>4,500,000</u>
<b>CURRENT ASSETS</b>					
Inventories	9	1,576,504	1,545,290	-	-
Trade receivables	10	5,671,007	5,831,922	-	-
Other receivables and prepayments	11	1,122,069	822,344	-	-
Other assets	12	11,456	6,771	-	-
VAT recoverable		709,906	441,154	-	-
Fixed deposits with bank	13	245,630	230,420	-	-
Cash and bank balances		191,344	232,868	-	-
		<u>9,527,916</u>	<u>9,110,769</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u><u>16,956,588</u></u>	<u><u>16,207,225</u></u>	<u><u>4,500,000</u></u>	<u><u>4,500,000</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	15	4,500,000	4,500,000	4,500,000	4,500,000
Foreign currency translation reserves	16	303,826	(8,715)	-	-
(Accumulated loss)/Retained profit		<u>(361,584)</u>	<u>336,563</u>	<u>(20,271)</u>	<u>(8,084)</u>
<b>TOTAL EQUITY</b>		<u><u>4,442,242</u></u>	<u><u>4,827,848</u></u>	<u><u>4,479,729</u></u>	<u><u>4,491,916</u></u>
<b>NON-CURRENT LIABILITY</b>					
Borrowings	17	<u>923,736</u>	<u>965,006</u>	<u>-</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>					
Trade payables		6,421,789	4,876,884	-	-
Other payables, deposit received and accruals	18	705,181	1,906,965	20,271	8,084
Borrowings	17	4,439,827	3,544,920	-	-
Tax payables		<u>23,813</u>	<u>85,602</u>	<u>-</u>	<u>-</u>
		<u>11,590,610</u>	<u>10,414,371</u>	<u>20,271</u>	<u>8,084</u>
<b>TOTAL LIABILITIES</b>		<u><u>12,514,346</u></u>	<u><u>11,379,377</u></u>	<u><u>20,271</u></u>	<u><u>8,084</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>16,956,588</u></u>	<u><u>16,207,225</u></u>	<u><u>4,500,000</u></u>	<u><u>4,500,000</u></u>

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

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

		<b>Group</b>		<b>Company</b>	
			<b>23.10.2017</b>		<b>23.10.2017</b>
			<b>to</b>		<b>to</b>
	<b>Note</b>	<b>2019</b>	<b>30.11.2018</b>	<b>2019</b>	<b>30.11.2018</b>
		<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Revenue	19	18,196,238	21,911,049	-	-
Cost of sales		(16,410,723)	(19,401,349)	-	-
Gross profit		1,785,515	2,509,700	-	-
Other operating income		810,981	416,850	-	-
Other operating expenses		(112)	(20)	-	-
Distribution costs		(464,537)	(493,680)	-	-
Administration expenses		(2,473,555)	(1,616,476)	(12,187)	(8,084)
(Loss)/Profit from operations	20	(341,708)	816,374	(12,187)	(8,084)
Finance costs	21	(378,598)	(429,618)	-	-
(Loss)/Profit before tax		(720,306)	386,756	(12,187)	(8,084)
Income tax expenses	22	22,159	(50,193)	-	-
(Loss)/Profit for the year/period		(698,147)	336,563	(12,187)	(8,084)
<b>Other comprehensive income</b>					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		312,541	(8,715)	-	-
Total comprehensive (loss)/income for the year/period		(385,606)	327,848	(12,187)	(8,084)
<b>(Loss)/Earnings per share:</b>					
Basic - cents per share	23	(0.35)	0.17	-	-

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

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENTS OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 NOVEMBER 2019**

	Share capital A\$	Foreign currency translation reverses A\$	Retained profits/ (Accumulated loss) A\$	Total A\$
<b>Group</b>				
As at date of incorporation	100	-	-	100
Issue of shares during the period	900	-	-	900
Share issued to existing shareholders* in exchange for share of subsidiaries acquired	4,499,000	-	-	4,499,000
Total comprehensive income for the period	-	(8,715)	336,563	327,848
As at 30 November 2018	4,500,000	(8,715)	336,563	4,827,848
Total comprehensive loss for the year	-	312,541	(698,147)	(385,606)
As at 30 November 2019	<u>4,500,000</u>	<u>303,826</u>	<u>(361,584)</u>	<u>4,442,242</u>

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

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

	Share capital A\$	Foreign currency translation reverses A\$	Retained profits/ (Accumulated loss) A\$	Total A\$
<b>Company</b>				
As at date of incorporation	100	-	-	100
Issue of shares during the period	900	-	-	900
Shares issued to existing shareholders* in exchange for share of subsidiaries acquired	4,499,000	-	-	4,499,000
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(8,084)</u>	<u>(8,084)</u>
As at 30 November 2018	4,500,000	-	(8,084)	4,491,916
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(12,187)</u>	<u>(12,187)</u>
As at 30 November 2019	<u>4,500,000</u>	<u>-</u>	<u>(20,271)</u>	<u>4,479,729</u>

\*Existing shareholders: Shareholders of the Company as at 20 November 2017.



