

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
31 MAY 2019**

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 2019**

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CTG FIBERSWAY INTERNATIONAL LIMITED

STATEMENT BY DIRECTORS

I, SHENG, ZEJUN, the Director of CTG FIBERSWAY INTERNATIONAL LIMITED, state that, in my opinion, the financial statements set out on pages 3 to 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 2019 and of financial performance and cash flows of the Group for the financial period ended on that date.

Signed on behalf of the Board of the Directors,



SHENG, ZEJUN
Director

People's Republic of China
8 August 2019

**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 2019, 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 2019 are not prepared, in all material aspects, in accordance with IAS 34 Interim Financial Reporting.



HML & CO.
AF: 1325
Chartered Accountants
Kuala Lumpur, Malaysia
8 August 2019

CTG FIBERSWAY INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019**

		Group	
	Note	31.5.2019	30.11.2018
		AS	AS
ASSETS			
NON-CURRENT ASSET			
Property, plant and equipment	6	2,535,995	2,434,520
Intangible assets	7	1,766,841	1,665,128
Goodwill	8	2,904,986	2,996,808
		<u>7,207,822</u>	<u>7,096,456</u>
CURRENT ASSETS			
Inventories	9	2,079,137	1,545,290
Trade receivables		4,584,300	5,831,922
Other receivables and prepayments	10	1,012,699	822,344
Other assets		11,403	6,771
VAT recoverable		208,958	441,154
Fixed deposits with bank		287,334	230,420
Cash and bank balances		76,431	232,868
		<u>8,260,262</u>	<u>9,110,769</u>
TOTAL ASSETS		<u>15,468,084</u>	<u>16,207,225</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	4,500,000	4,500,000
Foreign currency translation reserve		8,529	(8,715)
(Accumulated loss)/Retained earning		(215,353)	336,563
TOTAL EQUITY		<u>4,293,176</u>	<u>4,827,848</u>
NON-CURRENT LIABILITY			
Borrowings	12	<u>1,023,953</u>	<u>965,006</u>
CURRENT LIABILITIES			
Trade payables		4,456,654	4,876,884
Other payables and accruals	13	276,918	756,400
Amount owing to a Director	14	1,224,266	1,150,565
Borrowings	12	4,140,146	3,544,920
Tax payables		52,971	85,602
		<u>10,150,955</u>	<u>10,414,371</u>
TOTAL LIABILITIES		<u>11,174,908</u>	<u>11,379,377</u>
TOTAL EQUITY AND LIABILITIES		<u>15,468,084</u>	<u>16,207,225</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 2018 TO 31 MAY 2019**

	Group	
	Six months ended 31.5.2019 A\$	Six months ended 31.5.2018 A\$
Revenue	5,588,765	9,271,549
Cost of sales	<u>(4,904,385)</u>	<u>(7,901,456)</u>
Gross profit	684,380	1,370,093
Other operating income	85,478	57,272
Administration expenses	(867,381)	(816,612)
Sales and marketing costs	(236,108)	(250,274)
Other operating expenses	<u>(143)</u>	<u>(2,772)</u>
(Loss)/Profit from operations	(333,774)	357,707
Finance costs	<u>(217,904)</u>	<u>(308,492)</u>
(Loss)/Profit before tax	(551,678)	49,215
Income tax expenses	<u>(238)</u>	<u>(9,811)</u>
(Loss)/Profit for the period	<u>(551,916)</u>	<u>39,404</u>
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	<u>17,244</u>	<u>-</u>
Total comprehensive (loss)/income for the period	<u>(534,672)</u>	<u>39,404</u>
(Loss)/Profit per share:		
Basic - cents per share	<u>(0.28)</u>	<u>0.02</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 2018 TO 31 MAY 2019**

	Share capital A\$	Retained earning/ (Accumulated loss) A\$	Foreign currency translation reverse A\$	Total 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>

	Share capital A\$	Retained earning A\$	Foreign currency translation reverse A\$	Total A\$
As at 1 December 2017	4,500,000	-	-	4,500,000
Profit and total comprehensive income for the period	-	39,404	-	39,404
As at 31 May 2018	<u>4,500,000</u>	<u>39,404</u>	<u>-</u>	<u>4,539,404</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 2018 TO 31 MAY 2019**

