

CTG FIBERSWAY INTERNATIONAL LIMITED

(Incorporated in Cayman Islands)
(Company reg no: ARBN 622 412 186)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
31 MAY 2020**

CTG FIBERSWAY INTERNATIONAL LIMITED
(Incorporated in Cayman Islands)
(Company reg no: ARBN 622 412 186)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED 31 MAY 2020**

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CTG FIBERSWAY INTERNATIONAL LIMITED

STATEMENT BY DIRECTOR

I, SHENG, ZEJUN, the Director of CTG FIBERSWAY INTERNATIONAL LIMITED, state that, in my opinion, the financial statements set out on pages 3 to 16 are drawn up in accordance with IAS 34 Interim Financial Reporting so as to give a true and fair view of the financial position of the Group as at 31 May 2020 and of financial performance and cash flows of the Group for the financial period ended on that date.

Signed on behalf of the Board of the Director,



SHENG, ZEJUN
Director

People's Republic of China
10 August 2020

**INDEPENDENT AUDITORS' REPORT ON
REVIEW OF CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
TO THE MEMBERS OF
CTG FIBERSWAY INTERNATIONAL LIMITED**
(Company reg no: ARBN 622 412 186)

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of CTG FIBERSWAY INTERNATIONAL LIMITED as at 31 May 2020, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and notes to the interim financial statements ("condensed consolidated interim financial statements"). The Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six months ended 31 May 2020 are not presented fairly, in all material aspects, in accordance with IAS 34 Interim Financial Reporting.



HML & CO.
AF 1325
Chartered Accountants
Kuala Lumpur, Malaysia
10 August 2020

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

		Group	
		31.5.2020	30.11.2019
	Note	AS	AS
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,488,146	2,459,002
Intangible assets	6	1,766,926	1,775,043
Goodwill	7	2,904,910	3,194,627
		<u>7,159,982</u>	<u>7,428,672</u>
CURRENT ASSETS			
Inventories	8	1,530,844	1,576,504
Trade receivables	9	5,244,743	5,671,007
Other receivables and prepayments	10	1,907,855	1,831,975
Other assets		11,404	11,456
Amount owing from Directors	11	979,937	-
Fixed deposits with bank		242,417	245,630
Cash and bank balances		81,454	191,344
		<u>9,998,654</u>	<u>9,527,916</u>
TOTAL ASSETS		<u><u>17,158,636</u></u>	<u><u>16,956,588</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	4,500,000	4,500,000
Foreign currency translation reserve		14,463	303,826
Accumulated losses		(528,724)	(361,584)
TOTAL EQUITY		<u>3,985,739</u>	<u>4,442,242</u>
NON-CURRENT LIABILITY			
Borrowings	13	<u>919,512</u>	<u>923,736</u>
CURRENT LIABILITIES			
Trade payables		6,061,908	6,421,789
Other payables, deposit received and accruals	14	2,157,715	620,027
Borrowings	13	4,010,953	4,439,827
Amount owing to a Director	11	-	85,154
Tax payables		22,809	23,813
		<u>12,253,385</u>	<u>11,590,610</u>
TOTAL LIABILITIES		<u>13,172,897</u>	<u>12,514,346</u>
TOTAL EQUITY AND LIABILITIES		<u><u>17,158,636</u></u>	<u><u>16,956,588</u></u>

The accompanying notes form an integral part of the financial statements

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 DECEMBER 2019 TO 31 MAY 2020**

	Group	
	Six months ended 31.5.2020 A\$	Six months ended 31.5.2019 A\$
Revenue	12,282,423	5,588,765
Cost of sales	<u>(10,828,460)</u>	<u>(4,904,385)</u>
Gross profit	1,453,963	684,380
Other operating income	228,832	85,478
Administration expenses	(1,370,771)	(867,381)
Sales and marketing costs	(298,005)	(236,108)
Other operating expenses	<u>(3,689)</u>	<u>(143)</u>
Profit/(Loss) from operations	10,330	(333,774)
Finance costs	<u>(177,470)</u>	<u>(217,904)</u>
Loss before tax	(167,140)	(551,678)
Income tax expenses	<u>-</u>	<u>(238)</u>
Loss for the period	<u><u>(167,140)</u></u>	<u><u>(551,916)</u></u>
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	<u>(289,363)</u>	<u>17,244</u>
Total comprehensive loss for the period	<u><u>(456,503)</u></u>	<u><u>(534,672)</u></u>
Loss per share:		
Basic - cents per share	<u><u>(0.08)</u></u>	<u><u>(0.28)</u></u>