**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

		<b>Group</b>		<b>Company</b>	
		<b>23.10.2017</b>		<b>23.10.2017</b>	
		<b>to</b>		<b>to</b>	
		<b>30.11.2018</b>		<b>30.11.2018</b>	
<b>Note</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
(Loss)/Profit before tax	(720,306)	386,756	(12,187)	(8,084)	
Adjustment for:					
Depreciation of property, plant and equipment	317,963	266,557	-	-	
Interest expenses	358,403	411,915	-	-	
Interest income	(1,602)	(1,317)	-	-	
Loss on disposal of property, plant and equipment	-	18,559	-	-	
Operating (loss)/profit before working capital changes	(45,542)	1,082,470	(12,187)	(8,084)	
Increase in inventories	(31,214)	(14,250)	-	-	
Decrease in trade receivables	160,915	7,466,119	-	-	
(Increase)/Decrease in other receivables and prepayments	(299,725)	2,061,601	-	-	
Increase in other assets	(4,685)	(1,016)	-	-	
(Increase)/Decrease in VAT recoverable	(268,752)	49,737	-	-	
Increase/(Decrease) in trade payables	1,544,905	(5,729,558)	-	-	
(Decrease)/Increase in other payables, deposit received and accruals	(1,201,784)	(1,466,927)	12,187	8,084	
Cash (used in)/from operations	(145,882)	3,448,176	-	-	
Interest paid	(358,403)	(411,915)	-	-	
Interest received	1,602	1,317	-	-	
Tax paid	(39,630)	(12,703)	-	-	
Net cash (used in)/from operating activities	(542,313)	3,024,875	-	-	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment	-	196	-	-	
Purchase of property, plant and equipment	(183,060)	(720,818)	-	-	
Cash used in acquisition of subsidiaries	25	443,363	-	-	
Net cash used in investing activities	(183,060)	(277,259)	-	-	

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

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

		<b>Group</b>		<b>Company</b>
		<b>23.10.2017</b>		<b>23.10.2017</b>
		<b>to</b>		<b>to</b>
		<b>30.11.2018</b>		<b>30.11.2018</b>
<b>Note</b>	<b>2019</b>	<b>30.11.2018</b>	<b>2019</b>	<b>30.11.2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	5,311,701	4,626,945	-	-
Repayment of borrowings	(4,761,139)	(6,950,520)	-	-
Net cash from/(used in) financing activities	550,562	(2,323,575)	-	-
Net (decrease)/increase in cash and cash equivalents	(174,811)	424,041	-	-
Cash and cash equivalents at beginning of the year/incorporation date	266,348	-	-	-
Effect of exchange rate changes on cash and cash equivalents	135,497	(157,693)	-	-
Cash and cash equivalents at end of the year/period	227,034	266,348	-	-
<b>Cash and cash equivalents comprise:</b>				
Fixed deposits with bank	245,630	230,420	-	-
Cash and bank balances	191,344	232,868	-	-
	436,974	463,288	-	-
Less: Fixed deposits pledge with bank	(209,940)	(196,940)	-	-
	227,034	266,348	-	-

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

**CTG FIBERSWAY INTERNATIONAL LIMITED**  
*(Incorporated in Cayman Islands)*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

**1 GENERAL INFORMATION**

The Company is a public limited liability company incorporated in Cayman Islands, registered in Australia and listed in National Stock Exchange of Australia (“NSX”), with its registered office in Australia located at Level 1, Office F, 1139 Hay Street, West Perth WA 6005, Australia.

The Company is an investment holding company and does not actively carry on business since the date of incorporation to the date of this report.

The Company was incorporated for the sole purpose of acquiring of subsidiaries and it holds 100% of the issued share capital of subsidiary companies which carry on business as disclose in Note 7. There have been no significant changes in the nature of these activities during the financial year ended.

**2 BASIS OF PREPARATION**

**2.1 BASIS OF MEASUREMENT, FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements have been prepared on a historical cost basis other than as disclosed in Note 3.

The financial statements have been prepared based the currency of the primary economic environment in which the entity operates (i.e., its functional currency). The functional currency of the Company is Chinese Yuan or the Renminbi (“RMB”), while the presentation currency of the Group and of the Company are Australian Dollars (“A\$”). All financial information is presented in Australian Dollars, unless otherwise stated.

**2.2 GOING CONCERN ASSUMPTION**

The Directors assessed and concluded that it is appropriate to prepare this set of financial statements on a going concern basis. While the Group and the Company recorded a net current liabilities of A\$2,062,694 and A\$20,271 as at 30 June 2019 (2018: A\$1,303,602 and A\$8,084), there is no reason for the Directors to believe that there is any significant uncertainty on the ability of the Company to continue as a going concern because the Directors have undertaken to provide appropriate financial support to the Company to enable it to meet its obligations as and when they fall due.

**2.3 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”).

**CTG FIBERSWAY INTERNATIONAL LIMITED**

*(Incorporated in Cayman Islands)*

**ADOPTION OF NEW AND AMENDED STANDARDS**

During the year, the Group and the Company have adopted all the amendments to IFRS that are mandatory for the current year. The adoption of the amendments to IFRS did not have any significant impact on the financial statements of the Group and of the Company.

**STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Company did not adopt an earlier application of the following new and revised IFRSs which have been issued by the IASB but are not yet effective for current year ended 30 November 2019.

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 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

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2020:

- Amendments to IAS 3, Definition of a Business
- Amendments to IAS 1 and IAS 8, Definition of Material

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2021:

- IFRS 17, Insurance contracts

IFRSs, IFRIC 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 Company will adopt the above IFRSs in the respective financial years when they become effective. The initial application of the above-mentioned IFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below.