	Group	
	Six months ended 31.5.2019 A\$	Six months ended 31.5.2018 A\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(551,678)	49,215
Adjustment for:		
Depreciation of property, plant and equipment	154,248	144,086
Loss on disposal of property, plant and equipment	-	2,713
Operating (loss)/profit before working capital changes	(397,430)	196,014
(Increase)/Decrease in inventories	(533,847)	53,905
Decrease in trade receivables	1,247,622	9,067,498
(Increase)/Decrease in other receivables and prepayments	(190,355)	1,116,944
(Increase)/Decrease in other assets	(4,632)	1,028
Decrease/(Increase) in VAT recoverable	232,196	(39,449)
Increase in fixed deposits pledge with bank	(12,030)	-
Decrease in trade payables	(420,230)	(6,165,303)
Decrease in other payables and accruals	(479,482)	(1,338,651)
Increase in amount owing to a Director	73,701	-
Cash (used in)/from operations	(484,487)	2,891,986
Tax paid	(32,869)	(63,563)
Net cash (used in)/from operating activities	(517,356)	2,828,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(107,174)	(256,136)
Proceeds from disposal of property, plant and equipment	-	206
Cash used in acquisition of subsidiaries	-	(3,850,957)
Net cash used in investing activities	(107,174)	(4,106,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	4,500,000
Proceeds from/(Repayment of) borrowings	654,173	(2,427,024)
Net cash from financing activities	654,173	2,072,976
Net increase in cash and cash equivalents	29,643	794,512
Cash and cash equivalents at beginning of the period/incorporation date	266,348	-
Effect of exchange rate changes on cash and cash equivalents	(141,196)	-
Cash and cash equivalents at end of the period	154,795	794,512

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 2018 TO 31 MAY 2019**

	Group	
	Six months ended 31.5.2019 A\$	Six months ended 31.5.2018 A\$
Cash and cash equivalents comprise:		
Fixed deposits with bank	287,334	-
Cash and bank balances	<u>76,431</u>	<u>794,512</u>
	363,765	794,512
Less: Fixed deposits pledge with bank	<u>(208,970)</u>	<u>-</u>
	<u><u>154,795</u></u>	<u><u>794,512</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 2018 TO 31 MAY 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”).

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

These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 May 2019 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 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

3.1 Adoption Of New And Amended Standards

During the period, the Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s financial statements.

(A) IFRS 15, Revenue From Contracts With Customers

IFRS 15 replaces the guidance in IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and SIC-31, Revenue – Barter Transactions Involving Advertising Services.

The core principle in IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied

(B) IFRS 9 Financial Instruments

- IFRS 9 replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment methodology and on hedge accounting.
- IFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in IAS 39. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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 2019.

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

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

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

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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 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 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The Group has reviewed its exposure to climate-related and other emerging business risk but has not identified any risk that could impact the financial performance or position of the Group as at 31 May 2019. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities.

The financial position and performance of the Group was particular affected by the following events and transactions during the six month to 31 May 2019:

- (a) a significant decrease in revenue from sale of networking cables, optic fibre cables and ancillary products and services, from A\$9,271,549 to A\$5,588,765.
- (b) a significant increase in closing inventories, from A\$1,545,290 to A\$2,079,137 (see note 9).

The above situation are caused by global market conditions which have affected market confidence and consumer spending patterns.

5 ESTIMATES

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.

The judgements, estimates and assumptions applied in these interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the period ended 30 November 2018. The only exceptions are the estimate of income tax liabilities which is determined in these interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

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6 PROPERTY, PLANT AND EQUIPMENT

	As at 1 December 2018 A\$	Additions A\$	Exchange differences A\$	As at 31 May 2019 A\$
<u>Cost</u>				
Leasehold land	675,485	-	41,261	716,746
Building	1,216,128	-	74,287	1,290,415
Computer and software	42,824	55,377	2,616	100,817
Electrical equipment	21,616	1,638	1,319	24,573
Furniture and fittings	84,298	-	5,149	89,447
Motor vehicles	176,595	-	10,787	187,382
Office equipment	15,544	-	950	16,494
Plant and machinery	1,300,653	23,563	79,450	1,403,666
Renovation	213,817	26,596	13,061	253,474
	<u>3,746,960</u>	<u>107,174</u>	<u>228,880</u>	<u>4,083,014</u>

	As at 1 December 2018 A\$	Charges for the period A\$	Exchange differences A\$	As at 31 May 2019 A\$
<u>Accumulated Depreciation</u>				
Leasehold land	115,958	7,167	7,084	130,209
Building	234,324	29,034	14,314	277,672
Computer and software	37,354	5,424	2,281	45,059
Electrical equipment	7,183	3,643	439	11,265
Furniture and fittings	55,672	3,298	3,401	62,371
Motor vehicles	170,706	-	10,427	181,133
Office equipment	10,657	127	652	11,436
Plant and machinery	588,822	65,416	35,969	690,207
Renovation	91,764	40,139	5,764	137,667
	<u>1,312,440</u>	<u>154,248</u>	<u>80,331</u>	<u>1,547,019</u>