The accompanying notes form an integral part of the financial statements

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 DECEMBER 2019 TO 31 MAY 2020**

	Share capital	Accumulated	Foreign	
	A\$	losses	currency	Total
		A\$	translation	A\$
			reverse	
			A\$	
As at 1 December 2019	4,500,000	(361,584)	303,826	4,442,242
Loss and total comprehensive loss for the period	-	(167,140)	(289,363)	(456,503)
As at 31 May 2020	<u>4,500,000</u>	<u>(528,724)</u>	<u>14,463</u>	<u>3,985,739</u>

	Share capital	Retained	Foreign	
	A\$	earning/ (Accumulated	currency	Total
		loss)	translation	A\$
		A\$	reverse	
			A\$	
As at 1 December 2018	4,500,000	336,563	(8,715)	4,827,848
Loss and total comprehensive loss for the period	-	(551,916)	17,244	(534,672)
As at 31 May 2019	<u>4,500,000</u>	<u>(215,353)</u>	<u>8,529</u>	<u>4,293,176</u>

The accompanying notes form an integral part of the financial statements

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 DECEMBER 2019 TO 31 MAY 2020**

	Group	
	Six months ended 31.5.2020 A\$	Six months ended 31.5.2019 A\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(167,140)	(551,678)
Adjustment for:		
Depreciation of property, plant and equipment	182,517	154,248
Operating profit/(loss) before working capital changes	15,377	(397,430)
Decrease/(Increase) in inventories	45,660	(533,847)
Decrease in trade receivables	426,264	1,247,622
(Increase)/Decrease in other receivables and prepayments	(75,880)	41,841
Decrease/(Increase) in other assets	52	(4,632)
Increase in amount owing from Directors	(979,937)	-
Increase in fixed deposits pledge with bank	(33,437)	(12,030)
Decrease in trade payables	(359,881)	(420,230)
Increase/(Decrease) in other payables, deposit received and accruals	1,537,688	(479,482)
(Decrease)/Increase in amount owing to a Director	(85,154)	73,701
Cash from/(used in) operations	490,752	(484,487)
Tax paid	(1,004)	(32,869)
Net cash from/(used in) operating activities	489,748	(517,356)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(224,042)	(107,174)
Net cash used in investing activity	(224,042)	(107,174)
CASH FLOWS FROM FINANCING ACTIVITY		
(Repayment of)/Proceed from borrowings	(433,098)	654,173
Net cash (used in)/from financing activity	(433,098)	654,173
Net (decrease)/increase in cash and cash equivalents	(167,392)	29,643
Cash and cash equivalents at beginning of the period	227,034	266,348
Effect of exchange rate changes on cash and cash equivalents	55,249	(141,196)
Cash and cash equivalents at end of the period	114,891	154,795

The accompanying notes form an integral part of the financial statements

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 DECEMBER 2019 TO 31 MAY 2020**

	Group	
	Six months ended 31.5.2020 A\$	Six months ended 31.5.2019 A\$
Cash and cash equivalents comprise:		
Fixed deposits with bank	242,417	287,334
Cash and bank balances	<u>81,454</u>	<u>76,431</u>
	323,871	363,765
Less: Fixed deposits pledge with bank	<u>(208,980)</u>	<u>(208,970)</u>
	<u><u>114,891</u></u>	<u><u>154,795</u></u>

The accompanying notes form an integral part of the financial statements

CTG FIBERSWAY INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 DECEMBER 2019 TO 31 MAY 2020

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”).

The Group principally engaged in manufacturing and sale of networking cables, optic fibre cables and ancillary products and services. There have been no significant changes in the nature of these activities during the period.

2 BASIS OF PREPARATION

2.1 BASIS OF PRESENTATION CURRENCY AND COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 May 2020 comprise the Company and its subsidiaries (together referred to as “the Group”) and are presented in Australian Dollars. They have been prepared in accordance with *IAS 34 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”), and were authorised for issue in accordance with the resolution of the Directors on the date of this statement.

These interim financial statements are intended to provide users with an update on the annual financial statements of CTG FIBERSWAY INTERNATIONAL LIMITED. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report to be read in conjunction with the last annual financial statements of the Group as at and for the period ended 30 November 2019.