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- ***IFRS 16, Leases***

IFRS 16 replaces the guidance in IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group are currently assessing the impact of adopting IFRS 16.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 BASIS OF CONSOLIDATION**

##### ***i) Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

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If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

**ii) *Change In Ownership Interests In Subsidiaries Without Change Of Control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**iii) *Disposal Of Subsidiaries***

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

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*iv) Goodwill On Consolidation*

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

**3.2 PROPERTY, PLANT AND EQUIPMENT**

*i) Recognition And Measurement*

Leasehold land is measured at cost less any accumulated impairment losses. Other item of property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The costs of self-constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

*ii) Subsequent Costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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**iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

Leasehold land is amortised in equal instalments over the terms of the lease period of 50 years. The estimated useful lives, as follows:

	Estimated useful lives	Estimated residual value as a percentage of cost
Building	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	Nil - 10%
Plant and machinery	10 years	5% - 10%
Renovation	3 years	Nil

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted where appropriate.

**3.3 INTANGIBLE ASSETS**

Intangible assets are recognised when it is probable that expected future economic benefits that are attributable to the assets will flow to the Group and the Company, the cost or value of the assets can be measured reliably and the assets do not result from expenditure incurred internally on an intangible item.

Intangible assets acquired separately are measured at cost initially. Subsequently, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Trademark are amortised on a straight-line method over the estimated useful lives. The amortisation period and method are reviewed if there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date.

**3.4 IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each reporting date, the Group and the Company 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 and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.



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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, 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 profit or loss, 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.

**3.5 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.

**3.6 FINANCIAL INSTRUMENTS**

***i) 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.

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***ii) 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.

***iii) 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:

- (a) financial assets in the loans and receivables category as at amortised cost using the effective interest method; and
- (b) financial liabilities comprise trade and other payables, borrowings and advances from related parties. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method.

***iv) 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.

***v) Impairment And Uncollectibility Of Financial Assets***

The Group applies the expected credit losses 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:

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- (a) significant difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payment;
- (c) granting exceptional concession to a customer;
- (d) it is probable that a customer will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) 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.

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.

**3.7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value.

**3.8 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND DISTRIBUTIONS**

The Group and the Company 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.

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**i) *Share Capital***

Ordinary shares and non-redeemable preference shares issued that carry no mandatory contractual obligation:

- (a) to deliver cash or another financial asset; or
- (b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Company, 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 equity.

**ii) *Compound Financial Instruments***

The Group and the Company 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.

**iii) *Distributions***

The Group and the Company 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 Management 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.

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**3.9 FOREIGN CURRENCY TRANSLATION**

*i) Foreign Currency Transaction And Balances*

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

*ii) Foreign Operations*

The results and financial position of operations that have a functional currency different from the presentation currency ("A\$") ("Foreign Operation") are translated into A\$ as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- (b) Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and
- (c) All resulting exchange differences are taken to the FCTR within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, translated at the closing rate at the reporting date.

If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

**3.10 PROVISIONS**

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

**3.11 REVENUE AND OTHER INCOME**

Goods sold

Revenue is measure based on the considerations specified in a contract with a customer in exchange for transferring goods to customer, excluding amounts collected on behalf of third parties. The Company recognised revenue when or as it transfer control over a product to customer. An asset is transferred when or as the customer obtains control of the asset.

The Company transfers control of goods at a point in time unless one of the following overtime criteria is met:

- a) The customer simultaneously receives and consumes the benefits provided as the Company's performs;
- b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) The Company's performance does not create an assets with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

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**3.12 EMPLOYMENT BENEFITS**

*i) Short-Term Employment Benefits*

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Profit-sharing and bonus plans are recognised when the Group and the Company has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group and the Company has no realistic alternative but to make the payments.

*ii) Defined Contribution Plan*

Contributions to the statutory pension scheme are recognised as an expense in profit or loss in the year to which they relate.

**3.13 BORROWINGS COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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**3.14 INCOME TAX**

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- i) the initial recognition of goodwill; or
- ii) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for depreciation allowances for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor tax taxable profit (or tax losses).

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current and deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly 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 Group intends to settle its current tax assets and liabilities on a net basis.



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**3.15 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.

The net amount of VAT recoverable from, or payable to, the tax office is included as part of receivables or payables in the statement of financial position.

**3.16 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**3.17 CONTINGENT LIABILITIES**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**3.18 FAIR VALUE MEASUREMENTS**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**3.19 RELATED PARTIES**

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company.
- b) An entity is related to the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint control venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a past-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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**3.20 EARNINGS PER ORDINARY SHARE**

The group presents basic earnings per share (“EPS”) data for its ordinary share.

Basic EPS are calculated by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

**4.1 IMPAIRMENT OF LOANS AND RECEIVABLES**

The Group and the Company recognises impairment losses for receivables using the expected credit losses model. At the end of each reporting period, the Group and the Company 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 and the Company’s financial position and results.

**4.2 IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSET**

The Group assesses whether there are any indicators of impairment of goodwill and intangible assets at each reporting date. Goodwill is tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 14. The carrying amount of intangible asset is disclosed in Note 6.

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**4.3 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.