	31.5.2019 A\$	30.11.2018 A\$
<u>Carrying Amounts</u>		
Leasehold land	586,537	559,527
Building	1,012,743	981,804
Computer and software	55,758	5,470
Electrical equipment	13,308	14,433
Furniture and fittings	27,076	28,626
Motor vehicles	6,249	5,889
Office equipment	5,058	4,887
Plant and machinery	713,459	711,831
Renovation	115,807	122,053
	<u>2,535,995</u>	<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:

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Computer and software	30,694	28,927
Furniture and fittings	49,021	46,199
Motor vehicles	187,382	176,595
Office equipment	10,854	10,229
	<u>277,951</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 12:

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Leasehold land	556,272	559,527
Building	957,094	981,804
Plant and machinery	36,294	34,205
	<u>1,549,660</u>	<u>1,575,536</u>

7 INTANGIBLE ASSETS

Group	Trademark	Total
	A\$	A\$
<u>Cost</u>		
At beginning of the period	1,665,128	1,665,128
Exchange difference	101,713	101,713
At end of the period	<u>1,766,841</u>	<u>1,766,841</u>
<u>Carrying amounts</u>		
As at 31 May 2019	<u>1,766,841</u>	<u>1,766,841</u>
As at 30 November 2018	<u>1,665,128</u>	<u>1,665,128</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.

8 GOODWILL ON CONSOLIDATION

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
At beginning of the period	2,996,808	2,930,152
Exchange difference	(91,822)	66,656
At end of the period	<u>2,904,986</u>	<u>2,996,808</u>

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9 INVENTORIES

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Raw material	984,557	857,407
Finished goods	1,094,580	687,883
	<u>2,079,137</u>	<u>1,545,290</u>

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Other receivables	945,906	761,515
Prepayments	66,793	60,829
	<u>1,012,699</u>	<u>822,344</u>

Included in other receivables of the Group are amount of A\$640,365 (30.11.2018: A\$500,862) owing from a company in which one of the Directors of the Company has interest.

11 CAPITAL AND RESERVES

11.1 SHARE CAPITAL

	Group	
	31.5.2019	30.11.2018
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>

11.2 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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12 BORROWINGS

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Non-current liability		
Secured:		
- Revolving credit	<u>1,023,953</u>	<u>965,006</u>
Current liabilities		
Secured:		
- Bankers' acceptance	417,940	393,880
- Short-term loans	<u>3,722,206</u>	<u>3,151,040</u>
	<u>4,140,146</u>	<u>3,544,920</u>
	<u>5,164,099</u>	<u>4,509,926</u>

Interest charged in the current year range from 5.50% to 10.44% (30.11.2018: 5.50% to 8.50%) per annum.

As at 31 May 2019, the borrowings are secured by:

- i) the Group's leasehold land, building and certain plant and machinery as disclosed in Note 6;
- 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.

13 OTHER PAYABLES AND ACCRUALS

	Group	
	31.5.2019	30.11.2018
	A\$	A\$
Other payables	112,409	650,532
Accruals	<u>164,509</u>	<u>105,868</u>
	<u>276,918</u>	<u>756,400</u>

Included in other payables of the group are amount of A\$Nil (30.11.2018: A\$595,156) owing to a company in which one of the directors of the company has interest.

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14 AMOUNT OWING TO A DIRECTOR

This amount is unsecured, interest free and repayable on demand.

15 RELATED PARTY DISCLOSURE

15.1 COMPENSATION OF KEY THE BOARD OF DIRECTORS PERSONNEL

	1.12.2018 to 31.5.2019 A\$	1.12.2017 to 31.5.2018 A\$
Short term benefits	<u>78,382</u>	<u>21,843</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:

	1.12.2018 to 31.5.2019 A\$	1.12.2017 to 30.11.2018 A\$
Sales of goods to a company controlled by a Director of the Company	1,033,146	2,499,690
Purchase of goods from a company controlled by a Director of the Company	1,306,188	5,615,966
Advances (from)/to a Director	(73,701)	520,512
Advances from a company controlled by a Director of the Company	<u>2,046,607</u>	<u>3,898,782</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:

	1.12.2018 to 31.5.2019 A\$	1.12.2017 to 31.5.2018 A\$
China	1,627,927	2,273,378
Overseas	<u>3,960,838</u>	<u>6,998,171</u>
	<u>5,588,765</u>	<u>9,271,549</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 2019.

19 DIVIDEND PAID

No dividend paid during the reporting period.