2.2 GOING CONCERN BASIS

The Group incurred a net loss of A\$167,140 during the interim period ended 31 May 2020. Also the Company’s current liabilities exceeded its current assets by A\$2,254,731. Accordingly, the ability of the Group to meet its obligations is therefore dependent on the viable operations existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than the amounts at which they are currently recorded in the financial position. In addition, the Group may have to provide for further liabilities that might arise. The financial statements do not included such adjustment, as the Directors are optimistic that the Group will operate in a profitable manner in the foreseeable future, and accordingly they believe that it is appropriate for the financial statements of the Company to be prepared on the going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Adoption Of New And Amended Standards

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

IFRSs, IFRICs and amendments to IFRSs 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

3.2 Standards Issued But Are Not Yet Effective

The Group 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 period ended 31 May 2020.

IFRSs, IFRICs and amendments to IFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to Conceptual Framework in IFRS Standard
- Amendments to IFRS 3, Definition of a Business
- Amendments to IAS 1 and IAS 8, Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2022:

- Amendments to IFRS 3, Reference to the Conceptual Framework
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16, Property, Plant and Equipment
- Annual Improvements to IFRS Standards 2018 – 2020

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IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2023:

- IFRS 17, Insurance Contracts
- Amendments to IFRS 17, Insurance Contracts
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current

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 Group 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.

4 ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS DUE TO THE COVID-19 PANDEMIC

When preparing these interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these accounting estimates and management judgements are subject to increased uncertainty. Actual amounts may differ from the estimates and management judgements; changes can have a material impact on the Interim Consolidated Financial Statements.

5 PROPERTY, PLANT AND EQUIPMENT

	As at 1 December 2019 A\$	Additions A\$	Exchange differences A\$	As at 31 May 2020 A\$
Cost				
Leasehold land	720,073	-	(3,292)	716,781
Building	1,296,404	-	(5,928)	1,290,476
Computer and software	45,651	-	(209)	45,442
Electrical equipment	24,687	-	(113)	24,574
Furniture and fittings	89,863	1,767	(477)	91,153
Motor vehicles	188,252	-	(861)	187,391
Office equipment	72,204	-	(330)	71,874
Plant and machinery	1,487,358	222,275	(14,614)	1,695,019
Renovation	254,650	-	(1,164)	253,486
	4,179,142	224,042	(26,988)	4,376,196

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	As at 1 December 2019 A\$	Charges for the period A\$	Exchange differences A\$	As at 31 May 2020 A\$
<u>Accumulated Depreciation</u>				
Leasehold land	138,014	7,443	(907)	144,550
Building	308,130	30,149	(2,522)	335,757
Computer and software	44,505	1,186	(249)	45,442
Electrical equipment	15,086	6,495	(309)	21,272
Furniture and fittings	66,026	5,671	(511)	71,186
Motor vehicles	181,974	-	(832)	181,142
Office equipment	28,614	14,507	(665)	42,456
Plant and machinery	758,055	73,198	(6,169)	825,084
Renovation	179,736	43,868	(2,443)	221,161
	<u>1,720,140</u>	<u>182,517</u>	<u>(14,607)</u>	<u>1,888,050</u>

	31.5.2020 A\$	30.11.2019 A\$
<u>Carrying Amounts</u>		
Leasehold land	572,231	582,059
Building	954,719	988,274
Computer and software	-	1,146
Electrical equipment	3,302	9,601
Furniture and fittings	19,967	23,837
Motor vehicles	6,249	6,278
Office equipment	29,418	43,590
Plant and machinery	869,935	729,303
Renovation	32,325	74,914
	<u>2,488,146</u>	<u>2,459,002</u>

The costs of fully depreciated property, plant and equipment of the Group are as follows:

	Group	
	31.5.2020 A\$	30.11.2019 A\$
Computer and software	45,443	31,893
Furniture and fittings	54,731	54,982
Motor vehicles	187,391	188,252
Office equipment	10,854	10,904
Renovation	174,125	-
	<u>472,544</u>	<u>286,031</u>

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The carrying amounts of following property, plant and equipment were pledged as securities for bank borrowings granted to the Group as disclosure in Note 13:

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
Leasehold land	572,231	582,059
Building	954,719	988,274
Plant and machinery	25,712	29,374
	<u>1,552,662</u>	<u>1,599,707</u>

6 INTANGIBLE ASSETS

Group	Trademark	Total
	A\$	A\$
<u>Cost</u>		
At beginning of the period	1,775,043	1,775,043
Exchange difference	(8,117)	(8,117)
At end of the period	<u>1,766,926</u>	<u>1,766,926</u>
<u>Carrying amounts</u>		
As at 31 May 2020	<u>1,766,926</u>	<u>1,766,926</u>
As at 30 November 2019	<u>1,775,043</u>	<u>1,775,043</u>

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.