**4.4 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.

**5 PROPERTY, PLANT AND EQUIPMENT**

**Group**  
**2019**

	<b>As at 1 December 2018 A\$</b>	<b>Additions A\$</b>	<b>Disposals A\$</b>	<b>Exchange differences A\$</b>	<b>As at 30 November 2019 A\$</b>
<b><u>Cost</u></b>					
Leasehold land	675,485	-	-	44,588	720,073
Building	1,216,128	-	-	80,276	1,296,404
Computer and software	42,824	-	-	2,827	45,651
Electrical equipment	21,616	1,629	-	1,442	24,687
Furniture and fittings	84,298	-	-	5,565	89,863
Motor vehicles	176,595	-	-	11,657	188,252
Office equipment	15,544	55,096	-	1,564	72,204
Plant and machinery	1,300,653	99,874	-	86,831	1,487,358
Renovation	213,817	26,461	-	14,372	254,650
	<u>3,746,960</u>	<u>183,060</u>	<u>-</u>	<u>249,122</u>	<u>4,179,142</u>

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	As at 1 December 2018 A\$	Charges for the year A\$	Disposals A\$	Exchange differences A\$	As at 30 November 2019 A\$
<b><u>Accumulated Depreciation</u></b>					
Leasehold land	115,958	14,262	-	7,794	138,014
Building	234,324	57,774	-	16,032	308,130
Computer and software	37,354	4,640	-	2,511	44,505
Electrical equipment	7,183	7,357	-	546	15,086
Furniture and fittings	55,672	6,615	-	3,739	66,026
Motor vehicles	170,706	-	-	11,268	181,974
Office equipment	10,657	17,087	-	870	28,614
Plant and machinery	588,822	129,105	-	40,128	758,055
Renovation	91,764	81,123	-	6,849	179,736
	1,312,440	317,963	-	89,737	1,720,140

	2019 A\$	2018 A\$
<b><u>Carrying Amounts</u></b>		
Leasehold land	582,059	559,527
Building	988,274	981,804
Computer and software	1,146	5,470
Electrical equipment	9,601	14,433
Furniture and fittings	23,837	28,626
Motor vehicles	6,278	5,889
Office equipment	43,590	4,887
Plant and machinery	729,303	711,831
Renovation	74,914	122,053
	2,459,002	2,434,520

**2018**

	As at incorporation A\$	Acquisition of subsidiaries A\$	Additions A\$	Disposals A\$	Exchange differences A\$	As at 30 November 2018 A\$
<b><u>Cost</u></b>						
Leasehold land	-	705,462	-	-	(29,977)	675,485
Building	-	791,955	469,705	-	(45,532)	1,216,128
Computer and software	-	44,724	-	-	(1,900)	42,824
Electrical equipment	-	9,554	12,791	-	(729)	21,616
Furniture and fittings	-	69,115	18,590	-	(3,407)	84,298
Motor vehicles	-	242,804	-	(57,342)	(8,867)	176,595
Office equipment	-	16,234	-	-	(690)	15,544
Plant and machinery	-	1,186,625	168,718	-	(54,690)	1,300,653
Renovation	-	171,375	51,014	-	(8,572)	213,817
	-	3,237,848	720,818	(57,342)	(154,364)	3,746,960

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	As at incorporation A\$	Acquisition of subsidiaries A\$	Charges for the period A\$	Disposals A\$	Exchange differences A\$	As at 30 November 2018 A\$
<b><u>Accumulated Depreciation</u></b>						
Leasehold land	-	106,995	13,860	-	(4,897)	115,958
Building	-	193,532	50,288	-	(9,496)	234,324
Computer and software	-	34,264	4,664	-	(1,574)	37,354
Electrical equipment	-	1,186	6,204	-	(207)	7,183
Furniture and fittings	-	52,148	5,889	-	(2,365)	55,672
Motor vehicles	-	214,095	3,405	(38,586)	(8,208)	170,706
Office equipment	-	10,716	407	-	(466)	10,657
Plant and machinery	-	497,120	115,754	-	(24,052)	588,822
Renovation	-	28,563	66,086	-	(2,885)	91,764
	-	1,138,619	266,557	(38,586)	(54,150)	1,312,440

	<b>2018 A\$</b>
<b><u>Carrying Amounts</u></b>	
Leasehold land	559,527
Building	981,804
Computer and software	5,470
Electrical equipment	14,433
Furniture and fittings	28,626
Motor vehicles	5,889
Office equipment	4,887
Plant and machinery	711,831
Renovation	122,053
	<u>2,434,520</u>

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The gross carrying amounts of fully depreciated property, plant and equipment of the Group are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>
Computer and software	31,893	28,927
Furniture and fittings	54,982	46,199
Motor vehicles	188,252	176,595
Office equipment	10,904	10,229
	<u>286,031</u>	<u>261,950</u>

The carrying amounts of following property, plant and equipment were pledged as securities for bank borrowings granted to the Group as disclosure in Note 17:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>
Leasehold land	582,059	559,527
Building	988,274	981,804
Plant and machinery	29,374	34,205
	<u>1,599,707</u>	<u>1,575,536</u>

**6 INTANGIBLE ASSET**

**Group**

	<b>Trademark</b>	<b>Total</b>
	<b>A\$</b>	<b>A\$</b>
<b><u>Cost</u></b>		
At beginning of the year	1,665,128	1,665,128
Exchange differences	109,915	109,915
At end of the year	<u>1,775,043</u>	<u>1,775,043</u>
<b><u>Carrying amounts</u></b>		
As at 30 November 2019	<u>1,775,043</u>	<u>1,775,043</u>
<b><u>Cost</u></b>		
Acquisition of subsidiaries	1,739,024	1,739,024
Exchange differences	(73,896)	(73,896)
At end of the period	<u>1,665,128</u>	<u>1,665,128</u>
<b><u>Carrying amounts</u></b>		
As at 30 November 2018	<u>1,665,128</u>	<u>1,665,128</u>



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The Group's intangible assets are assessed to have indefinite useful life due to the trademark registration in People's Republic of China being indefinite and hence no amortisation is charged.

