



Securities Investors Association (Singapore)

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Issuer: Chinese Global Investors Group Ltd.

Security: Chinese Global Investors Group Ltd.

Meeting details:

Date: 30 October 2018

Time: 2.00 p.m.

Venue: 168 Robinson Road, FTSE Room, Level 9, Capital Tower, Singapore 068912

Company Description

Chinese Global Investors Group Ltd., an investment holding company, manufactures, installs, and sells waterproofing and concrete protection materials. It operates through two segments, Waterproofing, and Financial Services and Investment Business. The company provides waterproofing services, including preservation, restoration, and maintenance of buildings and concrete structures. Its building protection solutions comprise roof, basement, and wall waterproofing systems; decorative and weather-resistance coatings; chemical-resistant wall and floor finishes; structural and waterproofing grouting systems; concrete repair and protection systems; concrete joint treatments; and roof gardens systems. The company also offers a range of financial services, including loan and mortgage financing, treasury investments, corporate finance advisory, securities and commodities trading, dealing in securities/debts, investments in trading equity securities, and asset management and research services. In addition, it invests in listed and unlisted securities, pre-initial public offerings, derivatives, and structured equity and debt products. Further, the company supplies and distributes specialized building materials; and operates as a contractor for various construction works. It has operations in Singapore, Malaysia, the People's Republic of China, Hong Kong, India, and internationally. The company was formerly known as Auswin Holdings Limited and changed its name to Chinese Global Investors Group Ltd. in February 2011. Chinese Global Investors Group Ltd. was founded in 1932 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5CJ)

1. On 8 October 2018, the company announced a voluntary suspension of trading of the company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST").

This followed the company's announcement on 5 October in relation to the Disclaimer of Opinion by the company's independent auditors on the consolidated financial statements of the group in their Independent Auditors' Report.

The trading suspension (converted from a trading halt) was considered to be in the best interests of the company so as to allow it more time to provide shareholders with more definitive information about the group's plans to restructure its business (which may include the introduction of new business(es)) and liabilities, and its overall viability going forward.

- (i) Would the board help shareholders understand what are the conditions/requirements before the company can apply to SGX-ST for the resumption of the trading of the shares?**
- (ii) Does the company have a robust and systematic approach to the deal sourcing? Did the board have a geographical focus and/or an industrial focus to limit the scope of the group's search?**
- (iii) Would the board be using investment bankers, professional brokers and/or business consultants in the deal sourcing?**

2. In FY2018, the group's only active operation is the waterproofing and building protection business under the Hitchins trademark. The financial services and investment (the Hong Kong fund "management" business) was dormant as there was no capital for investment.

On the boards, there are two executive directors, and the group has a Group chief financial officer.

- (i) With no core active business outside of Hitchins, can the board help shareholders understand the roles and responsibilities of Mr. U Keng Tin (as acting chairman and executive director) and Mr. So Yuen Chun (as executive director)?**
- (ii) Similarly, what are the roles and responsibilities of Ms. Kemmy Koh, who is designated as the Group chief financial officer? Does the current scale of the group's operation necessitate a "Group CFO"?**
- (iii) Did the board evaluate and streamline all non-core operations to reduce expenses, outside of Hitchins?**
- (iv) What were the expenses incurred by the subsidiaries in the financial services and the investment business and by the corporate office?**

- (v) What is the cash burn rate of the group? Would it be prudent for the group to cut down all non-core expenses until the group’s restructuring plans have been finalised?**

3. As set out in the corporate governance report, the primary role of the board of director is to lead and control the company’s operations and affairs and to protect and enhance long-term shareholder value.

- (i) In that aspect, can the board explain how it had protected and enhanced long-term value and return to its shareholders in the past 3 years?**
- (ii) Specifically, would the board, especially the independent directors, review the investment thesis, execution and the performance of the “fund management business”?**
- (iii) Similarly, would the board, especially the independent directors, evaluate the acquisition and the disposal of Success Finance Limited by CGI (HK) Limited that took place over 18 months from October 2015 to March 2017? What was the return on investment (ROI)? Were all the key risks identified prior to the acquisition?**
- (iv) What were the roles of the independent directors in the due diligence of the acquisition of Success Finance Limited?**
- (v) Would the board, especially the independent directors, be carrying out a strategic review of the group, its senior management team (including key executives and directors) and the financial position before it embarks on any new business acquisition? This would ensure that the group has the right team to oversee the diversification into the new business to achieve long term shareholder value creation.**
- (vi) Going forward, in the role of protecting and enhancing long-term shareholder value, what is the level of involvement by the independent directors in the search of a new business?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Chinese%20Global%20Investors%20Group%20Ltd>

The company’s response could be found here: -----