7 GOODWILL ON CONSOLIDATION

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
At beginning of the period/year	3,194,627	2,996,808
Exchange difference	(289,717)	197,819
At end of the period/year	<u>2,904,910</u>	<u>3,194,627</u>

8 INVENTORIES

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
Raw material	440,870	469,714
Finished goods	1,089,974	1,106,790
	<u>1,530,844</u>	<u>1,576,504</u>

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9 TRADE RECEIVABLES

Included in trade receivables of the Group are amount of A\$3,592,033 (30.11.2019: A\$3,466,563) owing from a company in which one of the Directors of the Company has interest.

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
Other receivables	1,836,479	1,756,768
Prepayments	<u>71,376</u>	<u>75,207</u>
	<u><u>1,907,855</u></u>	<u><u>1,831,975</u></u>

Included in other receivables of the Group are amount of A\$781,186 (30.11.2019: A\$784,774) owing from a company in which one of the Directors of the Company has interest.

11 AMOUNT OWING FROM/(TO) A DIRECTOR(S)

These amounts are unsecured, interest free and repayable on demand.

12 CAPITAL AND RESERVES

12.1 SHARE CAPITAL

	Group	
	31.5.2020	30.11.2019
Number of shares (units)	<u>200,000,000</u>	<u>200,000,000</u>
Issued and Paid-up (A\$)		
At beginning/end of the period	<u>4,500,000</u>	<u>4,500,000</u>

12.2 FOREIGN CURRENCY TRANSLATION RESERVE

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

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13 BORROWINGS

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
Non-current liability		
Secured:		
- Revolving credit	919,512	923,736
Current liabilities		
Secured:		
- Bankers' acceptance	419,780	419,880
- Short-term loans	3,591,173	4,019,947
	4,010,953	4,439,827
	4,930,465	5,363,563

Interest charged in the current year range from 5.50% to 10.44% (30.11.2019: 5.50% to 10.44%) per annum.

As at 31 May 2020, 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;
- iii) guarantee by one of the 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.

14 OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUALS

	Group	
	31.5.2020	30.11.2019
	A\$	A\$
Other payables	1,896,728	337,294
Deposit received	207,140	208,092
Accruals	53,847	74,641
	2,157,715	620,027

15 RELATED PARTY DISCLOSURE**15.1 COMPENSATION OF KEY THE BOARD OF DIRECTORS PERSONNEL**

	1.12.2019	1.12.2018
	to	to
	31.5.2020	31.5.2019
	A\$	A\$
Short term benefits	<u>71,499</u>	<u>78,382</u>

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

15.2 OTHER RELATED PARTY TRANSACTIONS

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

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

	1.12.2019	1.12.2018
	to	to
	31.5.2020	31.5.2019
	A\$	A\$
Sales of goods to a company controlled by a Director of the company	878,956	1,033,146
Purchase of goods from a company controlled by a Director of the company	1,462,149	1,306,188
Advance (to)/from Directors	(1,065,091)	73,701
Advances to a company controlled by a Director of the company	<u>(121,882)</u>	<u>(2,046,607)</u>

16 SEGMENT INFORMATION**(a) Business segment**

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

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(b) Geographical information

Sale to external customers disclosed in the geographical information is based on the geographical locations of the customers.

Revenue information based on the geographical location of customers:

	1.12.2019 to 31.5.2020 A\$	1.12.2018 to 31.5.2019 A\$
China	1,614,623	1,627,927
Overseas	<u>10,667,800</u>	<u>3,960,838</u>
	<u>12,282,423</u>	<u>5,588,765</u>

17 SEASONAL/CYCLICAL FACTORS

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

18 DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayments of debt and equity securities during the six months ended 31 May 2020.

19 DIVIDEND PAID

No dividend paid during the reporting period.