Based on the impairment assessment performed by the Group as disclose in Note 14, no impairment is required for the intangible assets.

**7 INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>
Unquoted shares at cost	<u>4,500,000</u>	<u>4,500,000</u>

Details of the Company's Group are as follows:

<b>Name of Group</b>	<b>Country of incorporation</b>	<b>Equity interest (%)</b>	<b>Principal activities</b>
Fibersway Singapore Pte. Ltd. ( <i>"Fibersway SG"</i> )	Singapore	100%	Investment holding
Zhejiang CTG Communication Technology Co., Limited ( <i>"Zhejiang CTG"</i> )	China	100%	Investment holding
CTG (Jiangsu) Electronics Co., Limited ( <i>"CTG Jiangsu"</i> )	China	100%	Manufacture and sales of networking cables and related products
Hangzhou Linan Xitianqi Import & Export Co., Limited ( <i>"Xitianqi Imp&amp;Exp"</i> )	China	100%	Sales and marketing of networking cable, optic fibre cables and related products
Hangzhou Fibersway Communication Technology Co., Limited ( <i>"Hangzhou Fibersway"</i> )	China	100%	Manufacture and sales of optic fibre cables and related products

**8 GOODWILL**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>
At beginning of the year/incorporation date	2,996,808	-
Addition thought business combinations (Note 25)	-	2,930,152
Exchange difference	<u>197,819</u>	<u>66,656</u>
At end of the year/period	<u>3,194,627</u>	<u>2,996,808</u>

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The carrying amount of goodwill arising from the acquisition of subsidiaries (i.e. Cash Generating Units, “CGU”) was tested for impairment using the value in use (“VIU”) method.

Based on the impairment assessment performed by the Group as disclose in Note 14, no impairment is required for the goodwill.

**9 INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Raw materials	469,714	857,407	-	-
Finished goods	1,106,790	687,883	-	-
	<u>1,576,504</u>	<u>1,545,290</u>	<u>-</u>	<u>-</u>
Inventories recognised as cost of sales in statement of comprehensive income	<u>16,410,723</u>	<u>19,401,349</u>	<u>-</u>	<u>-</u>

**10 TRADE RECEIVABLES**

Included in trade receivables of the Group are amount of A\$3,466,563 (2019: A\$3,785,826) owing from a company in which one of the Directors of the Company has interest.

The normal trade credit terms granted to the customers ranges from 30 to 90 days and no interest charges.

The trade receivables are denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Chinese Yuan	4,746,984	4,723,738	-	-
United States Dollar	924,023	1,108,184	-	-
	<u>5,671,007</u>	<u>5,831,922</u>	<u>-</u>	<u>-</u>

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**11 OTHER RECEIVABLES AND PREPAYMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Other receivables	1,046,862	761,515	-	-
Prepayments	75,207	60,829	-	-
	<u>1,122,069</u>	<u>822,344</u>	<u>-</u>	<u>-</u>

Included in other receivables of the Group are amount of A\$784,774 (2018: A\$500,862) owing from a company in which one of the Directors of the Company has interest.

**12 OTHER ASSETS**

Other assets are the Group's investment on agricultural products. The products are mainly used for the purpose of gift and staff welfare.

**13 FIXED DEPOSITS WITH BANK**

Included in fixed deposits of the Group amounting of A\$209,940 (2018: A\$196,940) are pledged to bank for bank borrowings granted to the Group as disclosed Note 17.

**14 IMPAIRMENT TESTS FOR NON-FINANCIAL ASSETS**

The Group identifies each subsidiary as a cash-generating unit for the purpose of impairment testing. Goodwill and intangible asset have been allocated to three subsidiaries. The details of the impairment tests on the three cash-generating units are as follows:

	<b>CTG Jiangsu</b>	<b>Xitianqi</b>	<b>Hangzhou</b>
	<b>A\$</b>	<b>Imp&amp;Exp</b>	<b>Fibersway</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Goodwill allocated	3,134,193	126,230	(65,796)
Intangible asset allocated	-	1,775,043	-
Carrying amount of CGU	3,134,193	1,901,273	(65,796)
Recoverable amount	3,177,027	1,946,522	992,931
Excess of recoverable amount over carrying amount	<u>42,834</u>	<u>45,249</u>	<u>1,058,727</u>
Basis of recoverable amount	Value-in use	Value-in use	Value-in use

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	<b>CTG Jiangsu</b>	<b>Xitianqi Imp&amp;Exp</b>	<b>Hangzhou Fibersway</b>
Key Assumptions:			
(a) Forecast revenue increase	17%	12%	15%
(b) Profit margin	14.05%	4.25%	13%
Management approach	Past experience	Past experience	Past experience
Period of forecast/budget	5 years	5 years	5 years
Growth rate used in extrapolation	6%	6%	6%
Discount rate per annum	6%	6%	6%
Possible changes that may cause recoverable amount to equal carrying amount:			
Revenue decrease by	1%	1%	NA
Profit margin decrease by	1%	1%	2%
Discount rate increase by	1%	2.5%	NA

**15 SHARE CAPITAL**

<b>Group and Company</b>	<b>Number of shares 2019 Units</b>	<b>2019 A\$</b>	<b>Number of shares 2018 Units</b>	<b>2018 A\$</b>
<b>Issued and fully paid:</b>				
<b>Ordinary shares</b>				
At beginning of the year/ incorporation date	200,000,000	4,500,000	100	100
Issued during the period	-	-	900	900
Shares issued to existing shareholders in exchange for shares in subsidiaries acquired	-	-	199,999,000	4,499,000
	<u>200,000,000</u>	<u>4,500,000</u>	<u>200,000,000</u>	<u>4,500,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

**16 FOREIGN CURRENCY TRANSLATION RESERVES**

Foreign currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Company and foreign operations with different functional currencies from that of the Group's presentation currency.

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**17 BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>Non-current liability</b>				
Secured:				
- Revolving credit	923,736	965,006	-	-
<b>Current liabilities</b>				
Secured:				
- Bankers' acceptance	419,880	393,880	-	-
- Short-term loans	4,019,947	3,151,040	-	-
	4,439,827	3,544,920	-	-
	5,363,563	4,509,926	-	-

Interest charged in the current year range from 5.50% to 10.44% per annum.

As at 30 November 2019, the borrowings are secured by:

- i) the Group's leasehold land, building and certain plant and machinery as disclosed in Note 5;
- ii) fixed deposits with bank as disclosed in Note 13;
- iii) guarantee by certain Directors of the Company;
- iv) guarantee by related companies and a company which one of the Directors of the Company has interest; and
- v) guarantee by key management personnel.

**Note on Components of Financing Activities (excluding Equity)**

	<b>Group</b>	
	<b>2019</b>	<b>23.10.2017</b>
	<b>A\$</b>	<b>to</b>
		<b>30.11.2018</b>
		<b>A\$</b>
Balance as at beginning of the year/date of incorporation	4,509,926	-
<b>Cash Flows:</b>		
Inflows from new borrowings	5,311,701	4,626,945
Outflows of repayments	(4,761,139)	(6,950,520)
<b>Non-Cash Changes:</b>		
Acquisitions of subsidiaries	-	7,075,392
Exchange differences	303,075	(241,891)
Balance at end of the year/period	5,363,563	4,509,926

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**18 OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUALS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Other payables	337,294	721,431	9,395	8,084
Deposit received	208,092	-	-	-
Accruals	74,641	105,868	7,567	-
Amount owing to a Director	85,154	1,079,666	3,309	-
	<u>705,181</u>	<u>1,906,965</u>	<u>20,271</u>	<u>8,084</u>

Included in other payables of the Group are amount of A\$Nil (2018: A\$595,156) owing to a company in which one of the Directors of the Company has interest. These amounts and amount owing to a Director are unsecured, interest free and repayable on demand.

**19 REVENUE**

Revenue of the Group represents invoices value of goods sold less trade discounts.

**20 (LOSS)/PROFIT FROM OPERATIONS**

**20.1 DISCLOSURE ITEMS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
This is arrived at after charging:				
Auditors' remuneration	32,698	-	-	-
Bad debts written off	-	20	-	-
Depreciation of property, plant and equipment	317,963	266,557	-	-
Loss on disposal of property, plant and equipment	-	18,559	-	-
Loss on foreign exchange	<u>55,546</u>	<u>46,775</u>	<u>-</u>	<u>-</u>
And crediting:				
Bad debts recovery	(623,730)	(222,255)	-	-
Gain on foreign exchange	(58,787)	(63,299)	-	-
Interest income	<u>(1,602)</u>	<u>(1,317)</u>	<u>-</u>	<u>(1)</u>

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**20.2 EMPLOYEES BENEFITS EXPENSES**

	<b>Group</b>		<b>Company</b>	
	<b>23.10.2017 to 30.11.2018</b>		<b>23.10.2017 to 30.11.2018</b>	
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Salaries, wages and bonus	1,074,571	1,016,502	-	-
Social insurance contribution	142,443	142,314	-	-
	<u>1,217,014</u>	<u>1,158,816</u>	<u>-</u>	<u>-</u>

**21 FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>23.10.2017 to 30.11.2018</b>		<b>23.10.2017 to 30.11.2018</b>	
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Interest expenses	358,403	411,915	-	-
Processing fees	20,195	17,703	-	-
	<u>378,598</u>	<u>429,618</u>	<u>-</u>	<u>-</u>

**22 INCOME TAX EXPENSES**

No provision has been made for tax of the Company as it is registered in Cayman Islands and is exempt from tax. Income tax for the Group's operations in People's Republic of China ("PRC") has been provided at the rate of 25% on the estimate assessable.

	<b>Group</b>		<b>Company</b>	
	<b>23.10.2017 to 30.11.2018</b>		<b>23.10.2017 to 30.11.2018</b>	
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Tax charges for the year/ period	17,649	50,193	-	-
Over provision in prior period	(39,808)	-	-	-
	<u>(22,159)</u>	<u>50,193</u>	<u>-</u>	<u>-</u>



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	<b>Group</b>		<b>Company</b>	
		<b>23.10.2017</b>		<b>23.10.2017</b>
		<b>to</b>		<b>to</b>
	<b>2019</b>	<b>30.11.2018</b>	<b>2019</b>	<b>30.11.2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
(Loss)/Profit before tax	<u>(720,306)</u>	<u>386,756</u>	<u>(12,187)</u>	<u>(8,084)</u>
Tax income calculated at the tax rate of 25%	(180,077)	96,689	(3,047)	(2,271)
Expenses not deductible for tax purpose	19,742	11,216	-	-
Tax exempt loss	-	-	3,047	2,271
Special tax incentive	-	(14,141)	-	-
Utilisation of tax losses brought forward	177,984	(43,571)	-	-
Over provision in prior period	<u>(39,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(22,159)</u>	<u>50,193</u>	<u>-</u>	<u>-</u>

The Group disclosed the corporate income tax rate applicable in the jurisdiction in which the principal subsidiary domiciled which is in PCR.

## **23 (LOSSES)/EARNINGS PER ORDINARY SHARE**

### **23.1 BASIC (LOSSES)/EARNINGS PER ORDINARY SHARE**

The basic earnings per ordinary share is calculated by dividing the Group's (loss)/profit attributable to owners of the Company of A\$698,147 (2018: A\$336,563) by weight average number of ordinary shares outstanding of 200,000,000 (2018: 200,000,000).

### **23.2 DILUTED EARNINGS PER ORDINARY SHARE**

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current financial year.

## **24 OPERATING SEGMENT**

Segmental reporting is not presented as the Group is principally engaged in manufacture, sales and marketing of networking cables, optic fibre cables and related products, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in People's Republic of China.

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<u>Group</u>	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
China	5,804,685	7,166,748	7,428,672	7,096,454
Overseas	12,391,553	14,744,301	-	-
	<u>18,196,238</u>	<u>21,911,049</u>	<u>7,428,672</u>	<u>7,096,454</u>

## 25 ACQUISITION OF SUBSIDIARIES

On 20 November 2017, the Company acquired 100% of the ordinary shares of the above subsidiary companies. The Company has elected to measure the acquisition of subsidiaries at share of net assets value method.

### Assets acquisition 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:

	<b>A\$</b>
<b>Assets</b>	
Property, plant and equipment	2,099,229
Intangible assets	1,739,024
Inventories	1,531,040
Trade receivables	13,298,041
Other receivables	2,883,945
Other assets	5,756
VAT recoverable	490,891
Fixed deposits with bank	240,646
Cash and bank balances	408,397
	<u>22,696,969</u>
<b>Liabilities</b>	
Trade payables	(10,606,442)
Other payables	(3,373,892)
Borrowings	(7,075,392)
Tax payables	(71,395)
	<u>(21,127,121)</u>
<b>Total identifiable net assets at carrying value (Assets - Liabilities)</b>	1,569,848
Consideration in shares	<u>(4,500,000)</u>
	<u>(2,930,152)</u>
	<b>At acquisition date</b>
	<b>A\$</b>
Consideration	4,500,000
Net assets at fair value in subsidiaries at acquisition date	<u>(1,569,848)</u>
Goodwill on consolidation (Note 8)	<u>2,930,152</u>

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Net cash flows from the acquisition of the subsidiaries:

	A\$
Fixed deposits with bank from acquisition of subsidiaries	(34,966)
Cash and bank balances from acquisition of subsidiaries	(408,397)
	<u>(443,363)</u>

**26 RELATED PARTY TRANSACTIONS**

**26.1 IDENTIFYING RELATED PARTIES**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individual or other entities.

Related parties also included key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company.

**26.2 RELATED PARTY TRANSACTIONS**

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

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>
	A\$	A\$	A\$	A\$
Sales of goods to a company controlled by a Director of the Company	4,300,831	2,499,690	-	-
Purchase of goods from a company controlled by a Director of the Company	5,407,302	5,615,966	-	-
(Repayment to)/Advances from a Director	(1,065,771)	593,250	3,309	-
(Repayment to)/Advances from a company controlled by a Director of the Company	<u>(559,805)</u>	<u>5,831,922</u>	<u>-</u>	<u>-</u>

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**26.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>	<b>2019</b>	<b>23.10.2017 to 30.11.2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Short-term benefits	<u>234,276</u>	<u>178,451</u>	<u>-</u>	<u>-</u>

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

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of receivables and payables, cash and cash equivalents and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

**28 FINANCIAL INSTRUMENTS**

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

- a) Loans and receivables ("LR"); and
- b) Other financial liabilities measured at amortised cost ("OL")

	<b>Carrying Amount A\$</b>	<b>LR/(OL) A\$</b>
<b>Group</b>		
<b>2019</b>		
<b>Financial assets classified in the loans and receivables category:</b>		
Trade receivables	5,671,007	5,671,007
Other receivables	1,046,862	1,046,862
Fixed deposits with bank	245,630	245,630
Cash and bank balances	<u>191,344</u>	<u>191,344</u>
	<u>7,154,843</u>	<u>7,154,843</u>
<b>Financial liabilities measured at amortised cost:</b>		
Trade payables	(6,421,789)	(6,421,789)
Other payables, deposit received and accruals	(705,181)	(705,181)
Borrowings	<u>(5,363,563)</u>	<u>(5,363,563)</u>
	<u>(12,490,533)</u>	<u>(12,490,533)</u>

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	Carrying Amount A\$	LR/(OL) A\$
<b>Company</b>		
<b>2019</b>		
<b>Financial liabilities measured at amortised cost:</b>		
Other payables	<u>(20,271)</u>	<u>(20,271)</u>
<b>Group</b>		
<b>2018</b>		
<b>Financial assets classified in the loans and receivables category:</b>		
Trade receivables	5,831,922	5,831,922
Other receivables	761,515	761,515
Fixed deposits with bank	230,420	230,420
Cash and bank balances	<u>232,868</u>	<u>232,868</u>
	<u>7,056,725</u>	<u>7,056,725</u>
<b>Group</b>		
<b>2018</b>		
<b>Financial liabilities measured at amortised cost:</b>		
Trade payables	(4,876,884)	(4,876,884)
Other payables and accruals	(1,906,965)	(1,906,965)
Borrowings	<u>(4,509,926)</u>	<u>(4,509,926)</u>
	<u>(11,293,775)</u>	<u>(11,293,775)</u>
<b>Company</b>		
<b>2018</b>		
<b>Financial liabilities measured at amortised cost:</b>		
Other payables	<u>(8,084)</u>	<u>(8,084)</u>

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management is integral to the development of the Group's and the Company's business. The Group and the Company has in place the financial risk management policies to manage its exposure to a variety of risks to an acceptable level. The Group's and the Company's principal financial risk management policies are as follows:

### 29.1 CREDIT RISK

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

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The carrying amounts of the financial assets recorded on the statement of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
No past due	4,996,902	4,603,008	-	-
Past due 1 – 90 days	150,239	473,278	-	-
Past due more than 90 days	523,866	755,636	-	-
	<u>5,5671,007</u>	<u>5,831,922</u>	<u>-</u>	<u>-</u>

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Company.

As at 30 November 2019, trade receivables of A\$674,105 (2018: A\$1,228,914) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

## 29.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group and the Company will not able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>On demand or within a year</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<b>Group</b>			
<b>2019</b>			
<b>Financial liabilities</b>			
Trade payables	6,421,789	6,421,789	6,421,789
Other payables and accruals	705,181	705,181	705,181
Borrowings	<u>5,363,563</u>	<u>5,721,966</u>	<u>5,721,966</u>
	<u>12,490,533</u>	<u>12,848,936</u>	<u>12,848,936</u>

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	Carrying amount A\$	Contractual cash flows A\$	On demand or within a year A\$
<b>Group 2018</b>			
<b>Financial liabilities</b>			
Trade payables	4,876,884	4,876,884	4,876,884
Other payables and accruals	1,906,965	1,906,965	1,906,965
Borrowings	4,509,926	4,921,841	4,921,841
	<u>11,293,775</u>	<u>11,705,690</u>	<u>11,705,690</u>

**29.3 MARKET RISK**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the company's financial position or cash flows.

*i) Currency Risk*

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

**Exposure to foreign currency risk**

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting year was:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Trade receivables	<u>924,023</u>	<u>1,108,184</u>	<u>-</u>	<u>-</u>

**Currency risk sensitivity analysis**

A 6% strengthening of A\$ against the USD at the end of the reporting year would have increased profit before tax by A\$55,441 (2018: A\$66,491). A 6% weakening of A\$ against the USD at the end of the reporting period would have had equal but opposite effect.

*ii) Interest Rate Risk*

The Group's and the Company's fixed rate deposits placed with financial institutions and borrowings are exposed to a risk of change in their fair value due to changes in market interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in market interest rates.



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The Group and the Company manages the interest rate risk of its deposits with financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank.

The Group and the Company manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market.

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
<u>Fixed rate instruments</u>				
Borrowings	<u>5,363,563</u>	<u>4,509,926</u>	<u>-</u>	<u>-</u>

### Interest rate risk sensitivity analysis

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

## 30 CAPITAL MANAGEMENT

The Group's and the Company's objectives of managing capital are to safeguard the Group's and the Company's ability to continue in operations as a going concern and to provide fair returns for shareholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital using gearing ratio. The Group's and the Company's policy is to maintain a prudent level at gearing ratio.

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The gearing ratios as at the end of the year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Total borrowings	5,363,563	4,509,926	-	-
Less: Fixed deposits with bank	(245,630)	(230,420)	-	-
Cash and bank balances	(191,341)	(232,868)	-	-
Net debts	4,926,592	4,046,638	-	-
Total equity	4,442,242	4,827,848	4,487,611	4,491,916
Gearing ratio (debt to equity)	110.90%	83.82%	NA	NA

**31 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

There are no significant events during the financial year.

**32 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

There are no significant events after the balance sheet date.

**33 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There are no contingent liabilities and capital commitments as at the date of this financial statements.

**34 COMPARATIVE FIGURES**

The comparative figures of statement of comprehensive income and statement of cash flows are for the period from 23 October 2017 to 30 November 2018.

**35 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors on 10 February 2020.

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**DETAILED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 NOVEMBER 2019**

	<b>2019</b>	<b>23.10.2017</b>
	<b>AS</b>	<b>to</b>
		<b>30.11.2018</b>
		<b>AS</b>
<b>REVENUE</b>	-	-
<b>LESS: COST OF SALES</b>	-	-
<b>GROSS PROFIT</b>	-	-
<b>LESS: ADMINISTRATION EXPENSES</b>		
GST expenses	420	735
Postage and courier	-	281
Printing and stationery	-	390
Professional fees	7,567	2,591
Services fees	4,200	4,087
	<u>12,187</u>	<u>8,084</u>
<b>LOSS BEFORE TAX</b>	<u>(12,187)</u>	<u>(8,084)</u>

*This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.*